DEALINGS ON THE EXCHANGE

Business Days

1. **(a)** The Stock Exchange shall be open on all days except on public holidays under the Negotiable Instruments Act, 1881 and such Exchange holidays not exceeding twelve in any calendar year as the Governing Board may declare in advance from time to time.

Exception

(b) Notwithstanding anything contained in sub-clause (a) the market shall be open for business during the Diwali holidays on such "Moorat Day" as the Governing Board may fix.

Alteration or Cancellation of Exchange Holidays

2. The Governing Board or the President or the Executive Director may from time to time:

(i) alter or cancel any of the Exchange holidays fixed in accordance with these provisions;

(ii) keep the Stock Exchange and/or the market open for business on any day notwithstanding that such day is a public holiday under the Negotiable Instruments Act, 1881 or an Exchange holiday declared by the Governing Board in advance.

Closure of Market

3. The Governing Board may by a special resolution and for reasons to be recorded close the market on days other than or in addition to holidays:

Provided that the market shall not be so closed at any time continuously for a period exceeding three days except with the approval of the Central Government:

Provided further that when information regarding closure of the market is so conveyed as to reach the Central Government in the normal course within twenty-four hours the Governing Board may close the market as aforesaid continuously for any period exceeding three days without the approval of the Central Government till such time as the decision of the Central Government is communicated to the Exchange.

Closure of Market by President

4. The President may at any time close the market for twenty-four hours.

Trading Sessions on the Floor of the Exchange

5. Meetings of members for trading purposes to be called trading sessions shall be held on the floor of the Exchange on the days and during the hours prescribed in the relative Regulation[1] or on such other days or during such other hours as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.

Altering Time of Trading Session

6. The Governing Board or the President may reduce, extend or otherwise alter the time of any trading session or sessions on the floor of the Exchange on any particular day.

Over-the-counter Business

7. Members may enter into bargains off-the-floor (over-the-counter) before or after the hours of the trading sessions fixed in accordance with these provisions.

Trading Sessions Outside Prescribed Hours and Street Trading Forbidden

8. Meetings of members for trading purposes shall not be held either on or off the floor of the Exchange before or after the hours of the trading sessions fixed in accordance with these provisions and no calling out of prices, bids or offers or trading in the street or at the entrances to or in the vicinity of the Stock Exchange shall be allowed.

Who May be Admitted

9. A member shall be entitled to admission to the floor of the Exchange. The partner of a member or an authorised clerk or remisier appointed by a member may also be allowed admission with the permission of the Governing Board. Unless the Governing Board otherwise allows no other person shall be admitted to the floor of the Exchange.

Who May Not be Admitted

10. A member who has been suspended or expelled or declared a defaulter and his partners, authorised clerks and remisiers shall not be allowed admission to the floor of the Exchange.

[1] Regulation 1

Visitors

11. A visitor may be allowed to visit the floor of the Exchange with the permission of the President or an officer of the Exchange.

Admission to the Floor of the Exchange

12. No person shall be admitted to the floor of the Exchange unless he complies with the requirements prescribed in the relative Regulation [1] or such other requirements as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.

Admission During Good Behaviour

13. A person shall be admitted to the floor of the Exchange only during good behaviour and shall be bound to observe the Rules, Bye-laws and Regulations of the Exchange. The Governing Board may in its absolute discretion refuse admission to the floor to any person and may at any time suspend or terminate the right of admission of any such person without assigning any reason whatever.

Management on the Floor of the Exchange

14. The management on the floor of the Exchange and the regulation of the entrances thereto shall be in the charge of the employees of the Exchange acting under the authority of the Secretary.

Unit of Trading

15. **(a)** The unit of trading in each security Shall be for such number or for such amount as the Governing Board may from time to time specify and unless so specified the unit of trading shall be in the lots prescribed in the relative Regulation [2] or in such other lots as the Governing Board may from time to time prescribe in modification or substitution thereof.

Odd Lots

(b) All bargains shall be in multiples of the trading unit unless an odd lot is stipulated when the bargain is made.

Variations in Bids and Offers

16. Bids and offers shall be made at or in multiples of the minimum variation prescribed in the relative Regulation or such other variations as the

[1] Regulation 1
[2] Regulation 1

Governing Board may form time to time prescribe in modification or substitution thereof.

Quotations

17. The prices of securities dealt in on the Exchange shall be collected and recorded daily under the authority of the Secretary. No quotation shall be allowed for any bargains unless made in the regular course and unless business in a marketable amount of the security has been done by actual purchase and sale at that rate. Quotations of special or odd lots shall be marked as such.

Marking When Expunged

18. A price having been marked shall not be expunged except by order of the Governing Board or the President who may after calling for the names of the members who made the bargain and making the necessary inquiries withdraw a quotation which is considered to be inconsistent with the market value of the security or not the result of a bonafide bargain.

Daily Official List

19. A daily official list of prices shall be issued by the Exchange.

DEALING IN SECURITIES

Permitted Dealings

20. Dealings in securities shall be permitted on the Exchange as provided in these Bye-laws and Regulations. Save as so provided no other dealings are allowed.

Governing Board may Prohibit Dealings

[1] **21.** The Governing Board or the Executive Director on behalf of the Governing Board may prohibit dealings in any security or securities in the interest of the securities market or if so directed by SEBI.

Provided, However such prohibition of dealings shall not continue if the stock exchange is so directed by the Securities and Exchange Board of India (SEBI).

Government Securities

22. **(a)** Dealings are permitted in Government Securities which term for purposes of these Bye-laws and Regulations denotes securities issued by the Government of India, State Governments, Port Trusts, Municipalities and similar other bodies.

Government Securities Deemed to be Admitted to Dealings from Date of Issue

(b) Government Securities shall be deemed to be admitted to dealings on the Exchange from the date of which they are issued.

Securities (other than Government Securities) Admitted to Dealings on the Exchange

23. Dealings are permitted in securities (other than Government Securities) which are from time to time admitted to dealings on the Exchange by the Governing Board in accordance with the provisions in that behalf prescribed in the Bye-laws and Regulations.

Dealings in Provisional Documents

24. The Governing Board may in its discretion and prior to granting admission to dealings on the Exchange permit dealings in Provisional Documents which term for purposes of these Bye-laws and Regulations denotes Coupons, Fractional Certificates, Letters of Renunciation or transferable Letters of Allotment, Acceptance or Application or options or other rights

[1] Substituted by Governing Board Resolution dated 08.01.96 and approved by SEBI on 06.02.96

or interests in securities issued or to be issued by a Company or other similar documents in respect of a Company whose securities are admitted to dealings or in whose securities dealings are permitted on the Exchange.

25. The Governing Board may at its discretion and subject to such conditions as itmay deem proper permit dealings in any security or securities admitted to dealings on other Stock Exchanges or regularly dealt in on such Stock Exchanges.

Specific Bargains

26. The Governing Board or the President may permit specific bargains to be made in the case of securities of public Companies or corporate bodies not admitted to dealings on the Exchange.

Applications In Respect Of New Issues Or Offers For Sale

27. Except when otherwise allowed by the Governing Board in any particular case and subject to compliance with such conditions as it may impose tenders or applications for subscription or purchase in respect of any floatation or new issue or offer for sale of any security shall not be submitted by or through members unless the issuer or offerer or the underwriter (or underwriters) or broker or brokers engaged by such issuer or offerer offers to all a fair and equal opportunity for subscription or purchase and the same terms as to brokerage to all the members of the Exchange and unless it is provided that all tenders and applications for subscription or purchase shall rank alike for allotment or sale irrespective of whether they be subject to brokerage or commission or not.

Underwriting, Placing and Preliminary Arrangements

28. **(a)** Except when otherwise allowed by the Governing Board in any particular case and to compliance with such conditions as it may impose a member shall not enter into an underwriting contract nor shall he contract either as principal or agent to subscribe or purchase or to procure whether through the market or otherwise subscribers or purchasers nor shall he act or agree to act as broker or underwriter in connection with any floatation or issue of any security of a nominal value exceeding Rs. 5 lakhs unless the issuer conforms or agrees to confirm to the listing requirements prescribed in these Bye-laws and Regulations and undertakes to apply for admission of such security to dealings on the Exchange.

Placing Distinguished from Dealings

(b) Arrangements entered into either as principal or agent to subscribe or purchase or to procure whether through the market or otherwise subscribers or purchasers for a security as provided in sub-clause (a)

shall be deemed to be "placing" as distinguished from "dealings" which term for the purpose of this provision denotes transactions after the grant of admission to dealings on the Exchange.

Dealings Subject To Admission Not Permitted.

(c) Dealings or arrangements for dealings "subject to admission to dealings" are not permitted.

Placing not to be Negotiated

(d) Except for specific bargains made with the permission of the Governing Board or the President as provided in these Bye-laws and Regulations securities which are placed may not be re-placed or negotiated in any way before the grant of admission to dealings on the Exchange.

Arbitrage

29. Subject to any prohibition the Governing Board may impose in respect of any security or securities arbitrage is allowed in a security in which dealings are permitted. For the purpose of this provision arbitrage denotes the business of buying or selling securities in one market with the intention of reversing such transactions in another market in order to profit from price differences between such markets and which business is not casual but contains the element of continuity.

Dealings in Prospective Dividends Void

30. Dealings in prospective dividends are not permitted and all contracts for the purchase and sale of prospective dividends shall be deemed void.

Options in Securities

31. [1] {A member may enter into options in securities and dealings therein provided all such options and dealings are in accordance with the Rules, Bye-Laws and Regulations of the Exchange as well as of the Derivative Segment of the Exchange and the provisions of the Securities Contracts (Regulation) Act, 1956.}

Application for Admission to Dealings

32. Applications for admission of securities to dealings on the Exchange shall be made to the Exchange in the form prescribed in the relative Regulation

[1] Amended by Governing Board Resolution dated 04.12.2000 and 08.03.01and approved by SEBI on 21.03.01

[1] or in such other form or forms as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.

Notice of Application for Admission to Dealings

33. A notice of any application for admission to dealings on the Exchange shall be posted on the notice board of the Exchange for the information of members at least one week previous to its consideration by the Governing Board.

Grant or Refusal of Admission to Dealings

34. The Governing Board shall consider and may in its discretion approve subject to such terms as it deems proper or defer or reject any application for admission of the securities of a Company to dealings on the Exchange.

Listing Conditions and Requirements

35. The Governing Board may not grant admission to dealings on the Exchange to the securities of a Company unless it complies with the listing conditions and requirements prescribed in the relative Regulation [2] or such other conditions and requirements as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof in addition to the listing requirements prescribed in the Securities Contracts (Regulation) Rules 1957 which are incorporated in the aforesaid Regulation:

Provided that in any particular case the Governing Board may by a special resolution waive or dispense with the strict enforcement of the listing requirements prescribed in the Securities Contracts (Regulation) Rules 1957 to the extent the said Rules so provide and may also by a special resolution waive or dispense with the strict enforcement of any or all of the other listing conditions and requirements prescribed in the aforesaid Regulation.

Companies Registered Outside India

36. **(a)** Admission to dealings on the Exchange shall not be granted to the securities issued by a body corporate registered outside India unless-

(i) there is adequate public interest in such securities in India;

(ii) the body corporate maintains a place of business in India; and

[1] Regulation 2
[2] Regulation 2

(iii) the body corporate agrees to maintain a register of members in India.

Applicability of Listing Conditions and Requirements

(b) In the case of a body corporate registered outside India the Governing Board may by a special resolution waive or dispense with the strict enforcement of any or all of the listing conditions and requirements prescribed in these Bye-laws and Regulations except those prescribed in sub-clause (a) provided that the securities of such body corporate are admitted to dealings on any Stock Exchange outside India or the Governing Board is satisfied otherwise.

Vendor's Securities

37. Admission to dealings on the Exchange shall not be granted to the securities issued by a Company to vendors and credited as fully or partly paid until six months after the date of issue. For the purpose of this provision securities issued as fully or partly paid to any person or persons or firm or corporation in consideration of the sale or transfer of property or business or in consideration of service rendered in the formation or promotion of the Company shall be deeded vendor's securities.

Fees

38. Companies whose securities are granted admission to dealings on the Exchange shall pay such fees as the Governing Board may from time to time determine.

[1] {Provided that if a company fails to pay any such fees, any security holder of the company, any group of security holders of the company, any investors' association or any other person who, in the Exchange's opinion, has an interest in ensuring that the company's securities should continue to be listed on the Exchange may pay such fees to the Exchange, and the Exchange may, in the Exchange's discretion, accept such fees from such security holder, group of security holders, investors' association or other person. In such case, if the company subsequently pays these fees to the Exchange, the Exchange may repay the fees to the person, group or association who has previously paid the fees to the Exchange. However, the Exchange shall not be obliged to pay any interest. The person, group or association who has paid the fees to the Exchange may initiate legal proceedings against the company to recover the fees paid by him/her/it and the Exchange shall render to such person, group or association all

[1] Inserted by Governing Board Resolution dated 21.07.97 and approved by SEBI on 23.02.99

such assistance as the Exchange may consider reasonable and practical to assist him/her/it to recover the fees from the company. }

Suspension of Admission to Dealings on the Exchange

39. Subject to the provisions of the Securities Contracts (Regulation) Act 1956 and the Securities Contracts (Regulation) Rules 1957 the Governing Board may suspend at any time the admission to dealings on the Exchange granted to any security for such period or periods as it may determine. At the expiration of the period of suspension the Governing Board may reinstate such security subject to such conditions as it deems fit.

Withdrawal of Admission to Dealings on Redemption or Conversion

40. The Governing Board may if necessary withdraw admission to dealings granted to securities which are about to be exchanged or converted into other securities as a result of any scheme or reorganisation or reconstruction or which being redeemable or convertible securities are about to fall due for redemption or conversion.

Withdrawal of Admission to Dealings on Liquidation or Merger

41. If any Company be placed in final or provisional liquidation or is about to be merged into or amalgamated with another Company the Governing Board may withdraw the admission to dealings on the Exchange granted to its securities. The Governing Board may accept such evidence as it deems sufficient to such liquidation, merger or amalgamation. Should the merger or amalgamation fail to take place or should any Company placed in provisional liquidation be reinstated and an application be made for readmission of its securities to dealings on the Exchange the Governing Board shall have the right of approving, refusing or deferring such application.

Withdrawal of Admission to Dealings on the Exchange

42. Subject to the provisions of the Securities Contracts (Regulation) Act 1956 and the Securities Contracts (Regulation) Rules 1957 the Governing Board may by a special resolution and where deemed necessary after giving an opportunity to the Company to explain withdraw the admission to dealings on the Exchange granted to its securities either for breach of or no-compliance with any of the listing conditions orrequirements or for any other reason whatsoever to be recorded in the minutes.

Readmission to Dealings on the Exchange

43. The Governing Board in its discretion may by a special resolution readmit to dealings on the Exchange the securities of a Company whose admission to dealings has been previously withdrawn.

BARGAINS

Bargains, Transactions, Dealings and Contracts

44. For purposes of these Bye-laws and Regulations the term "Bargain", "transactions", "dealings" and "contract" shall have one and the same meaning unless the context indicates otherwise.

Cleared and Non-Cleared Securities

45. For purposes of bargains the securities in which dealings are permitted on the Exchange shall be distinguished as under:

(i) Cleared Securities, i.e., securities admitted to dealing on the Exchange and placed by the Governing Board on the Cleared Securities List; and

(ii) Non-Cleared Securities, i.e., securities other than Cleared Securities.

Conditions of Admission to the Cleared Securities List

[1]**46.** The Governing Board shall from time to time specify the securities admitted to dealings on the Exchange which shall be included in the Cleared Securities List but no securities shall be so included unless the following conditions are satisfied, namely-

(i) The securities are fully paid-up equity shares of a Company other than a banking Company.

(ii) The securities have been admitted to dealings for at least three years on any Stock Exchange recognised under the Securities Contracts (Regulation) Act, 1956, or in the case of a merger Company the securities of the principal merging Companies had been so admitted to dealings for at least three years previous to the date of merger.

(iii) The securities are not included in the Cleared Securities List of any other Stock Exchange recognised under the Securities Contracts (Regulation) Act, 1956.

(iv) The Company is of sufficient magnitude and public importance and the subscribed capital represented by the securities is atleast Rs. 25 lakhs and their aggregate value at the ruling market price is atleast one crore of Rupees.

[1] Substituted by Governing Board Resolution dated 04.06.63 and approved by Govt. on 06.06.63

(v) There is adequate public interest in the Company and atleast 49 per cent of the capital represented by the securities is held by the public and such holdings are broadly and evenly distributed among a large number of shareholders without any undue concentration in the hands of a few persons.

Explanation : For purposes of sub-clause(v) of this provision the word "public" shall be deemed to exclude Directors, Managing Directors, Managing Agents, Secretaries and Treasurers and where Managing Agents or Secretaries and Treasurers are a partnership firm or a private limited Company the partners of such firm and members of such Company; the nominees and the husband, wife, brother, or sister of the persons aforesaid and any private or public limited Company in which such persons have a controlling interest or which is under their management or supervision.

Addition to or Suspension or Removal from the Cleared Securities List

47. The Governing Board may by a special resolution from time to time add a security to the Cleared Securities List and may in like manner at any time suspend or remove any security from the list.

Bargains

48. Save as otherwise provided bargains in securities may be of the following kinds:

(i) for "spot delivery", i.e., for delivery and payment on the same day as the date of the contract or on the next day;

(ii) for "hand delivery", i.e., for delivery and payment within the time or on the date stipulated when entering into the bargain, which time or date shall not be more than fourteen days following the date of the contract;

[1] { Provided however that in the case of such shares as may be designated by the Governing Board as specified shares delivery and payment may be extended or postponed by the Governing Board by further periods of 14 days each, so that the overall period does not exceed 90 days from the date of the contract. }

(iii) for the "Clearing", i.e., for clearance and settlement through the Clearing House in the manner prescribed in these Bye-laws and Regulations;

[1] Substituted by Governing Board Resolution dated 22.04.83 and approved by Govt. on 20.07.83

(iv) for "special delivery", i.e., for delivery and payment within any time exceeding fourteen days following the date of the contract as may be stipulated when entering into the bargain and permitted by the Governing Board or the President as provided in these Bye-laws and Regulations.

Bargains for Spot Delivery, Hand Delivery and Special Delivery in all Securities

49. Bargains in spot delivery, hand delivery and special delivery may be made in any security in which dealings are permitted on the Exchange.

Bargains for the Clearing in Non-Cleared Securities Void

50. Bargains for the Clearing shall only be made in Cleared Securities. All bargains for the Clearing in any other securities shall be deemed void.

Bargains in Government Securities and Debentures

51. (a) Bargains in Government Securities and in bearer and registered debentures admitted to dealings on the Exchange may be spot delivery or hand delivery or for special delivery.

Bargains in Government Securities and Debentures Deemed to be for Hand Delivery

(b) Unless otherwise stipulated when entering into the bargain all bargains in Government Securities and in bearer and registered debentures admitted to dealings on the Exchange shall be deemed to be for hand delivery falling due for delivery and payment within the time or on the day or days prescribed in the relative Regulation [1] or within such time or on such other day or days as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof provided that such time or day or days shall be not earlier than two business days and not more than fourteen days following the date of the contract.

Bargains in Cleared Securities Deemed to be for Current Clearing

52. (a) Bargains in Cleared Securities may be for spot delivery or for hand delivery or for special delivery or for the Clearing but unless otherwise stipulated when entering into the bargain all bargains in Cleared Securities shall be deemed to be for the current Clearing:

[1] Regulation 3

Provided however that when bargains in Cleared Securities are subject to any special stipulation or in other than the prescribed trading unit or multiples thereof such bargains shall be deemed to be for hand delivery.

Clearing Days

(b) The Governing Board shall fix in advance the first and the last business day of each Clearing and the various clearing days. The first business day of a Clearing shall not be more than two business days previous to and including the last business day of the preceding Clearing.

Bargains Beyond Ensuing Clearing Void

(c) No bargains in Cleared Securities made for a period beyond the current and ensuing Clearing shall be recognised and all such bargains shall be deemed void.

Carry-Over Bargains Deemed to be at Making-up Price

(d)[1] Carry-over bargains in any Cleared Security shall be deemed to be at the making-up price fixed for the security for the current Clearing.

Performance of Bargains in Cleared Securities

(e)[2] Bargains in Cleared Securities entered into during a Clearing may be closed by purchase or sale during the Clearing or carried-over to the ensuing Clearing. All bargains entered into during the Clearing that remain outstanding at the close of business on the last business day shall be performed by delivery and payment on the days fixed for the purpose.

Bargains in Specified Shares

[3]**52A.** Unless otherwise determined by the Governing Board bargains in specified shares will be performed in the following manner:

(a) All bargains shall be settled every fourteen days hereinafter called a "Settlement Period" by delivery and payment or as the Governing Board may from time to time prescribe in addition thereto or in modification thereof.

[1] Substituted by Governing Board Resolution dated 04.06.63 and approved by Govt. on 06.06.63.
[2] Substituted by Governing Board Resolution dated 04.06.63 and approved by Govt. on 06.06.63.
[3] Substituted by Governing Board Resolution dated 22.04.83 and approved by Govt. on 20.07.83.

(b) The Governing Board shall fix in advance the first and last business day for each Settlement Period.

(c) The bargains may be for spot delivery or for hand delivery or for special delivery or for the settlement but unless otherwise stipulated when entering into the bargain, all bargains shall be deemed to be for the current settlement.

(d) Bargains in other than the prescribed trading unit or multiples thereof shall be deemed to be for hand delivery as defined in Bye-law 48(ii).

(e) Bargains made for a period beyond the current and ensuing settlement periods shall be void.

(f) Bargains carried over from one settlement to another shall be at the making-up price fixed for any security by the Executive Director or in his absence the Secretary.

(g) Bargains entered into during the settlement period may be closed by purchase or sale or carried over to the next settlement period. All other bargains which remain outstanding must be performed by delivery and payment on the days fixed for the purpose.

(h) All the provisions in these Bye-laws and Regulations which are at present applicable to the settlement or bargains in cleared securities and which are not in conflict with the above will apply mutatis mutandis to the settlement of bargains in specified shares.

Bargains in Non-Cleared Securities (other than Government Securities and Debentures)

53. **(a)** Bargains in Non-cleared Securities (other than Government Securities and bearer and registered debentures) admitted to dealings on the exchange may be for spot delivery or by hand delivery or for special delivery.

Bargains Deemed to be for Hand Delivery

(b) Unless otherwise stipulated when entering into the bargain all bargains in Non-Cleared Securities (other than Government Securities and bearer and registered debentures) admitted to dealings on the Exchange shall be deemed to be for hand delivery falling due for delivery and payment within the time or on the day or days prescribed in the relative Regulation [1] or within such time or such other day or days as the Governing Board may from time to

[1] Regulation 3

time prescribe in addition thereto or in modification or substitution thereof provided that such time or day or days shall be not earlier than two business days and not more than fourteen days following the date of the contract.

Bargains in Provisional Documents

54. Bargains in Provisional Documents shall be made and settled as determined from time to time in each case by the Governing Board.

Bargains in Non-Cleared Securities Other than Provisional Documents and Securities Admitted to Dealing on the Exchange

55. Bargains in Non-Cleared Securities other than Provisional Documents and securities admitted to dealings on the Exchange shall be made and settled in accordance with the provisions relating to Non-Cleared Securities (other than Government Securities and debentures) admitted to dealings on the Exchange in the manner and to the extent and subject to such modifications as may be from time to time specified by the Governing Board.

Bargains for Special Delivery

56. Bargains for special delivery may be entered into with the permission of the Governing Board or the President in case of new issues or when securities are sent for renewal, sub-division, consolidation, conversion, exchange or registration or when securities have to be received from abroad or when securities cannot be delivered for any other reason within fourteen days following the date of the contract. The Governing Board or the President may give such permission generally or members may make application for such permission in the form prescribed in the relative Regulation [1] or in such other form as the Governing Board may from time to time prescribe in modification or substitution thereof.

Special Bargains

56A.[2] The Governing Board or the Executive Director may, from time to time, at its/his discretion and subject to such conditions as it/he may deem proper, permit Special Bargains in the securities admitted to dealings on the Exchange.

Specific Bargains

57. **(a)** Specific bargains may be entered into with the permission of the Governing Board or the President and applications for such

[1] Regulation 3

[2] Inserted by Governing Board Resolution dated 23.09.99 and approved by SEBI on 06.09.2000

permission shall be made in the form prescribed in the relative Regulation or in such other form as the Governing Board may from time to time prescribe in modification or substitution thereof.

Specific Bargains Deemed to be for Spot Delivery

(b) All specific bargains entered into subject to these provisions shall be deemed to be for spot delivery.

Bargains Due on Other Than Business Days

58. All bargains other than for the Clearing which fall due on a day other than a business day shall mature on the succeeding business day unless otherwise agreed.

Extension or Postponement of Contracts by the Governing Board

59. Notwithstanding anything to the contrary contained in these Bye-laws and Regulations the Governing Board may by a special resolution and for reasons to be recorded from time to time extend or postpone the time for performance of contracts in any security or securities whenever in its opinion such action is called for in the public interest or by just and equitable principles of trade or when circumstances beyond the control of either or both of the contracting parties make such action desirable:

Provided that except with the approval of the Central Government the time for performance of contracts shall not be so extended or postponed at any time for a period exceeding the period of one Clearing in the case of Cleared Securities and for a period exceeding fourteen days in the first instance and thereafter for a period exceeding seven days in the case of Non-Cleared Securities.

Extension or Postponement of Contracts by the President

60. Notwithstanding anything to the contrary contained in these Bye-laws and Regulations the President may in his discretion extend or postpone in any particular case the time for the performance of a contract in any Non-Cleared Security or Securities from any one Clearing to the ensuing Clearing and in any Non-Cleared Security or Securities by a period not exceeding fourteen days.

Alteration of Clearing and Clearing Days

61. The Governing Board may by a special resolution and for reasons to be recorded at any time curtail, extend, alter or postpone from time to time to any other date or dates the entire Clearing or any or all of the various clearing days in respect of any or all the Cleared Securities:

Provided that except with the approval of the Central Government such extension or postponement shall not be at any time for a period exceeding the period of one Clearing:

Provided further that if in the case of Cleared Securities the Pay-in Day notified for any Clearing is extended or postponed by a period beyond one week the Governing Board shall fix a contango payable by the purchaser to the seller for such securities on the basis of the contango of the preceding Clearing.

BARGAINS SUBJECT TO MARGIN REQUIREMENTS

Margin Requirements

62. Bargains in any security or securities shall be subject to the margin requirements prescribed in the relative Regulation or such other requirements as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.

Form of Margin Deposit

63. The margin to be furnished by a member under these Bye-laws and Regulations shall be provided by a deposit of cash or it may be provided in the form of a Deposit Receipt of a Bank approved by the Governing Board or in securities approved by the Governing Board subject to such terms and conditions as the Governing Board may from time to time impose. Deposits of cash shall not carry interest and the securities deposited by a member valued at the ruling market price shall exceed the margin amount for the time being covered by them such percentage as the Governing Board may from time to time prescribe.

Value of Margin Deposit to be Maintained

64. The member depositing margin in the form of securities shall always maintain the value thereof at not less than the margin amount for the time being covered by them by providing further security to the satisfaction of the Governing Board which shall always determine the said value and whose valuation shall conclusively fix the amount of any deficiency to be made up from time to time.

Margin Deposit to be Held by the Clearing House

65. The margin deposit shall be held by the Clearing House and when they are in the form of Bank Deposit Receipts and securities such Receipts and securities shall be transferred to the names of the Trustees of the Exchange or to the name of a Bank approved by the Governing Board. All margin deposits shall be held by the Clearing House and/or by the Trustees of the Exchange and/or by the approved Bank solely for and on account of the Exchange without any right whatever on the part of the depositing member or those in his right to call in question the exercise of such discretion.

Letter of Declaration

66. A member depositing margin under the provisions of these Bye-laws and Regulations shall when required to do so sign a Letter of Declaration in the

form prescribed in the relative Regulation [1] or in such other form or forms as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.

Lien on Margin Deposits

67. The monies, Bank Deposits Receipts and other securities and assets deposited by a member by way of margin under the provisions of these Bye-laws and Regulations shall be subject to a first and paramount lien for any sum due to the Exchange or to the Clearing House by him or by the partnership of which he may be a member and for the due fulfilment of his engagements, obligations and liabilities or of the partnership of which he may be a member arising out of or incidental to any bargains, dealings, transactions and contracts made subject t the Rules, Bye-laws and Regulations of the Exchange or anything done in pursuance thereof.

Suspension on Failure to Deposit Margin

68. A member failing to deposit margin as provided in these Bye-laws and Regulations shall be required by the Governing Board or the President to suspend his business forthwith. A notice of such suspension shall be immediately posted on the notice board of the Exchange and the suspension shall continue until the margin required is duly deposited.

Evasion of Margin Requirements Forbidden

69. A member shall not directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the margin requirements prescribed under these Bye-laws and Regulations.

[1] Regulation 4

BARGAINS SUBJECT TO EMERGENCIES

Bargains in Securities Subject to Emergencies

70. All bargains in securities shall be deemed subject to the provisions relating to emergencies contained in these Bye-laws and Regulations.

Measures to Meet Emergencies

71. If in the opinion of the Governing Board an emergency exists or has arisen or is likely to occur or if in its opinion the conditions are such as to make free trading in securities extremely difficult the Governing Board may by a special resolution take such action as it deems fit for stabilising the market. Without in any way limiting or derogating from the generality of this provision the Governing Board may proceed in such cases in the manner hereinafter provided.

Corner

72. **(a)** Whenever the Governing Board is of the opinion that a corner has been created in any security or securities or that a single interest or group has acquired such control of any security or securities that the same cannot be obtained for delivery on existing contracts except at prices or on terms arbitrarily dictated by such interest or group the Governing Board may by a special resolution prohibit further dealings in such security or securities while allowing dealings for closing-out or liquidation of existing contracts in such security or securities subject to such restrictions as it may determine not withstanding anything to the contrary contained in these Bye-laws and Regulations:

Provided that further dealings shall not be so prohibited at any time continuously for a period exceeding three days except with the approval of the Central Government:

Provided further that when information regarding prohibition of dealings is so conveyed as to reach the Central Government in the normal course within twenty-four hours the Governing Board may prohibit dealings as a foresaid continuously for any period exceeding three days without the approval of the Central Government till such time as the decision of the Central Government is communicated to the Exchange.

Suspension of Buying-in

(b) If the due date of delivery and payment fall during the pendency of the emergency the Governing Board may by a special resolution suspend buying-in of the security or securities in which further

dealings are prohibited under sub-clause(a) and in that event the process of Tickets as prescribed in these Bye-laws and Regulations or such other process as the Governing Board may determine shall apply to all existing contracts in such security or securities.

Suspension of Buying-in to Continue Till Emergency Abates

(c) The Governing Board may from time to time by a special resolution suspend buying-in till the emergency abates whereafter further dealings in such security or securities may be allowed for spot or hand delivery subject to such restrictions as the Governing Board deems fit to impose:

Provided always that if any such security be a Cleared Security it shall be removed from the Cleared Securities List and shall not be readmitted to the Cleared Securities List till there is a proper distribution.

(d) [1] If in the opinion of the Governing Board an emergency of type referred to above has arisen in any security it may by a special resolution regulate the backwardation charges payable to the buyer by the seller.

Crisis

73. **(a)** In a crisis or in the case of a panic or bear raid or of reckless heavy salesor when it appears that prices are unduly depressed or that a crisis is at handor that a fair or normal market does not or may not exist the Governing Board may by a special resolution for such period of periods asit may from timeto time determine which period or periods shall notexcept with the approval of the Central Government at any time continuously exceed three days -

(i) prohibit short selling in any security or securities; and/or

(ii) fix minimum prices below which sale or purchase of any security or securities shall not be made; and/or

(iii) close the market in whole or in part; and/or

(iv) prohibit further dealings in any security or securities while allowing dealings for closing-out or liquidation of existing contracts in such security or securities subject to such restrictions as it may from time to time determine notwithstanding anything to the contrary contained in these Bye-laws and Regulations:

[1] Substituted by Governing Board Resolution dated 22.04.83 and approved by Govt. on 20.07.83.

Provided that when information regarding prohibition of short selling or fixing of minimum prices or closure of the market or prohibition of further dealings is so conveyed as to reach the Central Government in the normal course within twenty-four hours the Governing Board may prohibit short selling or fix minimum prices or close the market or prohibit further dealings as aforesaid for any period exceeding three days without the approval of the Central Government till such time as the decision of the Central Government is communicated to the Exchange.

Suspension of Selling-out

(b) If the due dates of delivery and payment fall within a period during which further dealings are prohibited in any security or securities or the market continues to be closed in whole or in part as provided in sub-clause (a) the Governing Board shall suspend selling-out in respect of all existing contracts in the security or securities in question till the market reopens. However the buyer shall be entitled to enforce delivery. In the event of the security or securities in question being on the Cleared Securities List the following additional provisions shall take effect namely:

(i) The Governing Board shall during the suspension of selling-out extend the time for payment from Clearing to Clearing till such time as the market reopens and the liabilities of intermediaries shall continue during the suspension of selling-out. The buying member shall be entitled to enforce delivery in any of such Clearings and for that purpose the process of Tickets as prescribed in these Bye-laws and Regulations or such other process as the Governing Board may prescribe shall apply. If the buying member after calling for delivery fails to take up and pay for such securities on the due date he shall be liable to pay a penalty of 2 per cent irrespective of any other liability.

(ii) The Governing Board shall fix the making-up prices for such security or securities in each Clearing and the contango for carrying-over such security or securities from Clearing to Clearing on the basis of the ruling market rate of interest and the contango of the previous Clearing. For the first Clearing the making-up prices shall be slightly higher than the prices of such securities prevailing in the market prior to the suspension of business. For each subsequent Clearing the Governing Board may reduce the making-up prices as it may deem fit in the case of each security but in no case such reduction shall exceed 5 per cent of the previous making-up prices. All contracts remaining unsettled at the end of each Clearing

shall be carried over to the following Clearing at such making up prices and the difference shall be payable on the Pay-in Day so fixed or extended for the Clearing.

(iii) If a member be declared a defaulter during the closure all other members having dealings with him shall determine all outstanding contracts by closing-out against him at the prices fixed by the Governing Board on the day of the reopening of the market for dealings either for the Clearing or otherwise.

(iv) If a constituents fails to pay on the Pay-in Day the differences due by him to his member broker the latter shall determine all outstanding contracts by closing-out against the constituent in the open market on or after its reopening for dealings either for the Clearing of otherwise. Such closing-out may be subject to stipulation for delivery in the course of the Clearing and any balance due on such closing-out shall be immediately payable by such constituent to him member broker.

(v) If a member be declared defaulter or fails to pay the difference due by him to his constituent on the day following the Settling Day the constituent may on or after the reopening of the market either for the Clearing or otherwise determine all outstanding contracts by closing them out in the open market against the defaulting member after giving him a notice in writing to that effect at any time during the period he continues to be in default. Such closing-out may be subject to a stipulation for delivery in the course of the Clearing and any balance due on such closing-out shall be immediately payable by the defaulting member to his constituent.

COMPARISON OF BARGAINS

Comparison of Contracts

74. It shall be the duty of members with a view to preventing mistakes to compare each contract on the business day following the one on which the bargain is made. But nothing in this provision shall be construed to justify a refusal by a party to compare a bargain at his office during reasonable hours on the day on which it is made if so desired by the other party.

Duty to Compare

75. It shall be the duty of either party to a contract to investigate each transaction which has not been compared in due time.

Methods of Comparison

76. Comparison of contracts shall be made according as the Governing Board directs either by the method of signing the entries in the transaction or contracts books or by the method of Comparison or Confirmation Memos in accordance with the provisions prescribed in the relative Regulation or by such other method or methods as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.

Procedure for Comparison

77. The procedure to be followed for comparison of contracts and the regulation of all matters connected therewith shall be in accordance with the provisions contained in that behalf in the relative Regulation or such other provisions as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.

Failure to Compare

78. If a member fails to compare his contracts as provided in these Bye-laws and Regulations and if a difference which would have been discovered on such comparison is subsequently discovered the defaulting member shall not be entitled to call for performance of the contract except as it appears in the books of the other party to the transaction.

Discrepancies in Bargains

79. If during comparison a dispute arises as to whether a bargain has been entered into or not or if a difference in the respective contracts of the parties be discovered and if such dispute or difference be not immediately adjusted by mutual agreement the party intending to make

a claim against the other must forthwith close-out the transaction in the open market by purchase or sale as the case may be so as to determine the amount of damages to be claimed and the dispute or difference shall then be referred to the Arbitration Committee for its adjudication.

PROCEDURE FOR SETTLEMENT OF BARGAINS

Settlement by Hand Delivery

80. All bargains in securities other than for the Clearing shall be settled outside the Clearing House by delivery and payment between the contracting parties in accordance with the provisions in that behalf contained in the relative Regulation [1] or such other provisions as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.

Cross Deliveries

81. The selling member who has sold securities under the provisions of these Bye-laws and Regulations is entitled at his discretion to delivery the same to the buyer who is his direct contracting party in respect of such securities or to any other buyer who is entitled under these Bye-laws and Regulations to receive from him delivery of securities of a like kind.

Settlement Through the Clearing House

82. All bargains for the Clearing in Cleared Securities shall be settled through the Clearing House by the process of making-up prices prescribed in the relative Regulation [2] or by such other process or processes as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof. The Bye-laws and Regulations relating to the Clearing House shall be deemed to form a part of any settlement process so prescribed.

Delivery and Payment in Cleared Securities Through the Clearing House

83. Delivery and payment in respect of all bargains for the Clearing in Cleared Securities shall be made through the Clearing House:

Provided however that any member who holds for accounts of his different constituents contracts both for sale and purchase in the same Clearing that offset each other shall be entitled to offset such contracts and in that case he shall be entitled to give and take delivery outside the Clearing House.

[1] Regulation 6 & 7
[2] Regulation 8

Delivery and Payment in Cleared Securities When Outside the Clearing House

84. It shall be competent to the Governing Board to order that delivery and/or payment in respect of all bargains entered into or to be entered into in any Cleared Security or Securities shall be effected outside the Clearing House.

Alteration of Making-up Prices

85. When the process of making-up prices is in force the Governing Board may in the event of a member being declared a defaulter or in exceptional circumstances which shall be fully set out in the minutes alter the making-up prices at which all accounts in Cleared Securities are required to be temporarily adjusted and payment made or received. When the making-up prices are so altered all accounts shall be re-adjusted and payment shall be made or received at the altered making-up prices. In case of default however such re-adjustment of accounts shall be only between the parties having transactions with the defaulter.

Change in Settlement Procedure

86. It shall be competent to the Governing Board to order at any time that all contracts entered into or to be entered into in any security or securities shall be settled by any suitable process through the Clearing House instead of by hand delivery and vice versa.

Process of Tickets

87. When buying-in or selling-out has been suspended and/or delivery postponed or in any other circumstances when the Governing Board in its discretion so determines it shall be competent to the Governing Board to order that all bargains in any Cleared or Non-Cleared Security or Securities shall be settled by the Process of Tickets in accordance with the provisions in that behalf contained in the relative Regulation [1] or such other provisions as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof. In that event delivery and payment shall be made through or outside the Clearing House as the Governing Board directs.

Settlement Bye-laws and Regulations Form Part of Contracts

88. The Bye-laws and Regulations from time to time in force relating to any procedure for settlement of bargains and to the Clearing House and clearance of bargains through the Clearing House and the resolutions,

[1] Regulation 9

notices, directions and decisions of the Governing Board or the President thereunder for the time being in force and posted on the notice board of the Exchange shall be a part of the terms and conditions of every contract in any Cleared or Non-Cleared Security or Securities.

Contracts Subject to Change in Settlement Procedure

89. The Governing Board may at any time resolve and through a notice in that behalf posted on the notice board of the Exchange bring into effect in respect of any bargains entered into or to be entered into in any additions to, deletions from or variations, alterations or amendments in any settlement procedure or in any clearing process or in the time or the forms prescribed therefor.

Change in Scheduled Time

90. The scheduled time and hour to be observed in connection with the clearing and settlement of bargains in Cleared and Non-Cleared Securities shall be as prescribed in the relative Regulation [1] or such other time and hour as the Governing Board may from time to time notify in modification or substitution thereof.

[1] Regulation 6, 7 &9

CLEARING HOUSE

Functions of Clearing House

91. The Exchange shall maintain a Clearing House which shall be under the control of the Governing Board. The Clearing House shall act as the common agent of the members for clearing contracts between members and for delivering securities to and receiving securities from and for receiving or paying any amounts payable to or payable by such members in connection with any of the contracts and to do all things necessary or proper for carrying out the foregoing purposes.

Liability of Clearing House

92. The Clearing House shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any security, transfer deed or any other documents passing through the Clearing House and the only obligation of the Clearing House in this matter shall be to facilitate the delivery and payment in respect of securities, transfer deeds and any other documents between members.

Liability of the Exchange

93. No liability shall attach either to the Exchange or the Governing Board or any member of the Governing Board by reason of anything done or omitted to be done by the Clearing House in the course of its operations nor shall the Exchange or the Governing Board or any Member of the Governing Board be liable to answer in any way for the title, ownership, genuineness, regularity or validity of any securities, transfer deeds or any other documents passing through the Clearing House nor shall any liability attach to the Exchange, the Governing Board or any Member of the Governing Board in any way in respect of such securities, transfer deeds and any other documents.

Liability of Member

94. No liability shall attach to any member of the Exchange for any delay on the part of the Clearing House in the course of its operations.

Clearing Particulars

95. The Exchange shall submit to the Central Government as soon as may be after each Clearing all or any of the following particulars as the Central Government may from time to time require namely -

(i) the total number of each category of security carried-over from one Clearing to another;

(ii) the total number of each category of security contracts in respect of which have been squared up during the course of each Clearing; and

(iii) the total number of each category of security actually delivered at each Clearing.

The Exchange shall arrange for the publication of all or any of the above particulars according as the Central Government from time to time directs.

Clearing House to Deliver Securities at Discretion

96. **(a)** The Clearing House is entitled at its discretion to deliver securities which it has received from a member (or to instruct a member to give direct delivery of securities which he has to deliver) under these Bye-laws and Regulations to another member who is entitled under these Bye-laws and Regulations to receive delivery of securities of a like kind.

Privity of Contract

(b) Members giving and receiving delivery as provided in sub-clause (a) shall be deemed notwithstanding that no direct contract exists between them to have made a contract with each other as sellers and buyers. However the rights and liabilities of such members in relation to their immediate contracting parities shall not be deemed to be affected thereby except that the selling member who is the immediate contracting party of the receiving member shall be (unless he be himself the delivering member) released from all responsibility in regard to the title, ownership, genuineness, regularity and validity of the documents received by the receiving member and in regard to the loss and damages arising therefrom which shall be dealt with in accordance with the Bye-laws and Regulations relating to Documents and Registration.

Release of Intermediaries

97. If a member delivers securities outside the Clearing House except when so provided in these Bye-laws and Regulations or so directed by the Governing Board members making and accepting such delivery shall release all intermediate parties from all liabilities. The deliverer shall alone remain responsible to the receiver.

Governing Board Trustees

98. All sums of money paid into the Clearing House and all credits appearing in the books of the Clearing House on account of any member entitled thereto shall be held by the Governing Board on behalf of the Exchange

as agents and in trust for such member. The making of such payment or credit entry shall be deemed and taken to be a payment or credit to such member. No other member shall be entitled to levy any attachment or execution thereon and neither the Exchange nor any member thereof nor any other person shall subject to any law for the time being in force be deemed to have any right, title or interest in or to any such money or credit.

Authority to Pledge

99. **(a)** The Governing Board shall have the right to borrow money against and pledge for the payment thereof all or any part of the securities held by the Clearing House for the account of any member who fails to take up and pay for such securities on the Pay-in Day.

Amount of Loan

(b) The amount for which securities may be pledged as provided in sub-clause(a) shall not exceed their value at the ruling market price and it shall be paid to the members who delivered such securities to the Clearing House in accordance with these Bye-laws and Regulations.

Selling-Out

(c) The securities not taken up and paid for shall be sold-out by the Governing Board in accordance with the Bye-laws and Regulations relating to closing-out.

No Lien on Constituent's Securities

100. When a member is declared a defaulter neither the Exchange nor the creditors of the defaulter shall be entitled to any lien on the securities delivered by him to the Clearing House on account of his constituents. A constituent shall on offering proof considered satisfactory by the Governing Board or the President that such securities were so delivered on his behalf be entitled to receive from the Clearing House according as the Governing Board or the President directs either such securities or the value thereof at the altered making-up price subject to payment or deduction of the amount if any due by him to the defaulter.

Sub-Division of Certificates, Split Receipts and Certified Transfer Deeds

101. In respect of securities so specifically designated by the Governing Board the Clearing House may act for its members in procuring sub-divided certificates or provisional documents or split receipts or certified transfer deeds and may in such cases also issue its own Split Receipts and where the Company agrees certify the transfer deeds.

Sub-Division

102. When the delivering member has a certificate or a provisional document of a larger denomination that the amount of securities to be delivered or only one certificate representing securities conveyed by two or more transfer deeds the certificates of provisional documents may be deposited with the Clearing House. Threreupon the Clearing House shall at the depositor's risk forward them to the office of the Company and either certify the transfer deeds to that effect or procure the sub-divided certificates or provisional documents or split receipts or certified transfer deeds from the Company.

Clearing House Split Receipts

103. **(a)** In respect of securities so specially designated the Clearing House may on a member depositing a certificate or provisional document of large denomination issue its own Clearing House Split Receipts in the form contained in the relative Regulation [1] or in such other form or forms as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.

Title to Clearing House Split Receipts

(b) Title to the Clearing House Split Receipts is transferable with the same effect as in the case of original certificates or provisional documents.

Exchange of Clearing House Split Receipts

(c) The Clearing House shall deliver the new certificates or provisional documents or split receipts or certified transfer deeds issued by the Company on presentation and surrender of the Clearing House Split Receipts duly discharged by the members to whom they have been issued.

Procedure to be Prescribed by the Governing Board

104. The Governing Board shall from time to time prescribe the fees to be paid and the procedure to be followed for sub-division of documents, certification of transfer deeds and issue of Clearing House Split Receipts.

No Responsibility in regard to Sub-division and Certification

105. The Exchange, the Governing Board, the Clearing House and their officials shall not be liable or responsible for the due or accurate performance of

[1] Regulation 10 & 11

any duties in connection with the issue of split receipts or certification of transfers nor for the verification of documents presented to them for sub-division or certification nor for any duties in connection with the transmission of certificates or other documents to the Company nor for any loss arising from the certification of forged transfer or from issue of Clearing House Split Receipts of certification of transfers against forged certificates or forged documents nor for the execution, mis-execution or non-execution of the duties in question.

Clearance by Members Only

106. Members only shall be entitled to clear and settle contracts through the Clearing House.

Delivery and Payment through Clearing Member Banks

107. The Clearing House shall maintain a list of Banks, Trust Companies and other firms approved by the Governing Board (hereinafter called Clearing Member Banks) which may act for members and their constituents in giving and taking delivery of securities, transfer deeds and any other documents and in making and accepting payment for the same in the manner prescribed in these Bye-laws and Regulations.

Clearing Member Banks to Observe Bye-laws and Regulations

108. Clearing Member Banks must agree to abide by the Bye-laws and Regulation relating to delivery, payment and the clearing and settlement of transactions through or as directed by the Clearing House and the resolutions, orders, notices, directions and decision of the Governing Board or the President thereunder.

Inclusion in or Removal from Approved List

109. The Governing Board may at sole discretion from time to time add names to the list of Clearing Member Banks and remove names therefrom.

Notices and Directions

110. All members and Clearing Member Banks shall comply with the instructions, resolutions, orders, notices, directions and decisions of the Governing Board in all matter connected with the operations of the Clearing House.

Clearing House Procedure to be Prescribed by the Governing Board

111. The procedure to be followed by members and Clearing Member Banks for transaction of all business necessary to be transacted in all matters connected with the operations of the Clearing House and the fees, fines

and penalties to be paid shall be in accordance with the provisions prescribed in the relative Regulation [1] or such other provisions as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.

Prescribed Banks

112. The Governing Board may from time to time prescribe the bank or banks with whom all members shall maintain an account for the purpose of clearing operations.

Clearing Forms to be Prescribed

113. All Clearing Forms (which term shall include Clearance Lists, Delivery and Receive Orders, Statement Sheets, Balance Sheets, Claim Notes, Vouchers and other forms and documents) used for the purpose of the Clearing House shall be in the forms prescribed in the relative Regulation [2] or in such other form or forms as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.

Penalty

114. The Governing Board or the President may from time to time prescribe the penalty to be imposed in every case of failure by any member to comply with the Bye-laws and Regulations relating to the Clearing House and the clearance and settlement of transactions through the Clearing House and the resolution, orders, notices, directions and decisions of the Governing Board or the President thereunder or for any error or omission or illegible entry in filing up any forms or other documents required by the Clearing House in the course of its operations or for any delay in submitting any such forms or documents to the Clearing House.

False or Misleading Statements

115. The Governing Board may fine, suspend or expel and the President may fine or suspend a member who makes any false or misleading statement in the Clearing Forms required to be submitted in conformity with these Bye-laws and Regulations or any resolutions, orders, notices, directions and decisions of the Governing Board or the President thereunder.

Charges for Clearing

116. The Governing Board shall from time to time prescribe the scale of clearing charges for the clearance and settlement of transactions through the Clearing House.

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[1] Regulation 8, 9, 10 &11
[2] Regulation 11

Clearing House Bills

117. The Clearing House shall periodically render bills for the charges, fees, fines and other dues payable by members to the Exchange [1] {which would also include the charges for the use of the property } as well as the charges, fines and other dues payable on account of the business cleared and settled through the Clearing House and debit the amount payable by members to their accounts. All such bills shall be paid within a week of the date on which they are rendered.

[1] Inserted by Governing Board Resolution dated 19.07.85 and approved by Govt. on 27.06.86

INTEREST, DIVIDEND, RIGHTS AND CALLS

Buyer and Seller

118. For purposes of these Bye-laws and Regulation unless the context indicates otherwise the term "buyer" includes the buying constituent and the buying member acting as his broker and agent and denotes the buying member when he is dealing on his own account as a principal. Similarly unless the context indicates otherwise term "seller" includes the selling constituent and the selling member acting as his broker and agent and denotes the selling member when he is dealing on his own account as a principal.

Interest, Dividends and Rights

119. The buyer shall be entitled to receive all vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges which may appertain to securities bought cum voucher, cum coupon, cum dividend, cum cash bonus, cum bonus, cum rights, etc. and the seller shall be entitled to receive all vouchers, coupons, dividends, cash bonus issues, rights and other privileges which may appertain to securities sold ex voucher, ex coupon, ex dividend, ex cash bonus, ex bonus, ex rights, etc.

Bargains in Government Securities Not to Include Accrued Interest

120.[1] **(a)** Bargains in Government Securities shall be deemed not to include the accrued interest in the price and such bargains shall be subject to the accrued interest being accounted for between buyer and seller.

Payment of Accrued Interest

(b) When the accrued interest is not deemed to be included in the bargain price the seller shall be entitled to receive from the buyer the interest accrued to the day of payment less the amount of income-tax including surcharge if any deductible at source.

Accrued Interest When Not Payable

(c) When the seller fails to deliver the securities on the due date of delivery interest shall cease and the buyer shall not be liable to pay the accrued interest after the date on which the delivery should have been made.

[1] Amended by Governing Board Resolution dated 14.01.83 and approved by Govt. on 18.04.83.

Accrued Interest or Interest at Bank Rate

(d) When the buyer fails to pay for the securities on the date on which the contract falls due the seller shall be entitled to claim either the interest accrued upto the date on which the payment is actually made or interest at the Bank Rate for the days between the day on which payment should have been made and the day on which the payment is actually made whichever of the two is higher.

Government Securities When Cum and Ex Voucher or Coupon

121.[1] Bargains in Government Securities shall be ex voucher and ex coupon when so stipulated at the time of the bargain. In the absence of any such stipulation such bargains shall be deemed ex voucher and ex coupon from the date on which the interest becomes payable.

Members When Liable for Vouchers and Coupons

122.[2] In respect of cum voucher and cum coupon bargains in Government Securities the buyer shall be entitled to receive from the seller Government Securities with interest due for the period undrawn with the coupons sheets attached. When such securities are delivered after collecting the interest for the period or without the vouchers or without the coupons due for encashment the full amount of income-tax deducted on the vouchers or coupons shall be paid by the seller to the buyer in lieu of the missing vouchers or coupons.

Bargains When Cum and Ex Dividend or Cash Bonus

123.[3] **(a)** All bargains in Non-Cleared Securities(other than Government Securities) shall be ex dividend or ex cash bonus from the date following the date of declaration of dividend or cash bonus by the Company or from the date on which the Transfer Books of the Company reopen after the closure for the purpose of dividend or cash bonus or from the date following the record date fixed for the purpose or from the date on which the dividend or cash bonus is payable whichever is later and all bargains in Cleared Securities shall be ex dividend or ex cash bonus from the first day of the Clearing commencing from or following such date: provided that the Governing Board or the President may fix and notify any other date from which bargains shall be ex dividend or ex cash bonus. All bargains before such date shall be deemed to be cum dividend or cum cash bonus.

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[1] Amended by Governing Board Resolution dated 14.01.83 and approved by Govt. on 18.02.83.
[2] Amended by Governing Board Resolution dated 14.01.83 and approved by Govt. on 18.02.83
[3] Amended by Governing Board Resolution dated 14.01.83 and approved by Govt. on 18.02.83.

Delay When Information Not Available

(b) If information regarding the dividend or cash bonus be not available to the Exchange for the security to become ex dividend or ex cash bonus as provided in sub-clause(a) all bargains in Non-Cleared Securities (other than Government Securities and debentures) shall be ex dividend or ex cash bonus from the date following the date on which the dividend or cash bonus is known and all bargains in Cleared Securities shall be ex dividend or ex cash bonus from the first day of the Clearing commencing from or following such date.

Members Responsible for Adjustment in respect of Ex Dividend or Ex Cash Bonus Bargains

124. On receipt of official information by the Exchange cancelling or altering the declaration of a dividend or cash bonus all ex dividends or ex cash bonus bargains entered into before such date shall be subject to modification. If the declaration of a dividend or cash bonus be cancelled the ex dividend or ex cash bonus price shall be increased by the amount of the dividend or cash bonus and if there be a decrease or increase in the dividend or cash bonus declared the ex dividend or ex cash bonus shall be increased or decrease by a corresponding amount. The difference in respect of ex dividend or ex cash bonus bargains entered into and settled before such date shall be immediately adjusted between the buyer and the seller and the members shall be personally responsible between themselves and to their constituents for effecting such adjustment. Ex dividend or ex cash bonus bargains which have been entered into but not settled before such date shall be completed on the footing of the revised prices.

When Bargain Cease to be Ex Cash Bonus or Ex Dividend

125. On receipt of official intimation by the Exchange cancelling the declaration of a dividend or cash bonus all bargains thereafter shall be entered into as if the security had not become ex dividend or ex cash bonus.

Deduction from Cum Dividend or Cum Cash Bonus Purchase Price

126. **(a)** In respect of a cum dividend or cum cash bonus transaction the buyer may deduct from the purchase price the dividend or cash bonus recommended or declared to which he is entitled provided the securities are delivered to him by the seller or by the Clearing House on the seller's behalf less than five days before the record date or date of closure of the Transfer Books for the purpose of dividend or cash bonus in the case of Companies whose registered

offices are situated in India and less than fourteen days before such date in the case of Companies whose registered office are situated outside India. When the dividend or cash bonus is not known the buyer may provisionally deduct from the purchase price the amount of dividend or cash bonus paid in respect of the corresponding preceding period by the Company or such other amount as the Governing Board or the President may fix and notify in that behalf.

[1] Deduction from Cum-interest Purchase Price of Debentures or Bonds

(b) In respect of a Cum-interest transaction in debentures/bonds the buyer shall deduct from the purchase price the interest on gross basis provided the securities are delivered to him by the seller less than five days before the record date or the date of closure of the Transfer Books of the debentures/bonds for the purpose of payment of interest.

(c) In respect of transactions in debentures/bonds entered into a cum-interest basis but settled after the debentures/bonds become ex-interest in the market due to the inability of the seller to deliver to the buyer the debentures/bonds in time, the buyer shall deduct from the purchase price the interest on a gross basis.

Members Responsible for Adjustment in respect of Cum Dividend or Cum Cash Bonus Bargains

(d) [2] If securities in respect of which the amount of dividend or cash bonus has been deducted from the cum dividend or cum cash bonus price by the buyer are lodged for registration with the Company before the record date or date of closure of the Transfer Books of the Company for the purpose of dividend or cash bonus or if the actual dividend or cash bonus subsequently declared or paid by the Company be different from the amount deducted from the cum dividend or cum cash bonus purchase price the dividend or cash bonus or the difference (as the case may be) shall be immediately adjusted between the buyer and the seller and the members shall be personally responsible between themselves and to their constituents for effecting such adjustment.

Claim within Four Months

127. All claims in respect of vouchers, coupons, interest, dividend or cash bonus shall be adjusted as provided herein within [3] { six } months from the

[1] Substituted by Governing Board Resolution dated 15.02.83 and approved by Govt. on 18.04.83
[2] Renumbered from (b) to (d).
[3] Substituted by Governing Board Resolution dated 11.06.96 and approved by Govt. on 27.02.97.

date of payment of the interest, dividend or cash bonus and members shall not be personally responsible between themselves or to their constituents thereafter.

Bargains in Cleared Securities When Cum and Ex Bonus or Rights

128. All bargains in Cleared Securities shall be ex bonus or ex rights from such date as the Governing Board or the President may fix and notify in that behalf. All transactions before that date shall be deemed to be cum bonus and cum rights.

Bargains in Non-Cleared Securities when Cum and Ex Bonus or Rights

129. **(a)** [1] All bargains in Non-Cleared Securities (other than Government Securities) shall be ex bonus or ex rights from the date of declaration of bonus issue or rights by the Company or the receipt of statutory sanction therefore where necessary or from the date on which the Transfer Books of the Company reopen after the closure for the purpose of bonus issue or rights or from the date following the record date fixed for the purpose whichever is later: provided that the Governing Board or the President may fix and notify any other date from which bargains shall be ex bonus or ex rights. All transactions before such date shall be deemed to be cum bonus or cum rights.

When Ex Bonus or Rights if Information Not Available

(b) [2] If information regarding the bonus issue or rights be not available to the Exchange for the security to become ex bonus or ex rights as provided in sub clause(a) all bargains in Non-Cleared Securities (other than Government Securities) shall be ex bonus or ex rights from the date following the date on which such information becomes available to the Exchange.

Temporary Settlement

130. **(a)** In respect of a cum bonus or cum rights transaction when the securities are delivered to the buyer by the seller or by the Clearing House on the seller's behalf on or after the record date or date of closure of the Transfer Books for the purpose of bonus issue or rights the buyer may deduct from the purchase price an amount equivalent to the proportionate value of the bonus issue or rights to which he is entitled or such other amount as the Governing Board or

[1] Substituted by Governing Board Resolution dated 15.02.83 and approved by Govt. on 18.04.83.
[2] Substituted by Governing Board Resolution dated 15.02.83 and approved by Govt. on 18.04.83.

the President may fix and notify in that behalf and retain such amount with himself as a deposit in the case of Non-Cleared Securities or deposit it with the Clearing House in the case of Cleared Securities. The buyer may also make such deduction and in respect of both Cleared and Non-Cleared Securities he shall deposit the amount with the Clearing House when the securities are delivered to him during the period of five days preceding the record date or date of closure of the Transfer Books for the purpose of bonus issue or rights in the case of Companies whose registered offices are situated in India and during the period of fourteen days preceding such date in the case of Companies whose registered offices are situated outside India.

Payment of Deposit

(b) The amount retained as a deposit by the buyer or deposited with the Clearing House representing the balance due on the contract as provided in sub-clause(a) shall be paid to the seller when he delivers the bonus issue or rights at any time on or before the date fixed by the Governing Board or the President for the purpose.

Buying-in

(c) If the seller fails to deliver the bonus issue or rights within the prescribed time the buyer shall be entitled to buy-in against him in accordance with the Bye-laws and Regulations relating to closing-out.

Letters of Renunciation

131. Bonus issues and rights shall be settled by letters of renunciation when such letters are issued by the Company. When proper letters of renunciation are delivered or tendered to the buyer on or before the [1] { tenth } day preceding the date fixed for the receipt of applications by the Company or before such other date as the Governing Board or the President may fix and notify in that behalf the seller shall be relieved of all further liability in respect of such bonus issues or rights. A member shall not be bound to accept letters of renunciation not tendered within the prescribed time.

Non Delivery of Letters of Renunciation

132. If the settlement of claims to bonus issues or rights be not made by letters of renunciation by reason by the failure of the seller to deliver such letters within the prescribed time the seller shall be responsible for obtaining the bonus issues or rights. [2] { The seller should issue cheques equivalent to the

[1] Substituted by Governing Board Resolution dated 11.06.96 and approved by SEBI on 27.02.97

[2] Inserted by Governing Board Resolution dated 11.06.96 and approved by SEBI on 27.02.96.

value of bonus or rights and such payment shall be treated as deposit and the seller shall deliver the bonus/rights shares within two months of the listing. The buyer shall not be under any obligation to pay for the right shares in advance, but shall pay the price thereof paid to the company and also return the deposit for rights against the delivery of the rights shares. Similarly deposit for bonus shares shall also be returned by the buyer to the seller on delivery of bonus shares. } The seller shall also be responsible to the buyer for the extra expense of transfer if any.

Application for Rights

133. **(a)** In respect of a cum rights transaction when the buyer is entitled to the new securities issued in respect of old the buyer shall unless otherwise ordered by the Governing Board or the President specially claim them in writing from the seller on or before the fifth day preceding the date fixed for the receipt of application by the Company.

Seller's Liability and Duty

(b) Notwithstanding what is contained in sub-clause(a) if the seller be in possession of the new securities he shall be responsible for them to the buyer if claimed by the buyer on the date following the last day fixed for the receipt of applications by the Company. Should the seller not be in possession of the new securities he shall be bound to render every assistance to the buyer in tracing them.

Payment in respect of Rights

134. **(a)** When letters of renunciation are not issued all payments as and when required by the Company in respect of rights are to be advanced to the seller by the buyer.

Selling Constituent Trustee for the Buying Constituent

(b) The amount in respect of rights shall be paid by the buyer to the seller in sufficient time for the amount to be paid to the Company and the buyer may demand a receipt for the same. In such cases members shall not be personally responsible and the selling constituent shall be deemed a trustee for the buying constituent in respect of such payments.

Buyer to Bear Transfer Expenses

(c) When letters to renunciation are not issued by the Company the expenses of transferring the rights to the name of the buyer shall be borne by the buyer.

Members When Liable for Dividend or Rights

135. **(a)** In respect of cum dividend, cum cash bonus, cum bonus or cum rights bargains members shall be personally responsible for the dividend, cash bonus, bonus issue or rights on the securities only when such securities are delivered to the buyer by the seller or by the Clearing House on the seller's behalf less than five days before the record date or date of closure of the Transfer Books for the purpose of dividend, cash bonus, bonus issue or rights.

Rights and Obligations of Buying and Selling Constituents and Transferors

(b) Members shall not be liable between themselves or to their constituents for dividend, cash bonus, bonus issue or rights save as provided in sub-clause(a) but nothing contained therein shall affect the rights and obligations of the buying and selling constituents (which terms shall where the buying members and/or selling members have dealt on their own account as principals include such members) between themselves as principals or the liability of the transferors in respect of such dividend, cash bonus, bonus issue or rights.

Payment of Calls by Seller Where Obligatory

136. If securities have been purchased on condition that they should be paid up in respect of a particular call (with interest or other charges if any) and the selling constituent has not paid the same the buyer may claim from the seller the call money so payable and shall be entitled to set off such call money against the price.

Payment of Calls by Seller Where Optional

137. **(a)** A seller of partly paid securities may previous to delivery pay any call made on the securities through the last day fixed for payment of such call may not have expired. The seller shall be entitled to claim the call money so paid from the buyer and may add the same to the purchase price.

Seller to Bear Extra Stamp Duty

(b) When the seller has paid a call before the expiry of the last day fixed for payment the extra stamp duty to be paid as a result thereof shall be borne by the seller and the buyer may deduct the same from the purchase price.

Payment of Calls by Buying Constituent

138. The buying constituent shall pay every call or contribution which becomes payable after delivery of the certificate and transfer. However he shall not be obliged to pay such call or contribution if the Company refuses to register the transfer on account of lien. In any other case if the buying constituent fails to make such payment and the selling constituent shall be entitled to recover the same from the buying constituent notwithstanding that the buying constituent applied to the Company to transfer the shares and that the directors of the Company refused to transfer.

Member Not Liable for Calls

139. Save as provided in these Bye-laws and Regulations no member shall in respect of any bargain made by him on behalf of a constituent and as broker only be deemed personally liable or responsible in any way to any party for the payment of calls made by a Company.

Company in Liquidation

140. If a Company be wound up at the date of the contract or between the date of the contract and the due date of delivery the buyer shall nevertheless pay to the seller the purchase money and the seller shall be entitled to recover from the buyer any contribution or call required to be paid even though the liquidator refuses to consent to the transfer. If the buyer or his nominee cannot get the securities transferred to his name the seller shall if required to do so by the buyer and at the buyer's cost arrange for the assignment of the transferor's title to and the rights in the securities to the buyer or his nominee and for the execution of an irrevocable Power of Attorney in favour of the buyer or his nominee to enable him to recover any return of capital and dividends becoming payable after the date of the contract in respect of the securities bought.

Delivery of Equivalent Securities

141. In respect of a contract in securities which shall become or are exchangeable for new or other securities under a scheme of reconstruction or reorganisation the seller shall deliver to the buyer according as the Governing Board directs either the securities contracted for or the equivalent in securities and/or cash and/or other property receivable under such scheme of reconstruction or reorganisation.

DELIVERY OF SECURITIES

Place of Delivery and Payment

142. [1]Save and except as specifically provided otherwise in the Rules, Bye-Laws and Regulations, the delivery of all documents and papers and the payment in respect of all contracts to which these Bye-laws and Regulations apply shall be within the Fort Area of the City of Mumbai and the parties shall be bound and deemed to give and take delivery in Mumbai.

Which Documents Good Delivery

143. The Documents specified in the relative Regulation or such other documents as the Governing Board may from time to time specify in addition thereto or in modification or substitution thereof shall constitute good delivery when tendered in fulfillment of contracts to which these Bye-laws and Regulations apply.

Delivery in Prescribed Lots and Renewal Fees

144. The lots in which documents are to be delivered in settlement of contracts and the renewal fees payable by the seller to the buyer for renewal of documents shall be determined in accordance with the provisions contained in that behalf in the relative Regulation [2] or such other provisions as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.

Transfer Stamp and Registration Fees

145. Unless otherwise directed by the Governing Board transfer stamp duties payable to Government and fees charged by Companies for registering transfer of securities and known as transfer fees shall be paid by the buyer but where transfer deeds have been given in lots other than the prescribed lots the extra stamp duties, transfer fees and consolidation charges to be paid as a result thereof shall be paid by the seller to the buyer.

Delivery in Part

146. The buyer is entitled to refuse and may not pay for securities unless the documents tendered in performance of a bargain are regular, genuine and valid but he shall accept such portion of the securities as may be in order provided it is in lots of trading unit and may buy-in the undelivered

[1]Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009
[2] Regulation 12

portion in accordance with the Bye-laws and Regulations relating to closing-out.

Closing-out on Refusal to Accept Delivery

147. When documents which are regular, genuine and valid are duly tendered in performance of a bargain and not accepted by the buyer the seller shall be entitled to sell-out the same against him in accordance with the Bye-laws and Regulations relating to closing-out.

Disputed Documents

148. (a) When documents tendered for delivery in settlement of contracts are considered by the buyer to be defective in their title, ownership, genuineness, regularity or validity or not in order for any other reason and the objection is not accepted by the seller the documents shall be returned by the buyer to the seller and disputes relating thereto decided by arbitration in accordance with the provisions in that behalf contained in the relative Regulation or such other provisions as the Governing Board may from time to time prescribe in addition thereto in modification or substitution thereof.

Delivery When Complete

(b) If the disputed documents are held by the arbitrators to be in order the buyer shall accept them as good delivery and failing such acceptance the seller shall be entitled to sell-out the same against the buyer in accordance with the Bye-laws and Regulations relating to closing-out.

Delivery When Not Complete

(c) If the disputed documents are held to be defective by the arbitrators delivery shall not be complete and when such documents have been delivered through the Clearing House the seller shall immediately (irrespective of whether he intends to proceed in appeal or not) refund to the buyer their value at the ruling market price. The seller shall then remove the defect or in the alternative deliver to the buyer other regular, genuine and valid documents in place of the defective documents within seven days of the decision of the arbitrators or when an appeal has been preferred within seven days of the decision in appeal or within such further period or periods as may be from time to time allowed by the Governing Board or the President.

Buying-in

(d) If the seller fails to remove the defect or in the alternative deliver to the buyer other regular, genuine and valid documents in place of the defective documents within the period prescribed in sub-clause(c) the buyer shall be entitled to buy-in such securities against the seller in accordance with the Bye-laws and Regulations relating to closing-out.

Delivery of Partly Paid Securities

149. In all transactions for partly paid securities entered into subject to the stipulation that the buyer shall have the securities registered in the name of transferee the procedure to be followed for delivery and registration shall be in accordance with the provisions in that behalf contained in the relative Regulation [1] or such other provisions as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof. If registration on delivery be not completed in the manner prescribed the seller shall be entitled to sell-out the securities against the buyer in accordance with the Bye-laws and Regulations relating to closing-out.

[1] Regulation 12

DOCUMENTS AND REGISTRATION

Documents When Deemed to be Defective

150. For purposes of these Bye-laws and Regulations documents shall be deemed defective if there is a defect in their title, ownership, genuineness, regularity or validity or if they are under any lien on account of any debt or liability of the transferor or if they are subject to any attachment or injunction or other legal proceedings or order of Court or other statutory authority for which the seller may be held responsible and the defect shall be deemed to be removed when the title is cleared and/or the ownership, genuineness and validity of the documents established and/or the irregularity rectified and/or the documents released from lien, attachment, injunction or other legal proceedings or order of Court or other statutory authority.

Members When Not Liable for Defective Government and Bearer Securities

151. Members acting as brokers shall not be in any manner personally responsible for defective documents delivered in respect of contracts in Government Securities and bearer securities to which these Bye-laws and Regulations apply when the documents do not pass through their hands at the time delivery is effected but are delivered direct by the selling constituent or his agent to the buying constituent or his agent. But nothing herein contained shall affect the rights and obligations of the buying and selling constituents between themselves as principals in any action at law or in any other proceedings and the buying and selling members shall be bound to render every assistance to the buying constituent in any action at law or other proceedings he may take against the selling constituent who receives payment against delivery of the defective documents.

Member When Liable for Defective Government and Bearer Securities

152. In respect of Government Securities and bearer securities delivered in fulfilment of contracts to which these Bye-laws and Regulations apply the selling member acting as a broker who receives payment against delivery of the defective documents shall be personally responsible for them to the buyer to whom the same are delivered provided the documents pass through the hands of the selling member or his agent when delivery is effected and provided further the buyer gives intimation in writing to the selling member within twenty-one days of the date on which the documents are delivered to him by the selling member or by the Clearing House on the selling member's behalf and establishes to the satisfaction of the Arbitration Committee (from whose decision an appeal shall lie to the Governing Board) that the documents are defective.

Original Selling Member When Liable for Defective Securities (Other than Government and Bearer Securities)

153. (a) In respect of securities other than Government Securities and bearer securities delivered in fulfilment of contracts to which these Bye-laws and Regulations apply the original selling member (i.e. the member who is the first to deliver defective documents in the market on or after or less than five days before the record date or date of closure of the Transfer Books of the Company for the purpose of interest, dividend, bonus, rights or any other benefit accruing to the shareholders or for the purpose of the Annual General Meeting of the Company) acting as a broker who receives payment against delivery of defective documents shall be personally responsible for them to the buyer to whom the same are delivered or any subsequent buyer provided one of the following conditions is fulfilled namely:

(i) the documents are lodged with the Company for registration at any time prior to the first record date or date of closure of the Transfer Books of the Company (for the same purpose as aforesaid) subsequent to the fourth day following the date on which the documents are delivered by the original selling member or by the Clearing House on the original selling member's behalf and the buyer or any subsequent buyer gives intimation in writing to the selling member as soon as it comes to his knowledge that the Company refuses to register the transfer on the ground that the documents are defective; or

(ii) the documents are lodged with the Company for registration on or before the twenty-first day after the date on which the documents are delivered by the original selling member or by the Clearing House on the original selling member or by the Clearing House on the original selling member's behalf or should the Transfer Books of the Company be closed on such twenty-first day the documents are lodged for registration on or before the second working day after the date on which the Transfer Books re-open and the buyer or any subsequent buyer give intimation in writing to the original selling member as soon as it comes to his knowledge that the Company refuses to register the transfer on the ground that the documents are defective; or

(iii) the buyer or any subsequent buyer gives intimation in writing to the original selling member at any time prior to the first record date or date of closure of the Transfer Books of the Company (for the same purpose as aforesaid) subsequent to the fourth day following the date on which the documents

are delivered by the original selling member or by the Clearing House on the original selling member's behalf or at any time within twenty-one days of the date on which the documents are so delivered whichever of the two periods is longer and establishes to the satisfaction of the Arbitration Committee (from whose decision an appeal shall lie to the Governing Board) that the documents are defective.

Subsequent Selling Member When Liable for Defective Securities (Other than Government and Bearer Securities)

(b) In respect of securities other than Government Securities and bearer securities delivered in fulfilment of contracts to which these Bye-laws and Regulations apply if the original selling member who is responsible for defective documents as provided in sub-clause(a) fails to meet his liability any of the subsequent selling members acting as a broker who receives payment against delivery of such documents shall be personally responsible for them to the buyer to whom the same are delivered or any subsequent buyer provided one of the following two conditions is fulfilled namely:

(i) the documents are lodged with the Company for registration on or before the twenty-first day after the date on which the documents are delivered by such subsequent selling member or by the Clearing House on such subsequent selling member's behalf or should the Transfer Books of the Company be closed on such twenty-first day the documents are lodged for registration on or before the second working day after the date on which the Transfer Books reopen and the buyer or any subsequent buyer gives intimation in writing to such subsequent selling member as soon as it comes to his knowledge that the Company refuses to register the transfer on the ground that the documents are defective.

(ii) the buyer or the subsequent buyer gives intimation in writing to such subsequent selling member within twenty-one days of the date on which the documents are delivered by such subsequent selling member or by the Clearing House on such subsequent selling member's behalf and establishes to the satisfaction of the Arbitration Committee (from whose decision an appeal shall lie to the Governing Board) that the documents are defective.

Members When Not Liable

154. If the documents be not lodged within the prescribed period or if intimation in writing that the documents are defective be not given by the buyer to the original and subsequent selling members as provided in these

Bye-laws and Regulations then except in the case of fraud or bad faith on their parts such selling members shall not be personally liable for the defective documents either to the buying members or to the constituents of the buying members and the liability of such selling members to the buyers as also the liability of the buying members to their constituents shall cease in all respects.

Liability in event of Unforeseen Circumstances

155. In circumstances not specifically covered by these Bye-laws and Regulations the Governing Board may determine the liability of the parties on equitable considerations.

Rights and Liabilities of Buying and Selling Constituents

156. Nothing contained in these Bye-laws and Regulations shall affect the rights and obligations of the buying and selling constituents (which terms shall when the buying members and/or selling members have dealt on their own account as principals include such members) between themselves as principals in any action at law or in any other proceedings and the buying and selling members shall be bound to render every assistance to the buying constituents in any action at law or other proceedings they may take against the selling constituents who receive payment against delivery of the defective documents.

Liability of selling Constituents to Selling Members

157. The selling constituents who receive payment against delivery of defective documents shall be liable for the same in all respects and when selling members are personally responsible for such documents under the provisions of these Bye-laws and Regulations they shall be fully indemnified by such constituents as agents acting on behalf of principals.

Rectification or Replacement of Defective Documents

158. The selling member responsible for the defective documents shall within fifteen days from the date of the intimation of the objection remove the defect or in the alternative deliver to the buyer other regular, genuine and valid documents in their place:

Provided however that the Governing Board in its discretion and subject to such conditions as it deems fit to impose may by a special resolution from time to time enlarge the aforesaid period of fifteen days in special circumstances and in particular it may so do in the manner following that is –

(i) when the documents are suspected or alleged to be forged or reported or alleged to be stolen or have passed into police custody

for purposes of investigation the time may be enlarged till the fact that the documents are forged or stolen property is conclusively established to the satisfaction of the Governing Board or proved in a Court of Law;

(ii) when an attachment, injunction or similar other order of Court or other statutory authority has been served on the issuer of the security restraining it from transferring the documents the time may be enlarged till an application for setting aside such order has been finally rejected by the proper authority;

(iii) when the security is by or pursuant to some special law ostensibly placed under any disability not applicable to all other securities of the same issue and the documents are not transferred on the ground of such ostensible disability or when the issuer of the security or the agent of such issuer declines for any reason peculiar to that security as compared with other securities of the same issue to transfer the documents the time may be enlarged till the legal point has been decided by the proper authority.

In such and similar cases when the time is enlarged the selling member shall be bound to comply with such conditions as the Governing Board may impose and shall also place such amount (if any) in deposit with the Exchange as the Governing Board on the application of the buyer or of its own accord directs.

Refund of Moneys

159. If the selling member responsible for the defective documents fails to remove the defect or in the alternative to deliver the buyer other regular, genuine and valid documents in their place as provided in these Bye-laws and Regulations the buyer shall be entitled to claim from the selling member refund of their value at the then ruling market price.

Documents to be Returned and Power of Attorney to be executed on Refund

160. When claiming the refund the buyer shall return to the selling member the defective documents if they have not been impounded and shall procure for the selling member and at the selling member's expense an irrevocable power of attorney executed by the transferee in favour of the selling member or his nominee entitling the selling member or his nominee to institute any suit or legal proceedings on behalf and in the name of the transferee and to litigate the dispute and to have the objection to the title or documents cleared and to obtain the return of the documents in question if they have not been already returned to him and also to sign and execute all transfer deeds and other writings and do all such other acts and things as may be necessary for effectually transferring the

documents to the selling member or his nominee if they be subsequently registered by the issuer of the security in the name of the transferee.

Rectification or Replacement after Refund

161. A refund of monies relating to defective documents shall not operate as cancellation of the contract. The selling member shall within thirty days from the date of such refund or within such further time as the Governing Board or the President may from time to time allow either remove the defect or in the alternative deliver to the buyer other regular, genuine and valid documents in place of the defective documents and the buyer shall be bound to accept such rectified or substitute documents in fulfilment of the original contract and return to the selling member the monies refunded to him.

Responsibility of Selling Member for Dividend, Bonus and Rights

162. If the selling member fails to rectify or replace the defective documents and deliver them to the buyer at least [1] { ten } days before the record date or date of closure of the Transfer Books of the Company for the purpose of interest, dividend, bonus, rights or any other benefit accruing to the shareholders of the Company the selling member shall be responsible to the buyer for the interest, dividend, bonus, rights or any other benefit declared by the Company and for the income-tax deduction certificates if any in respect of the interest, dividend or cash bonus or for the equivalent in cash of the amount of income-tax if any deducted at source. The selling member shall also be responsible to the buyer for the extra expense of transfer if any.

Buying-in

163. If the selling member fails to make refund of monies or to remove the defect or replace the defective documents within the prescribed period the buyer shall be entitled to buy-in the securities against him in accordance with the Bye-laws and Regulations relating to closing-out.

Apportionment of Loss and Damages

164. If the selling member responsible for the defective documents fails to refund the moneys and/or to hand over the interest, dividend, bonus, rights or other benefit declared by the Company and the income tax deduction certificate if any or the equivalent in cash of the amount of income-tax if any deducted at source and/or to pay the damage if any arising from buying-in as provided in these Bye-laws and Regulations he shall be liable to be declared a defaulter. In the event of the defective

[1] Substituted by Governing Board Resolution dated 11.06.96 and approved by SEBI on 27.02.97.

documents having passed through the Clearing House the Clearing House shall assess such loss and damages pro rata against the original contracting parties with whom such defaulter had outstanding sale transactions in such securities as shown in his Clearing Forms. Each such party shall pay the amount of loss and damages to the buyer through the Clearing House on receipt of notice of the amount of such assessment. If a contracting party fails to pay his share of the pro rata loss and damage he shall be declared a defaulter and thereupon the procedure to be followed shall be the same as if he were the selling member who has been declared a defaulter. This procedure shall be repeated as many times as may be necessary in relation to each succeeding party in interest until the loss and damages are fully recovered.

Sale Not Conditional on Transfer

165. A sale of securities is not conditional on the Company transferring the securities to the name of the buyer. On the sale of securities the only obligation on the seller is to tender documents that are not defective and he shall not be deemed to guarantee that the Company will transfer the securities to the name of the buyer nor shall he incur any liability by reason of the refusal of the Company to do so.

Fresh Transfer on Refusal of Company

166. When a Company objects to a transferee and refuses to register a transfer on the ground of such objection the transferor shall on request and on the original transfer being presented to him for cancellation of his signature sign a fresh transfer.

Dispute after Registration

167. When a transfer has been accepted by the Company and the certificate or an official receipts in the form of a Pucca Transfer Receipt or Transmission Receipt or such other receipt in favour of the transferee has been issued by the Company neither the buying member nor the selling member shall be personally responsible to the buying constituent or the transferee for any subsequent dispute as to the title, ownership, genuineness, regularity and validity of the documents unless bad faith or fraud be proved against such member. But nothing herein contains shall affect the liability of the transferor or of the selling constituent who has received payment against delivery of securities in any action at law or in any other proceedings. The provisions herein shall apply only to the rights and obligations of members.

CLOSING-OUT OF CONTRACTS

Closing-out

168. **(a)** A contract in securities made subject to the Rules, Bye - laws and Regulations of the Exchange may be closed-out by buying-in or selling-out against a member on his failure to comply with any of the provisions relating to delivery, payment and settlement of bargains or on any failure to fulfil the terms and conditions subject to which the bargain has been made.

Closing-out When Effected

(b) Without prejudice to the generality of the provision contained in sub-clause (a) closing-out may be effected in cases specified in the relative Regulation [1] or in such other cases as the Governing Board may from time to time specify in addition thereto or in modification or substitution thereof.

Application for Closing-out

169. **(a)** A member shall be entitled to make an application to the Exchange for closing-out against the party in default either on the day of failure or any day thereafter but not later than the fifteenth day following the date of such failure.

Forfeiture of Right of Recourse

(b) If closing-out be not effected within the period prescribed in sub-clause (a) the damages against the party in default shall be determined on the basis of the closing prices ruling on the fifteenth day following the date of failure and the party entitled to closing-out and the party in default shall forfeit all further right of recourse against each other unless it appears that the party entitled to close-out has not exercised his right on the written request of the other.

Closing-out after Prescribed Period

(c) If closing-out be not effected within the period prescribed in sub-clause(a) and the member entitled to close-out buys-in or sells-out at a later date and satisfies the Arbitration Committee that it was impossible to close-out earlier than he did the Arbitration Committee may allow damages on the footing of the rates at which the securities were bought-in or sold-out or at such other rates as the Arbitration Committee may deem proper.

[1] Regulation 13

Closing-out of Contracts with Defaulter Member

170. If a member be declared a defaulter all members having dealings with him in any security shall determine all outstanding contracts by closing-out against him in accordance with the Bye-laws and Regulations relating to default.

170A.[1] Notwithstanding anything stated in Bye-law 170, where a member is declared a defaulter on or subsequent to the date on which the Trade Guarantee Fund become operational, the provisions of Bye-law 170 shall be inapplicable and in such case all members having dealings with him in any security shall, if so required, determine all outstanding contracts by closing-out, settlement, adjustment, and/or cancellation in accordance with the provisions of Bye-law 417.

Closing-out of Contracts with Deceased Member

171. On the death of a member having transactions outstanding in the market in any security the Governing Board may at its discretion give permission to his heirs or legal representatives to settle such transaction according to the terms thereof. In the event of such permission not being applied for or granted members shall be notified accordingly and they shall forthwith determine all outstanding contracts by closing-out against the deceased member either in the open market or as principals at prices then current in the market. The loss if any on such closing-out shall be claimed from the heirs or legal representatives of the deceased member and the profit if any shall be paid to them after obtaining the sanction of the Governing Board. If the heirs or legal representatives of the deceased member fail to pay the amount claimed from them it shall be as if such deceased member has been declared a defaulter and in that event the Bye-laws and Regulations relating to default shall apply.

Closing-out Against Defaulting or Deceased Member or Constituent.

172. A member may effect closing-out against a member who has been declared a defaulter or a deceased member or a defaulting or deceased constitute either by himself buying-in or selling-out the securities in the open market or by buying or selling such securities on his own account as a principal provided that the price is fair and justified by the condition of the market.

[2](Provided that the provision of this Bye-law, relating to closing-out against a defaulting member shall not apply to a member who has been

[1] Inserted by SEBI on 09.05.97 and adopted by the Governing Board on 10.05.97.
[2] Inserted by SEBI on 09.05.97 and adopted by the Governing Board on 10.05.97

declared a defaulter on or after the date on which the Trade Guarantee Fund becomes operational.}

Closing-out on Member's Responsibility

173. Save as otherwise provided closing-out by buying-in or selling-out shall be effected under the authority of the Secretary but the member at whose instance the buying-in or selling-out is done shall be responsible for the contract made on his behalf. No liability or responsibility shall attach to the Exchange or its employees for any contract made in pursuance of any application for closing-out.

Notice of Closing-out

174. On an application for closing-out being made by a member and on payment of such fees in respect thereof as the Governing Board may from time to time prescribe a notice in writing of the proposed buying-in or selling-out shall be given by the Exchange to the member against whom the closing-out is to be effected and the securities shall then be bought-in or sold-out on the following day.

Re-transmission of Notice

175. (a) Where necessary notices of closing-out bearing serial numbers shall be issued by the Exchange in lots of trading unit. Such notices shall be passed in the Settling Room from member to member against whom the closing-out is proposed to be effected and the passing of such notices shall commence on such day and at such hour as may be fixed in that behalf by a notice on the notice board of the Exchange. Each intermediate member in succession to whom the notice of closing-out is transmitted shall endorse thereon the name of his party and pass it on to him after taking a note of his name and the relative serial number of the notice. Such notices shall be so circulated until they reach the original member against whom the closing-out is proposed to be effected or upto such time as may be fixed by the President or in his absence by the Secretary.

Automatic Closing-out

(b) The closing-out of a contract pursuant to the provision contained in sub-clause (a) shall be for the account and liability of each succeeding party to whom the notice is transmitted and such closing-out shall automatically close-out at the buying-in or selling-out rate all contracts with respect to which such retransmitted notice has been passed.

Closing-out of Bargains Settled Through the Clearing House or by Process of Tickets

176. **(a)** In respect of bargains settled through the Clearing House or by the process of Tickets closing-out shall be effected on the device of the Clearing House or the Issuer of Tickets as the case may be. In such cases no notice of closing-out shall be given to the member against whom the closing-out is to be effected but a notice shall be posted on the notice board of the Exchange showing the total quantity of each kind of security to be bought-in or sold-out.

Closing-out Without Notice

(b) Without prejudice to the generality of the provisions contained in sub-clause (a) closing-out without notice may be effected in cases specified in the relative Regulation [1] or in such other cases as the Governing Board may from time to time specify in addition thereto or in modification or substitution thereof.

Closing-out in case of Off-setting Contracts

(c) When a member holding for the account of his different constituents contracts both for sale and purchase in the same Clearing that offset each other has offset such contracts the closing-out of such contracts against the defaulting constituent may be effected by the member directly instead of through the Clearing House. In such cases a member may either himself buy-in or sell-out the securities in the open market or may buy the securities from or sell the securities to the defaulting constituent on his own account as a principal provided that the price is fair and justified by the condition of the market.

Tender Before Closing-out

177. If the member against whom closing-out is to be effected tenders compliance in accordance with the provisions of the Bye-laws and Regulations relating to delivery, payment and settlement of contracts or the terms and conditions subject to which the bargains has been made at any time before the securities have been actually bought-in or sold-out (as the case may be) the member entitled to close-out shall accept the same and fulfil his obligations.

Closing-out How Effected

178. **(a)** Save as otherwise provided in these Bye-laws and Regulations closing- out by buying-in or selling-out shall be effected in the open market but when securities of the same kind are to be bought-in as well as sold-out closing-out may be effected by adjusting the one

[1] Regulation 13

against the other at the average closing-out rate for such securities recorded on that day or where there has been no such closing-out at the opening market rate on that day. In the case of a defaulter or whenever the Governing Board or the President so directs closing-out may be effected not in the open market but by inviting tenders or by any other method which the Governing Board or the President deems desirable.

Bids and Offers

(b) Members other than those against whom the closing-out is effected may make a bid or offer during such closing-out. The Governing Board or the President shall be at liberty in its or his sole discretion to refuse any bid or offer given.

Postponement by President

179. When during closing-out there is no seller or buyer of securities at a price which on a reference the President deems reasonable or when on a reference to the President it appears to him that such securities are not obtainable or saleable in the open market the closing-out shall be postponed to the following day and shall be so postponed from day to day until a seller or buyer be found and such deferment shall not relieve the party in default of any resulting damages.

Non-Cleared Securities When Not Bought-in

180. When in spite of continuous efforts a Non-Cleared Security cannot be bought-in and when the Governing Board is satisfied that such security cannot be obtained except at an arbitrary price the Governing Board may by a special resolution determine a price (which shall not be less than the highestprice touched at any time during the preceding six months) at which the outstanding contract in such Non-Cleared Security shall be deemed to be closed-out. Thereupon the defaulting party shall pay to the party entitled to buy-in the difference between the contract price and the closing-out price.

Postponement by the Governing Board

181. The Governing Board may defer closing-out in any particular case if in its opinion a fair market to close-out is not available or if it is satisfied that the securities are out of the control of the seller for payment of calls or the receipt of interest, dividends, bonus or rights or if it determines that the defaults is due to the existence of a special situation but no such deferment shall relieve the party in default of any resulting damages or free the intermediate parties of their liabilities.

Suspension or Postponement of Closing-out

182. The Governing Board may by a special resolution and for reasons to be recorded suspend or postpone buying-in or selling-out in respect of any security or securities and from time to time extend or postpone the period of such extension or postponement when circumstances appear in its view to make such suspension or postponement desirable in the general interest. The liability of intermediaries in respect of contracts in such securities settled through the Clearing House shall continue during the period of such suspension or postponement:

Provided that except with the approval of the Central Government buying-in or selling-out shall not be so suspended or postponed at any time for a period exceeding the period of one Clearing in the case of Cleared Securities and for a period exceeding fourteen days in the first instance and thereafter for a period not exceeding seven days in the case of Non-Cleared Securities.

Securities Bought-in but Undelivered

183. Securities bought-in and not delivered on the next business day may be again bought-in for immediate delivery without further notice and any loss and damages resulting therefrom shall be paid by the member causing such further buying-in.

Securities sold-out but not Paid For

184. Securities sold-out and not paid for on the next business day may be again sold-out for immediate payment without further notice and any loss and damages resulting therefrom shall be paid by the member causing such further selling-out.

Closing-out at the Instance of a Member

185. **(a)** The member at whose instance closing - out is effected shall give intimation to the member in default within two days of the closing-out and claim the loss and damages if any arising therefrom.

Claims in Case of Retransmitted Notices of Closing-out

(b) When notices of closing-out have been transmitted from member to member as provided in these Bye-laws and Regulations intimation of the closing-out and the claim for damages shall be immediately given by each party to the succeeding party in whose name the notice of closing-out has been endorsed. Statement of money differences and damages if any shall also be rendered immediately and the claims duly settled.

Defaulting Party Entitled to Profit

(c) The party against whom the closing-out is effected shall notwithstanding that he is in default be entitled to the difference or profit which may arise from the closing-out against him.

Loss on Closing-out on Advice of Clearing House on Account of Discrepancy

186. If there be a loss when closing-out is effected on the advice of the Clearing House as a result of any discrepancy in the Clearing Forms lodged with the Clearing House by a member it shall be paid forthwith to the Clearing House by the member responsible for the discrepancy.

Difference Arising from Closing-out

187. (a) When closing-out is effected on the advice of the Clearing House on account of a member failing to give or take delivery of all or any of the securities according to the Clearing Forms lodged by him with the Clearing House the resulting difference (if any) due by such member shall be paid by him forthwith to the Clearing House and the difference (if any) due to such member shall be credited to his account by the Clearing House.

Closing-out Against Defaulter

(b) When closing-out is effected as provided in sub-clause (a) and the member concerned is declared a defaulter the difference arising from closing-out shall be recovered from or distributed amongst the parties with whom such defaulter had transactions in accordance with the Bye-laws and Regulations relating to default.

[1] { Provided that the provisions of this clause shall not apply to a member who has been declared as defaulter on or after the date on which the Trade Guarantee Fund becomes operational. }

Charges for Closing-out

188. When closing-out is effected on the advice of the Clearing House the member against whom the closing-out takes place shall pay to the Clearing House commission at such rate as the Governing Board may from time to time prescribe.

[1] Inserted by SEBI on 09.05.97 and adopted by the Governing Board on 10.05.97.

Penalty for Failure to Give or Take Delivery

189. When closing-out is effected on the advice of the Clearing House on account of a member failing to give or take delivery of all or any of the securities according to the Clearing Forms lodged by him with the Clearing House the Governing Board may in its discretion impose on such member a penalty not exceeding 2 per cent to the market value of such securities. Such penalty shall be in addition to any loss such member may suffer on account of such closing-out and shall be in addition to the commission chargeable in that behalf.

Default if Closing-out Loss Damage Not Paid

190. If any member against whom a transaction is closed-out under the provisions of these Bye-laws and Regulations fails to make payment of the money difference between the contract price or the making-up price (as the case may be) and the closing-out price and of the damages if any within twenty-four hours of receiving notice thereof he shall be declared a defaulter.

[1] SPECIAL PROCEDURE FOR CLOSING-OUT AND AUCTION IN RESPECT OF CONTRACTS SPECIFIED BY THE GOVERNING BOARD.

Special Procedure To Be Prescribed By Resolution

190A. (1) Notwithstanding anything stated elsewhere in these Bye-laws and Regulations, the Governing Board may from time to time by resolution prescribe such different procedure as it thinks fit and proper to be followed in the event a member fails to settle or make delivery or payment in respect of such class or classes of contracts as the Governing Board may specify.

Provided that in no case the auction would be held more than once unless the same is approved by a special resolution of the Governing Board. The outstanding position at the end of the first auction cycle shall be automatically closed out at the prices as per the provisions of 190A.(2).

Squaring Off In The Absence Of Auction Offers

. **(2)** Without prejudice to the generality of Bye - law 190A (1), the resolution passed by the Governing Board may provide for closing-out, auction and other similar, consequential and incidental matters and may also provide that if any securities are not bought-in pursuant to an Auction Tender Notice by reason of absence of auction offers or insufficient number of securities being offered then the outstanding position in respect of the securities which have not been bought-in shall be closed out at either -

(i) the higher of (a) or (b) below -

(a) the highest price recorded in that scrip on the Exchange in the settlement in which the concerned contract had been entered into and upto [2] { the day prior to } the date of auction/close out;

Explanation : For the purposes of (a) above, "concerned contract" means the contract in respect of which the member has failed to settle or make delivery or payment.

(b) such percentage as may be specified for different categories of securities, above the official closing price

[1] Inserted by Governing Board Resolution dated 11.03.96 and approved by SEBI on 04.04.96.
[2] Substituted by Governing Board Resolution dated 03.12.97 and approved by SEBI on 12.01.98.

on the Exchange on [1] { the day prior to } the day specified in the Auction Notice as the last day for making the auction offers in the concerned scrip (and in the event of there being no such closing price on that day then the official closing price on the immediately preceding trading day on which there was an official closing price).

Or

(ii) at such price as may be specified by or be determined in a manner specified by the Governing Board or the Executive Director from time to time.

Explanation : For the purposes of 190A.2 above it is hereby clarified that the securities forming part of the "concerned contract" shall not be carried forward to the subsequent auction and in the event the same are not auctioned in the concerned settlement, then they shall be squared off as provided hereinabove.

(iii) In no case the auction shall be held beyond a period of a week from the pay in of the settlement in which the concerned contract had been entered into.

Explanation : For the purpose above, "concerned contract" means the contract in respect of which the member has failed to settle or make delivery or payment.

Departure

(3) Notwithstanding what is stated above, with reasons to be recorded in writing and with prior approval from SEBI, if any time the Governing Board or the Executive Director thinks fit and proper, it/he/she may withhold, suspend, postpone, modify or cancel the whole or any portion of an auction or the procedure specified pursuant to Bye-laws 190A.1 or 190A.2 in such manner and for such period as it/he/she thinks fit and proper.

[1] Substituted by Governing Board Resolution dated 03.12.97 and approved by SEBI on 12.01.98

DEALINGS BY MEMBERS

Members Only Parties to Bargains

191. The Exchange does not recognise as parties to any bargain in the market any parties other than its own members and every member is directly and primarily liable to every other member with whom he effects a bargain for its due fulfilment in accordance with the Rules, Bye-laws and Regulations of the Exchange whether such bargain be for account of the member effecting it or for account of a principal.

All Bargains Subject to Rules, Bye-laws and Regulations

192. All bargains in securities in which dealings are permitted shall in all cases be deemed made subject to the Rules, Bye-laws and Regulations of the Exchange which shall be a part of the terms and conditions of all such bargains and they shall be subject to the exercise by the Governing Board and the President of the powers with respect thereto vested in it or him by the Rules, Bye-laws and Regulations of the Exchange.

[1] {Annulment of Bargains

193. **(a)** The Governing Board may, on its own motion or pursuant to an application by any person, annul a bargain or several bargains falling within any particular class of bargains if the Governing Board is satisfied that there exists sufficient cause to do so. Such annulment shall be final and shall come into force forthwith.

(b) The expression " sufficient cause" in clause (a) above shall, without prejudice to the generality of the expression, include fraud, wilful misrepresentation or material mistake.

(c) The Governing Board may, subject to such terms, conditions, limitations and procedures as it may prescribe, delegate all or some of its powers under this bye-law to the Executive Director or committee(s) as headed by the Executive Director as the Governing Board thinks fit and proper.}

Bargains by Members

194. Members carrying on business on the Exchange other than representative members shall be entitled to make bargains in the market in their own name.

[1] **194A.** A member shall, at the time of order entry in the trading system for purchase or sale of securities on behalf of a scheme of a Mutual Fund,

[1] Substituted by Governing Board Resolution dated 08.01.96 and approved by SEBI on 01.02.96.

Foreign Institutional Investor (FII) or a sub account of a FII, enter the respective Unique Client Code/s generated by the Exchange for the purpose.

[2] **194B.** A member shall be entitled to place orders on "pro-account" through trading terminals located at one location only as so specified by the member. The trading terminals of the member which are located at places other than the aforesaid location, shall have a facility for placement of orders only for and on behalf of the clients by entering client code details as so specified by the Exchange/SEBI.

Provided that when a member requires the facility of placing orders on "pro-account" through trading terminals from more than one location, such member shall submit an undertaking to the Exchange stating the reasons for placement of orders on "pro-account" from multiple locations. The Exchange may, on a case to case basis and after conducting due diligence, consider extending the facility of allowing the placement of orders on "pro-account" from more than one location.

Bargains by Representative Members

195. Representative members may make bargains in the market but only on behalf of the members by whom they are so appointed.

Put-Through Business

196. When a member employs another member as an intermediary to put-through the transaction of a non-member such intermediary shall report the transaction to the member employing him at the same price as he dealt in the market and the employing member shall report the same price to the non-member in respect of the transaction done for him.

Business Placed between Non-Members

197. When a member has an order to buy and an order to sell the same kind of security he may complete the transaction between the non-members concerned and he may at his discretion deliver the securities which he receives from the selling constituent either to the buying constituent who is the direct contracting party in respect of such securities or to any other buyer who is entitled under these Bye-laws and Regulations to receive from him delivery of securities of a like kind.

[1] Substituted by Governing Board Resolution dated 03.07.04 and approved by SEBI on 06.09.04.
[2] Substituted by Governing Board Resolution dated 03.07.04 and approved by SEBI on 06.09.04.

Carry-Over Transaction

198. Carry-over transactions may be put through between two non-members but whether so put through or not the seller shall not be entitled to claim a return of the identical securities delivered by him.

Member as Principal

199. When executing an order a member may buy or sell securities for his own account as a principal provided he has obtained the consent or authority of his constituent thereto if such constituent be a person other than a member of a Stock Exchange recognised under the Securities Contracts (Regulation) Act 1956 and provided that the price is fair and justified by the condition of the market:

Provided further that where the member has secured the consent or authority of such constituent otherwise than in writing he shall secure written confirmation by such constituent of such consent or authority within three days from the date of the contract:

Provided further that no such written consent or authority of such constituent shall be necessary for closing-out any outstanding contract entered into by such constituent in accordance with the provisions of these Bye-laws and Regulations.

Havalas

200. When a member has been given instructions by another member or by a non-member to receive or give delivery of securities from or to another member or non-member and all the parties agree so to give or take delivery (as the case may be) a member may enter

into Havala contracts in accordance with such instructions. Such contracts shall operate as performance of the transaction in respect of which such Havala contracts have been entered into and they shall have the same force and effect as any ordinary contract of sale or purchase.

Havalas for Constituents

201. Havala contracts confirmed by both members on behalf of a constituent at the rate agreed by signing the relevant entries in their transaction or contract books or by exchanging Confirmation Memos shall not be cancelled or modified by any subsequent default of the constituent but each shall be responsible to the other for due fulfilment of the contracts.

Modification of Havalas for Constituents

202. **(a)** Havala contracts on behalf of a constituent may be entered into subject to a specific stipulation that the prices shall be modified on the subsequent default of the constituent. In the event of such default the prices binding on both the parties shall be the opening prices current in the market on the date on which the contract falls due for fulfilment which in the case of Cleared Securities shall be the Settling Day and in respect of Havala contracts in Cleared Securities such modification may be made by one party serving on the other a notice in writing at any time before payment is made by the Clearing House on the Settling Day.

Debts and Credits to be Offset

(b) When Havala contracts have been modified as provided in sub-clause (a) the resulting credit (if any) at the foot of the constituent's account with one member and the resulting debit (if any) at the foot of the constituent's account with the other member shall be offset against one another upto an amount not exceeding the difference between the modified Havala price and the respective contract prices. The member holding the credit shall on behalf of the constituent make such payment in adjustment to the other member and the constituent shall be entitled to claim only the balance remaining if any.

Constituent's Responsibility for Havala in case of Member's Default

203. Where a member accepts Havala on behalf of his constituent it shall be unless otherwise agreed upon by them in writing at the risk and on account of the constituent who shall be deemed to indemnify the member accepting such Havala against any loss suffered by either of them by reason of the default of the other. In the event of such default the amount in adjustment to be received from or paid to the constituent by a member shall be determined at the altered making-up prices when the Havala is in respect of Cleared Securities and at the opening prices current in the market on the day following the date of default when the Havalas is in respect of Non-Cleared Securities.

Havala Among Members

204. Contracts for Havala among members themselves in Cleared Securities shall be at the making-up price only. In the event of default Havala contracts in respect of Cleared Securities shall be deemed to have been made at the altered making-up price and in respect of Non-Cleared Securities at the opening market price immediately after the declaration of default.

BROKERAGE AND CONTRACT NOTES

Brokerage

205. Save as otherwise provided brokerage shall be charged and collected by members upon the execution of all orders for non-members in respect of purchase or sale or carry-over of securities. Members are entitled to charge brokerage at rates not exceeding the official scale prescribed in the relative Regulation [1] or such other scale as the Governing Board may from time to time prescribe in modification or substitution thereof.

Brokerage in case of Compulsory Carry-Over

206. [2] {Deleted}

Brokerage on Calls

207. A member buying securities on which calls have been prepaid by the seller may charge brokerage on the purchase price with the amount of such calls added.

Brokerage on Put-Through Bargains

208. A member employing another member to put-through the transactions of a non-member may pay the intermediary a share of the brokerage charged to the non-member.

Brokerage on Bargains Between Non-Members

209. A member may charge brokerage to more than one constituent on a transaction carried through directly between two non-members.

Brokerage on Arbitrage Transactions

210. A member shall charge brokerage to a non-member's arbitrage account.

Underwriting Commission and Brokerage on New Issues and Offers for Sale

211. Unless otherwise determined by the Governing Board a member may in his discretion charge such brokerage or commission for underwriting or placing or acting as a broker or entering into any preliminary arrangement in respect of any floatation or new issue or offer for sale of any security as he may agree upon with the issuer or offerer or with the principal underwriters or brokers engaged by such issuer or offeror.

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[1] Regulation 14

[2] Deleted by Governing Board Resolution dated 16.01.02 and approved by SEBI on 11.03.02.

Brokerage on Application

212. Unless otherwise determined by the Governing Board brokerage or commission on all tenders or applications by or through members for submission or purchase in respect of any floatatkion or new issue or offer for sale of any security shall be on the terms offered by the issuer or offerer or by the underwriters or brokers engaged by such issuer or offerer.

Rebate not Allowed

213. No allowance, rebate, return or division of brokerage or commission of any nature or character shall be made by a member to any constituent in respect of any bargain or to any applicant whose tender or application for subscription or purchase has been submitted by or through him or to any other person except as hereinafter provided.

No Special or Unusual Advantage

214. For purposes of these provisions a member shall not act as a principal or enter into any agreement or arrangement with a non-member whereby special and unusual rates are given with intent to give special or unusual advantage to such non-member for the purpose of securing his custom or business.

No Brokerage in Cases of Charity

215. A member may relinquish his brokerage in cases of charity.

Brokerage for Members of Other Stock Exchanges

216. A member may share brokerage with members of other Stock Exchanges in respect of whom business is permitted under the provisions of the Rules, Bye-laws and Regulations of the Exchange.

Brokerage Provisions not Applicable to Dealings Between Members

217. Provisions relating to brokerage contained herein do not apply or lay down any restrictions as to dealings between members.

With Whom Brokerage may be Shared

218. [1] **(a)** A member may share brokerage as provided in sub - clause (b) with a broker, remisier, or employee in his own exclusive employment. He

[1] Amended by Governing Board on 30/09/05 pursuant to SEBI's letter no. MRD/DSA/BSE/50562/2005 dated 28/09/05

may similarly share brokerage with any other person introducing a constituent provided such person -

(i) Is not one for with whom members are forbidden to do business under the Rules, Bye-laws and Regulations of the Exchange;

(ii) is not a remisier, authorised clerk or employee in the employment of another member;

(iii) does not advertise in the public press or in any other manner that he is acting as a broker;

(iv) does not act as a broker;

(v) does not pass contracts in his own name or issue price lists or pamphlets or circulars in respect of business in securities;

(vi) does not issue price lists or pamphlets or circulars of business in securities to other than its own constituents if acting as a broker.

Percentage Share of Brokerage

[1] **(b)** (i) A member may pay his sub brokers, remisier or employee in his own exclusive employment or any other person sharing brokerage as provided in sub-clause (a), a brokerage subject to such terms of brokerage as agreed upon in writing by way of an agreement and as per the scale of brokerage prescribed by the Exchange or SEBI in this regard, from time to time

(ii) Where a member has transacted for a sub broker, the aggregate amount of brokerage charged by the trading member to his sub broker and the sub broker to his client shall not exceed the maximum scale of brokerage prescribed by the Exchange or SEBI in this regard.

Rebate or Return Disallowed

(c) A remisier, authorised clerk, employee or other person sharing brokerage shall not make any allowance, rebate or return of such brokerage directly or indirectly to the constituent introduced by him or to any other person or agent.

Indemnity

[1] Amended by the Governing Board on 30/09/05 pursuant to SEBI's letter no. MRD/DSA/BSE/50562/2005 dated 28/09/05

(d) In the absence of an agreement in writing to the contrary a remisier, authorised clerk, employee or other person sharing brokerage shall be deemed to have agreed to give a full and complete indemnity to the member with whom he shares brokerage for any loss which such member may sustain by the default of the constituent (provided such constituent is not a member of the Exchange) introduced by him in fulfilling his obligations.

Default by Constituent

(e) In the event of any default by a constituent the amount due shall be paid forthwith to the member by the remisier, authorised clerk, employee or other person introducing the defaulting constituent.

Liability of Remisier, Authorised Clerk, Employee or Other Person

(f) If the remisier, authorised clerk, employee or other person sharing brokerage fails to pay the amount due by the defaulting constituent introduced by him then at his risk and cost the member shall be entitled to take such proceedings against the defaulting constituent and/or make such settlement or compromise with him as he in his discretion deems advisable. The acceptance of a promissory note from the defaulting constituent for the whole or part of the amount due from him shall not release the remisier, authorised clerk, employee or other person sharing brokerage from his liability to pay to the member the original amount due from the defaulting constituent nor shall any settlement or compromise with the defaulting constituent diminish the liability of the remisier, authorised clerk, employee or other person sharing brokerage who shall pay to the member the unrealised balance of the original amount due from the defaulting constituent and the costs and expenses incurred in the course of realisation.

Arbitration

(g) Any dispute between a member and a remisier, authorised clerk, employee or other person sharing brokerage with him in respect of any matter to which sub-clauses (d), (e) and (f) apply shall be referred to arbitration and decided in accordance with the Bye-laws and Regulations relating to arbitration of disputes other than between members. All other disputes between them shall also be referred to arbitration in the same manner but if the remisier, authorised clerk, employee or other person sharing brokerage so desires such disputes may be with the permission of the Governing Board or the President referred to arbitration and decided in accordance with the Bye-laws and Regulation relating to arbitration of disputes between members.

Contract Notes

[1]**219. (a)** Members shall issue without delay to non-members contract notes in the form prescribed under the relevant regulations in respect of all bargains made for and on their behalf as agents and when dealing as Principals.

(b) The contract notes rendered by members to non-members shall state that the contract is subject to the Rules, Bye-laws, Regulations and usages of the Exchange and subject to arbitration as provided in the Rules, Bye-laws and Regulations of the Exchange and [2] that save and except as otherwise specifically provided in the Rules, Bye-laws and Regulations of the Exchange, the same shall be subject to the exclusive jurisdiction of the courts in Mumbai. The contract notes shall not contain any provision inconsistent with the Rules, Bye-laws and Regulations of the Exchange. The names of the partners or the sole proprietor of the firm shall be printed on the contract notes. The contract notes shall also be in such form as will provide that the words "member(s) of the Stock Exchange, Bombay " shall immediately follow the signature.

Contracts by Members as Agents

220. The contract notes rendered by members to non-members in respect of bargains made for and on behalf of such non-member's account may be in the form prescribed in the relative Regulation [3] or in such other form or forms as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof. Such contract notes shall state that brokerage at rates not exceeding the official scale of brokerage has been charged and allowed for in the price.

Contracts by Members as Principals

221. (a) The contract notes rendered by members to non - members when buying for themselves as principals the securities of their constituents or selling as principals their own securities to their constituents in accordance with the provisions of these Bye-laws and Regulations may be in the form prescribed in the relative Regulation [4] or in such other form or forms as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof. Such contract notes shall disclose that the member is acting as a principal.

Written Consent or Authority Necessary

[1] Amended by Governing Board Resolution dated 21.01.93 and approved by SEBI on 15.02.93.
[2] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009
[3] Regulation 14
[4] Regulation 14

(b) Members shall not enter into contracts as principals with persons other than members of Stock Exchanges recognised under the Securities Contracts (Regulation) Act, 1956 unless they have secured the consent or authority of such persons and when such consent or authority is otherwise than in writing they shall secure written confirmation by such persons of such consent or authority within three days from the date of the contract:

Provided however that no such written consent or authority shall be necessary for closing-out any outstanding contracts entered into by such persons in accordance with these Bye-laws and Regulations.

Carry-Over Contracts

[1]**222. (a)** The contract notes rendered by members to non - members in respect of carry-over transactions may be in one of the forms prescribed in the relative Regulation or in such other form or forms as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.

Carry-Over Contracts at Other Than Special Making-up Price When Void

(b) Save as otherwise provided in these Bye-laws and Regulations carry-over contract notes rendered by members to their constituents shall be at the special making-up price fixed as prescribed in the relative Regulation notwithstanding that the corresponding bargains have been entered into at a price other than such special making-up price. Carry-over contracts between members and their constituents either as agent to principal or as principal to principal in respect of which contract notes are not rendered as prescribed herein shall be deemed void.

Signing of Contract Notes

223. A contract note shall be signed by the member or by his partner or constituted attorney.

Contract Notes Issued by Firms

224. In the case of a firm recognised under the Rules, Bye-laws and Regulations of the Exchange every contract shall be signed only in the name of the firm and no contract note shall be issued in the name of an individual partner or the sole proprietor of the firm.

[1] Substituted by Governing Board Resolution dated 04.06.63 and approved by Govt. on 06.06.63.

Contract Notes Issued by Representative Member

225. A representative member working with another member shall be entitled to issue to his constituents contracts in his own name.

RIGHTS AND LIABILITIES OF MEMBERS AND CONSTITUENTS

All Contracts Subject to Rules, Bye-laws and Regulations

226. (a) All contracts made by a member for or with a non - member for the purchase or sale of securities in which dealings are permitted on the Exchange shall in all cases be deemed made subject to the Rules, Bye-laws, Regulations and Usage of the Exchange which shall be a part of the terms and conditions of all such contracts and they shall be subject to the exercise by the Governing Board and the President of the powers with respect thereto vested in it or him by the Rules, Bye-laws and Regulations of the Exchange.

Performance of Contracts

(b) [1] Save and except as specifically provided otherwise, in the Rules, Bye-laws and Regulations, the delivery of all documents and papers and the payment in relation to all contracts referred to in sub-clause (a) shall be within the city of Mumbai and except when delivery is taken and given and payment made and received from and to the Clearing House through Clearing Members Banks as provided in these Bye-laws and Regulations the parties to all contracts shall be bound to take and give delivery and make and receive payment at the office of the member concerned within the Fort Area of the city of Mumbai Mumbai. In cases where the Rules, Bye-laws and Regulations make specific provision inconsistent with what is stated in 226 (b), then such specific provision shall prevail over what is stated in 226 (b).

Contracts Subject to Mumbai Jurisdiction

(c) [2] In case of all claims (whether admitted or not), differences and disputes arising out of or in relation to all contracts referred to in sub-clause (a) of this Clause 226 the parties concerned shall be deemed to have agreed and acknowledged that save and except as specifically provided otherwise, in the Rules, Bye-laws and Regulations, (i) such contracts have been entered into and are to be performed within the city of Mumbai, (ii) that they are subject to arbitration in accordance with the provisions relating to arbitration other than between members contained in these Bye-laws and Regulations and (iii) save as otherwise provided they are subject to the exclusive jurisdiction of the Courts in Mumbai.

In cases where the Rules, Bye-laws and Regulations make specific provisions inconsistent with what is stated in (i) to (iii) hereinabove,

[1] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009
[2] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009

then such specific provisions shall prevail over what is stated in (i) to (iii) above.

Broker's Lien

227. **(a)** Whenever and so often as a constituent is indebted to a member all securities and other assets from time to time lodged with the members by such constituent or held by the member for and on behalf of such constituent and any cash lying to the credit of such constituent with the member shall be subject to the lien of such member for any general balance of account or margin or other monies that may be due at any time by such constituent singly or jointly with another or others to such member in respect of any business done subject to the Rules, Bye-laws and Regulations of the Exchange and shall be deemed a general security for payment to such member of all such monies (including interest, commission, brokerage and other expenses) as may be due by such constituent in such manner.

Right to Sell

(b) A member entitled to lien or security as provided in sub-clause (a) shall be at liberty to sell, pledge or borrow money against such securities and assets in such manner and on such terms and at such time as he may deem advisable and may pay to himself or to any other any such money due to him by or due by him on behalf of such constituent in respect of business done subject to the Rules, Bye-laws and Regulations of the Exchange.

Constituent to Indemnify

228. Every member entering into any contract for the purchase or sale of any security or doing any act in relation thereto on the instructions of any constituent and on such constituent's account or request shall be entitled to be indemnified by such constituent as an agent acting on behalf of his principal.

Contracts by Members as Principals

229. A member shall not enter into any contract for the purchase or sale of securities as a principal with any constituent (other than a member of a Stock Exchange recognised under the Securities Contracts (Regulation) Act 1956) unless he has secured the consent or authority of such constituent and discloses in the note, memorandum or agreement of purchase or sale that he is acting as a principal:

Provided that where the member has secured the consent or authority of such constituent otherwise than in writing he shall secure written

confirmation by such constituent of such consent or authority within three days from date of the contract:

Provided further that no such consent or authority of such constituent shall be necessary for closing-out any outstanding contract entered into by such constituent in accordance with these Bye-laws and Regulations if the member discloses in the note, memorandum or agreement of purchase or sale in respect of such closing-out that he is acting as a principal.

Members not Bound to Accept Instructions and Orders

230. A member shall not be bound to accept all or any of the instructions or orders of constituents for purchase, sale, havala or carry-over of securities. He may in his absolute and uncontrolled discretion decline to accept any such instructions or orders for execution wholly or in part and shall not be bound to assign any reason therefor:

Provided that when a member is not prepared to carry out such instructions or orders either wholly or in part he shall immediately inform his constituent to that effect.

Margin

231. A member shall have the right to demand from his constituent the margin deposit he has to provide under these Bye-laws and Regulations in respect of the business done by him for such constituent. A member shall also have the right to demand an initial margin in cash and/or securities from his constituent before executing an order and/or stipulate that the constituent shall make a margin deposit or furnish additional margin according to changes in market prices. The constituent shall when from time to time called upon to do so forthwith provide a margin deposit and/or furnish additional margin as required under these Bye-laws and Regulations in respect of the business done for him by and/or as agreed upon by him with the member concerned.

Constituent in default

232. **(a)** A member shall not transact business directly or indirectly or execute an order for a constituent who to his knowledge is in default to another member unless such constituent shall have made a satisfactory arrangement with the member who is his creditor.

Deposit of defaulting Constituent's Moneys and Securities Pending Arbitration

(b) On the application of a creditor member who refers or has referred to arbitration his claim against the defaulting constituent as provided in these Bye-laws and Regulations the Secretary shall issue

orders against any member or members restraining him or them from paying or delivering to the defaulting constituent any moneys or securities upto an amount or value not exceeding the creditor member's claim payable or deliverable by him or them to the defaulting constituent in respect of transactions entered into subject to the Rules, Bye-laws and Regulations of the Exchange. On receipt of such order the member or members concerned shall forthwith deposit and the defaulting constituent shall be deemed to have authorised the member or members concerned so to deposit with the Exchange such moneys and securities after satisfying his or their own dues if any arising out of transactions made subject to the Rules, Bye-laws and Regulations of the Exchange. Such deposit shall release the depositing member or members from all further liability and obligation to the defaulting constituent in respect of the moneys and securities deposited by him or them. The application of the creditor member pursuant to which the moneys and securities are deposited with the Exchange shall be deemed to form a part of the aforesaid reference to arbitration of his claim against the defaulting constituent. The moneys and securities deposited shall be disposed of in terms of the award in arbitration and pending a decree shall be deposited with the Court when filing the award unless the creditor member and the defaulting constituent mutually agree otherwise.

Delivery by Constituent

233. (a) In respect of a member selling securities on behalf of or buying securities from constituent whether residing in the city of Bombay or outside the date on which he receives delivery of such documents from the selling constituent direct or from his bankers or agents in Bombay shall be deemed to be the date of delivery by the selling constituent.

Delivery by Non-resident Constituent

(b) If the constituent resides outside the city of Bombay and requests the member to take delivery of the documents outside the city of Bombay and the member complies with the constituent's request the documents shall be deemed to have been delivered only when the documents are actually received in the city of Bombay notwithstanding that the constituent may deliver the documents to some branch office or agent of the member or of the member's bank. If sent by post the documents shall be deemed to have been delivered on the day when the documents reach the member in the city of Bombay.

Delivery to Constituent

234. **(a)** In respect of a member buying securities on behalf of or selling his securities to a constituent whether residing in the city of Bombay or outside the date on which he delivers such documents to the buying constituent direct or to his bankers or agents in Bombay or draws a bill on the buying constituent through a Bank or sends an advice by post stating that the documents are ready for delivery shall be deemed to be the date of delivery to the buying constituent.

Deliver to Not-resident Constituent

(b) If the constituent does not reside within the city of Bombay and requests the member to give him delivery of the documents outside the city of Bombay and the member complies with the constituent's request the delivery shall be deemed to be complete as soon as the member delivers the documents to his own or the constituent's bankers or agents in the city of Bombay. Such banker or agent shall be deemed to receive the documents for and on behalf of the constituent. The contracts shall be deemed to be performed on the due date if the member has within the due date delivered the documents to or drawn against them through the banker or agent in the city of Bombay or posted the same in the city of Bombay addressed to the constituent or advised the constituent by post that the documents are ready for delivery.

Constituent to Deliver Securities Sold

235. A constituent whether residing in the city of Bombay i or outside shall deliver to the member in the city of Bombay by the due date any security which the member has sold for him or bought from him. The documents delivered must be valid, regular and in proper form and the delivery of any security sold for a constituent which the member is liable to deliver must be made in the office of the member in the Fort Area of the city of Bombay in time to enable the member to comply with the provisions in these Bye-laws and Regulations relating to such delivery.

Constituents to make Payment

236. A constituent whether residing in the city of Bombay or outside shall pay to the member in the office of the member in the city Bombay by the due date all sums which the constituent is bound to pay and when a member is liable to pay such sums on behalf of the constituent the payment must be made in the office of the member in the Fort Area of the city of Bombay atleast one business day previous to the date on which the member is required to make payment in compliance with the provisions in these Bye-laws and Regulations relating to such payment.

Constituent's Failure to Deliver or to Pay

237. A constituent who fails to give delivery or make payment in accordance with these provisions shall forthwith pay any loss or damages which the member may sustain as a result or on account of such failure.

Member When to Close-out Constituent's Account

238. **(a)** On the failure of a constituent to pay the loss or damages sustained on closing-out effected against him by the member or to pay differences in due time in conformity with the provisions of these Bye-laws and Regulations the member may close-out his account either forthwith or at any time thereafter in his discretion during the time such constituent is in default.

Closure of Market during Default

(b) If the market be closed at the time of or subsequent to default the member may close-out against defaulting constituent on or after the re-opening of the market for dealings in such security or securities either for the Clearing or for hand delivery. In the case of Cleared Securities the closing-out may be subject to a stipulation for delivery in the course of the Clearing.

Notice of and Payment on Closing-out

(c) When the defaulting constituent's account is closed out as provided in sub-clause (a) and (b) the member shall immediately send notice of such closing-out to his constituent and any balance due on such closing-out shall be immediately payable by the defaulting constituent to the member.

Death of Constituent

239. A member may forthwith or at the earliest practicable date close-out all open transactions on account of a constituent who has died and the balance due on such closing-out shall be payable on the ensuing due date of payment in respect of such contracts.

Closing-out in Case of Bankrupt

240. A member may forthwith or at the earliest practicable date close-out all open transactions on account of a constituent who becomes bankrupt or insolvent or makes or attempts to make a composition with his creditors or with any of them or who shall have given any admission or intimation or indication of the fact that he will be unable to fulfil his obligations and the balance on such closing-out shall be payable on the ensuing due date of payment in respect of such contracts.

Closing-out of Constituent's Account How Effected

241. When closing-out the account of a constituent under the provisions of these Bye-laws and Regulations a member may assume or take over such transactions to his own account as a principal at prices which are fair and justified by the condition of the market or he may close-out in the open market and any expense incurred or any loss arising therefrom shall be borne by the constituent. When the closing-out has been effected as a principal the contract note in respect of such closing-out shall disclose that the member is acting as a principal.

Member Not Liable to Attend to Registration of Transfer

242. A member shall not be deemed to be under any obligation to attend to the transfer of securities and the registration thereof in the name of the constituent. If he attends to such work in the ordinary course or at the request or desire or by the consent of the constituent he shall be deemed to be an agent of the constituent in the matter and shall not be responsible for loss in transit or for the Company's refusal to transfer nor be under any other liability or obligation other than that specifically imposed by these Bye-laws and Regulations. The stamp duty, the transfer fees and other charges payable to the Company, the fee for attending to the registration of securities and all incidental expenses such as postage incurred by the member shall be borne by the constituent.

Registration of Securities When in Name of Member or Nominee

243. When the time available to the constituents of a member is not sufficient for them to complete transfers and lodge the securities for registration before the closing of the transfer books and where the seller is not liable for the interest, dividend, cash bonus, bonus or rights which the Company may have announced or declared the member may register the securities in his or his nominee's name and recover the transfer fee, stamp duty and other charges from the buying constituent. The member shall give immediate intimation thereof to the buying constituent and shall stand indemnified for the consequences of any delay in delivery caused by such action.

Closing-out by Constituent on Failure to Perform a Contract

244. If a member fails to complete the performance of a contract by delivery or payment in accordance with the provisions of these Bye-laws and Regulations the constituent shall after giving notice in writing to the member close-out such contract through any other member of the Exchange within fifteen days from the date of default and any loss or damages sustained as a result of such closing-out shall be immediately payable by the defaulting member to the constituent. If closing-out be

not effected as provided herein the damages between the parties shall be determined on the basis of the closing prices ruling on the fifteenth day following the date of default and the constituent and the member shall forfeit all further right of recourse against each other.

Constituent When to Close-Out Account

245. **(a)** If a member be declared a defaulter or fail to pay the loss or damages sustained on closing-out effected against him by the constituent or to pay differences due by him to his constituent on the day following the Settling Day such constituent may by giving notice in writing close-out through any member of the Exchange all outstanding contracts either forthwith or at any time thereafter in his discretion during the time such member is in default.

Closure of market During Default

(b) If the market be closed at the time of or subsequent to default the constituent may close-out against the defaulting member on or after the reopening of the market for dealings in such security or securities either for the Clearing or for hand delivery. In the case of Cleared Securities the closing-out may be subject to a stipulation for delivery in the course of the Clearing.

Notice of and Payment on Closing-out

(c) When the defaulting member's account is closed-out as provided in sub-clause (a) and (b) the constituent shall immediately send notice of such closing-out to the member and any balance due on such closing-out shall be payable immediately by the defaulting member to his constituent.

No Lien on Constituent's Securities

246. If a member be declared a defaulter after delivering securities to the Clearing House on account of his constituent the constituent shall be entitled to claim and on offering proof considered satisfactory by the Governing Board or the President receive from the Clearing House according as the Governing Board or the President directs either such securities or the value thereof at the altered making-up price subject to payment or deduction of the amount if any due by him to the defaulter.

Complaint by Constituent

247. When a complaint has been lodged by a constituent with the Governing Board that any member has failed to implement his stockbroking transactions the Governing Board shall investigate the complaint and if it is satisfied that the complaint is justified the Governing Board may suspend

the member for such period or periods or take such other disciplinary action as it deems fit.

REGULATION OF TRANSACTIONS BETWEEN CLIENTS AND BROKERS

[1] **247A.** Notwithstanding anything to the contrary contained in these Bye-laws, the following shall regulate the transactions between Clients and Brokers:

(1) It shall be compulsory for all Member brokers to keep the money of the clients in a separate account and their own money in a separate account. No payment for transactions in which the Member broker is taking a position as a principal will be allowed to be made from the client's account. The above principles and the circumstances under which transfer from client's account to Member broker's account would be allowed are enumerated below.

A) Member Broker to keep ` Accounts. Every member broker shall keep such books of accounts, as will be necessary, to show and distinguish in connection with his business as a member –

(I) Moneys received from or on account of and moneys paid to or on account of each of his clients and,

(II) the moneys received and the moneys paid on Member's own account.

B) Obligation to pay money into "clients accounts" Every member broker who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the member in the title of which the word "clients" shall appear j(hereinafter referred to as "clients account" .Member broker may keep one consolidated clients accounts for all the clients or accounts in the name of each client, as he thinks fit: Provided that when a Member broker receives a cheque or draft representing in part money belonging to the client and in part money due to the Member, he shall pay the whole of such cheque or draft into the clients

[1] Inserted as per SEBI notification dated 29.11.94.

account and effect subsequent transfer as laid down in para D (ii).

C) What moneys to be paid into Clients account"

No money shall be paid into clients account other than-

(I) money held or received on account of clients;

(II) such money belonging to the member as may be necessary for the purpose of opening or maintaining the account;

(III) money for replacement of any sum which may by mistake or accident have been drawn from the account in contravention of para D given below;

(IV) a cheque or draft received by the Member representing in part money belonging to the client and in part money due to the Member.

D) What moneys to be withdrawn from "clients account"

No money shall be drawn from clients account other than-

(I) money properly required for payment to or on behalf of clients or for or towards payment of a debt due to the member from clients or money drawn on client's authority, or money in respect of which there is a liability of clients to the Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for such each client',

(II) such money belonging to the Member as may have been paid into the client account under para 1C(ii) or 1C(iv) given above;

(III) money which may by mistake or accident have been paid into such account in contravention of para C

above.

E)	**Right to lien, set- off etc., not affected**	Nothing in this para 1 shall deprive a Member broker of any recourse of right, whether by way of lien, set-off, counter-claim charge or otherwise against moneys standing to the credit of clients account.

[1]{ It shall also be compulsory for all Member brokers/Sub-brokers to receive or to make all payments from or to the clients strictly by way of account payee crossed cheques or demand drafts or direct credit into the bank account through EFT or any other modes as so permitted by the Reserve Bank of India. Member brokers shall accept cheques drawn only by clients and issue cheques only in favour of the clients. However, in exceptional circumstances Member broker may receive payment in cash, to the extent that there is no violation of the Income Tax requirement for the time being in force. }

2) It shall be compulsory for all Member brokers to keep separate accounts for client's securities and to keep such books of accounts as may be necessary, to distinguish such securities from his/their own securities. Such accounts for client's securities shall, inter-alia, provide for the following:-

(a) Securities received for sale or kept pending delivery in the market;

(b) Securities fully paid for, pending delivery to client;

(c) Securities received for transfer or sent for transfer by the Members, in the name of client or his nominee(s);

(d) Securities that are fully paid for and are held in custody by the Member as security/margin etc. Proper authorization from client for the same shall be obtained by Member;

(e) Fully paid for client's securities registered in the name of Member, if any, towards margin requirements etc.;

(f) Securities given on Vyaj-badla. Members shall obtain authorization from clients for the same.

[2]{ It shall also be compulsory for all Member brokers to give or to take delivery of securities in "demat mode" directly to or from the "beneficiary accounts" of the clients except in case of delivery of

[1] [1] Inserted by Governing Board Resolution dated 03.07.04 and approved by SEBI on 08.09.04.
[2] [1] Inserted by Governing Board Resolution dated 03.07.04 and approved by SEBI on 08.09.04.

securities to a recognized entity under the approved scheme of the Exchange and/or SEBI. }

(3) Member Brokers shall make payment to their clients or deliver the securities purchased within two working days of pay-out unless the client has requested otherwise. Stock Exchange shall issue a Press Release immediately after the pay-out.

(4) Member brokers shall issue the contract note for purchase/sale of securities to a client within 24 hours of the execution of the contract.

(5) In case of purchases on behalf of client, Member brokers shall be at a liberty to close out the transactions by selling the securities, in case the clients fails to make the full payment to the Member Broker for the execution of the contract within two days of contract note having been delivered for cash shares and seven days for specified shares or before pay-in day (as fixed by Stock Exchange for the concerned settlement period), whichever is earlier; unless the client already has an equivalent credit with the Member. The loss incurred in this regard, if any, will be met from the margin money of that client.

(6) In case of sales on behalf of clients, Member brokers shall be at liberty to close out the contract by effecting purchases if the client fails to deliver the securities sold with valid transfer documents within 48 hours of the contract note having been delivered or before delivery day (as fixed by Stock Exchange authorities for the concerned settlement period), whichever is earlier. Loss on the transaction, if any, will be deductible from the margin money of that client.

[1] **(7)** Member brokers shall make their clients aware of the basic risks involved in trading on the Exchange, the rights and obligations of the client, etc. by issuing to the client a copy of the "Risk Disclosure Document" on the lines specified by the Exchange from time to time and bringing its contents to their notice. Member brokers shall obtain and retain in their records, a copy of the Risk Disclosure Document duly signed by the client.

Confidentiality of Clients' Details

[2]**247B.** The Stock Exchange shall maintain the details of the clients of the members in confidence and that it shall not disclose to any person / entity such details of the client as mentioned in the client registration form or any

[1] ¹ Inserted by Governing Board Resolution dated 03.07.04 and approved by SEBI on 06.07.04.
[2] Inserted by Governing Board Resolution dated 18.08.01 and approved by SEBI on 19.11.01.

other information per aining to the client except as required under the law or by any authority.

[1]ARBITRATION OTHER THAN BETWEEN MEMBERS

Reference to Arbitration

248. **(a)** All claims (whether admitted or not) difference and disputes between a member and a non-member or non-members (the terms 'non-member' and 'nonmembers' shall include a remisier, authorised clerk, a sub-broker who is registered with SEBI as affiliated with that member or employee or any other person with whom the member shares brokerage) arising out of or in relation to dealings, transactions and contracts made subject to the Rules, Bye-laws and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their construction, fulfillment or validity or in relation to the rights, obligations and liabilities of remisiers, authorised clerks, sub-brokers, constituents, employees or any other persons with whom the member shares brokerage in relation to such dealings, transactions and contracts shall be referred to and decided by arbitration as provided in the Rules, Bye-laws and Regulations of the Exchange.

Contract Constitutes Arbitration Agreement

(b) An acceptance whether express or implied of a contract subject to arbitration as provided in sub-clause (a) and with this provision for arbitration incorporated therein shall constitute and shall be deemed to constitute an agreement between the member and the nonmember or non-members concerned that all claims (whether admitted or not), differences and disputes of the nature referred to in sub-clause (a) in respect of all dealings, transactions and contracts of a date prior or subsequent to the date of contract shall be submitted to and decided by arbitration as provided in the Rules, Bye-laws and Regulations of the Exchange and that in respect thereof any question whether such dealings, transactions and contracts have been entered into or not shall also be submitted to and decided by arbitration as provided in the Rules, Bye-laws and Regulations of the Exchange.

[2](c) If any claim (whether admitted or not), difference or dispute arises between a sub-broker who is registered with SEBI as affiliated with a member and his constituent arising out of or in relation to dealings, transactions and contracts between the constituent and the sub-broker made subject to the Rules, Bye-laws and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their construction fulfillment or validity or in relation to the rights, obligations and liabilities of the constituent, the sub-broker or the member in connection therewith, then such claim, difference or dispute shall be brought to the notice of the member by the constituent in writing within [3]six months from the last date of the

[1] Amended by Governing Board Resolution dated 10.06.97 and approved by SEBI vide letter dated 26.03.98. these new Bye-Laws come into effect from 29.08.98
[2] Revised by Governing Board Resolution dated 17.06.2002 am approved by SEBI on 25.04.2003
[3] Substituted by Governing Board Resolution 17.01.2004 and approved by SEBI on 05.03.2004

concerned settlement and the same shall as far as possible be settled with the help of the member failing which it shall be brought to the notice of the Exchange for resolution. If a claim, dispute or difference persists, the same shall be referred to and decided by arbitration as provided in the Rules, Bye-laws and Regulations of the Exchange.

[1]**(d)** Any claim, difference or dispute made by a transferee against the company and arising out of or in respect of transfer of securities where the company has not effected transfer of the securities within a period of one month from the date of receipt of the securities by the company or where the company has failed to communicate to the transferee any valid objection to the transfer within aforesaid period of one month, shall be referred to and decided by arbitration as provided under the Rules, Bye-laws and Regulations of the Exchange and the company shall be liable to compensate the aggrieved party for the opportunity losses, if any, caused during the period of the delay. [2] The arbitral proceedings contemplated under this Clause between the transferee and the issuer shall be held at any Regional Arbitration Centre of the transferee's choice.

[3]Liability of the Member

(e) In case of claims, differences and disputes to which a Sub-broker is a party, if the arbitral award is made against such a Sub-broker then the Sub-broker shall be liable to comply with such arbitral award. If the Sub-broker fails to comply with such arbitral award, then the Member with whom the Sub-broker is affiliated shall be liable to comply with such arbitral award as if such arbitral award has been made against such Member within such time period as may be specified by the Exchange.

Provided that the dispute should have been brought to the notice of the Member by the claimant, within [4]six months as specified under the Bye-laws, failing which the Member shall not be made responsible for the liabilities of his sub-broker.

Provided further, that the claim of the claimant arises out of transactions executed on the Exchange through the concerned Member with whom the sub-broker is affiliated as a registered Sub-Broker and the same is backed by Confirmation Memo issued by the Sub-broker in the specified format and carrying cross reference of details of the Contract Note issued by the Member and other details such as Client – ID no of the client etc.

[1] Inserted by Governing Board Resolution dated 25.01.2003 and approved by SEBI on 25.04.2003
[2] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009
[3] Inserted by Governing Board Resolution dated 16.07.2003and approved by SEBI on 05.03.2004
[4] Amended by Governing Board Resolution dated 17.01.2004 and approved by SEBI on 05.03.2004

The Member shall be entitled to recover the amount paid to the claimants under this Bye-law from his Sub-Broker.

[4]Power to provide seats of Arbitration

248A The Governing Board shall, from time to time, provide for establishment of Regional Arbitration Centers, different seats of arbitration for different regions and / or prescribe geographical jurisdiction for each Center or seat, as the case may be, for conducting arbitration and prescribe the courts, which shall have jurisdiction for the purpose of these Rules, Bye-laws & Regulations.

Notwithstanding anything herein contained, in respect of any dispute between a member on the one hand and a remisier, authorised clerk, Sub-Broker who is registered with SEBI (as affiliated with that member or employee or any other person with whom the member shares brokerage) on the other hand, the Regional Arbitration Center shall be Mumbai alone.

Appointment of Arbitrators

249. (i) [1]**(a)** All claims, differences and disputes which are required to be referred to arbitration under these Bye-laws and Regulations shall be referred to arbitration of a sole arbitrator or of three arbitrators to be appointed by the Executive Director or by the parties from the Panel of Arbitrators constituted by the Governing Board, in the manner provided in these Bye - laws and Regulations. The Executive Director shall appoint a sole arbitrator

[2]**(b)** In an arbitral tribunal of three arbitrators, each party shall appoint one arbitrator and the third Arbitrator will be appointed by Executive Director. Those proposed arbitrators shall be from the panel of arbitrators constituted by the Governing Board. If any of the parties fail to appoint arbitrator within 10 days of the day he is asked to appoint arbitrator the Executive Director shall appoint such arbitrators in the manner provided in these Bye – laws. All the Bye - laws providing arbitration by a single arbitrator shall apply mutatis-mutandis to arbitration by three members.

[3]**(ii)** While making an application for reference to arbitration, the claimant shall state the names of 3 proposed arbitrators from amongst the [4] concerned panel of arbitrators prepared as per Bye-law 262 (b)

[1] Amended by Governing Board Resolution dated 17.06.2003 and SEBI approved on 15.09.2003
[2] Amended by Governing Board Resolution dated 17.06.2003 and SEBI approved on 15.09.2003
[3] Amended by Governing Board Resolution dated 17.06.2003 and SEBI approved on 15.09.2003
[4] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009

(iii) The names of the proposed arbitrators shall be forwarded by the [1]concerned Regional Arbitration Centre of the Exchange's Arbitration Department to the respondent or all the respondents (as the case may be).

(iv) **(a)** [1] If there is only one respondent, the respondent may consent to any one of the proposed arbitrators being appointed as the arbitrator by delivering to the concerned Regional Arbitration Centre of the Exchange Arbitration Department, within ten days of the respondent having received from the concerned Regional Arbitration Centre of the Exchange the names of the proposed arbitrators (or such extended time as the Executive Director may on the application of the respondent allow), in writing in a form prescribed by the Exchange signed by the respondent signifying his consent, failing which the claimant and the respondent shall be deemed to have failed to have agreed as to the person to be appointed as the arbitrator.

(b) [2] If there are two or more respondents then each respondent may consent to the appointment of any one or more of the proposed arbitrators as the arbitrator by delivering to the concerned Regional Arbitration Centre of the Exchange, within ten days of the respondent having received from the Exchange the names of the proposed arbitrators (or such extended time as the Executive Director may on the application of the concerned respondent allow), in writing in a form prescribed by the Exchange signed by that respondent signifying his agreement to one or more of the proposed arbitrators being appointed as the arbitrator. If the claimant and all the respondents agree to any one of the proposed arbitrators being appointed as the arbitrator, such person shall act as the arbitrator.

If the claimant and all the respondents agree to more than one of the proposed arbitrators being appointed as the arbitrator, the Exchange's Executive Director shall name one of such persons to act as the arbitrator. If the claimant and all the respondents do not agree to at least one of the proposed arbitrators being appointed as the arbitrator, the claimant and the respondents shall be deemed to have failed to have agreed as to the person to be appointed as the arbitrator.

Managing Director and Chief Executive Officer - authority to designate

[1] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009
[2] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009

249A. [1] The Managing Director and Chief Executive Officer of the Exchange for the purpose of Arbitration Bye - laws shall also include any official at each Regional Arbitration Centre not below the rank of Deputy Manager designated by the Managing Director and Chief Executive Officer from time to time for the specific function entrusted to him at the respective Regional Arbitration Centre under these Bye - laws.

Appointment of Arbitrator by the Executive Director

250. (1) On payment in advance of the minimum fees of an arbitrator prescribed under these Bye-laws and Regulations by any party to a claim, difference or dispute, the Executive Director shall appoint an arbitrator ;

(a) if the parties have failed to agree as to the person to be appointed as the arbitrator.

(b) if the arbitrator dies or fails, refuses or neglects to act or becomes incapable of acting as an arbitrator before an award is made by him.

[2]**(2)** An arbitrator to be appointed under clause (1) shall be from the panel of arbitrators prepared by the Governing Board as per Bye-law 262 (b)

(3) While appointing arbitrator it shall be ensured that the arbitrator is independent and impartial not interested in any of the parties or the claim dispute or difference referred to in arbitration.

Commencement of Arbitration

251. (a) There shall be an officer of the Exchange designated as Secretary of arbitration. All applications for reference shall be in such form as the Exchange may prescribe and shall be accompanied by as many copies thereof as there are respondents and the same number of copies of the statements of claim, documents relied upon, such as contract, bills, ledger accounts, acknowledgment of delivery and receipt of shares etc., accompanied by a accurate list thereof shall be received by the Secretary when presented in person and /or transmitted by post and the receipt shall be duly acknowledged. The date on which the application for reference is received shall be the date of making reference to arbitration. The Secretary shall scrutinise the application and the accompaniments thereof and shall verify whether the applicant has paid the required charges and fees prescribed by the Exchange and when he finds that the application is complete in all respects, he shall assign Reference number and register the application in the register of references. Thereafter he shall issue notices to the respondent/s

[1] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009
[2] Deleted by Governing Board Resolution dated 17.06.2003 and approved by SEBI on 15.09.2003

accompanied by copies of the application and the documents, and a list of the names of the proposed arbitrators submitted by the applicant and shall call upon the respondent/s to convey his/their choice from the three proposed arbitrators or otherwise within 7 days of the receipt of notice.

(b) In case the Secretary finds that the application for reference is not in order and is not accompanied by the copies of the application and the documents and/or required fees and charges are not paid and the claimant fails to comply within the reasonable time allowed by the Secretary, the Secretary may reject the application and the applicant shall be informed of the fact of rejection with reasons thereof.

(c) In case the applicant is aggrieved by rejection of his application by the Secretary, he may apply to the Executive Director within seven days of receipt of the intimation of rejection and the Executive Director may, on being satisfied on hearing the applicant or otherwise that there was reasonable cause for the applicant not complying, on the applicant doing the needful, set aside the rejection and restore the application. Thereafter the secretary shall take further steps indicated in clause (a).

(d) The secretary shall complete the scrutiny of the papers, issuing of notices to the respondents and all other secretarial work preliminary to the arbitrator entering on the reference, within 15 days, as far as possible, of the receipt of application for reference to arbitration.

(e) After the parties agree upon the sole arbitrator or the arbitrator is appointed as per the Bye-laws, the Secretary shall place the arbitration application and the connected papers before the arbitrator, the due notice of the date thereof shall be given to the parties and the arbitrator may accept the appointment and enter on the reference. If, for any reason, the arbitrator either does not accept the appointment or neglects to enter on the reference, the appointment of the arbitrator shall be terminated and appointment of another arbitrator as per Rules, Bye-laws and Regulations of the Exchange shall be made.

(f) In the absence of the Secretary the Executive Director of the Exchange may direct any other employee to perform the duties of the Secretary.

Limitation

252. (1) Claims against defaulter members :

(a) No claim which has arisen or has become due before a member has been declared defaulter as per the Rules, Bye-

laws and Regulations of the Exchange, shall be entertained against him by the arbitrators after the expiry of six months from the day the member is declared defaulter.

(b) No claim which has arisen after a member has been declared defaulter as per the Rules, Bye-laws & Regulations of the Exchange shall be entertained against him by the arbitrators after the expiry of six months from the day the claim arises or becomes due.

(c) Whether the claim falls within the period of limitation provided in Clause (a) and (b) shall be decided by the arbitrator and in case he finds that it does not fall within the period specified therein, he shall dismiss the application for reference to arbitration. He may admit the application after the prescribed period if the applicant satisfies him that there is sufficient cause for not making the application within such period as provided in section 5 of the Limitation Act, 1963.

Time period for filing of Arbitration Reference:

[1](2) [2] The Arbitrators shall not take cognizance of any claim, complaint, difference or dispute unless the same has been received by the concerned Regional Arbitration Centre of the Exchange within six months from the date of the transaction or from the date on which the client claims to have given the instruction / order to buy or sell a security or from the date on which the client claims to have paid money or given a security, whichever is earlier. Any dispute as to whether a claim, complaint, difference or dispute falls within the ambit of this clause shall be decided by the Arbitrators.

Provided that the Governing Board or the Managing Director and Chief Executive officer may, from time to time, appoint Committees separately for each Regional Arbitration Centre to amicably settle all claims, complaints, differences and disputes that are referred to it.

Provided further that when such claims, complaints, differences and disputes are referred to the aforesaid Committee, the time taken in amicable settlement of such claims, complaints, differences and disputes shall be excluded while computing the period of limitation.

Provided further that this Bye-law shall be applicable in-respect of all Arbitration Cases filled on or after the date when this Bye-Law comes into effect. Provided further that in respect of Arbitration Cases arising out of the transactions having been done prior to the date on

[1] Inserted by Governing Board Resolution dated 17.06.2002 and approved by SEBI on 04.06.2003
[2] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009

which this Bye-law comes into effect, the limitation period of six months shall be computed from the date on which this Bye-law comes into effect.

[1](3) Application of the Limitation Act, 1963.

(i) Subject to Clauses 1 (a) to (c) [3]{and Clause (2)} above all the provisions of the Limitation Act, 1963 or other law relating to limitation as may be in force in India from time to time shall apply to arbitration under these Bye-laws as they apply to the proceedings in the Court.

(ii) For the purposes of Sub-clause (a)[2]{ } [3]{and Clause (2)} an arbitration is deemed to have commenced on the date on which the Application for arbitration is received by [2]the concerned Regional Arbitration Centre of the Exchange.

(iii) Time taken on arbitration proceedings may be excluded. But in excluding such time the tests laid down in different cases must be applied and satisfied. The entire period during which the award remained in custody of court should be excluded under Section 15 of the Limitation Act for the purpose of registration of award.

Umpire when to Hear Reference

253. { Deleted }

Arbitrator to make Award Expeditiously

254. [4]{(a) (i) Time for completion of Arbitration

The arbitral tribunal shall make the arbitral award normally within 3 months from the date of entering upon the reference.

(ii) Adjournment

Adjournment, if any, shall be granted by the arbitral tribunal only in exceptional cases, for bonafide reasons to be recorded in writing.

(iii) Request for extension

[1] Re-numbered by Governing Board Resolution dated 17.06.2002 and approved by SEBI on 04.06.2003
[2] deleted by Governing Board Resolution dated 17.06.2002 and approved by SEBI on 04.06.2003
[3] Inserted by Governing Board Resolution dated dated 17.06.2002 and approved by SEBI on 04.06.2003
[4] Revised by Governing Board Resolution dated 25.01.2003 and approved by SEBI on 10.04.2003

The time taken to make the award may not be extended beyond 3 times, by the Managing Director or Relevant Authority on an application by either of the parties or the arbitral tribunal, as the case may be.

Notwithstanding the extensions granted in the above manner, the arbitral tribunal shall make the arbitral award within a period of six months from the date of entering into reference, i.e., extension of time of award can be for a maximum period of three months.

(iv) Date of entering reference

For the purposes of these bye-laws, the arbitral tribunal shall be deemed to have entered upon a reference on the date on which the arbitral tribunal has held the first hearing.}

(b) The arbitrator after the hearing is concluded shall expeditiously make the award and in case the award is not made within 15 days of the completion of the hearing, reasons for the delay shall be recorded while making the award.

(c) In case the award is not made within 30 days of the conclusion of the hearing, any one of the parties to the arbitration shall have the right to move the Executive Director to cancel the appointment of the arbitrator. After hearing the parties and the arbitrator, in case the Executive Director is satisfied that there is no good reason for the delay in making the award, he may cancel the appointment of arbitrator.In the event of cancellation of appointment of the arbitrator. the Executive Director shall appoint another arbitrator as per the Bye-laws and the newly appointed arbitrator shall hear the reference denovo unless the parties agrees otherwise.

Arbitrator's Award

255. (1) Every award shall be made in writing and shall be signed by the arbitrator.

(2) The award shall state the reasons upon which it is based, unless **-**

(a) the parties have agreed that no reasons are to be given; or

(b) the award is on terms agreed between the parties.

(3) The award shall state its date and the place of arbitration and the award shall be deemed to have been made at that place.

Publication of Award

256. After the award is made, a signed copy of the award shall be delivered to each party.

Award Binding on Parties and their Representatives

257. The parties to the reference shall in all things abide by and forthwith carry into effect the award of the arbitrators which shall be final and binding on the parties and their respective representatives notwithstanding the death of or legal disability occurring to any party before or after the making of the award and such death or legal disability shall not operate as a revocation of the reference or award.

Correction and Interpretation of Award

258. (1) Within 15 days of the receipt of the arbitral award;

(a) Any party to an arbitration agreement, with notice to the other party, may request the arbitral tribunal to correct any computational error, any arithmetical error, any clerical or typographical error or any other error of a similar nature occurring in the award;

(b) A party with notice to the other party, may request the arbitral tribunal to give an interpretation of a specific point or part of the award.

(2) If the arbitral tribunal considers the request made under clause (1) to be justified, it shall make the correction or give the interpretation and the interpretation shall form part of the award.

(3) The arbitral tribunal may on its own correct the errors of the type indicated in sub clause (a) of clause (1) within 10 days of making the award. An intimation of such correction shall be given to the parties in case the correction is made after delivering an uncorrected copy of the award to the parties and corrected copies of the award shall be given to the parties .

(4) A party with notice to the other party may request the arbitral tribunal within 15 days of receipt of the award, to make an additional award as to claims presented in the arbitral proceedings, but omitted from the arbitral award.

(5) If the arbitral tribunal considers the request made under clause (4) to be justified, it shall make the additional arbitral award within 7 days of the receipt of such request.

Enforcement of the Award

259. **(i)** A party to a reference who is dis-satisfied with an award of an arbitrator(s) may appeal to an Appeal Bench against such award within 15 days of receipt of the award.

(ii) When the time for preferring an appeal has expired and no appeal has been preferred or the appeal has been preferred and the award has been passed in the appeal, and when the time for making an application to set aside the award under Section 34 of the Arbitration and Conciliation Act, 1996 has expired, or such application having been made, it has been refused, the final award shall be enforceable in the same manner as if it were a decree of the Court.

Debit of Arbitration Award

[1]**259A.** [2] If an award is made against a member, and the time for making payment of the amount awarded, as setout in the award, if any, has expired, the exchange shall soon thereafter debit the amount awarded to the member concerned from the security deposit or any other monies of such member held by the exchange, and credit such amount to a separate account to the credit of the award holder in accordance with the provisions of Bye-law-274A5. The said debit shall be reversed if the member deposits the equivalent amount with the concerned Regional Arbitration Centre of the Exchange, in which event, the amount so deposited will be kept in a separate account to the credit of the award holder. The said amount shall not be released to the award holder during the pendency of an appeal or proceeding before the Hon'ble Court unless the award has become executable or the time for filing of the appeal or the petition for setting aside the award has expired and no proceeding is taken by the member in this behalf.

Provided however, where the award is for the delivery of securities, the Exchange may consider the closing price of such securities on the Exchange as on the date of the award or such other date specified by relevant authority, stating the reasons in case the date is other than the award date, for arriving at the value of such securities and award amount.

Setting aside of Award and Fresh Reference

[1] Inserted by Governing Board Resolution dated 06.01.2003 & 09.04.2003 and approved by SEBI on 12.03.2003 & 06.06.2003 respectively

[2] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009

260. (1) An arbitration award may be set aside by the court on an application made under Section 34 of the Arbitration and Conciliation Act, 1996 on the grounds mentioned in that section.

(2) Whenever an award made under these Bye - laws and Regulations is set aside by the court, the matter shall be again referred to arbitration as provided in these Bye - laws and Regulations and the claims, differences and disputes shall be decided by arbitration only.

Extension of time for making Award

261. [1]{Deleted}

Appointment of Arbitrators from Panel of Arbitrators

[2] **262. [3](a)** The arbitrator appointed under these Bye-laws and Regulations in respect of an arbitration other than between members shall be from amongst persons nominated by the Governing Board to the concerned panel of Arbitrators under Rule 170(a)(i-a).

[2]**(b)** The Governing Board may from time to time nominate to the concerned panel of arbitrators as provided under Rule 170(a)(i-a) such persons as it thinks suitable from amongst retired judges or other persons having knowledge or experience in the field of law, trade, commerce, industry, arbitration, securities market or stock exchange transactions. The Governing Board may also at its discretion and without assigning any reason remove a person from the panel of arbitrators. Such panel shall be reconstituted every year."

(c) The non-members nominated on the panel of arbitrators shall continue on the panel of arbitrators till they are replaced by the new non-members or they voluntarily resign, whichever event takes place earlier. In case of resignation, the vacancy shall be filled by appointing another eligible non-member on the panel.

Governing Board to Prescribe Arbitration Fees, Forms and Procedure

263. The fees to be paid, the forms to be used and the procedure to be followed in connection with a reference to arbitration under these Bye-laws and Regulations shall be such as are prescribed in the relative

[1] Deleted by Governing Board Resolution dated 25.01.2003 and approved by SEBI on 10.04.2003
[2] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009
[3] Substituted by Governing Board Resolution dated 17.06.2003 and SEBI approved on 15.09.2003

Regulation[1] or such other as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.

Fees and Charges

264. [2] The fees in arbitration and the charges for submitting and regulating the proceedings of the reference prescribed in the relative Regulation shall be payable in advance and when there is failure, neglect or refusal on the part of a party or parties to pay accordingly the other party shall be responsible for making such payment in advance without prejudice however to his right if any to recover the same from such party or parties failing, neglecting or refusing to pay. It shall be a condition precedent to the hearing of any reference that the prescribed fees and charges shall have been paid in advance concerned Regional Arbitration Centre by the party or parties to the reference. The concerned Regional Arbitration Centre shall collect all such fees and charges and make the necessary payments provided always that no larger sum shall be paid than actually collected.

[3]**{**Provided that, in case of failure, neglect or refusal on the part of a member who has been declared a defaulter against whom a reference to arbitration has been filed, to pay the arbitration fees, the Exchange shall make such payment and recover the same from the assets of such member who has been declared a defaulter.

Provided further, that in case of failure, neglect or refusal on the part of a member, against whom a reference to arbitration has been filed, to pay the arbitration fees, the Exchange shall debit the same from the Security Deposits/Assets of the Member with the Exchange or Clearing House.

Provided also, that the provisions of the amended Bye-law shall be applicable to all arbitral proceedings that have been filed on or after the 17th day of June, 2002 and/or are pending for payment of the arbitration fees on such date.**}**

Decision on Written Statements or by Hearings

265. (a) A reference may be decided by the arbitrator on the written statements of the parties and the documents produced by them. However any party may require of the arbitrator that he be given a hearing. In that event he shall be so heard and the other party or parties shall have a similar privilege.

[1] Regulation 15
[2] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009
[3] Inserted by Governing Board Resolution dated 09.04.2003and SEBI approved on 17.02.2004

(b) No party shall be entitled without the permission of the Arbitrator nor shall be entitled to insist on a request to the arbitrator to hear or examine witness or receive oral or documentary evidence other than what is deemed necessary by the arbitrators.

Proceedings

266. The arbitrator may proceed with the reference notwithstanding any failure to file a written statement within due time and may also proceed with the reference in the absence of any or all the parties who after due notice fail or neglect or refuse to attend at the appointed time and place.

Adjournment of Hearings

267. The arbitrator may adjourn the hearings from time to time upon the application of any party to the reference or at his own instance provided however that when the adjournment is granted at the request of one of the parties to the reference the arbitrator may, if deemed fit, requires such party to pay the fees and costs in respect of the adjourned hearing borne by the other party and in the event of such party failing to do so may refuse to hear him further or dismiss his case or otherwise deal with the matter in any way the arbitrator may think just.

[1]Assistance in conduct of Arbitration proceedings

268. No advocate shall be permitted to appear, plead or act in the arbitration proceedings herein without permission of Arbitral Tribunal. The Arbitral Tribunal may permit the parties to take assistance of their duly authorised next friend in the conduct of arbitration proceedings. This byelaw shall operate subject to the following:

a) The Arbitral Tribunal may permit the parties appearing before it to be represented by an advocate in the conduct of arbitration proceedings. Necessary application shall be in conformity with the regulations made for this purpose.

b) In all such cases, where permission is granted by Arbitral Tribunal, the advocate appearing before the Arbitral Tribunal shall be required to make a statement in writing or give an undertaking to the effect that the Advocate shall continue to appear in the arbitration proceedings till the proceedings are completed and the Advocate shall not withdraw from the proceedings.

c) The Arbitral Tribunal shall not be bound to grant an adjournment of the proceedings simply because an advocate engaged by the party is not available or is absent at the hearing.

[1] Revised by Governing Board Resolution dated 22.02.2003 and approved by SEBI on 08.05.2003

d) In case the Advocate withdraws from the proceedings or is not available at the date of hearing, for whatever reasons, the arbitration proceedings shall continue. In case an advocate is permitted to withdraw his appearance with the permission of Arbitral Tribunal, the concerned party may not be permitted to be represented by engagement of another lawyer so that the arbitration proceedings are not delayed.

Consideration of Recorded Proceedings and Evidence

269.[1] If an arbitrator dies or fails or neglects or refuses to act or becomes incapable of acting as an arbitrator the Executive Director may appoint a substitute arbitrator from among the concerned panel of arbitrators constituted under Bye-law 262 (b) in conformity with Clause (c) thereof and such substitute arbitrator shall be at liberty to act upon the record of the proceedings as then existing and on the evidence, if any, then taken in the reference or to commence the reference de novo. The hearing shall be held de novo unless the parties agree otherwise.

Reference to Court of Law.

270. { Deleted }

Set-off and Counter-Claim

271. On a reference to arbitration by one party the other party or parties shall be entitled to claim a set-off or make a counter-claim against the first party provided such set-off or counter-claim arises out of or relates to dealings, transactions and contracts made subject to the Rules, Bye-laws and Regulations of the Exchange and subject to arbitration as provided therein and provided further such set-off or counter-claim is presented together with full particulars at or before the first hearing of the reference but not afterwards unless permitted by the arbitrator.

Award to Adjudge Interest

272. Where and in so far as an award is for the payment of money the arbitrator may adjudge in the award the interest to be paid on the principal sum adjudged for any period prior to the institution of the arbitration proceedings and may also adjudge the additional interest on such principal sum as is deemed reasonable for the period from the date of the institution of the arbitration proceedings to the date of the award and further interest on the aggregate sum so adjudged at such rate as is deemed reasonable from the date of the award to the date of payment.

[1] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009

If the award is silent on interest, the award shall carry interest @ 18 % p.a. from the date of the award to the date of the payment.

273 [[1] Deleted]

Costs

[2]**273A.** Unless otherwise agreed by the parties, -

(a) the costs of an arbitration shall be fixed by the arbitral tribunal;

(b) the arbitral tribunal shall specify -

(i) the party entitled to costs,
(ii) the party who shall pay the costs,
(iii) the amount of costs or method of determining that amount, and
(iv) the manner in which the costs shall be paid.

Explanation: For the purpose of clause (a), "costs" means reasonable costs relating to -

(i) the fees and expenses of the arbitrators and witness.

(ii) legal fees and expenses.

(iii) any administration fees of the institution supervising the arbitration, and
(iv) any other expenses incurred in connection with the arbitral proceedings and the arbitral award.

Adjournment Costs

[3]**273B.** The arbitral tribunal shall not be obliged to adjourn a hearing on the request of any party. However in the event of adjournment being granted the Arbitral tribunal shall be entitled to direct the parties requesting the adjournment to pay to the other party/ parties such amount as costs as it claims proper.

Operation of Contracts

[1] Deleted by Governing Board Resolution dated 30.03.1998 and approved by SEBI on 15.09.2003
[2] Substituted by Governing Board Resolution dated 30.03.1998 inserted in the place of Bye-Laws 237 and approved by SEBI on 15.09.2003
[3] Substituted by Governing Board Resolution dated 30.03.1998 inserted in the place of Bye-Laws 237 and approved by SEBI on 15.09.2003

274. [1] All dealings, transactions and contracts which are subject to the Rules, Bye-laws and Regulations of the Exchange and every arbitration agreement to which the Rules, Bye-laws and Regulations of the Exchange apply shall be deemed in all respects to be subject to the Rules, Bye-laws and Regulations of the Exchange and shall be deemed to be and shall take effect as wholly made, entered into and to be performed in the city of Mumbai and the parties to such dealings, transactions, contracts and agreements shall be deemed to have submitted to the jurisdiction of the Courts in Mumbai for the purpose of giving effect to the provisions of the Rules, Bye-laws and Regulations of the Exchange. Provided however that upon the amendments to the Rules, Bye-laws and Regulations with regard to Regional Arbitration Centers and other incidental and consequential matters in connection therewith or relating thereto coming into force, the Courts in Mumbai shall have exclusive jurisdiction in respect of all proceedings to which the Exchange is a party, and in respect of all other proceedings, the Courts having jurisdiction over the area in which the respective Regional Arbitration Centre is situated, shall have jurisdiction.

Appeal against Arbitral Award

274A. [2] **Appeal Bench** :

1. The Executive Director of the Exchange shall constitute one or more Appeal Benches, each comprising of five arbitrators from the [1]concerned panel of arbitrators constituted by the Governing Board under Bye-law 262 (b), [1]for each Regional Arbitration Centre.

2. None of the arbitrators who have heard the reference or passed the award shall be a member of the Appeal Bench hearing an appeal against that award.

3. A party dissatisfied with an Award may appeal to the Appeal Bench [1]of the concerned Regional Arbitration Centre against such Award within 15 days of the receipt of such award.

4. The party appealing shall pay the necessary fees and charges [1]at the concerned Regional Arbitration Centre for preferring the appeal as may be fixed by the Governing Board from time to time.

[3]**5.** No appeal shall be entertained by the Arbitration Secretary against an award of the Lower Bench, unless the appellant has first deposited the amount awarded [1]with the concerned Regional Arbitration Centre. If the amount awarded is deposited by the

[1] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009
[2] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009
[3] Inserted by Governing Board Resolution dated 06.01.2003 & 09.04.2003 and approved by SEBI on 12.03.2003 & 06.06.2003 respectively

member and the same is credited in a separate account as contemplated under Bye-law 259(A), the debit made to the account of the member as provided in the said bye-law shall be reversed.

[1]**6.** The party placing the deposit shall be deemed to have agreed that on expiry of 3 months from the date of the decision of the Appeal Bench, the amount of such deposit may be handed over by the [2] concerned Regional Arbitration Centre of the Exchange to the other party in accordance with the terms of decision in appeal unless the payment of such amount to the award holder is stayed by an order of the Court.

[3]**7.** The Appeal Bench shall not proceed to hear the appeal unless the [4]concerned Regional Arbitration Centre of the Exchange has certified that the required deposit has been made.

Provided however that when the account of the member has been debited by the Exchange in accordance with the provisions of Bye-law 259A and 274A(5) above, the Exchange shall neither be liable to any person for any purported loss occurring to them as a result of such debit as aforesaid nor shall be liable to pay any interest to anyone for any reason whatsoever..

Hearing and decision of Appeal :

The Arbitration Secretary after all the formalities are complete shall issue notice to the respondent. A copy of the memo of Appeal shall accompany the notice and respondent shall be called upon to appear before the Appeal Bench on the date specified therein. On that day the Secretary shall place all papers before the Appeal Bench and the Appeal Bench shall on the same day or on some adjourned date hear the parties and shall make the award in writing giving their reasons for the award. The Award made by them shall be deemed to be final and binding on the parties. The judgment of the Appeal Bench shall be a majority judgment and the award shall be as per majority decision.

8. Signing of the Award

The Award made by the Appeal Bench shall be signed by all members of the Appeal Bench.

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[1] Inserted by Governing Board Resolution dated 06.01.2003 & 09.04.2003 and approved by SEBI on 12.03.2003 & 06.06.2003 respectively

[2] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009

[3] Inserted by Governing Board Resolution dated 06.01.2003 & 09.04.2003 and approved by SEBI on 12.03.2003 & 06.06.2003 respectively

[4] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009

9. Publication of the Award :

After the award is made, a signed copy of the award shall be delivered to each party.

10. The Appeal to be decided expeditiously :

The Appeal shall be decided by the Appeal Bench expeditiously and as far as possible, within one month of the filing of the Appeal

11. Application of provisions relating to arbitrations

All the other Bye-laws of this chapter as far as may be applicable shall apply mutatis mutandis to the proceedings before the Appeal Bench and the award of the Appeal Bench. However, there shall be no appeal from the award of the Appeal Bench.

Notices and Communications How to be Served

275. Notices and communications to a member or a non-member shall be served in any one or more or all of the following ways and any such notice or communication under (i) to (vi) below shall be served at his ordinary business address and/or at his ordinary place of residence and/or at his last known address:

(i) by delivering it by hand;

(ii) by sending it by registered post;

[1]**(iii)** by sending it by Courier Service;

(iv) by sending it under certificate of posting;

(v) by sending it by express delivery post;

(vi) by sending it by telegram;

(vii) by affixing it on the door at the last known business or residential address;

(viii) by its oral communication to the party in the presence of a third person;

(ix) by advertising it at least once in any daily newspaper published in Mumbai;

[1] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009

(x) by a notice posted on the notice board of the Exchange if no address be known.

Service by Hand Delivery when Complete

276. A notice or communication served by hand shall be deemed to have been received by the party on the production of a certificate to that effect signed by the person delivering the notice or communication.

Service by Post or Telegram or Courier when Complete

277. [1] A notice or communication served by post or telegram or courier shall be deemed to have been received by the party at the time when the same would in the ordinary course of post or telegram or courier have been delivered. The production of a letter of confirmation from the post office or of the post office receipt for the registered letter or telegram or of a certificate of posting or any Proof of Delivery from the Courier Service shall in all cases be conclusive proof of the posting or despatch of such notice or communication and shall constitute due and proper service of notice.

Refusal to Accept Delivery does not Affect Service

278. In no case shall any refusal to take delivery of the notice or communication affect the validity of its service.

Service' by Advertisement or by Notice on Notice Board when Complete

279. [2] A notice or communication published in a newspaper circulating in the area of the concerned Regional Arbitration Centre or posted on the notice board of the concerned Regional Arbitration Centre of the Exchange shall be deemed to have been served on the party on the day on which it is published or posted.

Secretarial Duties

280. The Secretary and the employees of the Exchange acting under his authority shall -

(i) maintain a register of references;

(ii) Register of references rejected by the Secretary.

(iii) Receive all applications for arbitration, references and communications addressed by the parties before or during the course of arbitration or otherwise in relation thereto;

[1] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009
[2] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009

(iv) receive payment of all costs, charges, fees and other expenses;

(v) give notices of hearing and all other notices to be given to the parties before or during the course of the arbitration or other wise in relation thereto;

(vi) communicate to parties all orders and directions of the arbitrator;

(vii) receive and record all documents and papers relating to the reference and keep in custody all such documents and papers except such as the parties are allowed to retain; for such period as may be prescribed by the Executive Director.

(viii) publish the award on behalf of the arbitrator;

(ix) To enter the award and any changes therein in the register of references.

(x) generally do all such things and take all such steps as may be necessary to assist the arbitrator in the execution of their functions.

(xi) to maintain a register of Appeals and make necessary entries therein.

Indemnity

281. No party shall bring or prosecute any suit or proceedings whatever against the Exchange, the Governing Board, the President, the Secretary or any employee or employees of the Exchange acting under his authority or against the arbitrators for or in respect of any matter or thing purporting to be done under these Bye-laws and Regulations nor any suit or proceedings (save for the enforcement of the award) against the other party or parties to the reference.

Removal of difficulties

281A. If any difficulty arises in giving effect to these Bye-laws in the conduct of arbitration, resort may be had to the provisions of Part - I of the Arbitration and Conciliation Act, 1996, which are not inconsistent with these Bye-laws.

281B. An Arbitration agreement shall not be discharged by the death of any party thereto either as respects the deceased or as respects any other party, but shall in such event be enforceable by or against the legal representative of the deceased.

Administrative Assistance

281C. The Exchange shall render all secretarial and other assistance for the conduct of arbitration proceedings by appointing adequate staff and by providing proper accommodation, stationery and other facilities.

The Secretary of the Arbitration Division with the help of the assistants shall maintain all registers, files and records of arbitrations in proper order and shall be responsible for keeping them upto date. He shall maintain statistics of all pending and disposed of references and at the end of each quarter shall report to the Governing Board of the Exchange the number of pending references at the commencement of every month, references received during the month and the references disposed off. He shall report the references pending for more than four months, with the reasons for the delay and the steps taken for the early disposal of those references and shall carry out the directions issued by the Governing Board from time to time. The Secretary shall also arrange to issue certified copies of the documents, awards and other proceedings to the parties on receiving the charges fixed by the Governing Board from time to time and shall render all other assistance for enforcement of the awards.

Saving Clause

[1]**281D.** (1) These Bye-Laws as amended by the Governing Board on 10th June 1997 shall apply in relation to all arbitral proceedings which commence on or after the amendments come into force. All arbitral proceedings which commenced before the amendments came into force shall, unless otherwise agreed to between the parties, be governed by the Bye-laws prior to the amendments.

[2] (2) The amended Bye-Laws providing for Regional Arbitration Centers and other incidental and consequential matters in connection with or relating thereto shall apply to all arbitration proceedings commenced on or after the said amendments come into force. All arbitral proceedings which commenced before the said amendments came into force shall be governed by the Bye-laws prior to such amendments.

[3]Maintenance/Disposal of Arbitration Records

281E. The Exchange shall adopt the following in respect of disposal of the Arbitration Records:

1) The original arbitration award with acknowledgements shall be preserved permanently. Provided that in respect of awards passed prior to coming into effect of this Bye-law the Exchange will

[1] Inserted Governing Board Resolution dated 09.11.1998 and approved by SEBI on 29.04.1999
[2] Amended by Board Resolution dated 12.07.2008 and approved by SEBI on 05.01.2009
[3] Inserted by Governing Board Resolution dated 19.08.2003 and approved by SEBI on 20.10.2003

permanently retain the certified copies of the award, where original award is not available.

2) Records pertaining to arbitration Proceedings / Submissions / Forms etc. shall be preserved for a period of 5 years from the date of the award, if no appeal for setting aside the award is filed before the Court of Law.

3) In case, an appeal is filed before the Court of Law, the records shall be preserved for a period of five years from the date of final disposal of the matter by the Court. Further, where any order / judgment of any Court of Law in respect of award is received, certified copy of the same shall be retained permanently along with the original award.

4) The destruction of records shall be subject to the previous order in writing of the Executive Director of the Exchange.

5) The Exchange shall maintain a register wherein the brief particulars of the records destroyed shall be entered, alongwith the certification regarding the date and mode of destruction.

Provided further that this Bye-law shall also be applicable to all arbitration awards, passed prior to this Bye-law coming into effect and the Arbitration Records meeting the criterion as above on the date of this Bye-law coming into effect, will be destroyed in the manner specified.

[1]ARBITRATION BETWEEN MEMBERS

Reference to Arbitration

282. All claims, complaints, differences and disputes between members arising out of or in relation to any bargains, dealings, transactions or contracts made subject to the Rules, Bye-laws and Regulations of the Exchange or with reference to anything incidental thereto (including claims, complaints, differences and disputes relating to errors or alleged errors in inputting any data or command in the Exchange's computerised trading system or in execution of any trades on or by such trading system) or anything to be done in pursuance thereof and any question or dispute whether such bargains, dealings, transactions or contracts have been entered into or not shall be subject to arbitration and referred to the Arbitration Committee as provided in these Bye-laws and Regulations.

Reference to Dispute Resolution Officers

282A. Notwithstanding anything stated in Bye-law 282, if any claim, complaint, difference or dispute between members of the nature referred to in Bye-law 282 involves, in whole or in part, one or more of the following matters then the decision on such matter or matters shall be referred to the arbitration of a Dispute Resolution Officer as provided in the Bye-law 315B and the concerned Regulations :

(i) the determination as to whether any document constitutes good delivery or bad delivery;

(ii) the determination of the correctness or validity of an objection to transfer of a security raised by a company or other issuer of securities or its transfer agent;

(iii) the determination of a question whether a member is obliged to rectify or replace any document on the ground that it is a bad delivery document;

(iv) the applicability and/or interpretation of any Rules, Bye-laws, Regulations, Guidelines, Directions or instructions (by whatever name called) for determining any matter referred to in sub-clauses (i) to (iii) of this Bye-law;

(v) such other matters as may be specified by the Governing Board for the purposes of this Bye-law.

[1] Amended by Governing Board Resolution dated 10.06.0997 and approved by SEBI vide letter dated 26.03.1998 these new Bye-Laws come into effect from 29.08.1998

Legal Proceedings with Permission of the Governing Board

283. In respect of any claim, complaint, difference or dispute required to be referred to arbitration under these Bye-laws and Regulations no member shall commence legal proceedings against another without the permission of the Governing Board. If a member institutes such proceedings without permission and recovers any money or other relief he shall hold the same in trust for the Exchange and shall pay the same to the Exchange to be dealt with in the manner directed by the Governing Board.

Application for Arbitration

284. Whenever a claim, complaint, difference or dispute which under these Bye-laws and Regulations must be referred to the Arbitration Committee arises between members any member who is a party to such claim, complaint, difference or dispute may apply to the Arbitration Committee to inquire into and arbitrate in the dispute.

Arbitrators

285. Whenever a reference is made to the Arbitration Committee it shall be heard by a sole arbitrator or by three of its members to be specified either generally or with reference to any particular claim, complaint, difference or dispute at a meeting of the full Bench of the Arbitration Committee. While appointing the members of the Arbitral Tribunal the Arbitration Committee shall have regard to the fact that none of them is interested in either of the parties and is independent while deciding the disputes between the parties. Such member or members shall act as the Arbitrator or Arbitrators, in regard to such reference (Hereafter referred to as "The Lower Bench of the Arbitration Committee" or " the Lower Bench").

Commencement of Arbitration

285A. The Executive Director shall appoint one of its employees as Arbitration Secretary and one or more of its employees as Arbitration Assistants to assist the Secretary to render ministerial and secretarial assistance and perform other functions as provided in these Bye-Laws. The Arbitration Secretary and Arbitration Assistants for Arbitrations between Member and Non-Member and for Arbitrations between Members may be the same or different as may be decided by the Executive Director.

285B. The Arbitration Secretary or any other assistant authorised by arbitration secretary shall receive applications for reference, in such forms as the Exchange may prescribe, made under Bye-Law 284 accompanied by the prescribed fees and charges and as many additional copies of

application for reference, statement of claim and copies of the documents relied upon such as Contract, Bills, Ledger account, Acknowledgment of delivery and receipt of shares etc. in support of the claim. Arbitration Secretary shall verify whether the application for reference is accompanied by the copies of the application and the documents. He shall also verify whether the prescribed fees and charges for Arbitration have been paid. The Arbitration secretary shall call upon the parties to the reference to ensure that filing of papers and pleadings are completed expeditiously. The Arbitration Secretary shall be entitled to give directions relating to filing of papers and pleadings and all secretarial matters and shall also be entitled to specify and extend the period within which a party should file papers and pleadings. Any dispute relating to filing and the Arbitration Secretary's directions in relation thereto shall be decided by the Lower Bench after hearing the concerned parties. The Arbitration Secretary shall endeavour to ensure that filing of papers and pleadings and all secretarial matters are completed within two months of the application for reference being made and shall place the matter before the Lower Bench forthwith upon the same being completed. The date on which Application for reference is received by the Exchange shall be the date of reference to Arbitration. Any Arbitration Assistant authorised by the Arbitration Secretary may perform the duties of the Arbitration Secretary.

285C. The Lower Bench shall not be obliged to commence the hearing of the arbitration reference until filing of papers and pleadings and all secretarial and ministerial matters have been completed unless -

(i) the Arbitration Secretary, being of the view that the matter should be placed before the Lower Bench for directions, places the matter before the Lower Bench for directions; or

(ii) the Arbitration Secretary is of the view that filing of papers and pleadings and/or any secretarial or ministerial matter(s) has/have not been completed despite sufficient time having been given for the same and the matter should be placed before the Lower Bench.

285D. If the amount of the claim involved in a reference does not exceed Rs. 5,000/- then, notwithstanding anything stated in the other Rules, Bye-laws and Regulations, the Lower Bench shall decide the reference on the basis of the pleadings and documents before it without hearing the parties, provided that the Lower Bench may afford the concerned parties an opportunity to be heard if it is of the opinion that in view of the facts and circumstances of any particular reference it is necessary to do so in order to properly decide the reference.

Notice

286. Save as otherwise provided not less than two days' notice of the time and place appointed for the hearing shall be given to both the parties to the reference.

Both Parties Present

287. If both the parties to the reference are present at the appointed time and place the arbitrators shall proceed to hear the reference and to give the award.

Ex Parte Decision and Summary Disposal

288. If the party against whom the reference is filed be not present at the appointed time and place the arbitrators may hear and decide the reference ex parte and if the party filing the reference be not present the arbitrators may dismiss the reference summarily.

Set-off and Counter-Claim

288A. On a reference to arbitration by one party the other party or parties shall be entitled to claim a set-off or make a counter-claim against the first party provided such set-off or counter-claim arises out of or relates to dealings, transactions and contracts made subject to the Rules, Bye-laws and Regulations of the Exchange and subject to arbitration as provided therein and provided further such set-off or counter-claim is presented together with full particulars at or before the first hearing of the reference by the Arbitrator or Arbitrators but not afterwards unless permitted by the arbitrator or arbitrators.

Period for Lower Bench Award

289. The Lower Bench shall make the award within one month of the completion of the filing of papers and pleadings and all secretarial and ministerial matters or the matter being placed before it pursuant to clause (ii) of Bye-law (285 C). The Award of any two out of 3 Arbitrators, in case of disagreement shall be deemed to be the award in Arbitration.

Costs

289A. Unless otherwise agreed by the parties, -

(a) the costs of an arbitration shall be fixed by the arbitral tribunal ;

(b) the arbitral tribunal shall specify -

(i) the party entitled to costs,

(ii) the party who shall pay the costs,

(iii) the amount of costs or method of determining that amount, and

(iv) the manner in which the costs shall be paid.

Explanation - For the purpose of clause (a), "costs" means reasonable costs relating to -

(i) the fees and expenses of the arbitrators and witness,

(ii) legal fees and expenses,

(iii) any administration fees of the institution supervising the arbitration, and

(iv) any other expenses incurred in connection with the arbitral proceedings and the arbitral award.

Lower Bench Award when final and Appeal to Arbitration Committee

290A. The Award of the Lower bench of the Arbitration Committee in a reference shall be final and binding to the reference unless a party is entitled to appeal to the full bench therefrom under clause (B).

290B. A party to a reference who is dissatisfied with any award of the "Lower Bench" may appeal to the Full Bench of the Arbitration Committee against such award within seven days of the receipt by him of such award if the principal amount of the claim disallowed by the Lower Bench to the Appellant exceeds Rs. [1]{1,00,000/-} or if the amount awarded against the Appellant by the Lower Bench (without taking into account interest from the date of the award) exceeds Rs. [1]{1,00,000/-}

Deposit and Statement of Objections

291A. The party appealing to the Full Bench of the Arbitration Committee shall state in writing the objections to the award of the "Lower Bench" and shall unless exempted in whole or in part by the Governing Board or the President deposit with the Exchange in cash the full amount ordered to be paid or the securities or the value at the ruling market price of the

[1] Amended by Governing Board Resolution dated 07.06.2002 and approved by SEBI on 11.07.2002

securities ordered to be delivered in the award. The party placing the deposit shall be deemed to have agreed that such deposit be handed over by the Exchange to the other party in accordance with the terms of the decision in appeal.

Deposit Certificate

291B. A certificate from the Exchange showing that the deposit if any as required by sub-clause (A) has been lodged shall be attached to the appeal and the Full Bench of the Arbitration Committee shall not entertain an appeal to which such certificate is not annexed.

Hearing of Appeal

292. When the deposit certificate is annexed to the appeal the Full Bench of the Arbitration Committee shall itself proceed to hear the appeal and arbitrate in the reference.

Period for Full Bench Award

292A. The Full Bench of the Arbitration Committee shall endeavor to make the award within one month of the date of filing of the appeal.

Certain Members may not Vote

293. The members of the Full Bench of the Arbitration Committee who have made the award against which an appeal is made to the Full Bench of the Arbitration Committee shall not attend the meetings or vote at the Full Bench of the Arbitration Committee at which the appeal is heard or decided.

Award of Arbitration Committee when Final

294. The award of the Full Bench of the Arbitration Committee in a reference shall be final and binding on the parties to the reference if the principal amount of the claim disallowed by the Full Bench of the Arbitration Committee to the Appellant does not exceed [1]{Rs. 5,00,000/-} or if the amount awarded against either party by the Full Bench (without taking into account interest from the date of the award) does not exceed [2]{Rs. 5,00,000/-} .

[1] Amended by Governing Board Resolution dated 07.06.2002 and approved by SEBI in 11.07.2002

Appeal to the Governing Board

295. If the principal amount of the claim disallowed by the Full Bench of the Arbitration Committee to a party dissatisfied with the award exceeds [1]{Rs. 5,00,000/-} or if the amount awarded by the Full Bench against a party dissatisfied with the award (without taking into account interest from the date of the award) exceeds [2]{Rs. 5,00,000/-} the party dissatisfied with the award of the Full Bench of the Arbitration Committee may appeal to the Governing Board against such award within seven days of the receipt by him of such award.

Written Objections and Certificate

296. (a) The party appealing to the Governing Board shall state in writing the objections to the award of the Full Bench of the Arbitration Committee and shall unless exempted in whole or in part by the Governing Board or the President deposit with the Exchange in cash the full amount ordered to be paid or the securities or the value at the ruling market price of the securities ordered to be delivered in the award. The party placing the deposit shall be deemed to have agreed that such deposit be handed over by the exchange to the other party in accordance with the terms of the decision in appeal.

Deposit Certificate

(b) A certificate from the Exchange showing that the deposit if any as required by sub-clause (a) has lodged shall be attached to the appeal and the Governing Board shall not entertain an appeal to which such certificate is not annexed.

Decision of the Governing Board Final

297. When the deposit certificate is annexed to the appeal the Governing Board shall proceed to hear the appeal and the decision of the Governing Board shall be deemed final and binding on the parties to the appeal.

Period for Governing Board Award

297A. The Governing Board shall endeavour to make the award within one month of the appeal being filed.

Signing of Award

[1] Amended by Governing Board Resolution dated 07.06.2002 and approved by SEBI on 11.07.2002
[2] Amended by Governing Board Resolution dated 07.06.2002 and approved by SEBI on 11.07.2002

298. **(i)** Every award shall be made in writing and shall be signed by those members of the concerned arbitral tribunal who have participated in making the award.

(ii) For the purposes of clause (i), the signatures of the majority of the members of the concerned arbitral tribunal who have participated in making the award shall be sufficient so long as the reason for any omitted signature is stated.

(iii) For the purpose of clauses (i) and (ii) the members of the arbitral tribunal who have participated in making the award or the majority of such members, as the case may be, may by unanimous resolution or writing authorise any member or members of the arbitral tribunal to sign the award on behalf of all the members so authorising. In such event the award shall be considered as duly signed by all the members so authorising if the award is signed by such authorised member or members.

(iv) The award shall state the reasons upon which it is based, unless **-**

(a) the parties have agreed that no reasons are to be given; or

(b) the award is on terms agreed between the parties

(v) The award shall state its date and the place of arbitration and the award

(vi) After the award is made, a signed copy shall be delivered to each party.

Members Interested Not to Attend

299. A party to a reference who is a member of the Arbitration Committee or the Governing Board shall not attend any meeting of the Arbitration Committee or of the Governing Board at which an inquiry into the reference or appeal is made or at which a reference or appeal is heard.

Adjourned Meeting

300. It shall be no objection to an award of the Arbitration Committee or of the Governing Board that the meeting at which a reference or appeal was inquired into or a reference or appeal was heard was adjourned from time to time or that the inquiry was not completed or that the reference or appeal was not finally heard at one meeting.

Change in Composition

301. It shall be no objection to an award of the Arbitration Committee or of the Governing Board that the composition of the Arbitration Committee or the Governing Board changed during the inquiry or reference or appeal;

Provided however that no member of the Arbitration Committee or the Governing Board as the case may be who shall not have been present at every meeting at which inquiry into the reference or appeal was made or the reference or appeal was heard shall participate in giving the final decision

Summary Dismissal

302. If a party to a reference who has appealed to the Arbitration Committee or to the Governing Board against an award be not present at the time fixed for hearing the appeal the Arbitration Committee or the Governing Board as the case may be may dismiss the appeal summarily.

Appeal Ex Parte

303. If a party to a reference in whose favour an award has been made be not present at the time fixed by the Arbitration Committee or the Governing Board for hearing the appeal against such award the Arbitration Committee or the Governing Board may proceed to hear the appeal ex parte.

Rehearing Ex Parte Award

304. On sufficient cause being shown the Arbitration Committee may set aside an ex parte award made by the arbitrators or the Arbitration Committee and the Governing Board may similarly set aside any ex parte award and in any such case the Arbitration Committee or the Governing Board may direct that the reference or the appeal be again enquired into or heard.

Remission of Award

305. The Governing Board in its discretion may within fifteen days of an award remit the award of any matter referred to arbitration to the arbitrators or the Arbitration Committee upon such terms as it thinks fit and thereupon the arbitrators or the Arbitration Committee shall reconsider the matter and either confirm or revise the previous decision.

Fresh Reference on Non-compliance with Award when allowed

306. Whenever an award directs that certain acts or things be done by the parties to the reference and a party fails to comply with such direction the other party may make a fresh reference for a future award for determining

the dispute outstanding or the amount of damages or compensation payable by reason of such failure.

Late Claims Barred

307. (i) The Arbitration Committee shall not take cognisance of any claim, complaint, difference or dispute unless the same has been referred to it within six months of the last date of the concerned settlement. Any dispute as to whether a claim, complaint, difference or dispute falls within the ambit of this clause shall be decided by the Lower Bench.

(ii) The Arbitration Committee shall not take cognisance of any claim, complaint, difference or dispute relating to a company objection in respect of a bad delivery where the Company has issued an objection memo as required by the applicable good/bad delivery guidelines unless the same has been referred to it within the time limit prescribed from time to time by the Securities and Exchange Board of India's guidelines, rules or regulations relating to bad delivery. Any dispute as to whether any claim, complaint, difference or dispute falls within the ambit of this clause shall be decided by the Lower Bench.

(iii) If a member who desires to refer a dispute to arbitration after the period specified in clause (i) or (ii), as may be applicable, satisfies the Executive Director that he had sufficient cause for not making the reference within such period then the Executive Director may extend the period to such further period as the Executive Director thinks fit and proper. In such event, the Arbitration Committee may take cognisance of the claim, complaint, difference or dispute if it is referred to arbitration within such extended period. Before deciding whether or not to extend the period under this clause, the Executive Director shall afford an opportunity to be heard to the member applying for the extension as also to the member or members against whom the reference is proposed to be filed.

(iv) Every decision of the Executive Director under this Bye-law shall be in writing and shall take the reasons for the decision.

(v) A member aggrieved by a decision of the Executive Director declining to extend the period may file an appeal to the Governing Board within seven days of the Exchange informing him in writing of the Executive Director's decision.

Extension of Time

308. The Governing Board may for special reasons extend the time within which a reference to arbitration or an appeal against any award of the arbitrators or the Arbitration Committee may be made whether the time for making the same has expired or not.

Extension of Time for Making an Award

309. The Governing Board may if deemed fit whether the time for making the award has expired or not and whether the award has been made or not extend from time to time the time for making an award.

Remedies at Law

310. The Arbitration Committee or the Governing Board may decline to hear a reference or an appeal or may dismiss any reference or appeal at any time during the proceedings and refer the parties to their remedies at law and it shall so refer them upon the joint request of the parties.

Penalty on Failure to Submit to or Abide by Award in Arbitration

311. A member who fails or refuses to submit to or abide by or carry out any award in arbitration between members as provided in these Bye-laws and Regulations shall be expelled by the Governing Board and thereupon the other party shall be entitled to institute legal proceedings to enforce the award under the Civil Procedure Code 1908 (5 of 1908) in the same manner as if it is a decree of the court.

Setting aside of Award and Fresh Reference

311A. (1) An arbitration award may be set aside by the court on an application made under Section 34 of the Arbitration and Conciliation Act, 1996 on the grounds mentioned in that section.

(2) Whenever an award made under these Bye - laws and Regulations is set aside by the court, the matter shall be again referred to arbitration as provided in these Bye - laws and regulations and the claims, differences and disputes shall be decided by arbitration only.

Correction and Interpretation of Award :

311B. (1) Within 15 days of the receipt of the arbitral award;

(a) Any party to an arbitration agreement, with notice to the other party, may request the arbitral tribunal to correct any computational error, any arithmetical error, any clerical or

typographical error or any other error of a similar nature occurring in the award;

(b) A party with notice to the other party, may request the arbitral tribunal to give an interpretation of a specific point or part of the award.

(2) If the arbitral tribunal consider the request made under clause (1) to be justified, it may make the correction or give the interpretation and the interpretation shall form part of the award.

(3) The arbitral tribunal may on its own correct the errors of the type indicated in sub clause (a) of clause (1) within 10 days of making the award. An intimation of such correction shall be given to the parties in case correction is made after delivering uncorrected copy of the award to the parties and corrected copies of the award shall be given to the parties.

(4) A party with notice to the other party may request the arbitral tribunal within 15 days of receipt of the award, to make an additional award as to claims presented in the arbitral proceedings, but omitted from the arbitral award.

(5) If the arbitral tribunal considers the request made under clause (4) to be justified, it shall make the additional arbitral award within 7 days of the receipt of such request.

Arbitration Fees

312. The parties desiring to make a reference to arbitration or proceed in appeal shall pay in advance the fees prescribed in the relative Regulation[1] or such other fees as the Governing Board may from time to time prescribe in modification or substitution thereof.

Payment of Fees

313. Unless otherwise directed in the award the party against whom the award is finally made shall pay all fees paid by the other party to the reference in connection with the arbitration proceedings.

Assistance in Conduct of Arbitration Proceedings

314. No legal Practitioner shall be permitted to plead or act for the parties to Arbitration at any level of the Arbitration including the appeals. The parties may be permitted by the Arbitrator to have assistance of a duly authorised next friend in the conduct of Arbitration Proceedings.

[1] Regulation 16

Complaint by Non-Member

315. (a) Notwithstanding anything to the contrary contained in these Bye - laws and Regulations in special cases when the permission of the Governing Board, the President or the Executive Director has been previously obtained a complaint by a non-member against a member or any claim, difference or dispute between a non-member and a member may be referred at the instance of the non-member to arbitration in accordance with the Bye-laws and Regulations relating to arbitration between members and thereupon the member concerned shall submit to such arbitration.

Form of Reference

(b) The Governing Board or the President or the Executive Director may in its or his sole discretion grant or refuse permission applied for as provided in sub-clause (a) and an application for this purpose shall not be considered unless the non-member first signs and submits the Form of Reference prescribed in the relative Regulation[1] or such other Form of Reference as the Governing Board may from time to time prescribe in modification or substitution thereof.

Dispute Resolution Officers & Umpires

315A. (i) The Executive Director and , in the absence of the Executive Director, the Governing Board, shall -

(a) from time to time appoint one or more Dispute Resolution Officers from amongst its employees for such period, if any, as may be specified; and

(b) at any time revoke the appointment of any Dispute Resolution Officer without being required to assign any reason.

(ii) The Arbitration Committee shall -

(a) from time to time appoint one or more Umpires from amongst the Exchange's employees for such period, if any, as may be specified; and

(b) at any time revoke the appointment of any Umpire without being required to assign any reason.

[1] Rgulation 16

References and Appeals to Dispute Resolution Officers & Umpires

315 B. (i) If a member (hereinafter referred to as "the Receiving Member") who has received delivery of a document or an objection memo from a company through the Clearing House is of the view, on a scrutiny of the document or objection memo, that the same does not constitute good delivery or a valid objection and therefore desires to return the document/objection memo to the member who delivered the document/objection memo to the Receiving Member through the Clearing House (hereinafter referred to as "the Delivering Member') then the Receiving Member may, within such period as the Governing Board may prescribe, apply to a Dispute Resolution Officer for his decision as to whether the documents constitute bad delivery or whether the objection memo constitutes a valid objection. If the Receiving Member does not apply to the Dispute Resolution Officer for a decision within the period prescribed by the Governing Board then the procedure provided in this Bye-law shall not apply and the Receiving Member may refer his claim or dispute relating to the documents/objection memo to arbitration under Bye-law 284.

(ii) Not withstanding anything stated in 315 B(i) or Bye-law 282 (A), if a member is declared a defaulter then all proceedings pending before a Dispute Resolution Officer or Umpire at the time of declaration of default and all matters to be thereafter referred to a Dispute Resolution Officer or a Umpire shall be referred to Arbitration in accordance with the provisions relating to Arbitration between members.

(iii) Every such application for arbitration to a Dispute Resolution Officer shall mention the number (or other detailed reference in the absence of a number) of the rule, bye-law, regulation, guideline, direction or instruction on the basis of which the Receiving Member is contending that the document does not constitute good delivery or that the objection memo does not constitute a valid objection failing which the Dispute Resolution Officer shall not proceed with the application.

(iv) The proceedings before the Dispute Resolution Officer shall be summary in nature. The Dispute Resolution Officer shall not be required to give any party any notice or an opportunity to reply or be heard unless the Dispute Resolution Officer is of the view that, on the facts of that reference, any, some or all of the parties to the claim, complaint, difference or dispute are required to be heard. In the latter case, the Dispute Resolution Officer may give to the concerned parties an opportunity to be heard by serving upon them

not less than two hours' notice and the provisions of Bye-laws 287 and 288 shall apply mutatis mutandis.

(v) If the Dispute Resolution Officer determines that the documents constitute good delivery or that the company's objection memo constitutes a valid objection, the Receiving Member shall not be entitled to return the documents or the objection memo to the Delivering Member on the ground of bad delivery/invalid objection memo. However, if the Receiving Member does not accept the Dispute Resolution Officer's decision that the documents constitute good delivery or that the objection memo constitutes a valid objection, the Receiving Member may prefer an appeal to an Umpire appointed by the Arbitration Committee within three days of the Dispute Resolution Officer's award or a copy of the award being received by the Receiving Member.

(vi) If the Dispute Resolution Officer decides that the documents constitute bad delivery or that the company's objection does not constitute a valid objection, the Receiving Member shall be entitled to return the documents/objection memo to the Clearing House on the ground of bad delivery or invalid objection for being in turn returned to the Delivering Member. However, if the Delivering Member does not accept the Dispute Resolution Officer's decision that the documents constitute bad delivery or that the objection memo does not constitute a valid objection, the Delivering Member may prefer an appeal to an Umpire within three days of the Dispute Resolution Officer's award or a copy of the award being received by the Delivering Member.

(vii) The provisions of Bye-laws 287, 288, 300, 301, 302, 303, 312 and 313 shall unless inconsistent with this or any other Bye-law or regulation relating to Dispute Resolution Officers or Umpires, mutatis mutandis apply to references to and arbitration proceedings before a Dispute Resolution Officer and an Umpire so far as the same may be applicable.

(viii) Every award by a Dispute Resolution Officer or Umpire shall be in writing, shall state the reasons for the award and shall be signed by the Dispute Resolution Officer or the Umpire.

(ix) The Delivering Member or the Receiving Member (or both) may prefer an appeal to the Full Bench of the Arbitration Committee from an award of an Umpire within three days of the award or a copy of the award being received by the member seeking to prefer the appeal. The provisions of these Bye-laws relating to appeals to the Full Bench shall apply mutatis mutandis to the appeals preferred to the Full Bench under this clause.

Forms

315 C. The Governing Board may from time to time prescribe forms for the purposes of these Bye-laws including forms in which the reference should be made, any notice should be given, the award should be passed and in which any appeal may be preferred.

Member

315 D. For the purposes of this chapter the term "member" shall include, and shall always be deemed to have included, a former member of the Exchange who was a member of the Exchange at the time when the concerned bargain, dealing, transaction or contract was entered into.

Limitation

315 E. (1) Claims against defaulter members :

(a) No claim which has arisen or has become due before a member has been declared defaulter as per the Rules, Bye-laws and Regulations of the Exchange, shall be entertained against him by the arbitrators after the expiry of six months from the day the member is declared defaulter.

(b) No claim which has arisen after a member has been declared defaulter as per the Rules, Bye-laws & Regulations of the Exchange shall be entertained against him by the arbitrators after the expiry of six months from the day the claim arises or becomes due.

(c) Whether the claim falls within the period of limitation provided in Clause (a) and (b) shall be decided by the arbitrator and in case he finds that it does not fall within the period specified therein, he shall dismiss the application for reference to arbitration. He may admit the application after the prescribed period if the applicant satisfies him that there is sufficient cause for not making the application within such period as provided in section 5 of the Limitation Act, 1963.

(2) Application of Limitation Act, 1963 :

Subject to 1(a) to (c) and special provisions made in these Bye-Laws providing limitation for making various applications, for preferring appeals and for taking other steps in the conduct of Arbitration proceedings or in the proceedings before the Dispute Resolution Officers, all the provisions of Limitation Act, 1963 or other Law relating to limitation as may be in force in India from time to time

shall apply to Arbitrations under this chapter as they apply to Proceedings in Court.

Adjournment Costs

315 F. The Governing Board, the Arbitration Committee, a Lower Bench, a Dispute Resolution Officer, an Umpire and an Arbitration Officer shall not be obliged to adjourn a hearing on the request of any party. However, in the event of an adjournment being granted, the Governing Board, the Arbitration Committee, a Lower Bench, a Dispute Resolution Officer, an Umpire and/or an Arbitration Officer shall be entitled to direct the party requesting the adjournment to pay to the other party/parties such amount as costs as the Governing Board, the Arbitration Committee, the Lower Bench, a Dispute Resolution Officer, an Umpire or the Arbitration Officer thinks fit and proper.

Appeal/reference Period Ending on Holiday

315 G. If the period within which any reference or appeal is required to be filed ends on a day on which the offices of the Exchange are not open for filing such reference or appeal, then the appeal may be filed on the next day after such period on which the offices of the Exchange are open for filing such a reference or appeal.

Award to Adjudge Interest

315 H. Where and in so far an award is for the payment of money the arbitral tribunal may adjudge in the award the interest to be paid on the principal sum adjudged for any time prior to the institution of the arbitration proceedings and may also adjudge the additional interest on such principal sum as is deemed reasonable for the period from the date of the institution of the arbitration proceedings to the date of the award and further interest on the aggregate sum so adjudged at such rate as is deemed reasonable from the date of the award to the date of payment or the date of the decree. A sum directed to be paid by the Arbitral Award shall, unless the award otherwise directs, carry interest at the rate of 18 percent per annum from the date of award to the date of payment.

Ministerial Duties

315 I. The Secretary and the employees of the Exchange acting under his authority shall -

(i) maintain a register of references;

(ii) Receive all applications for arbitration, references and communications addressed by the parties before or during the course of arbitration or otherwise in relation thereto;

(iii) receive payment of all costs, charges, fees and other expenses;

(iv) give notices of hearing and all other notices to be given to the parties before or during the course of the arbitration or otherwise in relation thereto;

(v) communicate to parties all orders and directions of the arbitrator;

(vi) receive and record all documents and papers relating to the reference and keep in custody all such documents and papers except such as the parties are allowed to retain;

(vii) publish the award on behalf of the arbitrator;

(viii) To enter the award and any changes therein in the register of references.

(ix) generally do all such things and take all such steps as may be necessary to assist the arbitrator in the execution of their functions.

The Secretary or the Exchange shall not be obliged to maintain records of any transaction or matter for a period longer than 5 years after the date of occurrence of such transaction or matter.

Indemnity

315 J. No party shall bring or prosecute any suit or proceedings whatever against the Exchange, the Governing Board, the President, the Secretary or any employee or employees of the Exchange acting under his authority or against the arbitrators for or in respect of any matter or thing purporting to be done under these Bye-laws and Regulations nor any suit or proceedings (save for the enforcement of the award) against the other party or parties to the reference.

Removal of difficulties

315 K. If any difficulty arises in giving effect to these Bye-laws in the conduct of arbitration, resort may be had to the provisions of Part I of the Arbitration and Conciliation Act, 1996, which are not inconsistent with these Bye-laws.

Administrative Assistance

315 L. The Exchange shall render all secretarial and other assistance for the conduct of arbitration proceedings by appointing adequate staff and by providing proper accommodation, stationery and other facilities.

The Secretary of the Arbitration Division with the help of the assistants shall maintain all registers, files and records of arbitrations in proper order and shall be responsible for keeping them upto date. He shall maintain statistics of all pending and disposed off references and at the end of each quarter shall report to the Governing Board of the Exchange the number of pending references at the commencement of every month, references received during the month and the references disposed off. He shall report the references pending for more than four months, with the reasons for the delay and the steps taken for the early disposal of those references and shall carry out the directions issued by the Governing Board from time to time. The Secretary shall also arrange to issue certified copies of the documents, awards and other proceedings to the parties on receiving the charges fixed by the Governing Board from time to time and shall render all other assistance for enforcement of the awards.

[1]Maintenance/Disposal of Arbitration Record

315 M The Exchange shall adopt the following in respect of disposal of the arbitration Records:

1) The original arbitration award with acknowledgements shall be preserved permanently.

2) Records pertaining to arbitration Proceedings/ Submissions/ Forms etc. shall be preserved for a period of 5 years from the date of the award, if no appeal for setting aside the award is filed before the Court of Law.

3) In case, an appeal is filed before the Court of Law, the records shall be preserved for a period of five years from the date of final disposal of the matter by the Court. Further, where any order / judgment of any Court of Law in respect of award is received, certified copy of the same shall be retained permanently along with the original award.

4) The destruction of records shall be subject to the previous order in writing of the Executive Director of the Exchange.

[1] Inserted by Governing Board Resolution dated 19.08.2003 and approved by SEBI on 20.10.2003

5) The Exchange shall maintain a register wherein the brief particulars of the records destroyed shall be entered, along with the certification regarding the date and mode of destruction.

Provided further that this Bye-law shall also be applicable to all arbitration awards, passed prior to this Bye-law coming into effect and the Arbitration Records meeting the criterion as above on the date of this Bye-law coming into effect, will be destroyed in the manner specified."

DEFAULT

Declaration of Default

316. A member [1]{ may } be declared a defaulter by direction of the Governing Board or the [2]{ Cheif Executive Officer and in his absence the Chief Operating Officer } -

(i) if he is unable to fulfil his engagements; or

(ii) if he admits or discloses his inability to fulfil or discharge his engagements, obligations and liabilities; or

(iii) if he fails or is unable to pay within the specified time the damages and the money difference due on a closing-out effected against him under these Bye-laws and Regulations; or

(iv) if he fails to pass Claim Notes to members (provided that fact is reported to the Exchange by the member not receiving the Claim Note before the Pay-in Day fixed for that Clearing) or to pay any sum due to the Clearing House or to submit or deliver to the Clearing House on the due date the Delivery and Receive Orders, Statement Sheets of Differences and Securities, Balance Sheet and such other Clearing Forms as the Governing Board may from time to time determine provided that in any such case the declaration of default may be delayed if deemed proper upto but not beyond the Settling Day fixed for that Clearing; or

(v) if he fails to pay or deliver to the Defaulters' Committee all monies, securities and other assets due to a member who has been declared a defaulter within such time of the declaration of default of such member as the Governing Board or the President may direct; or

[3] **(vi)** if he fails to pay any sum payable by him to the Trade Guarantee Fund [4] (or}

[5]**(vii)** he fails to fulfil or discharge any obligation or liability under an Approved Scheme (asdefined by Bye-law 418) or under any borrowing, lending, contracts, dealings ortransactions under or pursuant to an Approved Scheme.

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[1] Substituted by SEBI on 09.05.97 and adopted by the Governing Board on 10.05.97.
[2] Inserted by Governing Board Resolution dated 18.01.01 and approved by SEBI on 16.03.01.
[3] Inserted by Governing Board Resolution dated 09.05.97 and approved by SEBI on 10.05.97.
[4] Inserted by Governing Board Resolution dated 18.01.01 and approved by SEBI on 16.03.01.
[5] Inserted by Governing Board Resolution dated 18.01.01 and approved by SEBI on 16.03.01.

Provided that the Governing Board or the [1] { Chief Executive Officer and in his absence the Chief Opertaing Officer } may not declare a member as a defaulter if his default is of a sum less than the value of the Base Capital and Additional Capital of the member with the Exchange, all refundable contributions by the member to the Trade Guarantee Fund, and any other marketable securities, money and bank guarantee furnished by the member to the Exchange and accepted by the exchange; and , in such case, the Exchange may realise and utilise the Base Capital , Additional Capital, refundable contributions, such securities, money and guarantee to discharge the members', obligations and liabilities and suspend the member's membership rights.

[2] **316A.** Subject to the provisions of Bye-law 316, where a member has failed to pay his settlement dues to the Clearing House, the Governing Board or the President shall declare the member as a defaulter before the pay out is declared;

Provided that nothing in this Bye-law shall prevent the Governing Board or the President from declaring the member as a defaulter after the declaration of the pay out if the member was for any reason not declared as a defaulter before the pay out.

Failure to Fulfil Obligation to Non-Members

317. The Governing Board may order a member to be declared a defaulter if he fails to meet an obligation to a member or non-member arising out of a Stock Exchange transaction.

Insolvent a Defaulter

318. A member who has been adjudicated an insolvent shall be ipso facto declared a defaulter although he may not be at the same time a defaulter on the Exchange.

Member's Duty to Inform

319. A member shall be bound to notify the Exchange immediately if there be a failure by any member to discharge his liabilities in full.

Compromise Forbidden

320. A member guilty of accepting from any member anything less than a full and bonafide money payment in settlement of a debt arising out of a transaction in securities shall be suspended for such period as the Governing Board may determine.

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[1] Inserted by SEBI on 09.05.97 and adopted by the Governing Board on 10.05.97

[2] Inserted by SEBI on 09.05.97 and adopted by the Governing Board on 10.05.97.

Notice of Declaration of Default

321. On a member being declared a defaulter a notice to that effect shall be posted forthwith on the notice board of the Exchange.

Defaulter's Books and Documents

322. When a member has been declared defaulter the Defaulter's Committee shall take charge of all his books of accounts, documents, papers and vouchers to ascertain the state of his affairs and the defaulter shall hand over such books, documents, papers and vouchers to the Defaulters' Committee.

List of Debtors and Creditors

323. The defaulter shall file with the Defaulter's Committee within such time of the declaration of his default as the Governing Board or the President may direct a written statement containing a complete list of his debtors and creditors and the sum owing by and to each.

Defaulter to Give Information

324. The defaulter shall submit to the Defaulter's Committee such statement of accounts, information and particulars of his affairs as the Defaulters' Committee may from time to time require and if so desired shall appear before the Committee at its meeting in connection with his default.

Inquiry

325. The Defaulters' Committee shall enter into a strict inquiry into the accounts and dealings of the defaulter in the market and shall report to the Governing Board anything improper, unbusiness like or unbecoming a member in connection therewith which may come to its knowledge.

Defaulter's Assets

326. The Defaulters' Committee shall call in and realise the security and margin money and securities deposited by the defaulter and recover all monies, securities and other assets due, payable or deliverable to the defaulter by any other member in respect of any transaction or dealing made subject to the Rules, Bye-laws and Regulations of the Exchange and such assets shall vest in the Defaulters' Committee for the benefit and on account of the creditor members.

[1]**326A.** Notwithstanding anything stated in Bye-law 326, where a member is declared a defaulter on or subsequent to the date on which the Trade

[1] Inserted by SEBI on 09.05.97 and adopted by the Governing Board on 10.05.97.

Guarantee Fund becomes operational, the provisions of Bye-law 326 shall be inapplicable and in such case the Defaulters' Committee shall call in and realise the security and margin money and securities deposited by the defaulter and recover all money, securities and other assets due, payable or deliverable to the defaulter by any other member in respect of any transaction or dealing made subject to the Rules, Bye-laws and Regulations of the Exchange and such assets shall vest in the Defaulters' Committee and shall be dealt with by the Defaulters' Committee in accordance with the relevant Regulations made under Bye-law 353B.

Payment to Defaulters' Committee

327. All monies, securities and other assets due, payable or deliverable to the defaulter must be paid or delivered to the Defaulters' Committee within such time of the declaration of default as the Governing Board or the President may direct. A member violating this provision shall be declared a defaulter.

Fraudulent Preference

328. A member who shall have received a difference on an account or shall have received any consideration in any transaction prior to the date fixed for settling such account or transaction shall in the event of the member from whom he received such difference or consideration being declared a defaulter refund the same to the Defaulters' Committee for the benefit and on account of the creditor members. Any member who shall have paid or given such difference or consideration to any other member prior to such settlement day shall again pay or give the same to the Defaulters' Committee for the benefit and on account of the creditor members in the event of the default of such other member.

[1]**328A.** Notwithstanding anything stated in Bye-law 328, where a member is declared a defaulter on or subsequent to the date on which date the Trade Guarantee Fund becomes operational, the provisions of Bye-law 328 shall be inapplicable and in such case a member who shall have received a difference on an account or shall have received any consideration in any transaction prior to the date fixed for setting such account or transaction shall in the event of the member from whom he received such difference or consideration being declared a defaulter on or subsequent to such date as the Governing Board may specify in this behalf refund the same to the Defaulters' Committee for being dealt with by the Defaulters' Committee in accordance with the relevant Regulations made under Bye-law 353B. Notwithstanding anything stated in Bye-law 328, any member who shall have paid or given such difference or consideration to any other member prior to such settlement

[1] Inserted by SEBI on 09.05.97 and adopted by Governing Board on 10.05.97.

day shall, in the event of the default of such other member on or subsequent to such date as the Governing Board may specify in this behalf, again pay or give the same to the Defaulters' Committee for being dealt with by the Defaulters' Committee in accordance with the relevant Regulations made under Bye-law 353B.

Preferential Difference

329. A member who receives from another member during any Clearing a Claim Note or Credit Note representing a sum other than a difference due to him or due to his constituent which amount is to be received by him on behalf and for the account of that constituent for that Clearing shall refund such sum if such other member be declared a defaulter within seven days after the Settling Day. Such refund shall be made to the Defaulters' Committee for the benefit and on account of the creditor members and it shall be applied in liquidation of the claims of such creditor members whose claims are admitted in accordance with these Bye-laws and Regulations.

[1]**329A.** Notwithstanding anything stated in Bye-law 329, where a member has been declared a defaulter on or subsequent to the date on which the Trade Guarantee Fund becomes operational, the provisions of Bye-law 329 shall be inapplicable and in such case a member who receives from another member during any Clearing a Claim Note or Credit Note representing a sum other than a difference due to him or due to his constituent which amount is to be received by him on behalf and for the account of that constituent for that Clearing shall refund such sum if such other member be declared a defaulter within seven days after the Settling Day. In such a case, such refund shall be made to the Defaulters' Committee for being applied in accordance with the relevant Regulations made under Bye-law 353B.

Distribution

330. The Defaulters' Committee shall at the risk and cost of the creditor members pay all assets received in the course of realisation into such bank and/or keep them with the Clearing House in such names as the Governing Board may from time to time direct and shall distribute the same as soon as possible pro rata upto sixteen annas in the Rupee but without interest among the creditor members whose claims are admitted in accordance with these Bye-laws and Regulations.

[2]**330A.** Notwithstanding anything stated in Bye-law 330, where a member has been declared a defaulter on or subsequent to the date on which the Trade Guarantee Fund becomes operational, the provisions of Bye-law 330

[1] Inserted by SEBI on 09.05.97 and adopted by Governing Board on 10.05.97.
[2] Inserted by SEBI on 09.05.97 and adopted by Governing Board on 10.05.97.

shall be inapplicable and in such case the Defaulters' Committee shall at the risk and cost of the creditors of the defaulter pay all assets received in the course of realisation into such bank and/or keep them with the Clearing House in such names as the Defaulters' Committee may from time to time determine and shall apply the same as soon as possible in accordance with the relevant Regulations made under Bye-law 353B.

Confirmed or Altered Making-up Prices and Hammer Prices

331. On a member being declared a defaulter the Governing Board shall fix hammer prices on the basis of the prices recorded in the closing-out if any against the defaulter and/or the average of the prices ruling in the market within half an hour of its opening after the declaration of default. The making-up prices in respect of the current Clearing in which the member was declared a defaulter shall be either confirmed or altered by the Governing Board keeping in view the hammer prices.

Adjustment at Confirmed or Altered Making-up Prices

332. **(a)** Members having transactions with the defaulter in the current Clearing in which his default was declared shall adjust their accounts at the confirmed or altered making-up prices.

Closing-out At Hammer Prices

(b) Members having open transactions with the defaulter in the ensuing Clearing that is in the Clearing following the one in which his default was declared shall be deemed to have closed-out such transactions at the hammer prices.

Closing-out in Open Market

(c) Members having open transactions with the defaulter in Non-Cleared Securities shall close-out such transactions in the open market immediately after the declaration of default.

Adjustment of Accounts with Defaulter

333. Members having transactions with the defaulter shall adjust their accounts with the defaulter at the confirmed or altered making-up prices, hammer prices and closing-out prices as provided in these Bye-laws and Regulations. The difference arising from such adjustment shall as the case may be either claimed from the defaulter or paid to the Defaulters' Committee for the benefit of members who are creditors of the defaulter.

[1]**333A.** Notwithstanding anything stated in Bye-laws 331, 332 or 333, where a member has been declared a defaulter on or subsequent to the date on which the Trade Guarantee Fund becomes operational, the provisions of Bye-laws 331, 332 and 333 shall be inapplicable and in such case closing-out, adjustment, settlement or cancellation shall be effected against the defaulter only if required by the relevant Regulations made pursuant to Bye-law 353B and in such case the closing-out, adjustment, settlement or cancellation shall be effected in accordance with the provisions of the relevant Regulations made pursuant to Bye-law 353B. The difference, if any, arising from such closing-out, adjustment, settlement or cancellation shall as the case may be either claimed from the defaulter or paid to the Defaulters' Committee for being applied in accordance with the relevant Regulations made under Bye-law 353B.

Claim Against Defaulter

334. Within such time of the declaration of default as the Governing Board or President may direct every member carrying on business on the Exchange shall according as he may be required to do either compare with the Defaulters' Committee his accounts with the defaulter duly adjusted and made up as provided in these Bye-laws and Regulations or furnish a statement of such accounts with the defaulter in such form or forms as the Governing Board may prescribe or render a certificate that he has no such account.

Delay in Comparison or Submission of Accounts

335. Any member failing to compare his accounts or send a statement or certificate relating to a defaulter within the time prescribed shall be called upon to compare his accounts or send such statement or certificate within such further time as may be specified.

Penalty for Failure to Compare or Submit Accounts

336. The Governing Board may fine, suspend or expel any member who fails to compare his accounts or submit a statement of his accounts with the defaulter or a certificate that he has no such account within the prescribed time.

Misleading Statement

337. The Governing Board may fine, suspend or expel a member if it is satisfied that any comparison statement or certificate relating to a defaulter sent by such member was false or misleading.

[1] Inserted by SEBI on 09.05.97 and adopted by Governing Board on 10.05.97.

Accounts of Defaulters' Committee

338. The Defaulters' Committee shall keep a separate account in respect of all monies, securities and other assets payable to a defaulter which are received by it and shall defray therefrom all costs, charges and expenses incurred in or about the collection of such assets or in or about any proceedings it takes in connection with the default.

Report

339. The Defaulters' Committee shall every six months present a report to the Governing Board relating to the affairs of a defaulter and shall show the assets realised, the liabilities discharged and dividends given.

Inspection of Accounts

340. All accounts kept by the Defaulters' Committee in accordance with these Bye-laws and Regulations shall be open to inspection by any creditor member.

[1] {Provided that no creditor member shall be entitled to inspection of any accounts relating to the Trade Guarantee Fund.}

Scale of Charges

341. The charges to be paid to the Exchange on the assets collected shall be 5 per cent on the first Rs. 5,000 collected or part thereof and 2 per cent on any sum in excess of Rs. 5,000 or such other as the Governing Board may from time to time prescribe.

Application of Assets

342. The Defaulters' Committee shall apply the net assets remaining in its hands after defraying all such costs, charges and expenses as are allowed under these Bye-laws and Regulations in satisfying first the claim of the Exchange and the Clearing House and then rateably such admitted claims of members against the defaulter arising out of contracts entered into in the market in accordance with the provisions of the Rules, Bye-laws and Regulations of the Exchange.

[2]**342A.** Notwithstanding anything stated in Bye-law 342, where a member has been declared a defaulter on or subsequent to the date on which the Trade Guarantee Fund becomes operational, the provisions of Bye-law 342 shall be inapplicable and in such case the Defaulters' Committee

[1] Inserted by SEBI on 09.05.97 and adopted by Governing Board on 10.05.97.
[2] Inserted by SEBI on 09.05.97 and adopted by Governing Board on 10.05.97.

shall, after defraying all such costs, charges and expenses as are allowed under these Bye-laws and Regulations, apply the net assets remaining in its hands in accordance with the provisions of the relevant Regulations made pursuant to Bye-law 353B.

Certain Claims Not to be Entertained

343. The Defaulters' Committee shall not entertain any claim against a defaulter -

(i) which arises out of a contract in securities dealings in which are not permitted or which are not made subject to the Rules, Bye-laws and Regulations of the Exchange [1] or in which the claimant has either not paid himself or colluded with the defaulter in the evasion of margin payable on bargains in any security; }

(ii) which arises out of a contract in respect of which comparison has not been made in the manner prescribed in these Bye-laws and Regulations or when there has been no comparison if a contract note in respect of such contract has not been rendered as provided in these Bye-laws and Regulations and receipt thereof obtained either on the duplicate or on the counterpart of such contract note or in a peon book stating the date and the number of the contract note rendered;

(iii) which arises from bargains not settled by delivery and payment within the time prescribed by these Bye-laws and Regulations; which arises from any arrangement for settlement of claims in lieu of bonafide money payment in full on the day when such claims becomes due;

(iv) which arises from any outstanding balance or any outstanding difference upon previous transactions which has not been claimed at the proper time and in the manner prescribed in these Bye-laws and Regulations;

(v) which is in respect of a loan with or without security;

(iv) which is not filed with the Defaulters' Committee within such time of the date of declaration of default as may be prescribed by the Governing Board.

[1] Inserted by Governing Board Resolution dated 22.04.83 and approved by Govt. on 20.07.83.

Claim Against Defaulting Representative Member

344. The Defaulters' Committee shall entertain the claim of a member against a defaulter in respect of loss incurred by him by reason of the failure of the constituents introduced by such defaulter to fulfil their obligations arising out of transactions in securities dealings in which are permitted on the Exchange and made subject to the Rules, Bye-laws and Regulations of the Exchange provided the defaulter was duly registered as a representative member working with such creditor member.

[1]{ Provided that such claim shall not be entitled to receive any benefit from the Trade Guarantee Fund.}

Differences Due

345. Any difference due to or from a defaulter in the current Clearing shall be allowed to be set off against that due in the ensuing Clearing.

[2]**345A.** Notwithstanding anything stated in Bye-law 345, where a member has been declared a defaulter on or subsequent to the date on which the Trade Guarantee Fund becomes operational, the provisions of Bye-law 345 shall be inapplicable and in such case any difference due to or from a defaulter in the current Clearing shall not be set off against that due in the ensuing Clearing unless so permitted or directed by the Defaulters' Committee.

Claims of Defaulter's Committee

346. A claim of one defaulter whose estate is represented by the Defaulters' Committee against another defaulter shall not have any priority over the claims of other creditor members but shall rank with other claims.

Assignment of Claims on Defaulters' Estate

347. A member being a creditor of a defaulter shall not sell, assign or pledge his claim on the estate of such defaulter without the consent of the Governing Board.

Proceedings in Name of Defaulter

348. [3]Without prejudice to the powers conferred upon the Defaulters' Committee under the other Rules, Bye-laws and Regulations } Defaulters' Committee with the consent of the [4] (Governing Board} shall be entitled to

[1] ¹ Inserted by SEBI on 09.05.97 and adopted by Governing Board on 10.05.97.
[2] ¹ Inserted by SEBI on 09.05.97 and adopted by Governing Board on 10.05.97.
[3] ¹ Inserted by SEBI on 09.05.97 and adopted by Governing Board on 10.05.97.
[4] ¹ Inserted by SEBI on 09.05.97 and adopted by Governing Board on 10.05.97.

take any proceedings in a court of law either in its own name or in the name of the defaulter as it may be advised for recovering any assets [1] { or dues } of the defaulter.

Payment to Defaulters' Committee

349. If any member takes any proceedings in a court of law against a defaulter whether during the period of his default or subsequent to his readmission to enforce any claim against the defaulter's estate arising out of any transaction or dealing in the market made subject to the Rules, Bye-laws and Regulations of the Exchange before he was declared a defaulter and obtains a decree and recovers any sum of money thereon he shall pay such amount or any portion thereof as may be fixed by the Governing Board to the Defaulters' Committee for the benefit and on account of the creditor members having claims against such defaulter.

349A. Notwithstanding anything stated in Bye-law 349, where a member has been declared a defaulter on or subsequent to the date on which the Trade Guarantee Fund becomes operational, the provisions of Bye-law 349 shall be inapplicable and in such case if any member takes any proceedings in a court of law against such defaulter whether during the period of his default or subsequent to his readmission to enforce any claim against the defaulter's estate arising out of any transaction or dealing made subject to the Rules, Bye-laws and Regulations of the Exchange before he was declared a defaulter and obtains a decree and recovers any sum of money thereon he shall pay such amount or any portion thereof as may be fixed by the Governing Board to the Defaulters' Committee for being applied in accordance with the relevant Bye-laws.

General Notice of Dividend

350. A notice of any dividend declared by the Defaulters' Committee shall be posted on the notice board of the Exchange.

Payment of Dividend

351. Dividends declared shall be paid to each creditor member either by crediting his account with the Clearing House or in such other manner as the Governing Board or the President directs. Creditor members who do not maintain an account with the Clearing House shall be paid such dividends on application.

[1] [1] Inserted by SEBI on 09.05.97 and adopted by Governing Board on 10.05.97.

Unclaimed Dividend

352. If any dividend which has been declared on claims admitted by the Defaulters' Committee but which the creditor entitled (except in the case of a creditor who shall have died) has failed or neglected to claim remains with the Defaulters' Committee unclaimed for more than one year or where after paying a final dividend any assets of the defaulter remain unclaimed or undistributed the same shall be dealt with or disposed of by the Governing Board on behalf of the creditors.

Deceased Creditors

353. If any member who is a creditor of a defaulter be dead the dividend due to such member shall be paid to his legal representative or heirs on application even when the right of nomination has been exercised in respect of such deceased creditor member. But if such deceased creditor be himself a defaulter the dividend due shall be paid to the Defaulters' Committee for the benefit and on account of the creditor members.

[1]**353A.** In the event of a member being declared a defaulter in accordance with the Rules, Bye-laws and Regulations of the Stock Exchange, all amounts due to such member from a non-member under a contract issued to such member shall be payable on the due date to the Trustees of the Stock Exchange Customers' Protection Fund on demand in accordance with the Rules of the above Fund and the Trustees of the above Fund shall thereafter disburse the same in accordance with those Rules.

[1] Inserted by Governing Board Resolution dated 24.06.86 and approved by Govt. on 01.09.87.

PROHIBITIONS AND PENALTIES

Void Contracts

354. (a) A member shall not enter into the following contracts and any such contracts if entered into in contravention of the provisions in that behalf contained in these Bye-laws and Regulations shall be void :

(i) contracts for the Clearing in other than Cleared Securities;

(ii) contracts for a period beyond the current and ensuing Clearings in Cleared Securities;

(iii) contracts for hand delivery for a period beyond fourteen days save as provided in these Bye-laws and Regulations;

(iv) contracts for special delivery without the permission of the Governing Board or the President as provided in these Bye-laws and Regulations;

(v) contracts(other than specific bargains) for purchase and sale of securities dealings in which are not permitted on the Exchange;

(vi) contracts for the purchase and sale of prospective dividends;

[1] **(vii)** Carry-Over contracts between members and their constituents either as agent to principal or as principal to principal in respect of which contract notes are not rendered to constituents at the special making-up price as provided in these Bye-laws and Regulations.

Options

(b) [2] {Any contracts or dealings in options which are not in accordance with the Rules, Bye-Laws and Regulations of the Exchange as well as of the Derivative Segment of the Exchange and the provisions of the Securities Contracts (Regulation) Act,1956 shall be illegal.}

Penalty for Breach of Bye-laws and Regulations

355. (a) Every member shall be liable to expulsion or suspension or withdrawal of all or any membership rights and/or to payment of fine and/or to be censured, reprimanded or warned for

[1] Inserted by Notification No. S.O. 1592 dated 06.06.63 published in the Gazette of India, Extraordinary Part II – Selection3(ii)of the same dated

[2] Amended by Governing Board resolution dated 04.12.2000 and 08.03.01 and approved by SEBI on 21.03.01

contravening, disobeying, disregarding or wilfully evading any of these Bye-laws and Regulations or any resolutions, orders, notices, directions, decisions or ruling thereunder of the Exchange or the Governing Board or the President or any Committee or any officer of the Exchange or for any disreputable or fraudulent transactions or dealings with any person whether a member or not or for any conduct, proceeding or method of business which the Governing Board in its absolute discretion deems unbecoming a member of the Exchange or inconsistent with just and equitable principles of trade.

Penalty for Misconduct, Unbusinesslike Conduct and Unprofessional Conduct

(b) In particular and without in any way limiting or prejudicing the generality of the provisions in sub-clause (a) a member shall be liable to expulsion or suspension or withdrawal of all or any of his membership rights and/or to payment of a fine and/or to be censured, reprimanded or warned for any misconduct, unbusinesslike conduct or unprofessional conduct in the sense of the provision in that behalf contained herein.

Misconduct

356. A member shall be deemed guilty of misconduct of any of the following or similar acts or omissions namely -

Fraud

(i) If he is convicted of a criminal offence or commits fraud or a fraudulent act which in the opinion of the Governing Board renders him unfit to be a member;

Improper Conduct

(ii) if in the opinion of the Governing Board he is guilty of dishonourable or disgraceful or disorderly or improper conduct on the Exchange or of wilfully obstructing the business of the Exchange;

Breach of Rules, Bye-laws and Regulations

(iii) if he shields or assists or omits to report any member whom he has known to have committed a breach or evasion of any Rules, Bye-laws or Regulation of the Exchange or of any resolution, order, notice or direction thereunder of the Governing Board or the President or of any committee or officer of the Exchange authorised in that behalf;

Failure to Comply with Resolutions

(iv) if he contravenes or refuses or fails to comply with or abide by any resolution, order, notice, direction, decision or ruling of the Governing Board or the President or of any committee or officer of the Exchange or other person authorised in that behalf under the Rules, Bye-laws and Regulations of the Exchange;

Failure to Submit to or Abide by Arbitration

(v) if he neglects or fails or refuses to submit to arbitration or to abide by or carry out any award, decision or order of the Governing Board or the Arbitration Committee or the arbitrators made in connection with a reference under the Rules, Bye-laws and Regulations of the Exchange;

Failure to Testify or Give Information

(vi) if he neglects or fails or refuses to submit to the Governing Board or to the President, or to a committee or an officer of the Exchange authorised in that behalf, such books, correspondence, documents and papers or any part thereof as may be required to be produced or to appear and testify before or cause any of his partners, attorneys, agents, remisiers, authorised clerks or employees to appear and testify before the Governing Board or the President or such committee or officer of the Exchange;

Failure to Submit Special Returns

(vii) if he neglects or fails or refuses to submit to the President within the time notified in that behalf special returns in the form prescribed in the relative Regulation [1] or in such other form as the Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof together with such other information as the Governing Board or the President may require whenever circumstances arise which in the opinion of the Governing Board or the President make it desirable that such special returns or information should be furnished by any or all the members;

Failure to Compare or Submit Accounts with Defaulter

(viii) if he neglects or fails to compare his accounts with the Defaulters' Committee or to submit to it a statement of his accounts with a defaulter or a certificate that he has no such account or if he makes a false or misleading statement therein;

[1] Regulation 11

False or Misleading Returns

(ix) if he neglects or fails or refuses to submit or makes any false or misleading statement in his Clearing Forms or returns required to be submitted to the Exchange or to the Clearing House under these Bye-laws and Regulations;

Vexatious Complaints

(x) if he or his agent brings before the Governing Board or the President or a committee or an officer of the Exchange or other person authorised in that behalf of a charge, complaint or dispute which in the opinion of the Governing Board is frivolous, vexatious or malicious;

Failure to Pay Dues and Fees

(xi) if he fails to pay his subscription fees, arbitration charges or any other money which may be due by him or any fine or penalty imposed on him.

Unbusinesslike Conduct

357. A member shall be deemed guilty of unbusinesslike conduct for any of the following or similar acts or omissions namely -

Fictitious Names

(i) if he transacts his own business or the business of his constituent in fictitious names;

Fictitious Dealings

(ii) if he makes a fictitious transactions or gives an order for the purchase or sale of securities the execution of which would involve no change of ownership or executes such as order with knowledge of its character;

Prejudicial Business

(iii) if he makes or assists in making or with such knowledge is a party to or assists in carrying out any plan or scheme for the making of any purchases or sales or offers of purchase or sale of securities for the purpose of upsetting the equilibrium of the market or bringing about a condition of demoralisation in which prices will not fairly reflect market values;

Rumours

(iv) if he directly or indirectly and in any manner whatsoever circulates or causes to be circulated rumours of a sensational character;

Unwarrantable Business

(v) if he engages in reckless or unwarrantable or unbusinesslike dealings in the market or effects purchases or sales for his constituent's account or for any account in which he is directly or indirectly interested which purchases or sales are excessive in view of his constituent's or his own means and financial resources or in view of the market for such security;

Compromise

(vi) if he connives at a private failure of a member or accepts less than a full and bonafide money payment in settlement of a debt due by a member arising out of a transaction in securities;

Dishonoured Cheque

(vii) if he issues to any other member or his constituent a cheque which is dishonoured on presentation for want of funds;

Failure to Carry out Transactions with Constituents

(viii) if he fails in the opinion of the Governing Board to carry out his stockbroking transactions with his constituents.

Unprofessional Conduct

358. A member shall be deemed guilty or unprofessional conduct for any of the following or similar acts or omissions namely-

Street Dealing

(i) if he calls out prices or makes bids or offers or trades in the street or at the entrances to or in the vicinity of the Stock Exchange;

Business in Securities in which Dealings Not Permitted

(ii) if he enters into bargains in securities in which dealings are not permitted;

Business for Defaulting Constituent

(iii) if he deals or transacts business directly or indirectly or executes an order for a constituent who has within his knowledge failed to carry out his engagements relating to securities and is in default to another member unless such constituent shall have made a satisfactory arrangement with the member who is his creditor;

Business for Insolvent

(iv) if without first obtaining the consent of the Governing Board he directly or indirectly is interested in or associated in business with or transacts any business with or for any individual who has been bankrupt or insolvent even though such individual shall have obtained his final discharge from an Insolvency Court;

Business Without Permission When Under Suspension

(v) if without the permission of the Governing Board he does business on his own account or on account of a principal with or through a member during the period he is required by the Governing Board to suspend business on the Exchange;

Business for a With Suspended, Expelled and Defaulter Members

(vi) if without the special permission of the Governing Board he shares brokerage with or carries on business or makes any bargain for or with any member who has been suspended, expelled or declared a defaulter;

Business for Partners

(vii) if he transacts any business or makes any bargain for and on behalf of a partner of a partnership firm;

Business for Employees of Other Members

(viii) if he transacts business directly or indirectly for or with or executes an order for a remisier, authorised clerk or employee of another member without the written consent of such employing member;

Business for Exchange Employees

(ix) if he makes a speculative transaction in which an employee of the Exchange is directly or indirectly interested;

Business for or with Non-Member Broker

(x) if in the purchase or sale of securities he shares brokerage with or transacts business as principal with or acts as a broker for or enters into any business with a non-member if such non-member be a member of or a partner, agent or employee of a member of any other association dealing in securities within a distance of fifty miles of the city of Mumbai or if such non-member within that distance either acts as a broker or dealer in share and security business or issues price lists or circulars respecting such business or permits such advertising or issues or is associated directly or indirectly with any company, association, firm or undertaking which so advertise or makes such issues;

Advertisement

[1] **(xi)** if he advertises for business purposes or issues regularly circulars orbusiness communications to persons other than his own constituents, members of the Exchange, banks and Joint Stock Companies or publishes pamphlets, circulars or any other literature or report or information relating to the stock markets in the public prints with his name attached unless such advertisements, circulars or other business communications, pamphlets, circulars or other literature or report or information relating to the stock markets and the material contained therein are in accordance with the provisions and guidelines as laid down in the relative Regulation [2] or such other guidelines as Governing Board may from time to time prescribe in addition thereto or in modification or substitution thereof.[3] {}

Evasion of Margin Requirements

(xii) if he wilfully evades or attempts to evade or assists in evading the margin requirements prescribed in these Bye-laws and Regulations;

Brokerage Charge

(xiii) if he wilfully deviates from or evades or attempts to evade the Bye-laws and Regulations relating to charging and sharing of brokerage.

Offences by Partners, Agents and Employees of Members

[1] Amended by Governing Board Resolution dated 10.02.92 and approved by Govt. on 23.12.92
[2] Regulation 17
[3] Deleted by Governing Board Resolution dated 02.03.2000 and approved by SEBI on 03.05.2000

359. The Governing Board may expel or suspend and/or fine and/or censure and/or warn the partner of a member or his attorney, agent, remisier, authorised clerk or employee for any act or omission which if done or omitted by the member would subject him to the same penalties.

Suspension on Failure to Provide Margin Deposit

360. The Governing Board or the President shall require a member to suspend his business when he fails to provide the margin deposit as provided in these Bye-laws and Regulations and the suspension of business shall continue until he furnishes the necessary margin deposit. The Governing Board may expel a member acting in contravention of this provision.

Suspension of Business

361. **(a)** The Governing Board may by a special resolution require a member to suspend his business in part or in whole -

Prejudicial Business

(i) when in the opinion of the Governing Board he conducts his business in a manner prejudicial to the Exchange by making purchases or sales of securities for the purpose of upsetting the equilibrium of the market or bringing about a condition of demoralisation in which prices will not fairly reflect market values;or

Unwarrantable Business

(ii) when in the opinion of the Governing Board he engages in unwarrantable business or effects purchases or sales for his constituent's account or for any account in which he is directly or indirectly interested which purchases or sales are excessive in view of his constituent's or his own means and financial resources or in view of the market for such security;

Unsatisfactory Financial Condition

(iii) when in the opinion of the Governing Board he is in such financial condition that he cannot be permitted to do business with safety to his creditors or the Exchange.

Removal of Suspension

(b) The suspension of business under sub-clause (a) shall continue until the member has been allowed by the Governing Board to resume business on his paying such deposit or on his doing such act or

providing such things as the Governing Board may by a special resolution require within the time prescribed by such resolution.

Penalty for Contravention

(c) A member who is required to suspend his business shall be expelled by the Governing Board if he acts in contravention of this provision.

Regulations

Amendments to Regulations

362. Any amendments, additions or alterations to any Regulations made by the Governing Board in pursuance of the powers conferred by these Bye-laws together with a reference to the Bye-laws or Bye-laws to which such Regulations relate shall be communicated to the Central Government by post within twenty-four hours. The Governing Board shall forthwith amend, alter or withdraw any such Regulation if so desired by the Central Government.

[1] TRADE GUARANTEE FUND AND DEFAULTS SUBSEQUENT TO COMMENCEMENT OF OPERATION OF TRADE GUARANTEE FUND

Definitions

363A. In Bye-laws 363 A to 417, unless there is anything repugnant in the subject or context:

[2] **(1).** "Approved Scheme" shall have the meaning assigned thereto by Bye-law 418."

(2). "Associate" of a member shall mean -

(i) a partner of the member,

(ii) a designated director of the member in the event of the member being a company or other corporate body,

(iii) a lineal ascendant or descendant of the member, of a partner of the member or of a designated director referred to in (ii) above,

(iv) a spouse, daughter-in-law, son-in-law, brother or sister of the member, of a partner of the member or of a designated director referred to in (ii) above, or a lineal ascendant or descendant of a spouse, daughter-in-law or son-in-law referred to in this clause or a lineal descendant of a brother or sister referred to in this clause,

(v) a Relative of the member, of a partner of the member or of a designated director referred to in (ii) above,

(vi) in the case of a member which is a company or other body corporate, a person who has a substantial interest in the member within the meaning of Section 13 of the Income-Tax Act, 1961,

(3). "Business Day" shall have the same meaning as is assigned thereto in Bye-law 1.

(4). "Fund" shall mean the Trade Guarantee Fund.

(5). "Relative" shall mean a person who is a relative within the meaning of-

(i) Section 13 of the Income-Tax Act, 1961 or

[1] Entire Chapter Inserted by SEBI on 09.05.97 and adopted by the Governing Board on 10.05.97.

[2] Inserted by Governing Board Resolution dated 18.01.01 and approved by SEBI on 16.03.01.

(ii) Section 6 of the Companies Act, 1956.

(6). "Settlement" shall include an auction settlement [1] {and a settlement pursuant to an Approved Scheme} but shall not include a bad delivery settlement.

"Settlement in which a member or a defaulter has been declared a defaulter" shall have the following meaning:

Where a member has been declared a defaulter for non-payment of any amount payable by him into the Clearing House in respect of any Settlement Period then the Settlement Period in respect of the non-payment of which the member is declared a defaulter shall be the "Settlement in which the member or the defaulter is or has been declared a defaulter"; and where the member has failed to pay any amount payable by him into the Clearing House in respect of more than one settlement period then the "Settlement in which the member or the defaulter is or has been declared a defaulter" shall be the settlement so specified by the authority who or which has declared him as a defaulter.

363B. In the Rules, Bye-laws and Regulations , unless there is anything repugnant in the subject or context:

"Date on which the Trade Guarantee Fund becomes operational" means the date specified by the Governing Board as the date on which the Trade Guarantee Fund shall become operational.".

364. **(i)** The Exchange shall establish a fund which shall be known as the "Trade Guarantee Fund".

[2] **(ii)** Subject to the other provisions of the Rules, Bye-laws and Regulations of the Exchange, the objects of the Fund shall be:

(a) to guarantee, in accordance with the Rules, Bye-laws and Regulations of the Exchange, the settlement of bona fide transactions of members of the Exchange inter-se which form part of the Exchange's settlement system including settlements of borrowing, lending and other transactions under or pursuant to an Approved Scheme; and

(b) to make, in accordance with the Rules, Bye-laws and Regulations of the Exchange, temporary refundable advances to members who are facing a temporary financial

[1] ³ Substituted by Governing Board Resolution dated 18.01.01 and approved by SEBI on 16.03.01

[2] Amendment by Governing Board Resolution dated 15.02.01and approved by SEBI on 16.03.01

mismatch in order to enable them to meet in time their financial obligations in a settlement,

so as to endeavour to ensure timely completion of settlements on the Exchange and thereby protect the interests of the investors on the Exchange and the members of the Exchange and thereby also inculcate confidence in the minds of investors regarding the expeditious completion of settlements on the Exchange and support the development of the stock market.

(iii) The Governing Board shall be entitled to make such Regulations as it thinks fit and proper in connection with the manner, norms and procedures of the Fund and defaults declared subsequent to the commencement of the operation of the Fund**.** The Regulations made by the Governing Board shall not be inconsistent with any Bye-law.

(iv) Without prejudice to the generality of clause (iii) above, the Governing Board shall be entitled to make Regulations relating to norms, procedures and manner in respect of :

(a) the management and administration of the Fund,

(b) the structure and composition of the Fund,

(c) the contributions to be made to the Fund by the Exchange, members of the Exchange and others,

(d) investment of the Fund,

(e) application of the Fund,

(f) meetings of the Defaulters' Committee,

(g) persons who would be disentitled from receiving a benefit from the Fund,

(h) minimum value of funds in the Fund and maximum limits on disbursements from the Fund,

(i) the rights and powers of the Defaulters' Committee,

(j) the money and property to be paid to or received by the Defaulters' Committee,

(k) the application of the money and property paid to or received by the Defaulters' Committee including the order of priority in which they shall be applied, [1] { }

(l) the closing-out, adjustment, settlement and/or cancellation of contracts entered into by a member with the defaulter, [2] {and}

[3]**(m)** the disbursement of advances from the Fund and the terms of such advances.

Management of the Fund

365. (i) Subject to the Rules, Bye - laws and Regulations of the Exchange and any directions and instructions which the Governing Board may from time to time issue, the Defaulters' Committee shall have complete control over the management and administration of the Fund. In addition to the powers conferred by the other provisions of the Rules, Bye-laws and Regulations of the Exchange, the Defaulters' Committee shall be vested with all powers, authorities and discretions necessary or expedient for or incidental to the management and administration of the Fund or for achieving the object and purpose of the Fund.

(ii) Without prejudice to the generality of the foregoing, the Defaulters' Committee shall have for the purposes of the Fund, the power to-

(a) summon members, partners of members and directors of members who are companies or other corporate bodies to appear before the Defaulters' Committee and question them;

(b) call upon members, partners of members, and directors of members who are companies or other corporate bodies to furnish to the Defaulters' Committee such information, documents and papers as the Defaulters' Committee may require and within the period specified by the Defaulters' Committee,

(c) prescribe forms, agreements, affidavits, undertakings and other writings to be signed by members, partners of members, directors of members who are companies or other corporate bodies or by other persons and specify the period within which the same should be signed and submitted,

[1] [1] Deleted by Governing Board Resolution dated 15.02.01 and approved by SEBI on 16.03.01.
[2] Inserted by Governing Board Resolution dated15.02.01 and approved by SEBI on 16.03.01.
[3] Inserted by Governing Board Resolution dated15.02.01 and approved by SEBI on 16.03.01.

(d) invest or otherwise deal with the money of the Fund,

(e) [1] {call for and hold any security for the payment of any amount payable to the Fund, and} realise or otherwise deal with any security or otherproperty offered to the Fund,

(f) borrow money without security or against the security of the Fund or any property of or available to or accessible by the Fund or otherwise,

(g) enter into financial arrangements with banks, institutions, companies and other persons,

(h) issue guarantees and indemnities,

(i) delegate any of the powers and functions of the Defaulters' Committee to one or more sub-committees comprising of one or more members of the Defaulters' Committee and/or delegate any of the administrative powers and functions, of the Defaulters' Committee to one or more employees of the Exchange subject to such terms and conditions as the Defaulters' Committee may think fit to impose, and subject to overall ratification by the Defaulters' Committee.

(j) do all such acts as the Defaulters' Committee considers necessary to protect or advance the interests of the Fund or to achieve the purposes and objects of the Fund,

(k) institute and conduct legal proceedings to recover assets of a defaulter or a member.

Accounts and Audit of the Fund

366. Unless the Governing Board otherwise directs, the accounts of the Fund shall be prepared and maintained as a part of the accounts of the Exchange and shall be audited as a part of the accounts of the Exchange.

Documents to be executed by the Member and their Partners

367. (i) Within such period as may be specified by the Defaulters' Committee (as may be extended by the Defaulters' Committee from time to time), every member and every partner of every member who is carrying on business on the Exchange in partnership shall sign and deliver to the Defaulters' Committee agreements and other writings in such form as may be prescribed

[1] Inserted by Governing Board Resolution dated 31.03.01 and approved by SEBI on 22.05.01.

by the Defaulters' Committee from time to time with the prior approval of the Governing Board.

(ii) In the event of any change in the form of any agreements or writings (which change shall be made by the Defaulters' Committee with the prior approval of the Governing Board), the Defaulters' Committee may require every member and every partner of every member who is carrying on business on the Exchange in partnership to sign and deliver to the Defaulters' Committee supplemental agreements or writings or fresh agreements or writings within such period as may be specified by the Defaulters' Committee (as may be extended by theDefaulters' Committee from time to time).

Composition of Fund

368. (a) The Fund shall consist of-

(i) non - refundable contributions from members of the Exchange as hereinafter provided,

(ii) contributions from the Exchange as hereinafter provided,

(iii) interest, dividend or other income arising from investments of the Fund [1] {and from any utilisation from the Fund},

(iv) accretions arising from investments of the Fund,

(v) any money or property which the Defaulters' Committee is entitled to appropriate to the Fund, and

(vi) any other money or property forming part of the Fund.

(b) Unless otherwise provided by the Rules, Bye-laws and Regulations of the Exchange, the Defaulters' Committee and the Fund shall also have access to -

(i) refundable contributions from members of the Exchange as hereinafter provided,

(ii) money and assets given to the Fund as security and money arising from realisation thereof, [2]and any interest, dividend or other income or accretions arising from such security and money arising from realisations thereof},

[1] Inserted by Governing Board resolution dated 31.03.01and approved by SEBI on 22.05.01.
[2] Inserted by Governing Board resolution dated 31.03.01and approved by SEBI on 22.05.01.

(iii) money or property received or recovered by the Defaulters' Committee or the Exchange from any member, partner of a member, guarantor or other person liable to pay money to the Exchange, the Fund or the Defaulters' Committee in connection with or pursuant to a default,

(iv) any money available to the Fund upon invocation of a guarantee, and

(v) any other money or property available to the Fund.

(c) The amounts mentioned in clause (b) of this Bye-law shall not be reflected in the balance sheet of the Fund unless such amounts are also mentioned in clause (a) of this Bye-law.

EXCHANGE'S CONTRIBUTIONS TO THE FUND

Exchange's Initial Contribution

369. The Exchange shall contribute to the Fund a sum of Rs. 60,00,00,000/- (Rupees Sixty Crores Only) out of the sum presently standing to the credit of Contribution by Original Members and Others in the books of the Exchange (hereinafter referred as "the 'Exchanges' Initial Contribution") as on March 31, 1996.

Exchange's Other Contribution

370. The Exchange may, from time to time, contribute such further amounts to the Fund as the Governing Board may in its absolute discretion determine.

MEMBERS' CONTRIBUTIONS TO THE FUND

Members' Initial Contributions

371. Every present and future member of the Exchange shall contribute to the Fund such amount as may be specified by the Governing Board from time to time as initial contribution (hereinafter referred to as "member's Initial Contribution"). The member's initial contribution shall be paid by each member within such time as the Defaulters' Committee may specify in this behalf . A member's Initial Contribution shall be non-refundable and may be collected through bills raised by the Clearing House or by debiting the concerned member's valan account.

Members' Base Capital Contributions

372. In addition to the members' initial contributions referred to at Bye-law 371 above, all money, securities, fixed deposits, and other property and things which are now or which may from time to time be furnished by a member towards Base Capital as required by the Securities and Exchange Board of India shall be treated as the member's contribution to the Fund (hereinafter referred to as "member's Base Capital Contribution"). A member's Base Capital Contribution shall be refundable to the member in the circumstances provided in the Rules, Bye-laws and Regulations of the Exchange. The member shall be entitled to receive all dividend, interest, rights entitlements, rights shares, bonus shares and other income and accretions in respect of his Base Capital Contribution.

Members' Continuous Contributions

373. At the end of every settlement, every member shall forthwith contribute to the Fund 0.00075% (i.e. 0.075 paise per Rupees hundred) of his turnover during the concerned settlement or such other amount as the Governing

Board may from time to time decide.[1] {In the event such member is also a participant in an Approved Scheme then such member shall contribute such further amount to the Fund as the Governing Board may from time to time decide. The contributions mentioned above are hereinafter referred to as "Member's Continuous Contribution"}. The members' Continuous Contribution as determined by the Governing Board may be a lump sum or determined on the basis of the turnover of the member or otherwise as may be decided by the Governing Board. A member's Continuous Contribution shall be non-refundable and may be collected through bills raised by the Clearing House and/or by debiting the member's valan account. A member shall not be allowed to recover the same from his constituents.

Explanation : For the purpose of this clause "turnover" as regards any member shall mean (i) the aggregate value at the transaction price of all sale and purchase transactions entered into by the member during a settlement irrespective of whether or not such transactions were entered into by the member through the Exchange's computerised trading system or (ii) shall have such other meaning as the Governing Board may from time to time determine.

Members' Additional Contributions

374. Each member shall provide to the Fund such additional contributions as the Governing Board may from time to time determine (hereinafter referred to as "members' Additional Contribution"). A member's Additional Contribution may be in such form as the Governing Board may determine (which may include cash, securities, bank guarantees or fixed deposit receipts). The members' Additional Contributions may be refundable or non-refundable contributions as may be specified by the Governing Board and shall be in such form as the Governing Board may specify. Unless the Governing Board otherwise specifies, the Fund shall be entitled to receive all dividend, interest, rights entitlements, rights shares, bonus shares and other income and accretions in respect of the member's non - refundable Additional Contributions. The Governing Board may specify the manner in which the members' Additional Contributions shall be utilised.

General and Specific Access to Contributions

375. **(i)** Upon any member being declared a defaulter, all non - refundable contributions and Base Capital Contribution of every member shall be available to the Defaulters' Committee and the Fund for application in accordance with the Rules, Bye-Laws and

[1] Substituted by Governing Board Resolution dated 18.01.01 and approved by SEBI on 16.03.01.

Regulations of the Exchange (hereinafter referred to as "General Access Funds").

(ii) If a member's margin or Additional Capital (as required by the Exchange or the Securities and Exchange Board of India) or any bank guarantee furnished at the instance of a member is treated as his contribution to the Fund pursuant to Bye-law 374 or otherwise, the Defaulters' Committee or the Fund shall have access to the same only in the event of default of the concerned member and not in case of default of any other member and only for paying the creditors of that member and not for paying the creditors of any other member (hereinafter referred to as "Specific Access Funds")

(iii) Subject to the provisions of clauses (i) and (ii) of this Bye-law, the Governing Board shall determine whether any member's Additional Contributions are General Access Funds or Specific Access Funds.

Liability of Member Unaffected by Cessation of Membership

376. Any unsatisfied obligation of a member to the Fund shall not be discharged or otherwise prejudicially affected by the cessation of his membership.

Action for Failure to Pay to Fund

377. The Governing Board may take such action as it thinks fit and proper against a member who fails to pay any amount to the Trade Guarantee Fund including action by way of suspension of the business or membership of the member, fine, declaring him as a defaulter and/or expulsion from the membership of the Exchange.

Replacement of Refundable Contribution

378. Unless otherwise provided by the Rules, Bye-laws and Regulations of the Exchange, the Defaulters' Committee may permit a member to withdraw a refundable contribution after he has furnished to the Fund other refundable contribution of the same or greater value and of a nature acceptable to the Defaulters' Committee.

Non-Refundable Contribution

379. A member shall not be entitled to receive back any non-refundable contribution on cessation of membership or for any other reason whatsoever.

Refund of Refundable Contributions

380. The Defaulters' Committee may refund a member's refundable contribution to him upon his ceasing to be a member provided he satisfies all the conditions which the Governing Board or the Defaulters' Committee may from time to time impose and provided further that either each of the following conditions at clauses (i) to (v) are satisfied or the condition at clause (vi) is satisfied:

(i) All obligations and transactions of the member which are outstanding at the time of his ceasing to be a member and which could result in the Fund being required to pay any amount shall have been closed and finally settled.

(ii) All obligations of the member to [1] {the Fund,} the Exchange and the Clearing House shall have been satisfied in full.

(iii) All non-disputed amounts payable by the member in respect of transactions in securities made subject to the Rules, Bye-laws and Regulations of the Exchange shall have been satisfied in full.

(iv) All amounts disputed by the member as payable by him in respect of transactions in securities made subject to the Rules, Bye-laws and Regulations of the Exchange shall have been satisfied in full or shall have been secured by the member to the satisfaction of the Governing Board or the Defaulters' Committee.

(v) A suitable amount as may be determined by the Governing Board or the Defaulters' Committee at its discretion shall have been set aside for providing for:

(a) any payment which may arise from any bad delivery or document defects that may be reported in future, and

(b) such other obligations as may be perceived by the Governing Board or the Defaulters' Committee to arise in future.

(vi) Another member of the Exchange (hereinafter referred to as "the other member") shall have-

(a) agreed to take over and discharge all the obligations of, and all amounts payable by, the member as are referred to in clauses (i) to (v) above,

(b) satisfied the Defaulters' Committee that the other member has adequate funds to discharge such obligations and pay such amounts and

[1] Inserted by Governing Board Resolution dated 31.03.01 and approved by SEBI on 22.05.01.

(c) executed such documents and writings as may be required by the Defaulters' Committee.

Discharge of Member's Obligations

381. In the event of a member ceasing to be a member of the Exchange otherwise than by being declared a defaulter, the Governing Board or the Defaulters' Committee may retain and/or apply any unutilised refundable contribution of the member towards discharging any of his obligations specified in Bye-law 380 or paying any of the amounts payable by him as specified in Bye-law 380 in such manner and in such order or priority as the Governing Board or the Defaulters' Committee thinks fit.

Non-Refund of Refundable Contributions

382. Notwithstanding anything stated above, a member shall not be entitled to receive back any refundable contribution-

(i) after it has been applied for the purposes of the Fund; or

(ii) in the event of the member being declared as a defaulter.

Limit on Refund of Refundable Contributions

383. The amount of a refundable contribution refunded to a member shall not exceed the actual refundable contribution available to the credit of such member after deducting therefrom all sums which may be deducted or retained therefrom.

Contribution Part of Fund

384. **(i)** A non-refundable contribution by a member to the Fund shall form part of the Fund and the member shall not be entitled to any rights whatsoever over the contribution in any manner.

(ii) A member shall not be entitled to transfer, assign or otherwise deal with a refundable or non-refundable contribution made by him in any manner and the contribution shall not be liable to be attached or otherwise prejudicially affected by any attachment, injunction or other order at the instance of the member or in respect of any obligation of the member or otherwise.

Minimum Value of Fund

385. **(a)** The Governing Board and the [1] {Defaulters' Committee} shall endeavour to ensure that the value of the Fund at any point of time is not less than-

(i) the Exchange's Initial Contribution or 75% of the closing value of the Fund as on the immediately preceding 31st March, whichever is higher; or

(ii) such other amount, not being less than Rs. 60,00,00,000/- (Rupees Sixty Crores Only) as the Governing Board may from time to time specify.

(b) The value of the Fund shall include the value of all money, assets and property mentioned in clauses (a) and (b) of Bye-law 368 but shall not include any Specific Access Funds.

(c) The operation of the Fund shall not be suspended by reason of the value of the Fund becoming less than the minimum value under this Bye-law.

(d) If the value of the Fund decreases to less than Rs. 10,00,00,000/- (Rupees Ten Crores Only) then-

(A) the Exchange shall, within three Business Days, place a notice on the Exchange's notice board notifying the members of the Exchange of the same, and

(B) the Securities and Exchange Board of India may suspend any benefit for which Securities and Exchange Board of India has prescribed the introduction of the Trade Guarantee Fund as a pre-condition.

Further Contributions to the Fund

386. **(i)** In the event of the value of the Fund becoming less than the minimum value under Bye-law 385(a), the Governing Board will forthwith, and in any event within two weeks of the Fund becoming less than such minimum value, take such steps as it thinks fit to ensure that the value of the Fund is increased to a value which is not less than the minimum value -

(a) by contributions from all the members, equitably or otherwise,

(b) by contributions from the Exchange and/or

[1] Inserted by Governing Board Resolution on 31.03.01 and approved by SEBI on 22.05.01.

(c) in such other manner as the Governing Board may decide from time to time.

(ii) The provisions of clause (i) of this Bye-law shall not prejudice the Governing Board's or the Defaulters' Committee's right to from time to time call for additional contributions from the members when the value of the Fund is above the minimum value.

(iii) The operation of the Fund shall not be suspended by reason of the Fund becoming less than the minimum value under Bye-law 385.

Investment of Fund

387. (a) Subject to the instructions and directions of the Governing Board, the Defaulters' Committee may : -

(i) open, maintain, operate and close one or more bank accounts and

(ii) invest the money of the Fund in such investments as are permissible for investing the funds and money of the Exchange and sell, transfer, vary, transpose and otherwise deal with such investments.

(b) All investments of the Fund may be held in the name(s) of, and all bank accounts of the Fund may be held in the name(s) of and operated by, the Exchange, any two or more of the Trustees of the Exchange, any two or more of the members of the Defaulters' Committee or any two or more of the members of any sub-committee appointed by the Defaulters' Committee, as the Defaulters' Committee may determine.

(c) The Defaulters' Committee shall be entitled to utilise the money of the Fund only for the purposes of the Fund .

Loss to Fund Investments

388. Any loss or diminution in value of the investments of the Fund from whatever cause arising, not being due to the willful default or fraud of any member(s) of the Defaulters' Committee, any member(s) or **any** sub - committee or any Trustee(s), shall be borne by the Fund and the members of the Defaulters' Committee or the sub-committee or the Trustee(s) shall incur no responsibility or liability by reason of or on account thereof. In case of any such loss or diminution by reason of willful default or fraud by any member or members of the Defaulters' Committee or any member(s) of any sub-committee or any Trustee(s), the persons committing the willful default or fraud shall be personally liable for

the loss or diminution and other persons who are not parties to the willful default or fraud shall not be liable for the loss or diminution.

Intimation of Member's apprehended Failure

389. A member who has reason to apprehend that he may commit any of the acts or omissions referred to in Bye-Law 316 shall immediately notify to the Defaulters' Committee-

(i) the details of such acts or omissions ;

(ii) the details and value of all his commitments, obligations and liabilities to other members arising out of contracts or transactions made subject to the Rules, Bye-laws and Regulations of the Exchange,

(iii) the extent to which he will be able to discharge and meet such commitments and obligations out of his own funds and/or out of funds obtained by him from others and

(iv) all the facts and circumstances which have caused or contributed to the apprehended failure to meet such commitments and obligations.

Utilisation for failure to meet obligations

[1]**389A. (i)** The Clearing House shall report to the Stock Exchange the details of every member who has failed to meet his Settlement dues on the pay-in day.

(ii) In the event a member fails to meet his obligations to the Clearing House arising out of clearing and settlement operations of such transactions as are permitted in the Rules, Bye-laws and Regulations of the Exchange then, notwithstanding anything stated elsewhere in the Rules, Bye-laws and Regulations, the Defaulters' Committee may, before declaring the concerned member as a defaulter, utilise the Trade Guarantee Fund to the extent necessary to fulfill his obligations on such norms, terms and conditions as the Governing Board or the Defaulters' Committee may specify from time to time.

(iii) The terms and conditions specified by the Defaulters' Committee may include, inter alia,terms and conditions as to interest, repayment, suspension of trading right and reduction of exposure limits of the concerned member.

[1] Inserted by Governing Board Resolution dated 31.03.01 and approved by SEBI on 22.05.01

(iv) The concerned member shall be obliged to repay the amount so utilised to the Fund within such period as the Defaulters' Committee may specify together with interest thereon at the rate specified by the Defaulters' Committee. If a member fails to repay the amount so utilized from the Fund or a part thereof or any interest thereon within the period specified by the Defaulters' Committee, the member, subject to the proviso to Bye-Law 316, may be declared a defaulter under Bye-law 316.

Member's Failure To Pay Amount into Clearing House

390. (i) If a member fails to pay any amount payable by him into the Clearing House in respect of any transaction entered into by him [1] including any borrowing, lending and other transactions under or pursuant to an Approved Scheme } then, within 24 hours of such failure, the member and the Clearing House shall inform the President and the Executive Director in writing of such failure and of the extent of the unfulfilled obligations and commitments of the member.

Explanation : For the purpose of this clause an amount payable by a member into the Clearing House for short delivery by him shall be deemed to be an amount payable by the member into the Clearing House in respect of a transaction entered into by him.

(ii) On receipt of any of the abovementioned intimations from the Clearing House or the member, the President or the Executive Director shall forthwith, by not less than two hours' written or oral notice, summon the member to appear before the Governing Board or the President or, in the absence of the President, before any two members of the Governing Board.

(iii) [2]{Subject to the provisions of Bye-law 389A} If the member fails to pay, before the pay-out of the relevant Settlement, any amount payable by him into the Clearing House in respect of that Settlement then the Governing Board or the President or, in the absence of the President, any two members of the Governing Board shall declare the member as a defaulter before the pay-out is made for that Settlement.

Payment Under Trade Guarantee

[1] Inserted by Governing Board Resolution dated 18.01.01 and approved by SEBI on 16.03.01.

[2] Inserted by Governing Board Resolution dated 31.03.01 and approved by SEBI on 22.02.01.

391. Upon a member being declared a defaulter, if the settlement in which the defaulter has been declared a defaulter has not been completed by reason of the default by the defaulter, the Defaulters' Committee shall:-

(i) pay into the Clearing House before the pay-out of the relevant settlement the unpaid settlement dues payable by the defaulter into the Clearing House; and

(ii) within 11 working days from the date of Pay-Out deliver the securities to be delivered by the defaulter, in respect of the settlement in which the defaulter has been declared a defaulter.

392. Notwithstanding anything stated in Bye-law 391,-

(i) under Bye-law 391 the Defaulters' Committee shall pay only such amounts as are payable by the defaulter into the Clearing House in respect of sale and purchase transactions entered into by the defaulter in respect of the settlement in which he has been declared a defaulter.

(ii) in case of the defaulter having failed to deliver any security into the Clearing House in respect of the settlement in which he has been declared a defaulter, the Defaulters' Committee may deliver the security into the Clearing House or directly to the concerned member, within 11 working days, by acquiring the same from the market or otherwise, failing which the provisions of closing-out of contracts will apply.

393. (i) Notwithstanding anything stated elsewhere in the Rules, Bye-laws and Regulations, if the Defaulters' Committee has reason to believe that any transaction

(a) is not bona fide;

(b) is disallowed under any Bye-law relating to the default of a member and, in particular, under Bye-law 343; or

(c) is connected with payment or repayment of a deposit or loan [1] {(other than a deposit or loan under or pursuant to an Approved Scheme)}, then-

(I) if the amount involved in Pay Out or the transaction value or the market value of the concerned transaction/s\ referred to above is Rs. 1,00,00,000/- (Rupees One Crore) or more the Defaulters'

[1] Inserted by Governing Board Resolution dated 18.01.01 and approved by SEBI on 16.03.01.

Committee, shall record the reasons for its belief, and shall not make payment or deliver securities out of the fund in respect of any transaction which is of a nature referred to in sub-clauses (a), (b) or (c) of clause (i) of this Bye-law (in this Bye-law referred to as "disallowed transactions") unless and until the Defaulters' Committee has finally determined that the transaction is not a disallowed transaction but, shall make payment and deliver securities in respect of other transactions in accordance with Bye-law 391 and other applicable Rules, Bye-laws and Regulations. If for any reason any payment is made or securities are delivered in respect of any such transaction, the concerned receiving member shall repay such amount or re-deliver such securities to the Defaulters' Committee within 48 hours of being required to do so and in accordance with the provisions of Bye-law 396.

(II) if the amount involved in Pay Out or the transaction value or the market value of the concerned transaction of each member is less than Rs. 1,00,00,000/- (Rupees One Crore) then the Defaulters' Committee shall make payment out of the Fund in respect of such transaction and, if the Defaulters' Committee finally determines that the transaction is a disallowed transaction then the concerned receiving member shall repay such amount or re-deliver such securities to the Defaulters' Committee within 48 hours of being required to do so in accordance with the provisions of Bye-law 396.

(ii) For the purpose of clause (i) of this Bye-law the Defaulters' Committee shall be entitled to aggregate the values and amounts of all transactions of each member , of the nature referred to in this Bye-law.

(iii) If the Defaulters' Committee has withheld or received back payment of any amount or any securities under sub-clause (I) of clause (i) of this Bye-law the Defaulters' Committee shall afford an opportunity to the concerned member(s) to be heard by giving him/them not less than 24 hours' written notice before finally determining whether the transaction is a disallowed transaction.

(iv) For the purpose of sub-clause (II) of clause (i) of this Bye-law, the Defaulters' Committee shall afford an opportunity to the concerned member(s) to be heard by giving him / them not less than 24 hours' written notice before finally determining whether the transaction is a disallowed transaction.

(v) For the purpose of determining whether or not a transaction is a disallowed transaction, the Defaulters' Committee shall be entitled to consider, inter alia, the surrounding circumstances, the usual course of dealings on the Exchange, the relationship between the defaulter and the claimant, the quantity and price of the securities involved in the transaction, other trades in the same scrip and such other matters as the Defaulters' Committee thinks fit.

(vi) The Defaulters' Committee shall determine whether or not a transaction is a disallowed transaction within one month from the date of the relevant Pay-Out.

(vii) A member whose transaction has been finally determined by the Defaulters' Committee to be a transaction of the nature referred to in clause (i) of this Bye-law may file an appeal to the Governing Board against the decision of the Defaulters' Committee within seventy-two hours of the Defaulters' Committee's decision and the reasons therefor being communicated to him or such other extended period (not exceeding 15 days of the Defaulters' Committee's decision and the reasons therefor being communicated to him) as the Governing Board permits. Provided that if the concerned member has received payment or securities for the disallowed transaction/s then he shall be not entitled to file an appeal unless he has re-deposited the payment or securities received by him, in respect of the disallowed transactions, with the Defaulters' Committee.

Outstanding Contracts in Other Settlements

394. (1) In respect of any settlement or settlements which is or are incomplete at the time when a member is declared a defaulter, the Defaulter's Committee may at the risk and cost of the defaulter, square up all or any of the defaulters' outstanding sales and purchase positions by entering into corresponding purchase and sale contracts in the market. The profit or loss on such squaring up shall, in the first place, be paid to or by the Fund and credited or debited by the Fund to the defaulter's account with the Fund.

(2) Upon a member being declared a defaulter, in addition to the provisions of clause (1) of this Bye-law, the provisions of Bye-law 391, 392, 393 and other applicable Bye-laws shall apply mutatis mutandis to any settlement or settlements other than the settlement in which the defaulter has been declared a defaulter unless the Governing Board, for reasons to be recorded, passes a resolution determining otherwise, in which case no payment shall be made from the Fund in respect of such settlement or settlements (other than the settlement in which the defaulter has been declared a defaulter) as the Governing board may specify .

Shortfall in Fund

395. In the event of the Fund being insufficient to make full payment of the payments to be made from the Fund under Bye-law 391 and in such case the contracts of members with the defaulter in the settlement in which he has been declared a defaulter and in subsequent settlements shall be closed out, adjusted , settled and/or canceled in accordance with the provisions of Bye-Law 417, and the Governing Board shall pay the amounts payable to the members by the Defaulter on such closing-out, adjustment, settlement and/or cancellation on a pro-rata basis to the extent possible out of the Fund, and the balance unfulfilled obligations remaining after such application of funds may be assessed against the members in such manner as the Governing Board may, from time to time, in its absolute discretion thinks fit and equitable.

Repayment by Payee Disentitled to Receive

396. If the Defaulters' Committee or the Clearing House has paid any sum under these Bye-laws and it is subsequently found that the payee was for any reason not entitled to receive such amount then the payee shall forthwith repay the same to the Defaulters' Committee or the Clearing House, as the case may be,together with interest thereon at the rate of 2.5% per month (or such other rate as the Defaulters' Committee may specify) for the period commencing on the date on which the payment was received by the payee and ending on the date on which such amount is repaid by the payee.

Money and Property of Defaulter

397. All money (including margin money and Additional Capital), securities and other property whatsoever of the defaulter with the Exchange or the Clearing House (save and except those which may be at any time excluded by the Governing Board from the provisions of this Bye-law) and all securities and money delivered or paid by the members into the Clearing House or to the Exchange to the credit of the defaulter shall be handed over to the Defaulters' Committee or held by the Exchange or the Clearing House subject to these Bye-laws and the directions of the Defaulters' Committee.

Utilisation of Money and Property for Payment and Order of Priority

398. For the purpose of making any payment referred to in Bye-laws 391 and 394 , the Defaulters' Committee shall be entitled to utilise such of the money of the Fund and/or other money and assets available to the Defaulters' Committee as the Defaulters' Committee thinks fit and, so far as may be possible, convenient and expedient the Defaulters'

Committee shall utilise the money of the Fund and/or other money and assets available to the Defaulters' Committee in the following order of priority:-

(i) Firstly, the money, property and securities referred to in Bye-law 397 and/or the proceeds from the realisation of such property and securities; and

(ii) In the event of further funds being required, any security and/or the proceeds of the realisation of any security which may have been created by the defaulter in favour of the Defaulters' Committee or the Exchange; and

(iii) In the event of further funds being required, the refundable contribution of the defaulter and any Specific Access Funds available upon default of the defaulter ; and

(iv) In the event of further funds being required, any other assets and/or the proceeds of the realisation of any assets of the defaulter available to the Defaulters' Committee; and

(v) In the event of further funds being required, the accumulated interest, accretions and other earnings of the Fund; and

(vi) In the event of further funds being required, the corpus of the Fund; and

(vii) In the event of further funds being required, the refundable contributions of the other members to the extent the same are available for such application.

Repayment and Payment of Interest by Defaulter

399. If on account of the default of a member any amount is paid by the Defaulters' Committee out of the money or property referred to at clauses (v) to (vii) of Bye-law 398 then the defaulter shall be liable to forthwith repay the same to the Exchange or to the Defaulters' Committee to the credit of the Fund together commencing on the date of payment by the Defaulters' Committee and ending on the date of repayment; and, for the purposes of the Rules, Bye-laws and Regulations of the Exchange, such interest shall be deemed to be an amount paid out of/due to the Fund.

Application of Defaulters' Assets and Other Amounts

400. Subject to the provisions of Bye-law 398, the Defaulters' Committee shall realise and apply all the money, rights and assets of the defaulter which have vested in or which have been received by the Defaulters' Committee (other than the amount paid by the Governing Board to the Defaulters' Committee pursuant to Rule 16A in respect of the consideration received by the Governing Board for exercising the right of nomination in respect of the defaulter's erstwhile right of membership) and all other assets and money of the defaulter in the Exchange or the market including the money and securities receivable by him from any other member, money and securities of the defaulter lying with the Clearing House or the Exchange, credit balances lying in the Clearing House, security deposits, any bank guarantees furnished on behalf of the defaulter, fixed deposit receipts discharged or assigned to or in favour of the Exchange,

Base / Additional Capital deposited with the Exchange by the defaulter, any security created or agreed to be created by the defaulter or any other person in favour of the Exchange or the Defaulters' Committee for the obligations of the defaulter to the following purposes and in the following order of priority , viz.:-

(i) First - to make any payments required to be made under Bye-law 391 and 394;

(ii) Second - the payment of such subscriptions, debts, fines, fees, charges and other money as shall have been determined by the Defaulters' Committee to be due to the Securities and Exchange Board of India, to the Exchange or to the Clearing House by the defaulter;

(iii) Third - the rectification or replacement of or compensation for any bad deliveries made by or on behalf of the defaulter to any other member in the settlement in which the defaulter has been declared a defaulter or in any prior or subsequent settlement (unless the Governing Board has otherwise determined in respect of such settlement or settlements under Bye-law 394) provided the conditions of Bye-law 153 and all other applicable Rules, Bye-Laws and Regulations and instructions of the Governing Board are complied with;

(iv) Fourth - the balance, if any, shall be paid into the Fund to the extent of the money paid out of the Fund (other than payments made out of Members' refundable contributions) and not recovered by the Fund and the interest payable by the defaulter to the Fund in respect thereof;

(v) Fifth - the balance, if any, shall be paid into the Fund to the extent of the money paid out of the Fund out of the refundable contributions of members (other than the refundable contribution of

the defaulter) and not recovered by the Fund and the interest payable by the defaulter to the Fund in respect thereof;

(vi) Sixth - subject to the Rules, Bye-Laws and Regulation of the Exchange, including in particular Bye-Law 343, the balance, if any, shall be applied by the Defaulters' Committee for the payment of such unpaid outstandings, debts, liabilities, obligations and claims to or of members of the Exchange arising out of any contracts made by the defaulter with such members subject to the Rules, Bye-laws and Regulations of the Exchange as shall have been admitted by the Defaulters' Committee; provided that if the amount available be insufficient to pay and satisfy all such debts, liabilities, obligations and claims in full they shall be paid and satisfied pro rata;

(vii) Seventh - subject to the Rules, Bye-Laws and Regulation of the Exchange, including in particular Bye-Law 343, the balance, if any, shall be applied by the Defaulters' Committee for the payment of such unpaid debts, liabilities, obligations and claims to or of the defaulter's constituents arising out of any contracts made by such defaulter subject to the Rules, Bye-laws and Regulations of the Exchange as shall have been admitted by the Governing Board; provided that if the amount available be insufficient to pay and satisfy all such debts, liabilities, obligations and claims in full they shall be paid and satisfied pro rata;

(viii) Eighth - the balance, if any, shall be paid into the Exchange's Customers' Protection Fund to the extent of any and all amounts paid out of the Customers' Protection Fund towards the obligations or liabilities of the defaulter and interest thereon at the rate of 2.5% per month (or such other rate as the Governing Board may specify) from the date of payment out of the Customers' Protection Fund to the date of repayment to the Fund; and

(ix) Ninth - the surplus, if any, shall be paid to the defaulter.

Clarification: It is clarified that this Bye-law 400 does not apply to the amount paid by the Governing Board to the Defaulters' Committee pursuant to Rule 16A in respect of the consideration received by the Governing Board for exercising the right of nomination in respect of the defaulter's erstwhile right of membership as the same does not belong to the defaulter and the defaulter has no claim, right, title or interest therein.

Application of Consideration for Right of Nomination

401. In the event of the defaulter's assets and other amounts mentioned in Bye-law 400 being insufficient to pay the amounts mentioned in clauses (i) to (vii) of Bye-law 400 then the amount paid by the Governing Board to the Defaulters' Committee pursuant to Rule 16A in respect of the defaulter's erstwhile right of membership shall be applied by the Defaulters' Committee for the purposes and in the order of priority mentioned in clauses (i) to (vii) of Bye-Law 400 and the surplus, if any, shall be paid to the funds of the Exchange; provided that the Exchange in general meeting may at its absolute discretion direct that such surplus be disposed of or applied in such other manner as it may deem fit.

Charge on Members'/Defaulters' Assets

[1]**402.** Upon payment being made from the Fund pursuant to Bye-Law 389A or upon payment of any money by the Defaulters' Committee out of the money or property referred to at clauses (v) to (vii) of Byelaw 398 the Exchange and the Defaulters' Committee shall each have a first charge on all assets and property of the member/defaulter wheresoever situated and of whatsoever nature as security for the repayment of such money and the payment of interest thereon subject only to any and all charges, mortgages and other encumbrances created thereon by the member/defaulter bona fide for valuable consideration prior to the day such payment was made by the Defaulters' Committee.

Proceedings by Defaulters' Committee and Exchange

[1]**403.** For the purpose of recovering any amount payable by the member/defaulter to the Exchange, the Defaulters' Committee, the Fund, or the Customers' Protection Fund, the Exchange and/or the Executive Director shall be entitled to take such steps and proceedings (including but not limited to sale of any property or a portion thereof) as the Exchange and/or the Defaulters' Committee may think fit against the member/defaulter, the member's/defaulter's property and any person by whom any amount is payable to the member/defaulter.

Borrowings

[2]**404**. For the purpose of making any payments referred to at Bye-law 391 and/or Bye-law 394 or for making any payment pursuant to Bye-law 389A, the Defaulters' Committee may borrow money without security and/or against the security of any property of the Fund and/or any property offered to it as security by the defaulter or any member."

Expenses of the Fund

[1] Revised by Governing Board Resolution dated 31.03.01 and approved by SEBI on 22.05.01.
[2] Revised by Governing Board Resolution dated 31.03.01 and approved by SEBI on 22.05.01.

405. The members of the Defaulters' Committee shall not be entitled to any remuneration but shall be entitled to charge to the Fund all expenses of creation, administration and management of the Fund including fees of auditors, lawyers, legal advisors, chartered accountants, valuers and other professional advisers and salaries, wages and all related costs, charges and expenses in connection with the creation, administration or management of the Fund and the exercise of the powers of the Fund.

Protection for Acts Done in Good Faith and Indemnity

406. Save and except in the case of willful default and fraud, the Defaulters' Committee, any sub - committee or a member of the Defaulters' Committee or any sub - committee shall not be liable for any acts or omissions on its or his part in the exercise of its or his duties and functions.

407. Without prejudice to the above, the Fund shall bear all costs, charges and expenses for all suits, actions, proceedings and claims filed or made against the Defaulters' Committee or any member of the Defaulters' Committee except those arising out of their willful default or fraud and the members of the Defaulters' Committee shall be indemnified by the Fund from and against all actions, proceedings, losses, damage, claims, liabilities, costs, charges and expenses in connection with the Fund or the creation, management and administration thereof or any dealings therewith except those arising by reason of their willful default or fraud.

Limited Payment from Fund

408. The payment from the Fund shall be limited to the extent of the money and assets in or available to the Fund; and in the event of any shortfall, the Exchange, and/or the Defaulters' Committee shall not be liable.

Meetings of Defaulters' Committee

409. The Defaulters' Committee shall meet at least once in three months during every calendar year and not more than three months shall elapse between any two meetings.

Meetings How Convened

410. A Defaulters' Committee meeting may be convened by giving not less than forty-eight hours' written notice of the same to such of the members of the Defaulters' Committee as are in Mumbai. Provided however that in case of urgency a Defaulters' Committee meeting may be convened by giving not less than one hour's oral or written notice of the same to such

of the members of the Defaulters' Committee as are in Mumbai and the decision of the Chairman of the Defaulters' Committee as to whether a case of urgency exists and as to whether proper notice has been given shall be final and conclusive. A meeting of the Defaulters' Committee may be held on working days, holidays, within business hours as also outside business hours.

Confidentiality

411. All minutes and proceedings of and all information obtained by the Exchange, the President, the Executive Director, the Governing Board and the Defaulters' Committee shall be deemed confidential.

Minutes

412. Minutes of the proceedings of the Defaulters' Committee shall be maintained under the authority of the Secretary of the Defaulters' Committee. Such minutes shall be deemed to be confidential.

Correspondence

413. The Defaulters' Committee shall not be obliged to recognise or act upon any communication unless it is in writing, discloses the identity and address of the person addressing the communication and is signed by the person addressing the communication.

Arbitration

414. Any claim, dispute or difference between the Exchange or the Defaulters' Committee and a member or a defaulter in connection with any amount payable or alleged by the Exchange or the Defaulters' Committee as being payable by the member or the defaulter to the Exchange, the Defaulters' Committee or the Trade Guarantee Fund shall be referred to the arbitration of the Executive Director of the Exchange or to the arbitration of such person as the Executive Director may nominate in this behalf.

Date on which the Fund becomes Operational

415. (1) Upon the Governing Board being satisfied that the value of the Fund is sufficient for the Fund to become operational (which value shall not be less than the value mentioned in Bye-law 385(a)(ii)), the Governing Board shall specify a date as the date on which the Fund becomes operational.

(2) The provisions of Bye-law 391 to 402 and 404 shall come into force only on and from the date on which the Fund become operational and shall apply only to defaults declared after such date.

416. Notwithstanding anything stated elsewhere in the Rules, Bye-laws and Regulations, the Defaulters' Committee shall not be liable to pay any of the following amounts from the Fund**:-**

(i) any amount payable by the defaulter to the Clearing House on account of costs, charges, expenses, fines or penalties;

(ii) any amount payable by the defaulter to any constituent on any account whatsoever;

(iii) any amount payable by the defaulter in respect of a transaction which is not part of the Exchange's settlement procedure;

(iv) any amount payable by the defaulter in respect of any transaction which would have been settled otherwise than through the Clearing House (if such default had not occurred)

(v) any amount payable by the defaulter in respect of any transaction which is not entered into through the Exchange's computerised trading system unless such transaction has been reported to the Exchange in the manner stipulated by the Exchange or by the Rules, Bye - Laws and Regulations of the Exchange or both, and at the time of such reporting the member and the defaulter have exercised the option to have the transaction settled through the Clearing House.

Applicability of Hammer Price Provisions

417. Notwithstanding anything stated elsewhere in these Rules, Bye-laws and Regulations, when a member is declared a defaulter, in the following circumstances the sale and purchase contracts entered into by the defaulter with other members in the settlement in which the defaulter was declared a defaulter and in any other settlements which are open or incomplete at the time of declaration of default shall be adjusted, closed out and settled in accordance with the provisions of the Rules, Bye-laws and Regulations relating to hammer prices and closing-out and adjustment of open transaction with a defaulter:-

(i) where a member is declared a defaulter prior to the date on which the Fund becomes operational,

(ii) when the payment is not made from the Fund by reason of the Fund being insufficient to make full payment as envisaged under Bye-law 395,

(iii) to contracts entered into in such settlements as the Governing Board has, pursuant to the provisions of Bye-law 394(2), passed a resolution determining that the provisions of clause (1) of Bye-law 394 and/or the provisions of Bye-laws 391 and/or Bye-law 392 shall not apply,

(iv) to contracts to which the Defaulters' Committee is precluded from or is not obliged to apply the Fund under Bye-law 392 or any other Rule, Bye-law or Regulation.

[1]Securities Lending And Borrowing

418(i) Members shall be entitled to lend and borrow securities and otherwise participate in such securities borrowing and lending schemes or sub-schemes of BOI Shareholding Limited (hereinafter referred to as "BOISL") or other approved intermediaries registered by the Securities and Exchange Board of India (hereinafter referred to as "SEBI") under the Securities Lending Scheme, 1997, as may be from time to time approved by the Governing Board (hereinafter collectively referred to as "Approved Schemes"). The Governing Board may at any time in its discretion withdraw approval to a securities borrowing and lending scheme or sub-scheme previously approved by it.

(ii) All contracts entered into by or with a Member under or pursuant to an Approved Scheme shall be deemed to have been made subject to the Rules, Bye-laws and Regulations of the Exchange.

(iii) Members shall issue confirmation memos to their constituents in respect of borrowing and lending transactions entered into by them with their constituents or on behalf of their constituents under any Approved Scheme.

(iv) Unless repugnant to or inconsistent with the context or the provisions of an Approved Scheme, the Rules, Bye-laws and Regulations of the Exchange, the Good/Bad delivery Guidelines issued by SEBI and other notices, circulars, rules, regulations, guidelines and directions of SEBI and the Exchange shall apply mutatis mutandis to:-

(a) a contract by a Member to lend securities under an Approved Scheme in the same manner as they apply to a contract by a Member to sell securities;

[1] Inserted by Governing Board Resolution dated 18.01.01 and approved by SEBI on 16.03.01.

(b) a contract by a Member to borrow securities under an Approved Scheme in the same manner as they apply to a contract by a Member to purchase securities;

(c) a contract by a Member to return securities previously borrowed by him under an Approved Scheme in the same manner as they apply to a contract by a Member to sell securities;

(d) a contract by a Member to receive back securities previously lent by him under an Approved Scheme in the same manner as they apply to a contract by a Member to purchase securities;

(e) an obligation by a Member to pay any amount or deliver any security under an Approved Scheme in the same manner as they apply to an obligation by a Member to pay an amount or deliver a security pursuant to a bargain made subject to the Rules, Bye-laws and Regulations of the Exchange;

(f) the failure by a Member to fulfil an obligation under an Approved Scheme or pursuant to a transaction made under an Approved Scheme in the same manner as they apply to failure by a Member to fulfil an obligation under the Rules, Bye-laws and Regulations of the Exchange or pursuant to a bargain made subject to the Rules, Bye-laws and Regulations of the Exchange;

(g) the contract between, and the rights and obligations of, Members and their clients in relation to lending, borrowing and other transactions under an Approved Scheme in the same manner as they apply to contracts between, and rights and obligations of, Members and their clients in relation to contracts for and transactions of the sale and purchase of securities made subject to the Rules, Bye-laws and Regulations of the Exchange.

(v) A breach by a Member of the provisions of an Approved Scheme or of any rules, procedures, notices, circulars, directions, guidelines or provisions issued or made by the concerned approved intermediary shall be deemed to be a violation by the Member of the Rules, Bye-laws and Regulations of the Exchange or of rules, procedures, notices, circulars, directions, guidelines or provisions issued or made by the Exchange, and the Exchange shall be entitled to take proceedings and action against the Member accordingly including suspension of his membership rights, expulsion or declaration of default.

(vi) If the rules or procedures (by whatever name called) of an Approved Scheme provide that a member's membership rights shall stand suspended or a member shall stand declared as a defaulter in the event of occurrence of a specified event then the member's membership rights shall stand suspended or the member shall stand declared as a defaulter under the Exchange's Rules, Bye-laws and Regulations in the event of occurrence of such event.

(vii) All claims (whether admitted or not), disputes and differences between a Member and a non-member arising out of or in relation to borrowing, lending, contracts, dealings or transactions under or pursuant to an Approved Scheme or with reference to anything incidental thereto or in pursuance thereof or relating to their construction, fulfilment or validity shall be referred to and decided by arbitration as provided in the Rules, Bye-laws and Regulations of the Exchange relating to Arbitration Other Than Between Members.

(viii) If any claim (whether admitted or not), dispute or difference arises between a sub-broker who is registered with SEBI as affiliated with a member and his constituent arising out of or in relation to borrowing, lending, contracts, dealings or transactions under or pursuant to an Approved Scheme or with reference to anything incidental thereto or in pursuance thereof or relating to their construction fulfilment or validity or in relation to the rights, obligations and liabilities of the constituent, the sub-broker or the member in connection therewith, then such claim, difference or dispute shall be brought to the notice of the member by the constituent in writing within six months from the date of the claim, dispute or difference arising and the same shall as far as possible be settled with the help of the member failing which it shall be brought to the notice of the Exchange for resolution. If a claim, dispute or difference persists, the same shall be referred to and decided by arbitration as provided in the Rules, Bye-laws and Regulations of the Exchange relating to Arbitration Other Than Between Members

(ix) All claims (whether admitted or not), disputes and differences between Members arising out of or in relation to borrowing, lending, contracts, dealings or transactions under or pursuant to an Approved Scheme or with reference to anything incidental thereto (including claims, complaints, differences, and disputes relating to errors or alleged errors in inputting any data or command in the Exchange's computerised trading system or in execution of any orders or transactions on or by such trading system) or in pursuance thereof or relating to their construction,

fulfilment or validity and any question or dispute whether such borrowing, lending, contracts, dealings or transactions has or have been done or entered into or not shall be referred to and decided by arbitration as provided in the Rules, Bye-laws and Regulations of the Exchange relating to Arbitration Between Members."

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