	BSE Limited **Regd. Office: P. J. Tower, Floor 25,** **Dalal Street, Fort, Mumbai 400 001.**	

Rules

of

The Derivatives Segment

of

BSE Limited

(Amended upto 8th August, 2012)

Rules and Bye-Laws were amended to facilitate commencement of

CURRENCY DERIVATIVES SEGMENT

Approved by Governing Council at its meeting held on 5th September, 2008

Approved by Securities & Exchange Board of India vide its letter No.MRD/DSA/SL/137935/2008 dated 16th September, 2008

Published in:
Maharashtra Gazette on 4th December, 2008
Gazette of India on 15th November, 2008 – 21st November, 2008

RULES OF THE DERIVATIVES SEGMENT OF BSE LIMITED

PRELIMINARY

Rules and Bye-laws made under SCRA

1. These Rules and Bye-laws are made under the provisions of the Securities Contracts (Regulation) Act, 1956.

Title

2A. The Phrase "The Stock Exchange, Mumbai" wherever it occurs in the Rules, Bye-laws and Regulations in the context of the name of the Exchange, shall be deemed to mean "BSE Limited".

2B. These Rules and Bye-Laws and any regulations made pursuant hereto shall be called **"the Derivatives Segment Rules, Bye-Laws and Regulations, 2000"** or **"Derivatives Segment Rules"** or **"Derivatives Segment Bye-laws"** or **"Derivatives Segment Regulations"** (as the case may be) for short.

Commencement

3. These Rules and Bye-laws shall have effect from the date of their publication in the Gazette of India.

Scope

4. Unless the context otherwise requires, these Rules, Bye-laws and Regulations shall apply to the Derivatives Segment and shall also apply mutatis mutandis to the Currency Derivatives Segment of the Exchange and to the Trading Members, Clearing Members, Clearing House and Clients of Trading Members and Clearing Members in respect of the Derivatives Segment and the Currency Derivatives Segment, and to all persons claiming under or through any of them. Wherever the context so requires (and not otherwise), these Rules, Bye-laws and Regulations shall apply also to other segments of the Exchange.

Jurisdiction

5. Save and except as specifically provided otherwise, these Rules, Bye-laws and Regulations shall be subject to the exclusive jurisdiction of the Courts of Mumbai irrespective of the location of the place of business of the Trading Members, Clearing Members and Clients in India or the place where the concerned transaction may have taken place.

Other Laws and Regulations to supplement

6. These Rules, Bye-laws and Regulations shall be in addition to, and shall not prejudice the application of, the provisions of the Securities Contracts (Regulation) Act, 1956, the Securities Contracts (Regulation) Rules, 1957, the Securities and Exchange Board of India Act, 1992, the Rules and Regulations made there under, the Rules, Bye-laws and Regulations, 1957 of the Stock Exchange, Mumbai and the Rules, Bye-laws and Regulations of the Clearing House, as may be amended from time to time, the directions and/or circulars issued by Reserve Bank of India and as may be applicable to the Derivatives Segment and which would also regulate the Currency Derivatives Segment.

RULES

CHAPTER I
DEFINITIONS

1. In these Rules, Bye-laws and Regulations, unless there is anything repugnant to the subject or context,:-

1.1 [1]"**American Style Option**" means an Option Contract, which may be exercised by the Option Holder at any time on or before the expiry of such contract in accordance with the terms of the contract and at the time and in the manner specified by the Derivatives Segment or the Clearing House.

1.1A[2] **"Amount"** in reference to an obligation, , shall, unless otherwise specified, mean all obligations whether due in monetary terms or as an obligation to deliver an security or otherwise, as the context requires and any reference to "**payment of Amounts**" shall be construed accordingly.

1.1B[3]. "**Approved Office"** means the office of a Trading/Clearing Member registered with the Derivatives Segment and includes all other premises from which the Trading/Clearing Member is allowed by the Derivatives Segment to trade on the Trading System or carry out back-office work or any other work related to the Derivatives Segment.

1.2. **"Approved User"** means the Trading/Clearing Member or any other person appointed by him to use the Trading/Clearing Workstation with the prior consent of the Derivatives Segment provided that such Approved User possesses the qualifications prescribed by the Derivatives Segment and SEBI.

1.3. "**Approved Workstation"** means a workstation of a Trading/Clearing Member which is approved by the Derivatives Segment or the Clearing House and which comprises of computer terminal(s) and all associated equipment which is used by the Trading/Clearing Member for the purpose of market inquiry, execution of orders, entering into Derivatives Contracts, dealing in Derivatives and/or settlement of trades in the Derivatives Segment and/or all other actions associated with trading or clearing on the Derivatives Segment.

1.4. "**Authorised Person"** means a person who is engaged or employed by a Trading/Clearing Member, whether through a contract of employment or otherwise, and whether or not for remuneration, for any kind of work or activity, manual or otherwise, relating to the Derivatives Segment and includes:

(i) an Approved User,
(ii) any person employed or engaged by or through a contractor,
(iii) any person who is acting in any capacity on behalf of a Trading/Clearing Member,

[1] Inserted by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.
[2] Inserted by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.
[3] Rule 1.1 renumbered as Rule 1.1B by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.

(iv) any person who is undergoing any kind of training with a Trading/Clearing Member, and

(v) any person who is assigned any project work with a Trading/Clearing Member in pursuance of the requirements of any university or other academic body for any kind of work or activity relating to the Derivatives Segment.

A person shall not be an Authorised Person of more than one Trading/Clearing Member at the same time.

1.5. **"Books of Accounts, Records and Documents"** include books of accounts, records and documents which are required to be maintained by a Trading /Clearing Member by or under the Securities Contracts (Regulation) Act 1956, the Securities Contracts (Regulation) Rules, 1957, the SEBI (Stock Brokers and Sub-Brokers) Rules and Regulations, 1992, these Rules, Bye-laws and Regulations, the Rules, Bye-laws and Regulations of the Clearing House or any decision of the Governing Council or the Clearing Council and include books of accounts, records and documents maintained in a computer or in any magnetic or optical media in cases where they are permitted to be so maintained by the Derivatives Segment or the Clearing House or SEBI.

[1]1.6 **"Call Option"** means an Option Contract, which gives a right to (but does not impose an obligation on) the buyer/holder of the Option Contract to buy the Underlying Security at a predetermined price.

1.7 "**Cash Segment**" means the segment of the Exchange which assists, regulates and controls and is otherwise concerned with the buying, selling, trading and dealing in securities other than Derivatives.

[2]1.8. **"Cash settled Derivatives Contract"** means a Derivatives Contract which is, as per its terms, required to be performed by cash settlement only.

1.9. "**Clearing House"** means the Clearing House that is approved by the Governing Council and SEBI for clearing and settlement of trades and other related functions on the Derivatives Segment. The Clearing House may also perform the clearing, settlement and related functions for other segments of the Exchange and for other exchanges.

1.10.**"Clearing Council"** means the Clearing Council of the Clearing House.

1.11 **"Clearing System"** means the automated clearing system of the Derivatives Segment.

1.12 "**Clearing Member"** means any person who is registered by the Derivatives Segment **and/**or by the Currency Derivatives Segment and SEBI as a clearing

[1] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001
[2] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.

member of the Derivatives Segment **and/**or as a clearing member of the Currency Derivatives Segment. In case of a Clearing Member who is also a Trading Member, the term Trading Member shall include the term Clearing Member and vice versa wherever the context so permits.

1.13 "**Client"** means: -

(i) in relation to a Trading Member or a Clearing Member (including a Self Clearing Member) who is also a Trading Member, a person on whose instructions and on whose account the Member enters into a Derivatives Contract or any contract for the purchase or sale of any Derivatives Instrument or does any act in relation thereto; and

(ii) in relation to a Clearing Member who is a Custodian or Professional Clearing Member (whether or not he is a Trading Member) or Self Clearing Member means a person (not being a Trading Member) for whom the Clearing Member performs clearing functions on the Derivatives Segment.

A reference to a Client in relation to a Clearing Member shall, unless the context otherwise requires, refer to a Clearing Member's Client when the Clearing Member is acting as a Custodian/Professional Clearing Member.

1.14. "**Closing buy transaction"** means a buy transaction or the relevant portion of a buy transaction (as the case may be) which will have the effect of partly or fully offsetting a short position.

1.15. "**Closing sell transaction"** means a sell transaction or the relevant portion of a sell transaction (as the case may be) which will have the effect of partly or fully offsetting a long position.

1.16. **"Common Pool Facility"** means the facilities created by the Derivatives Segment at one or more places which could be made available for temporary use by a Trading/Clearing Member in the event of failure of his trading/clearing facilities or by a Clearing Member to close out outstanding positions of his Clients or Trading Members or other purposes as may be permitted by the Derivatives Segment.

1.17. The terms **"contract", "deal", "dealing"**, **"trade"** and **"transaction"** shall have one and the same meaning.

1.18. **"Contract Month"** means the month in which the Derivatives Segment or the Clearing House requires a Derivatives Contract to be finally settled.

1.18A. "**Currency Futures**" means as standardised foreign exchange derivative contract traded on a recognized stock exchange to buy or sell one currency against another on a specified future date, at a price specified on the date of contract, but does not include a forward contract.

1.19 "**Derivatives", "Derivatives Contract" and "Derivatives Instrument"** shall have one and the same meaning and shall include-

(i) a security derived from a debt instrument, share, loan, whether secured or unsecured, risk instrument or contract for differences, or any other form of security;

(ii) a contract which derives its value from the prices, or index of prices, of Underlying Securities,

the settlement of which shall be carried out in such manner as is provided by or under these Rules, Bye-laws and Regulations.

1.20. **"Derivatives Segment"** means the segment of the Exchange, which assists, regulates and controls and is otherwise concerned with the buying, selling, trading, dealing in, clearing and settling Derivatives and unless the context otherwise requires shall also mean/ include the Currency Derivatives Segment.

1.21 **"Designated Director"** means a designated director who has been approved by the Exchange or the Derivatives Segment and/or SEBI.

[1]1.21A "**European Style Option**" means an Option Contract, which may only be exercised by the Option Holder only on the expiry of the contract in accordance with the terms of the contract.

1.22. **"Exchange"** means the Stock Exchange, Mumbai.

[2]1.22A **"Exercise"** means the exercise of the rights of an Option Holder under an Option Contract in accordance with the terms of the Option Contract.

[3]1.22B **"Exercise Price" or "Strike Price"** means the price at which the Underlying Security may be purchased or sold upon the Exercise of an Options Contract in accordance with the terms of the Option Contract.

[4]1.22C "**Exercise Day**", in relation to an Option Contract, shall mean the day on which exercise of such Option Contract takes place.

[5]1.23. "**Expiration Day"** means the day on which the final settlement obligations are to be determined in a Derivatives Contract in accordance with or pursuant to the terms of the Derivatives contract.

1.24. **"Futures Contract"** means a contract to buy or sell the Underlying Security in

[1] Inserted by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.
[2] Inserted by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.
[3] Inserted by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.
[4] Inserted by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.
[5] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.

the future which is permitted as a futures contract by the Derivatives Segment, the settlement of which shall be carried out in such manner as is provided by or under these Rules, Bye-laws and Regulations.

1.25. **"Governing Council"** means the Governing Council of the Derivatives Segment or the Governing Council of the Currency Derivatives Segment, **as the case may be**.

1.26. **"Last Trading Day"** means the day up to and on which a Derivatives Contract is available for trading on the Derivatives Segment.

1.27. "**Long Position",** in relation to a Derivatives Contract, means outstanding purchase obligations under a Derivatives Contract at any point of time.

1.28. **"Market Lot"** has the same meaning as a Regular Lot.

1.29. **"Member of the Exchange"** shall refer to a member of the Cash Segment of the Exchange.

1.30. **"Member"** shall mean a Trading Member and/or Clearing Member and shall, if the context so requires, include a member of the Exchange.

1.31. "**Member's Open Position"** means the sum of Long and Short Positions of the Trading/Clearing Member, whether on his own account or on behalf of a Client, in any or all of the Derivatives Contracts outstanding with the Derivatives Segment and the Clearing House. In computing the Member's Open Position, the Long and Short Positions of the Member on his own account or of the same Client in the same type of Derivatives Instrument shall be netted out.

1.32. **"Notice Board of the Exchange"** When a notice is required to be placed or posted on the Notice Board of the Exchange, the notice (or a copy) may either be placed or posted on the physical notice board situated in the Exchange's building or may be electronically conveyed to the Trading/Clearing Members.

[1]1.33. "**Open Interest"** means the total number of Derivatives Contracts of a Underlying Security that have not yet been offset and closed by opposite Derivatives transaction nor fulfilled by payment of cash or delivery of the Underlying Security nor settled by option exercise nor terminated by option expiry. For calculation of Open Interest only one side of the Derivatives Contract shall be counted.

1.34. **"Opening buy transaction"** means a buy transaction or the relevant portion of a buy transaction (as the case may be), which will have the effect of creating or increasing a Long Position.

[1] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.

1.35. "**Opening sell transaction"** means a sell transaction or the relevant portion of a sell transaction (as the case may be), which will have the effect of creating or increasing a Short Position.

[1]1.36. "**Option Contract"** means a type of Derivatives Contract which gives the buyer/ holder of the contract the right (but not the obligation) to buy or sell the Underlying Security at a predetermined price within or at the end of a specified period or on a specified date, the settlement of which shall be carried out in such manner as is provided by or under the terms of the Option Contract and these Rules, Bye-laws and Regulations.

[2]1.36A "**Option Holder**" means a person who has purchased an Option Contract but has not exercised or offset it.

[3]1.36B "**Option Premium**" or "**Premium**" means the amount that the buyer of an Option pays to the seller of the Option for the purchase of the right under the Option Contract.

[4]1.36C **"Option Class**" or **"Class of Options"** means all Option Contracts having the same terms and Expiration Date and covering the same Underlying Security. Provided that Option Contracts shall be deemed to fall within the same class notwithstanding that they have a different exercise price.

[5]1.36D **"Options Series"** means all Options Contracts of the same Class having the same exercise price.

[6]1.37. **"Option Writer"** means a person who is permitted by the Derivatives Segment to write Option Contracts i.e. to be the counter party of the buyer/holder of the Option Contract. Under an Option Contract, subject to the Rules, Bye-laws and Regulations, the Option Writer is obliged to buy or sell (as the case may be) the Underlying Securities from or to the buyer/holder of the Option Contract upon the buyer/holder of the Option Contract exercising his option/right under and in terms of the Option Contract. However, a person who sells an Option Contracts, which does not create an Open Position, will not be considered an Option Writer.

[7]1.38. **"Outstanding Obligation"** means an obligation in relation a Derivatives Contract which has not been paid or offset nor been settled.

1.39. **"Permitted Derivatives Contract"** means a Derivatives Contract that is

[1] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.
[2] Inserted by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.
[3] Inserted by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.
[4] Inserted by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.
[5] Inserted by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.
[6] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.
[7] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.

permitted to be traded on the Derivatives Segment by the Derivatives Segment and by SEBI.

[1]1.40. **"Put Option"** means an Option Contract which gives a right to (but does not impose an obligation on) the buyer/holder of the Option Contract to sell the Underlying Security at a predetermined price.

1.41. "**Regular Lot"** means the minimum number of Derivatives Instruments that can be bought or sold as specified by the Derivatives Segment from time to time.

1.42. **"Regulations"** means any regulations, which may be made by the Governing Council under the Derivatives Rules or Derivatives Bye-laws and includes all Business Requirement Specifications, Forms and notices issued or made by the Derivatives Segment or the Clearing House.

1.43. **"Risk Disclosure Document"** means the document, which explains to all potential Clients the risks inherent in Derivatives trading.

1.44. **"Rules, Bye-laws and Regulations of the Exchange"** means the Rules, Byelaws and Regulations, 1957 of the Cash Segment of the Exchange.

[2]1.44A **"Securities Settled Derivatives Contract"** means a Derivatives Contract which, as per its terms, is required to be settled by delivery of Underlying Securities.

1.45. **"SEBI"** means the Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992.

[3]1.46. "**Settlement Date"** means the date on which Outstanding Obligations in a Derivatives Contract are required to be settled in accordance with the terms of the Derivatives Contract and these Rules, Bye-laws and Regulations.

1.47. "**Short Position"**, in relation to a Derivatives Contract, means outstanding sell obligations under a Derivatives Contract at any point of time.

1.48. **"the Derivatives Segment Rules, Bye-laws and Regulations"** or "**these Rules, Bye-laws and Regulations"** mean the Stock Exchange Derivatives Segment Rules, Bye-Laws and Regulations, 2000.

1.49. "**Trading Cycle"** means the trading period, as notified by the Derivatives Segment from time to time, during which Derivatives Contracts can be traded on the Derivatives Segment.

1.50. "**Trading Member"** means a member of the Exchange who is registered by the

[1] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.
[2] Inserted by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.
[3] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.

Derivatives Segment and/or the Currency Derivatives Segment and SEBI as a Trading Member of the Derivatives Segment and/or the Currency Derivatives Segment.

1.51. **"Trading System"** means the automated trading system of the Derivatives Segment.

[1]1.52. "**Underlying Security"** means the security or securities to which a Derivatives Contract relates and shall include an index, debt instrument, share, loan, risk instrument, interest rate, exchange rate, contract for differences or other variables to which the Derivatives Contract relates.

1.53. All words and expressions used herein but not defined, and defined in the following, shall have the meanings respectively assigned to them therein:

(i) all the other Rules, Bye-laws and Regulations of the Exchange (i.e. other than these Rules, Bye-laws and Regulations) as amended from time to time;

(ii) the Securities Contracts (Regulation) Act, 1956 or the Securities Contracts (Regulation) Rules, 1957 or notifications made there under;

(iii) the Securities and Exchange Board of India Act, 1992 or any rules or regulations made there under;

(iv) the Companies Act, 1956;

(v) the Depositories Act, 1996 or any rules, bye-laws or regulations made there under;

(vi) Rules, Bye-laws and/or Regulations of the Clearing House.

1.54 In case a term is defined in more than one of the aforesaid acts, rules, bye-laws or regulations then its meaning as defined in the act, rule, bye-law or regulation which precedes in the above order shall prevail.

[1] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.

CHAPTER II
MEMBERSHIP OF THE DERIVATIVES SEGMENT

Classes of Members of Derivatives Segment and/or the Currency Derivatives Segment

2.1 The Derivatives Segment shall have three classes of members, viz.:

(i) Trading Members

(ii) Clearing Members

(iii) Self Clearing Members.

[1]2.1A **Limited Trading Member**

(1) The Derivatives Segment may elect and register one or more persons as Trading Members with Limited Membership rights (hereinafter referred to as "Limited Trading Members") in accordance with the guidelines prescribed by the Governing Council from time to time.

(2) Subject to the provisions of Sub-rule (3), a Limited Trading Member shall be a Trading Member in all respects and for all purposes and shall have all the rights, privileges, obligations and liabilities of a Trading Member, and the Rules, Bye-laws, Regulations, Business Requirement Specifications, guidelines and other provisions of the Derivatives Segment, the Exchange and SEBI in force from time to time shall apply mutatis mutandis to a Limited Trading Member as they apply to any other Trading Member.

(3) Notwithstanding anything stated above or elsewhere in these Rules, Bye-laws or Regulations or the Rules, Bye-laws or Regulations of the Exchange :-

(i) A person need not be a member of the Exchange in order to apply for, or to be eligible for, election or registration as a Limited Trading Member; and Rules2.3 (i), 2.9 (i), shall not apply to a Limited Trading Member; and Rule 4.1 (vi) shall apply to a Limited Trading Member in the same manner as it applies to a Clearing Member;

(ii) A Limited Trading Member or a partner or representative of a Limited Trading Member shall not, as such Limited Trading Member or partner or representative, be entitled to be a member of the Governing Council or of any other board, council or committee of the Derivatives Segment, the Exchange or any segment of the Exchange and shall not, as such Limited Trading Member or partner or representative, be entitled to hold any office or post in the Derivatives Segment, the Exchange or any segment of the Exchange; and

[1] Inserted by Governing Board vide Resolution dated 8-6-2000 and approved by SEBI on 24-8-2000.

(iii) A Limited Trading Member shall not, as a Limited Trading Member, be entitled to voting rights on any matter save and except on resolution to be passed by the members of the Exchange for amending the Rules or Bye-laws of the Derivatives Segment which would prejudicially affect the rights of Limited Trading Member;

and the Rules, Bye-laws and Regulations of the Exchange shall be constructed accordingly.

Provided always that the provisions of sub-clause (iii) above shall not entitle a Limited Trading Member to initiate or move any resolution but to merely vote on a resolution of the nature described therein.

(4) The Derivatives Segment may from time to time modify any of the prescribed forms in relation to their applicability to Limited Trading Members or applicants for Limited Trading Membership or may prescribe other forms for Limited Trading Members or applicants for Limited Trading Membership.

(5) The register of members maintained by the Derivatives Segment pursuant to Rule 5.1 shall also indicate, in respect of each Limited Trading Member, that such member is a Limited Trading Members."

[1]2.1B **Self Clearing Members**

(1) The Derivatives Segment may elect and register one or more persons (including existing Trading Members and / or Clearing Members) as Self Clearing Members in accordance with the guidelines prescribed by the Governing Council from time to time.

(2) Subject to the provisions of clause (3) of this Rule, a Self Clearing Member shall be a Trading Member Clearing Member (as such term is defined in Bye-law 2.7 of the Derivatives Segment Bye-laws) in all respects and for all purposes and shall have all the rights, privileges, obligations and liabilities of a Trading Member and a Clearing Member, and the Rules, Bye-laws, Regulations, Business Requirement Specifications, guidelines and other provisions of the Derivatives Segment, the Exchange and SEBI in force from time to time shall apply mutatis mutandis to a Self Clearing Member as they apply to any other Trading Member and /or Clearing Member.

(3) Notwithstanding anything stated above or elsewhere in these Rules, Bye-laws or Regulations or the Rules, Bye-laws or Regulations of the Exchange only the following persons shall be eligible to apply for admission to the Derivatives Segment as Self-Clearing Members:-

(i) Trading Members Clearing Members (as defined in Bye-law 2.7

[1] Inserted by Governing Council vide Resolution dated 26-04-02 and approved by SEBI on 24-06-02

of the Derivatives Segment Bye-laws) who desire to convert into Self Clearing Members;

(ii) Trading Members who desire to convert into Self Clearing Members; and

(iii) Members of the Exchange who are not Trading and/or Clearing Members.

(4) A Self Clearing Member may clear and settle transactions on its own account or on account of its Clients only, and shall not clear or settle transactions in securities for any other Trading Member(s), and the Rules, Bye-laws and Regulations of the Exchange shall be constructed accordingly.

(5) The Derivatives Segment may from time to time modify any of the prescribed forms in relation to their applicability to Self Clearing Members or applicants for Self Clearing Membership or may prescribe other forms for Self Clearing Members or applicants for Self Clearing Membership.

(6) The register of members maintained by the Derivatives Segment pursuant to Rule 5.1 shall also indicate, in respect of each Self Clearing Member, that such member is a Self Clearing Member.

Member not Automatically Trading/Clearing Member

2.2 A member of the Exchange shall not automatically be registered as a Trading Member or a Clearing Member on the Derivatives Segment.

Registration as Trading/Clearing Member

2.3 (i) Only a member of the Exchange may apply to be registered as a Trading Member.

(ii) Any person (whether or not a member of the Exchange and whether or not a Trading Member) may apply to be registered as a Clearing Member. A person shall not become a member of the Exchange or a Trading Member by reason of his being registered as a Clearing Member. Registration of Clearing Members shall only be registration in respect of the Derivatives Segment of the Exchange for the purposes of functioning as per these Rules, Bye-laws and Regulations and a Clearing Member shall not be, and shall not have any rights as, members of the Exchange, under the Rules, Bye-laws and Regulations of the Exchange or otherwise in respect of the Exchange as a whole or of any other segment of the Exchange by reason of being Clearing Members.

(iii) Notwithstanding anything stated otherwise in these Rules, Bye-laws and

Regulations, any bank, included in the Second Schedule to the Reserve Bank of India Act, 1934, and specifically authorised by RBI for this purpose,

(a) is eligible to become Clearing Member and/or Trading Member of the Currency Derivatives Segment of the Exchange, on the recommendation of the governing body of the Exchange.

(b) Such bank can act as member for their proprietary dealings, to act on their own account, in the Currency Derivatives Segment of the Exchange.

(c) Such bank can also act as member or an agent for any other person, client or customer in the Currency Derivatives Segment of the Exchange.

(d) Such bank shall abide by circulars and directions issued by RBI and SEBI in respect of dealing of such banks in the Exchange.

Only Registered Trading Members to enter into Derivatives Contracts

2.4 No member of the Exchange shall enter into a Derivatives Contract on the Exchange or with his Clients or otherwise as a member of the Exchange unless he is registered by the Derivatives Segment and SEBI as a Trading Member of the Derivatives Segment.

Only Registered Clearing Member to Act

2.5 No person, whether or not a member of the Exchange and whether or not a Trading Member, shall act as a Clearing Member unless he is registered by the Derivatives Segment and SEBI as a Clearing Member of the Derivatives Segment.

Membership a Personal Privilege

2.6 Trading/Clearing Membership shall constitute a personal permission from the Derivatives Segment to deal in Derivatives Contracts on the Derivatives Segment subject to the Rules, Bye-laws and Regulations of the Derivatives Segment.

Right of Membership Inalienable

2.7 A Trading/Clearing Member shall not sell, transfer, assign, mortgage, pledge, hypothecate, charge, offer as security, alienate or create any third party right or interest in his right of Trading/Clearing Membership or any rights or privileges attached thereto. No such attempted sale, transfer, assignment, mortgage, pledge, hypothecation, charge, offer, alienation or creation shall be effective as against the Exchange for any purpose. No right or interest in any membership other than the personal right or interest of the Trading/Clearing Member therein be recognised by the Exchange. The Governing Council shall cancel the registration of any Trading/Clearing Member who acts or attempts to act in violation of the provisions of this Rule. If the Trading/Clearing

Member whose registration is cancelled under this Rule is a member of the Exchange then such cancellation shall *ipso facto* also result in expulsion of the member from the membership of the Exchange and of all other segments of the Exchange of which such Member may be a member.

No Right of Nomination

2.8 A Trading/Clearing Member shall not have any right of nomination in respect of his Trading/Clearing Membership.

TRADING MEMBERSHIP

Conditions of Registration as Trading Member

2.9 No person shall be eligible to be registered as a Trading Member -

Exchange Member

(i) unless he is a member of the Exchange;

Individual or Body Corporate

(ii) unless he is an individual or a body corporate;

Previous Rejection

(iii) if he has been previously refused registration as a Trading Member of the Derivatives Segment, unless a period of three months has elapsed since the date of such refusal;

Financial Soundness

(iv) unless he has a minimum net worth, possesses a minimum working capital of cash and/or marketable securities, and possesses assets of such nature and value as the Governing Council may from time to time in its opinion determine and consider acceptable;

SEBI Approved Certification Programme

(v) unless he and/or such number of his partners (in a partnership firm which has been approved by the Governing Board and which is carrying on business on the Exchange) and/or Designated Directors (in the event of such person being a body corporate) and/or employees, as the Governing Council may prescribe, qualify/ies in a SEBI approved certification programme.

Clearing Member Consent

(vi) unless such person submits to the Derivatives Segment the written consent of a Clearing Member to clear all of such person's trades.

SEBI Requirements

(vii) unless such person undertakes to comply with such requirements and norms as may be specified by SEBI for registration with SEBI as a Trading Member of the Derivatives Segment; and

Governing Council Requirements

(viii) unless such person fulfils such other requirements as the Governing Council may from time to time specify.

Provided that the Governing Council may waive compliance with any of the requirements under clause (viii) if the person seeking registration is in respect of means, position, integrity, knowledge and experience of business in securities considered by the Governing Council to be otherwise qualified for registration as a Trading Member.

CLEARING MEMBERSHIP

Conditions of Registration as Clearing Member

[1]2.10 No person shall be eligible to be registered as a Clearing Member -

Individual or Body Corporate

(i) unless he is an individual or a body corporate;

Previous Rejection

(ii) if he has been previously refused registration as a Clearing Member of the Derivatives Segment, unless a period of three months has elapsed since the date of such refusal;

Financial Soundness

(iii) unless he has a minimum net worth, possesses a minimum working capital of cash and/or marketable securities, and possesses assets of such nature and value as the Governing Council may from time to time in its opinion determine and consider acceptable;

SEBI Approved Certification Programme

(iv) unless he and/or such number of his partners (in a partnership firm which has been approved by the Governing Board if it is carrying on business on the Cash Segment of the Exchange or which has been approved by the Governing Council in other cases) and/or Designated Directors (in the event of such person being a body corporate) and/or employees, as the Governing Council and/or SEBI may prescribe, qualify/ies in a SEBI approved certification programme.

SEBI Requirements

(v) unless such person undertakes to comply with such requirements and norms as may be specified by SEBI for registration with SEBI as a Clearing Member of the Derivatives Segment; and

Governing Council Requirements

(vi) unless such person fulfils such other requirements as the Governing Council may from time to time specify.

[1] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001

Provided that the Governing Council may waive compliance with any of the requirements under clause (vi) if the person seeking registration is in respect of means, position, integrity, knowledge and experience of business in securities considered by the Governing Council to be otherwise qualified for registration as a Clearing Member.

OTHER TERMS

Firms Ineligible

[1]2.11 A partnership firm as such shall not be eligible to be registered as a Trading/Clearing Member of the Derivatives Segment.

Explanation: While only an individual or a body corporate may be registered as a Trading/Clearing Member, the business of such Trading/Clearing Membership may be carried on by the Trading/Clearing Member in partnership, provided such partnership has already been approved by the Governing Board of the Exchange, or the Governing Council (in case of a Clearing Member who is not a member of the Exchange) and, in such case, the Rules, Bye-laws and Regulations, of the Exchange relating to partnerships and partners shall *mutatis mutandis* apply to such Trading/Clearing Member and such firm and partners in relation to the Derivatives Segment.

Form of Application

2.12 An application for registration as a Trading Member or a Clearing Member of the Derivatives Segment shall be in such form as the Governing Council may from time to time prescribe. The candidate shall sign the form. In the case of a candidate being a body corporate, the form shall be signed by at least two directors, one of who shall be the Managing Director or the Executive Director where such body corporate has a Managing Director or an Executive Director. The application shall be accompanied by a copy of the resolution passed by the Board of Directors of the body corporate and duly certified as true by the Chairman, if any, or by a whole time director of the body corporate.

Inquiry

2.13 A candidate for registration as a Trading/Clearing Member shall, if required by the Governing Council, appear personally before any meeting of the Governing Council and shall answer all questions, which may be put to him.

Registration by Ballot

2.14 The registration of all Trading/Clearing Members shall be by election by ballot and a candidate shall be deemed duly registered if approved by a majority of not less than two-third of the votes cast at a meeting of the Governing Council at which not less than one-half of the total number of the members of the Governing Council are present (any fraction in the two-third or one-half being rounded off as one).

[1] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001

Rejection of Candidate

2.15 (i) The Governing Council may in its absolute discretion reject any application for registration as a Trading/Clearing Member on such grounds as it considers fit and proper.

(ii) Without prejudice to the generality of the foregoing, the Governing Council may reject any application for registration as a Trading/Clearing Member if the Governing Council is of the opinion it should do so on account of any past or present transaction, proceeding or circumstance (whether or not on the Exchange and whether or not in connection with the securities market) with which the candidate or any person directly or indirectly in management or control of the candidate or any shareholder or director of the candidate was or is concerned.

Registration under Misrepresentation

2.16 The Governing Council may cancel the registration of a Trading/Clearing Member if in its opinion he has, in or at the time of or in connection with his application for registration as a Trading or Clearing Member or during the course of the inquiry made by the Governing Council preceding his registration -

(i) made any wilful misrepresentation; or

(ii) suppressed any material information required of him as to his character or antecedents or otherwise; or

(iii) directly or indirectly given false or misleading particulars or information or made a false or misleading declaration.

Intimation of Election

2.17 When a person is registered as a Trading/Clearing Member of the Derivatives Segment intimation of his registration shall be intimated to him in such form as the Governing Council may from time to time prescribe.

Registration Fee

2.18 A Trading/Clearing Member shall, on registration, pay such non-refundable registration fee as may from time to time be determined by the Governing Council.

Payment of Registration Fees and Annual Subscription

2.19 A Trading/Clearing Member shall not on registration be entitled to exercise any of the rights or privileges of Trading/Clearing Membership until he shall have paid the registration fee and the annual subscription for the year of his registration. Should such Trading/Clearing Member fail to make such payment within one month of the receipt of the intimation of his registration (or such extended time as the Governing Council may permit), his registration shall stand cancelled. Notwithstanding such cancellation the Trading/Clearing Member shall continue to be liable to pay the registration fee and the annual fee.

Certificate of Registration of Membership

2.20 **(a)** On due payment of the registration fee and of the annual subscription a certificate of registration of Trading/Clearing Membership shall be sent to the Trading/Clearing Member. It shall be sent in such form as the Governing Council may from time to time prescribe together with an intimation of the date from which he shall enjoy the rights and privileges and be subject to all the duties, liabilities and obligations of a Trading/Clearing Member.

Notice of Registration

(b) When a Trading/Clearing Member pays his registration fee and annual subscription as provided in sub-clause (a) a notice of such registration shall be posted on the Notice Board of the Exchange.

SEBI Registration

2.21 A Trading/Clearing Member shall not be entitled to trade, clear or otherwise act as such unless he is registered with SEBI as a Trading/Clearing Member .

CHAPTER III

MEMBERSHIP SECURITY

Provisions as to Security

[1] [2]3.1 A Trading/Clearing Member shall, on registration, provide security for such amount as may jointly be decided by the Governing Council and the Clearing Council from time to time with the prior approval of SEBI and shall maintain such security with the Derivatives Segment at all times that he is a Trading / Clearing Member or is an active Trading Member i.e. not deactivated their derivative terminals by virtue of temporary cessation of business / voluntary closure of their trading activities. Trading Members who have withdrawn their security deposit in accordance with Rule 3.9 shall furnish the requisite security deposit before re-commencement of their trading activities in the Derivatives Segment. The Governing Council and the Clearing Council may jointly prescribe different amounts for Trading Members and for Clearing Members. The Governing Council and the Clearing Council may jointly, in their discretion, but after getting the approval of SEBI, increase the amount by such sum as they deemed fit in the case of any particular applicant for Trading /Clearing Membership and or any particular Trading/ Clearing Member.

Form of Security

3.2 The Governing Council and the Clearing Council may jointly require the security to be furnished by a Trading/Clearing Member to be provided either by a deposit of cash or it may be provided in the form of a bank deposit receipt or a bank guarantee or in securities jointly approved by the Governing Council and the Clearing Council or in such other form as may be jointly approved by the Governing Council and the Clearing Council and subject to such terms and conditions as the Governing Council and the Clearing Council may from time to time jointly impose. The deposit receipt and the bank guarantee must be from a bank jointly approved by the Governing Council and the Clearing Council. Deposits of cash shall not carry interest. The securities deposited by a Trading/Clearing Member shall be valued at the market price on the day deposited and shall exceed the sum, for the time being secured thereby, by such percentage as the Governing Council and the Clearing Council may from time to time jointly prescribe. The form and terms of the security will also be in accordance with any requirement which SEBI may from time to time prescribe.

Security How Held

3.3 Deposits of cash shall be lodged in a bank jointly approved by the Governing Council and the Clearing Council. Bank deposit receipts and securities may be transferred or assigned to and held either in the names of the Trustees of the Exchange or in the name of a bank jointly approved by the Governing Council and the Clearing Council or may be lodged with a bank jointly approved by

[1] Amended by Governing Council vide Resolution dated 09/02/2004 and approved by SEBI on 20.04.2004
[2] Amended vide Governing Council Resolution dated 30.06.2009 and SEBI approval dated 05.05.2010.

the Governing Council and the Clearing Council. Such deposit, receipts, securities or other security shall be entirely at the risk of the Trading/Clearing Member providing the security but it shall be held by the bank solely for and on account of the Exchange at the absolute discretion of the Exchange without any right whatsoever on the part of such Trading/Clearing Member or those in his right to call in question the exercise of such discretion.

Value of Security to be maintained

3.4 The Trading/Clearing Member providing security shall always maintain the value thereof at not less than the sum of Rs. 50,00,000/- or such other sum as the Governing Council and the Clearing Council may jointly prescribe with the prior approval of SEBI by providing further security to the satisfaction of the Governing Council and the Clearing Council, which may jointly determine the said value and whose valuation shall conclusively fix the amount of any deficiency to be from time to time made up.

Suspension on Failure to Maintain Security

3.5 A Trading/Clearing Member shall provide further security within three days of a notice to that effect being sent to his Approved Office or, within three days of such notice being posted on the Notice Board of the Exchange. A Trading/Clearing Member failing to do so shall be required by the Governing Council, the Clearing Council, the Chairman of the Governing Council or the Chief Executive Officer 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 further security is provided.

Change of Security

3.6 A Trading/Clearing Member may withdraw any security provided by him if he first provides in lieu thereof other security of sufficient value to the satisfaction of the Governing Council and Clearing Council.

[1]3.6A (i) A Trading / Clearing Member may apply to the Governing Council and the Clearing Council for permission to temporarily withdraw a portion of the security provided by such Member to the Derivatives Segment.

(ii) Subject to the Governing Council and the Clearing Council so permitting, a Trading / Clearing Member may temporarily withdraw such portion of the security provided by such Member as the Governing Council and the Clearing Council may permit, for such period as the Governing Council and the Clearing Council may permit. The Governing Council and the Clearing Council may from time to time extend the period for withdrawal of the security with respect to any, some or all of the Members.

(iii) The maximum portion of the security, which a Member may be permitted to withdraw, shall be such that, after the withdrawal, atleast 50% of the minimum base capital amount specified by the Governing Council

[1] Amended by Special Committee of Governing Council vide Resolution dated 30-8-2001 and approved by SEBI on 26-12-2001.

and/or Clearing Council remains deposited as security with the Derivatives Segment.

(iv) In the event of any reduction in the value of the portion of the security that remains deposited with the Derivatives Segment after such withdrawal, the Member shall promptly provide additional security to compensate for such reduction, and such additional security shall be of a type satisfactory to the Governing Council and the Clearing Council.

(v) Any withdrawal of security shall be subject to such conditions as the Governing Council and/or the Clearing Council may prescribe including, without limiting the generality of the aforesaid: -

(a) suspension of business on the derivatives segment by the member,

(b) the composition of the security which may be withdrawn by the Member,

(c) conditions pertaining to use of the withdrawn security or the proceeds thereof,

(d) payment of such charges as the Governing Council and/or the Clearing Council may prescribe.

(vi) The Governing Council and/or the Clearing Council shall not refuse a Member's application for withdrawal of security without providing the Member an opportunity to be heard.

(vii) The decision of the Governing Council and the Clearing Council on any application for withdrawal of security shall be final and binding.

(viii) Until the withdrawn security is replaced either with the same security or with other security of value and type satisfactory to the Governing Council and the Clearing Council, the Member shall suspend his business on the Derivatives Segment.

(ix) The Member shall replace the withdrawn security either with the same security or with other security of a value and type satisfactory to the Governing Council and the Clearing Council prior to the expiry of the period permitted by the Governing Council and the Clearing Council.

(x) Notwithstanding anything provided above, the Governing Council and the Clearing Council shall be entitled to require a Member to replace the withdrawn security at any time prior to the expiry of the period prescribed by the Governing Council and the Clearing Council. In such event, the Member shall promptly replace the withdrawn security either with the same security or with other security of a value and type satisfactory to the Governing Council and the Clearing Council.

(xi) If the Member does not replace the withdrawn security either with the same security or with other security of a value and type satisfactory to the Governing Council and the Clearing Council within the period permitted or required by the Governing Council and the Clearing Council, then the Governing Council shall be entitled to take such action as the Governing Council may deem fit including, without limiting the generality of the aforesaid, expulsion of the Member from the membership of the Derivatives Segment.

Conditions of Other Security

3.7 Unless the Governing Council or the Clearing Council otherwise specifies, all further and other security provided by a Trading/Clearing Member shall be subject to the same conditions as the security originally provided or as may be prescribed by the Governing Council/Clearing Council.

Lien on Security

3.8 The security provided by a Trading/Clearing Member or by the partnership of which he may be a member shall be subject to a first and paramount lien for any sum due to the Derivatives Segment, the Exchange or the Clearing House 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 dealings, transactions and contracts made subject to the Rules, Bye-laws and Regulations of the Exchange or of the Derivatives Segment or anything done in pursuance thereof.

Return of Security

[1]3.9 Subject to the other provisions of the Rules, Bye-laws and Regulations of the Exchange and subject also to the right of the Governing Council and the Clearing Council to retain such amounts as it may think fit and proper for meeting any possible future liabilities or obligations of Trading/Clearing Member, on the termination of a Trading/Clearing Membership or temporary cessation / Voluntary Closure of business of Trading Member in accordance with Rule 3.1 and applies for refund of security deposit, all security not applied under the Rules, Bye-laws and Regulations of the Exchange shall at the cost of the Trading/Clearing Member be repaid and transferred either to him or as he shall direct or in the absence of such direction to his legal representatives. The Governing Council and the Clearing Council may jointly from time to time prescribe a procedure for return of security deposit.

Letter of Declaration/Agreement

3.10 A Trading/Clearing Member providing security under the provisions of these Rules shall sign a Letter of Declaration/Agreement in such form as the Governing Council may from time to time prescribe.

[1] Amended vide Governing Council Resolution dated 30.06.2009 and SEBI approval dated 05.05.2010.

Types of eligible securities

3.11 The Derivatives Segment, the Clearing House or SEBI may prescribe from time to time such categories of securities that would be eligible for such a security deposit as also the method of valuation and amount of securities that would be required to be so deposited.

Net worth

3.12 A Trading/Clearing Member shall at all times have a minimum net-worth as may be prescribed by the Derivatives Segment, the Clearing House or SEBI from time to time.

CHAPTER IV

TERMINATION OF TRADING/CLEARING MEMBERSHIP

Discontinuance of Trading/Clearing Membership

4.1 The registration of a Trading/Clearing Member shall be cancelled and no Trading/Clearing Member shall continue as such if -

(i) being an individual, he dies,

(ii) being a company, it is wound up,

(iii) his registration as a Trading/Clearing Member is cancelled or he is expelled as a Trading/Clearing Member or otherwise ceases to be a Trading/Clearing Member under the Rules, Bye-laws and Regulations of the Exchange.

(iv) he is declared a defaulter under the Rules, Bye-laws and Regulations of the Exchange or any other stock exchange.

(v) he resigns from his Trading/Clearing Membership and his resignation is accepted by the Governing Council or the Clearing Council, as the case may be.

(vi) he ceases to be a member of the Exchange for any reason whatsoever provided that:

(a) if a Clearing Member was not a member of the Exchange at the time when he was registered as a Clearing Member but he was subsequently admitted to the membership of the Exchange then the registration of such Clearing Member shall not be cancelled under this clause by reason merely of ceasing to be a member of the Exchange;

(b) if a Clearing Member was a member of the Exchange at the time when he was registered as a Clearing Member then the registration of such Clearing Member shall stand cancelled under this clause by reason of the Clearing Member ceasing to be a member of the Exchange unless the Clearing Member, within seven days of ceasing to be a member of the Exchange, applies to the Governing Council that his registration as Clearing Member should not be cancelled, and the Governing Council otherwise resolves upon the Clearing Member showing to the Governing Council good reason why the registration of the Clearing Member should not be cancelled under this clause. Unless and until the Governing Council resolves that the registration of the Clearing Member should not be cancelled under this clause, such registration shall be treated as cancelled for all purposes and the former Clearing Member shall

not be or act as a Clearing Member.

(vii) his/its registration with SEBI is cancelled as per the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.

(viii) he is expelled from the membership of the Exchange.

(ix) being a bank and having obtained the trading membership of the Currency Derivatives Segment as per SEBI Circular No. SEBI/DNPD/Cir-38/2008 dated August 06, 2008, if its license granted by Reserve Bank of India is cancelled.

Explanation:

(i) For the purpose of clause (iii) above, if a person is a Trading Member and also a Clearing Member and his registration in respect of either membership is cancelled or the person is expelled from either membership then his registration as Trading Member and also as Clearing Member shall stand cancelled; Provided however that if the cancellation is on account of such person having resigned from any one of such memberships then simultaneously with such resignation, such person may apply to the Governing Council that the registration of his other membership should not be cancelled under clause (iii). If such person shows good reason to the Governing Council why the registration of his other membership should not be cancelled under clause (iii), then the Governing Council may resolve that the registration of his other membership shall not be so cancelled. However, until and unless the Governing Council so resolves, the registration of such other membership shall be treated as cancelled for all purposes.

(ii) A Trading/Clearing Member who is declared a defaulter (whether by reason of a default on the Derivatives Segment or on any other segment and whether in respect of his Trading/Clearing Membership or his membership of the Exchange or of any segment of the Exchange or any other stock exchange) and is readmitted to the membership of the Exchange/other stock exchange, shall not, upon readmission to the membership of the Exchange/other stock exchange, be registered as a Trading/Clearing Member by reason that he was registered as a Trading/Clearing Member at the time of or prior to his declaration of default. However such readmitted member may apply to be registered as a Trading/Clearing Member in accordance with these Rules, Bye-laws and Regulations. If his registration is also cancelled under the SEBI (Stock Brokers & Sub-brokers) Regulations 1992 then applying for registration as Trading/Clearing Member he shall make a fresh application to SEBI for registration under the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 through the Exchange..

Notice of Resignation

4.2 (a) A Trading/Clearing Member wishing to resign from the Trading/Clearing Membership shall serve on the Derivatives Segment a written notice of not less than one month to that effect, which shall be posted on the Notice Board of the Exchange:

Provided that in case a Trading/Clearing Member is a body corporate, such notice shall be accompanied by a copy of the resolution passed at a meeting of the Board of Directors of such body corporate containing the decision to resign and such copy shall be certified as true by the Chairman, if any, or by a whole-time Director of the body corporate.

And provided further that a Trading/Clearing Member shall not be entitled to resign before the expiry of six months from the date of his registration as a Trading/Clearing Member.

And Provided that any such resignation shall be subject to Rule 4.2(c) and other Rules, Bye-laws and Regulations of the Derivatives Segment.

Objection

(b) A Trading/Clearing Member objecting to any proposed resignation that has been notified shall communicate the grounds of his objection to the Governing Council (in case the resigning member is a Trading Member)/Clearing Council (in case the resigning member is a Clearing Member), by letter within fourteen days of the posting of such notice.

Acceptance or Refusal of Resignation

(c) The Governing Council (in case the resigning member is a Trading Member)/Clearing Council (in case the resigning member is a Clearing Member), may accept the resignation of a Trading/Clearing Member either unconditionally or on such conditions as it may think fit or may refuse to accept such resignation. In particular the Governing Council or the Clearing Council as the case may be, may refuse to accept such resignation until it is satisfied that all Outstanding Obligations and open positions of such Trading/Clearing Member have been settled or closed out. The Governing Council or the Clearing Council, (as the case may be), shall give the Trading / Clearing Member an opportunity to be heard before refusing to accept a resignation.

Refund of Deposit

[1](d) The refundable security deposit of a Trading/Clearing Member shall be refunded to him subject to the Governing Council and the Clearing Council being satisfied that all his outstanding obligations have been settled, all his open position and outstanding obligations have been closed out or settled and all his liabilities to the Exchange, the Clearing House, the members of the Exchange, other Trading/Clearing Members and his Clients have been duly

[1] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001.

paid. After such satisfaction, the Governing Council and the Clearing Council may pay the balance amount of the security deposit within a period of three months after the Governing Council and the Clearing Council are so satisfied, after withholding such amount as the Governing Council and/or the Clearing Council think fit and proper for meeting possible future liabilities or obligations of the Trading/Clearing Member.

CHAPTER V

MEMBERSHIP REGISTER, NOTICES AND DUES

Register of Members

5.1 A separate register of Trading Members and Clearing Members shall be maintained by the Derivatives Segment/Clearing House respectively. The names and addresses of Trading/Clearing Members and the dates of their registration and termination of Trading/Clearing Membership by resignation, death, default, expulsion or otherwise shall be entered in the register.

List of Members

5.2 A list of Trading/Clearing Members shall be made available from time to time on payment of prescribed fees.

Member's Address

5.3.(a) Every Trading/Clearing Member shall register with the Derivatives Segment an address as his registered address (for the purpose of the Derivatives Segment) and subsequent changes thereof at which all communications addressed to him may be delivered.

Communications to Members

(b) If a Trading/Clearing Member has not registered his address as provided in sub-clause (a) to which a communication addressed to him may be delivered or refuses to take delivery of such communication such communication shall be posted on the Notice Board of the Exchange and thereupon it shall be deemed to have been received by him.

Mode of Communication

(c) A communication may be sent by the Exchange or the Clearing House to the Trading/Clearing Member at the registered address, any Authorised Office, ordinary business address and/or ordinary place of residence and/or last known address of the party in any one or more or all of the following ways:-

i) delivering it by post

ii) sending it by registered post

iii) sending it under certificate of posting

iv) sending it by express delivery post or a courier service.

v) sending it by telegram

vi) affixing it on the door at the registered address

vii) advertising it at least once in any prominent daily newspaper

viii) sending a message through the Trading or Clearing System.

ix) an electronic mail, issue of notice or fax

Annual subscriptions, Fees and Charges

5.4 Every Trading/Clearing Member shall pay, at such time or times and in such manner as the Governing Council or the Clearing Council shall direct, such registration fees and annual subscriptions and such other fees and charges as may from time to time be determined.

Liabilities of Past Members

[1]5.5 A Trading/Clearing Member who may for any reason cease to be a Trading/Clearing Member shall nevertheless remain liable for and shall pay all monies and meet all obligations which at the time of his ceasing to be a Trading/Clearing Member shall have been due by him to the Exchange, the Derivatives Segment, the Clearing House, the Derivatives Segment Trade Guarantee Fund, Cash Segment Trade Guarantee Fund, any member of the Exchange, any other Trading/Clearing Member and any Client of the Trading/Clearing Member.

Failure to Pay Subscription and Other Fees

[2]5.6 Save as otherwise provided in these Rules, Bye-laws and Regulations, if a Trading/Clearing Member fails to pay his annual subscription, fees, charges or any other monies or dues or fulfil any obligations which may be due by him to the Exchange, the Derivatives Segment, the Clearing House or to the Derivatives Segment Trade Guarantee Fund or the Cash Segment Trade Guarantee Fund within one month after notice in writing has been served upon him (or such other period as the Governing Council or the Clearing Council may specify) he may be suspended by the Governing Council or the Clearing Council until he makes payment and if within a further period of six months he fails to make such payment he may be expelled by the Governing Council or the Clearing Council. Nothing in this paragraph shall derogate from the duty of a Trading/Clearing Member to pay margins or other settlement payments or other amounts as are payable within a shorter period or immediately, as due.

[1] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001
[2] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 21-5-2001

CHAPTER VI

MEETINGS OF TRADING MEMBERS

General Meetings How Convened

6.1 The Governing Council, the Chairman or the Chief Executive Officer may at any time, and in case the Governing Council is not functioning, the Secretary may, of his own accord at any time or the Secretary on the written requisition of 25 or more Trading Members made at any time shall, convene a General Meeting of Trading Members. Failing the convening of such requisitioned meeting any fifteen of the requisitionists may convene such meeting within the next fifteen days. The requisition shall state the objects of such meeting, to which the discussion shall be strictly confined.

Sanction of General Meeting where Obligatory

6.2 **(a)** The Trading Members in general meeting may from time to time decide, determine, authorise and sanction the maximum number of Trading Members and Clearing Members in relation to the Derivatives Segment. Such matter shall be deemed to lie within its sole and exclusive jurisdiction and outside the purview of the Governing Council or the purview of the General Meeting of Members of the Exchange or of the Governing Board of the Exchange.

(b) Until the Trading Members decide, the maximum number of Trading Members shall be 1000 and the maximum number of Clearing Members shall be 500.

General Meeting may Make Rules and Bye-laws

6.3 **(a)** The Trading Members in General Meeting may without derogating from the powers of the Governing Council in that behalf and subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and subject to Rule 8.10 from time to time make, add to, vary or rescind any of these Rules or Bye-laws in relation to the Derivatives Segment only; Provided always that the Trading Members in General Meeting shall not be entitled to make, add to, vary or rescind any of the Rules or Bye-laws relating to or affecting the property or finances of the Exchange (whether relating to the Derivatives Segment or any other segment), borrowing, lending, entering into contractual obligations or incurring debts or liabilities (including contingent liabilities) on behalf of the Exchange (whether relating to the Derivatives Segment or any other segment), or otherwise relating to or concerning the funds of the Exchange (whether relating to the Derivatives Segment or any other segment). Provided always that the Governing Council shall not be entitled to directly or indirectly add to, vary, rescind, override or negate the provisions of Rule 8.10.

Resolution How Passed

(b) No resolution for the purpose of sub-clause (a) shall be deemed to have been passed or be of any effect whatever unless it shall have been approved and adopted by a majority of three-fourths of the Trading Members present at a

general meeting called for the purpose (any fraction contained in that three-fourths being rounded off as one).

General Meeting Not to Alter Governing Council Resolution

6.4 The Trading Members in general meeting shall not be competent to add to alter, vary or rescind any resolution passed by the Governing Council, the Governing Board, the Clearing Council or the Members of the Exchange in General Meeting under the powers or authority conferred upon it /them by the provisions of any Rule or Bye-law of the Derivatives Segment or of the Exchange for the time being in force.

Notice of Meetings

6.5 All meetings of the Trading Members shall be convened by a notice posted on the Notice Board of the Exchange at least three days before the date appointed for the meeting.

Who may be Present at Meetings

6.6 Trading Members, the Chairman, the Chief Executive Officer and the legal advisers and officers of the Derivatives Segment shall be entitled and any other person may with the permission of the Chief Executive Officer be allowed to be present at a general meeting of the Trading Members. A Trading Member before taking his seat shall sign his name in the book provided for the purpose.

Quorum

6.7 The quorum for a general meeting of the Trading Members shall be not less than 10% or 5 members; whichever is more, unless it is otherwise provided in any other Rule or Bye-law. If a fraction appears when determining a quorum under this or any other Rule or Bye-law, unless otherwise provided, such fraction shall be omitted. No business shall be transacted at any general meeting unless a quorum is present for the transaction of such business.

No Quorum - Adjournment of Meeting

6.8 If within thirty minutes from the time appointed for the meeting, the quorum required by any Rule or Bye-law for the time being in force be not present then the meeting if convened upon a requisition of Trading Members shall be dissolved. In any other case it shall stand adjourned at the same time and place to the same day in the next week, or if such day be a holiday to the next business day. If at such adjourned meeting no such quorum be present within fifteen minutes of the time appointed for the meeting then those Trading Members present shall constitute a quorum and may transact the business for which the meeting was called.

Chairman to Preside

6.9 The Chairman or in his absence the Chief Executive Officer shall be entitled to take the chair at every general meeting. If there be no Chairman or Chief Executive Officer or if at any meeting the Chairman or Chief Executive Officer be not present within fifteen minutes of the time appointed for such meeting

or be unwilling to act as Chairman the Trading Members present shall choose a member of the Governing Council as Chairman of the meeting and if no member of the Governing Council be present or if all the members of the Governing Council present decline to take the chair then the Trading Members present shall choose one of their number to preside as Chairman of that meeting.

Decision by Majority

6.10 Every question submitted to a General Meeting shall be decided by a majority of the votes cast at the meeting unless a specified majority is required by any Rule or Bye-law for the time being in force. If a fraction appears when so determining the specified majority, it shall be rounded off as one.

Voting

6.11 Votes shall be taken by a show of hands unless a poll is (before or on the declaration of the result on the show of hands) demanded in writing by not less than five of the Trading Members present. Unless a poll is so demanded a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously or carried by a particular majority or lost and an entry to that effect in the minute book of the General Meetings of the Trading Members shall be deemed conclusive evidence of the fact that such resolution was so carried or lost and no further proof of the number or proportion of the votes recorded for or against such resolution shall be necessary.

Poll

6.12 If a poll be duly demanded by five or more Trading Members present at a general meeting it shall be taken at such time and place either immediately or after an interval or adjournment (except when the poll be demanded on the election of a chairman or on a question of adjournment when it shall be taken forthwith) and either by open voting or by ballot as the chairman directs and the result of such poll which shall determine whether the resolution is carried or lost shall be deemed to be the resolution of the meeting at which the poll was demanded.

Validity of Vote

6.13 The Chairman of any General Meeting shall be the sole judge of the validity of any vote given at such meeting.

Casting Vote

6.14 In case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the General Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

Voting by Proxy

6.15 A Trading Member present in person at a General Meeting shall have one vote. No voting by proxy or by power of attorney shall be allowed.

Voting by Body Corporate.

6.16 A person designated by a Trading Member, which is a body corporate as its Designated Director, shall act as its representative at any meeting of Trading Members. The Designated Director shall be entitled to exercise the same rights and powers on behalf of the Trading Member, which he represents as that Trading Member, could exercise if it were an individual Trading Member.

Suspended or expelled Member and defaulter not to Vote

6.17 A Trading Member who has been suspended or expelled or declared a defaulter shall not be entitled to be present or to vote at any General Meeting but a Trading Member shall not be dis-entitled to be present and vote merely because money is due and payable by him to the Exchange.

Adjournment of Meeting

6.18 The chairman of a general meeting may with the consent of the majority of the Trading Members present, adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

Minutes

6.19 Minutes of the proceedings of general meetings of Trading Members shall be maintained under the authority of the Secretary of the Derivatives Segment and such minutes shall be available for inspection by Trading Members at such time and place as the Governing Council may determine.

CHAPTER VII

ELECTION OF THE GOVERNING COUNCIL AND OFFICE BEARERS

Governing Council

7.1 Subject to these Rules, Bye-laws and Regulations, the regulation, management and control of the Derivatives Segment and the Currency Derivatives Segment shall vest in the Governing Council of the Derivatives Segment and the Currency Derivatives Segment, respectively, to the exclusion of the Governing Board of the Exchange. The Governing Council shall be independent of and shall not be subject to, the superintendence or control of the Governing Board of the Exchange and the Governing Board shall not be entitled to give directions to the Governing Council.

Composition of Governing Council

7.2 (i) The composition of the Governing Council of the Derivatives Segment shall be prescribed by the Regulations. Provided that there shall not be more than ten members on the Governing Council and at least sixty percent of the members of the Governing Council shall be persons who are not members of the Exchange or Trading/Clearing Members.

(i-a) The composition of the Governing Council of the Currency Derivatives Segment shall be prescribed by the Regulations. Provided that not more than 50% of the public representatives on the Governing Council of the Currency Derivatives Segment may be common with the Governing Council of the Derivatives Segment. Provided further that the representation of the Trading/Clearing Members on the Governing Council shall not exceed 25% and no Trading/Clearing Member shall be allowed simultaneously to be the member of the Governing Council of the Currency Derivatives Segment and the Derivatives Segment.

(ii) Before the formation of the first Governing Council and until sufficient members of the first Governing Council are elected, appointed or nominated so as to enable the Governing Council to form a quorum, the Governing Board of the Exchange shall act as, and exercise all the powers of, the Governing Council and all such acts shall be deemed to have been duly done, and all such powers shall be deemed to have been duly exercised by the Governing Council.

Nominee of Body Corporate

7.3 A Trading Member who is also a Clearing Member and is also a body corporate (hereinafter referred to as **"a Corporate Trading and Clearing Member"**) may nominate a director of the Corporate Trading and Clearing Member as its representative for election on the Governing Council under Rule 7.2(i)(a). A Corporate Trading and Clearing Member shall not be entitled to have more than one representative on the Governing Council at the same time. The provisions of Rule 7.9 shall apply to such representative individually as also to the Corporate Trading and Clearing Member which he

represents. A representative shall cease to be a member of the Governing Council if he ceases to be a director of the Corporate Trading and Clearing Member who he represents. In such event the Corporate Trading and Clearing Member shall be entitled to replace such representative and nominate another in his place during the remaining term of the originally elected member. Such representative shall also cease to be a member of the Governing Council if the nominating Corporate Trading and Clearing Member cease to be a Trading Member or a Clearing Member. If any event occurs which would have caused the Corporate Trading and Clearing Member (if it was an individual Trading/Clearing Member who was a member of the Governing Council) to cease to be a member of the Governing Council then, such representative shall cease to be a member of the Governing Council and the Corporate Trading and Clearing Member shall not be entitled to nominate another in his place.

Retirement

7.4 On the 31st of March every year, one half of the members elected to the Governing Council under Rule 7.5 read with Clause (a) of Rule 7.2(i) (and if their number is not a multiple of two, then any fraction shall be ignored) shall retire from office. The members elected to the Governing Council who will retire by rotation each year on the 31st of March shall be those who have been longest in office since their last appointment. As amongst persons who became members of the Governing Council on the same day those who are to retire shall in default of and subject to any agreement among themselves be determined by lot.

Election

[1]7.5 (i) Within two months of these Rules, Bye-laws and Regulations coming into force, the Trading Members shall in the manner herein provided elect by ballot the members of the Governing Council referred to at Rule 7.2(i)(a).

(ii) In March of every year, the Trading Members shall in the manner herein provided elect by ballot the members of the Governing Council in place of those who retire as aforesaid. A retiring member shall be eligible for re-election as provided in Rule 7.12.

Provided that the Governing Council may, in its direction, exempt the operation of Rule 7.4 and Rule 7.5 (ii) or the election to the Governing Council for the year 2001-2002.

Chief Executive Officer

7.6 The Governing Council shall appoint as a whole-time Chief Executive Officer of the Derivatives Segment any person who in its opinion is suitable for the office on such terms and for such period as it may determine. During his tenure of office the Chief Executive Officer shall neither directly or indirectly be an active member of any stock exchange nor shall he be a party to or be concerned in any speculative dealing on any stock exchange or with any

[1] Amended by Governing Council vide Resolution dated 11-1-2001 and approved by SEBI on 2-2-2001.

member of a stock exchange. The person appointed as Chief Executive Officer shall not directly or indirectly engage himself in any business during his tenure of office and if he is a member of the Exchange or a Trading Member or a Clearing Member or is a partner, director, shareholder or representative of a member of the Exchange or a Trading Member or a Clearing Member then he or such member or Trading/Clearing Member (as the case may be) shall not directly or indirectly carry on any business on the Exchange. The Chief Executive Officer shall be an ex-officio member of the Governing Council and of all committees appointed by the Governing Council. Subject to the over-all management of the operations of the Derivatives Segment being vested in the Governing Council as provided in these Rules, Bye-laws and Regulations, the Chief Executive Officer shall be vested with the executive powers of the Derivatives Segment to run the day-to-day administration and to enforce the Rules, Bye-laws and Regulations of the Exchange applicable to the Derivatives Segment and to represent the Derivatives Segment in any public matter. The Chief Executive Officer shall not while he continues to hold that office be subject to retirement by rotation but he shall cease to be a member of the Governing Council if he ceases to hold the office of Chief Executive Officer.

Delegated Powers and Duties

7.7 The Chief Executive Officer may assume and exercise all such powers and perform all such duties as may be vested in him under these Rules, Bye-laws and Regulations or delegated to him by the Governing Council from time to time as provided in these Rules, Bye-laws and Regulations.

Public Representatives

7.8 Unless SEBI otherwise directs, the Governing Council shall, soon after it is constituted, and thereafter in April every year, nominate on the Governing Council, subject to the approval of SEBI, four persons of public eminence as public representatives. The persons so nominated will hold office till the nomination of public representatives for the succeeding year is approved by SEBI. Any vacancy caused by resignation, death or otherwise will be filled in the same manner. Such number of the public representatives on the Governing Council as are specified by the Regulations will be from the members of the Governing Board of the Exchange.

Conditions of Eligibility

7.9 No Trading Member who is also a Clearing Member and no representative of a Corporate Trading and Clearing Member shall be eligible to be elected a member of the Governing Council if-

(i) he (or in case of a representative of a Corporate Trading and Clearing Member, the Corporate Trading and Clearing Member who he represents) is a member of the Exchange of less than one years' standing on the 1st of January of the year in which the election takes place;

(ii) he (or in case of a representative of a Corporate Trading and Clearing Member, the Corporate Trading and Clearing Member who he represents) is not a Trading Member and also a Clearing Member at the time when the election takes place;

(iii) he (or in case of a representative of a Corporate Trading and Clearing Member, the Corporate Trading and Clearing Member who he represents) has at any time been declared a defaulter on any stock exchange or failed to meet his liabilities in the ordinary course on any stock exchange or compounded with any of his creditors or been expelled from any exchange

(iv) he or any representative of the Corporate Trading and Clearing Member who he represents is a member of the Governing Board of the Exchange at the time when the election takes place.

No Trading Member on Board and Council

7.10 No Corporate Trading and Clearing Member or representative of a Corporate Trading and Clearing Member) shall be on the Governing Board of the Exchange and the Governing Council of the Derivatives Segment at the same time.

Partners as Members

7.11 A partner of a Trading Member who is also a Clearing Member in a partnership firm approved by the Governing Board of the Exchange may be elected to the Governing Council under clause (a) of Rule 7.2(i). However, not more than one partner of a partnership firm may be a member of the Governing Council at one and the same time. The provisions relating to a representative of a Corporate Trading and Clearing Member shall, so far as may be applicable, apply *mutatis mutandis* to a partner (who is not himself a Trading and Clearing Member) as if such partnership were a corporate and the partner (who is not himself a Trading Member) were a Corporate Trading Member.

Retiring Members

7.12 All the retiring members of the Governing Council shall be eligible for re-election. Provided that no member who has been elected for two consecutive terms on the Governing Council shall be eligible for re-election for a further period of two years thereafter as a member of the Governing Council.

Notice of Election

7.13 At least one month's prior notice of any election by ballot of the Governing Council shall be given and posted on the Notice Board of the Exchange.

Proposal of Candidates

7.14 Any two Trading Members may propose and second candidates eligible for election to the Governing Council. Such proposals shall be in writing signed

by the proposer and seconder and by the candidate in token of his willingness to stand for election and shall reach the Derivatives Segment at least fifteen days prior to the date of election.

Notice of Candidates

7.15 A notice containing the names of all candidates for election, their proposer and seconder shall be posted on the Notice Board of the Exchange for seven days prior to the date of election.

Ballot When Unnecessary

7.16 When the number of candidates does not exceed the number of vacancies to be filled no ballot shall be necessary and such candidates shall be deemed duly elected and if there still be a vacancy, the Governing Council elected to office shall fill it up.

Scrutineers

7.17 The Governing Council or the Chief Executive Officer shall appoint three Trading Members, not being members of the Governing Council or candidates for election, to act as scrutineers at elections. They shall report the result of the ballot to the Governing Council.

Voting

7.18 Each voting Member shall be entitled to cast as many votes as the number of vacancies to be filled. However, no Member shall be entitled to cast more than one vote in favour of any particular candidate.

Elected Candidates

7.19 Those candidates receiving the highest number of votes shall be declared elected to the vacant positions and in case of an equality of votes the election shall be decided by the scrutineers by drawing lots.

Office Bearers

7.20 The Governing Council shall at the first meeting after its election elect from amongst themselves its Chairman. While he is the Chairman, he or the Corporate Trading and Clearing Member who he represents or the Trading and Clearing Member with whom he is a partner shall not be an active member of the Exchange in any segment. Such restriction shall also apply to a Chairman elected under Rule 7.21(a) and an Acting Chairman as provided for in Rule 7.21(b).

Provided that no member of the Governing Council who has held the office of the Chairman for two consecutive terms shall be eligible for re-election as Chairman unless a period of one year has elapsed since he last held such office.

Vacancy in the Office of Chairman

7.21**(a)** In case a vacancy shall occur in the office of Chairman, the Governing Council shall fill the vacancy by election from the members of the Governing Council and the Chairman so elected shall hold office until the next annual election and until his successor is elected and takes office.

Acting Chairman

(b) If there be no Chairman or in the temporary absence or inability of the Chairman to act, the Governing Council may choose from the members of the Governing Council an Acting Chairman of the Council for the time being. In the absence of an Acting Chairman, the Chief Executive Officer of the Derivatives Segment shall ex-officio be the Chairman of the Governing Council.

CHAPTER VIII

VACANCIES IN THE GOVERNING COUNCIL

Leave

8.1 **T**he Governing Council may give any member of the Governing Council leave of absence for a period not exceeding four months and, subject to the requirements of composition prescribed pursuant to Rule 7.2 (i), may by a resolution appoint any Person as a member of the Governing Council in the place of such member for the duration of his leave.

Vacancy

8.2 The office of a member of the Governing Council shall *ipso facto* be vacated -

Suspension of Payment

(i) if he or the Corporate Trading and Clearing Member who he represents suspends payment or is adjudicated an insolvent or is wound-up or liquidated or if a petition is filed by him or the Corporate Trading and Clearing Member who he represents for winding up his/its affairs or those of his partnership firm or the Corporate Trading and Clearing Member who he represents or if he or his partnership firm or the Corporate Trading and Clearing Member who he represents compounds with creditors or is declared a defaulter in any stock exchange;

Unsound Mind

(ii) if he becomes of unsound mind or incapable of efficient attention to business;

Absence

(iii) if he absents himself from three consecutive meetings of the Governing Council or from all meetings of the Governing Council for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Governing Council;

Death, Suspension or Expulsion

(iv) if he or the Corporate Trading and Clearing Member who he represents dies or ceases to be a Trading Member and/or a Clearing Member or is suspended or expelled from the Trading and/or Clearing Membership;

Provided that the office of a member of the Governing Council shall not be deemed to be vacated in case such member, being an individual, exercises the right of nomination of his Exchange membership in favour of a company or a financial corporation of which he is a Designated Director if he holds together with his family members and current partners more than 51 % of the share capital of such company or financial corporation that may be admitted as a member of the Exchange in his place and if such company or financial corporation is registered by the Derivatives Segment as a Trading Member who is also a Clearing Member within one

month of such company or financial corporation being admitted as a member of the Exchange (or further period as the Governing Council may from time to time specify). Such member shall continue as a member of the Governing Council till the remainder of his tenure or till he/his family members or partners ceases to hold more than 51 % of the share capital as above, whichever is earlier.

Resignation

(v) if he or the Corporate Trading and Clearing Member who he represents by notice in writing to the Governing Council resigns his or the Corporate Trading and Clearing Member who he represents or such Corporate Trading and Clearing Member's office; and in such case the office will stand vacated on the date of acceptance of his or such Corporate Trading and Clearing Member's resignation by the Governing Council or on such other date as may be specified by the Governing Council.

Non-Eligible

(vi) if he ceases to be eligible to be elected as a member of the Governing Council.

Creation of Governing Board Membership

(vii) if he was a member of the Governing Board of the Exchange when he was nominated to the Governing Council as a public representative and he ceases to be a member of the Governing Board.

SEBI Action

(viii) if he or the Corporate Trading and Clearing Member who he represents is suspended or his registration is cancelled by SEBI as per the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.

When a member vacates office upon the occurrence of an event specified under any of the aforesaid clauses, he shall not resume office as a member/office bearer of Governing Council upon the cessation of such event for the remaining term of the office.

Expulsion from Governing Council

8.3 The Governing Council may by a special resolution remove from the Governing Council any member of the Governing Council who in its discretion is deemed to be guilty of improper conduct or who in its opinion has a direct or indirect interest (except brokerage) in any bull or bear syndicate or combination formed to rig or depress the market or is deemed to be a partner, sub-partner, director or responsible representative of such syndicate or combination.

Filling up of Casual Vacancies

8.4 If a casual vacancy in the office of an elected member arises in the Governing Council such vacancy shall be filled by election of a duly qualified Trading Member who is also a Clearing Member or a representative of a Corporate

Clearing and Trading Member, by the Trading Members so far as circumstances permit in the manner provided in these Rules for election to the Governing Council unless the Governing Council determines that the vacancy so arisen need not be filled until the next annual election. The member so elected shall hold office only up to the date, which the person in whose place he has been elected would have held office. Provided that the member who vacates office upon the occurrence of any event under Rule 8.2 or upon removal under Rule 8.3 shall not be eligible for election in the said extra-ordinary meeting/election.

Explanation: In this Rule the term "casual vacancy" includes a vacancy arising upon the occurrence of any event under Rule 8.2 or a removal under Rule 8.3.

Powers of Surviving Members

8.5**(a)** The surviving or continuing members of the Governing Council notwithstanding any vacancy in their number may act until the vacancy shall have been filled up provided that such members constitute a quorum.

Limited Powers of Surviving Members

(b) If the surviving or continuing members of the Governing Council do not constitute a quorum they shall exercise the powers of the Governing Council only for the purpose of filling up such vacancies in accordance with the Rules applicable thereto.

Resignation of all Members of the Governing Council

(c) In the event of all the members of the Governing Council resigning together, such members shall continue to hold office and exercise all the powers vested in them as members of the Governing Council until the succeeding Governing Council is elected by ballot by the Trading Members and/or is otherwise appointed in accordance with these Rules.

POWERS OF THE GOVERNING COUNCIL OF THE DERIVATIVES SEGMENT AND/OR THE CURRENCY DERIVATIVES SEGMENT

Jurisdiction

8.6 Subject to Rule 280 of the Rules, Bye-laws and Regulations, of the Exchange, the Governing Council shall have complete jurisdiction over all Trading Members and shall have supervisory jurisdiction over any and all subjects and matters referred to standing and all other committees and may direct and control their actions or proceedings at any stage thereof. The Governing Council shall have the absolute power and right to interpret these Rules, Bye-laws and Regulations and to decide all points, questions and disputes relating to the Derivatives Segment, matters relating to the administration, functions, working and affairs of the Derivatives Segment and relating to the conduct of Trading Members towards other Members or towards third parties. Any interpretation or decision made by the Governing Council in relation to these Rules, Bye-laws and Regulations of the Derivatives Segment shall be final and

conclusive and binding on all Members, their partners, directors, agents, representatives, employees and Clients and on all persons dealings through or with the Members.

General Powers

8.7 Subject to Rule 281 of the Rules, Bye-laws and Regulations of the Exchange, the management and control of the operational functions, working and affairs of the Derivatives Segment, the regulation of the conduct of Trading Members, their partners, directors, agents, representatives and Clients and employees and the promotion of the welfare, objects and purposes of the Derivatives Segment (but not the management or control of any properties, finances or funds of the Exchange or of its income or expenditure, whether pertaining to the Derivatives Segment or any other segment) shall, subject to these Rules, Bye-laws and Regulations, vest in the Governing Council. In the exercise of such powers it may from time to time make, subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and the Securities Contracts (Regulation) Rules, 1957, such Rules and Bye-laws and adopt such Regulations and resolutions and issue such orders, notices and directions and take such decisions relating to the Derivatives Segment only as it may deem appropriate. The Governing Council may in addition to the powers and authorities expressly conferred by any Rule, Bye-law or Regulation of the Exchange for the time being in force exercise all such powers and do all such acts and things as may be exercised or done by the Trading Members in general meeting and which are not expressly required to be so exercised and done. More particularly, in furtherance and not in limitation of the foregoing powers, and without prejudice to the generality of the foregoing powers and to any power or authority impliedly or expressly conferred by any Rule, Bye-law or Regulation of the Exchange for the time being in force, the Governing Council is specially authorised, subject to any Rule or Bye-law for the time being in force, to exercise governmental and administrative powers in the sense of the provisions in that behalf contained in these Rules. The Governing Council may also exercise all powers over Clearing Members in the interests of the Derivatives Segment, the Exchange and the investors in general.

Governmental Powers

8.8 In the exercise of its governmental powers the Governing Council shall be deemed empowered to do any of the following or similar acts or things or use any of the following or similar authorities in connection with the Derivatives Segment namely -

Office-Bearers

(i) to elect office-bearers and appoint committees;

Casual Vacancies

(ii) to fill casual vacancies in the Governing Council or in a standing or any other committee or of an auditor;

Registration, Expulsion and Control of Members

(iii) to register Trading Members and Clearing Members by such majority as is specified by these Rules, expel and reinstate them by such majority as is specified by these Rules and to control, warn, censure, fine and suspend them, withdraw all or any of their Trading/Clearing Membership rights and declare their default;

Approval of Attorneys and Authorised Clerks

(iv) to approve and regulate the appointment of attorneys, agents, authorised clerks, Approved Users, Authorised Persons and employees of Trading Members and Clearing Members;

Control of Partners, Attorneys, Agents and Employees

(v) to approve, control, warn, censure, fine, suspend, expel and exercise supervision over directors, officers, representatives, partners, attorneys, agents, authorised clerks, Approved Users, Authorised Persons and employees of Trading Members and Clearing Members;

Investigation

(vi) to examine and investigate the financial conditions, business conduct and dealings of Trading Members and Clearing Members;

Attendance and Information

(vii) to call upon any Trading Member or Clearing Member, his directors, officers, representatives, partners, attorneys, agents, authorised clerks, Approved Users, Authorised Persons and employees to appear and testify before the Governing Council, the Chief Executive Officer or the Chairman or before a committee or an officer of the Derivatives Segment authorised in that behalf and to furnish to the Governing Council, the Chief Executive Officer, the Chairman or a committee or an officer of the Derivatives Segment authorised in that behalf, such books, papers, documents, correspondence, clearing forms and any other records or information in his or their possession which may be deemed relevant or material to any matter under inquiry or investigation or which the Governing Council in its absolute discretion deems necessary in the interest of just and equitable principles or in the public interest or in the interest and welfare of the Exchange or the Clearing House.

Adjudication of Disputes

(viii) to hear, investigate, arbitrate and adjudicate on and decide all questions and disputes affecting Trading Members and Clearing Members, their directors, representatives, officers, partners, attorneys, agents, authorised clerks, employees, Approved Users, Authorised Persons or clients arising out of business done on the Derivatives Segment or affecting their dealings, character and conduct towards other Members or towards third parties;

Imposition of Penalties

(ix) to prescribe from time to time and impose penalties for violation of these Rules, Bye-laws and Regulations and for neglect or failure or refusal to

comply with resolutions, orders, notices, directions or decisions of the Governing Council, the Chief Executive Officer, the Chairman or any committee or officer of the Derivatives Segment authorised in that behalf or for any offence against the Derivatives Segment, the penalty for which is not specifically prescribed.

Enforcement of Rules, Bye-laws and Regulations

(x) to enforce these Rules, Bye-laws and Regulations and the Rules, Bye-laws and Regulations of the Exchange in so far as they relate to the Derivatives Segment and take cognisance of breaches thereof and offences against them;

Regulation of Functioning

(xi) to determine from time to time the mode and conditions subject to which the Derivatives Segment shall function;

Regulations

(xii) to make and from time to time add to, substitute, vary, modify or rescind any Regulations relating to the Derivatives Segment prescribed under these Rules and Bye-laws;

General Control

(xiii) to decide and from time to time adopt resolutions, issue orders, notices and directions in respect of matters relating to the Derivatives Segment not provided for in these Rules, Bye-laws and Regulations;

Review

(xiv) to review, reconsider, modify or rescind any resolutions, orders, notices, directions and decisions relating to the Derivatives Segment; and

General Power

(xv) generally to supervise and direct all matters affecting the Derivatives Segment.

Administrative Powers

8.9 In the exercise of its administrative powers the Governing Council shall be deemed empowered to do any of the following or similar acts or things or use any of the following or similar authorities in connection with the Derivatives Segment, namely -

Fees and Charges

(i) fix from time to time and collect from Trading Members in addition to the dues and charges provided for in these Rules, Bye-laws and Regulations such other charges or fees as may be deemed necessary or desirable for the functioning of the Derivatives Segment;

Appointment of Employees

(ii) to appoint and at its discretion to suspend or remove such permanent, temporary or special employees and to determine their powers, duties and

terms of remuneration, to establish, maintain or subscribe to for their benefit any provident or benefit Funds, pensions, gratuities, compensation or insurance schemes and to make and alter service and other rules and regulations in that behalf as it may from time to time think fit;

Stock Exchange Facilities

(iii) to provide from time to time such facilities as may be necessary for the functioning of the Derivatives Segment.

Financial Powers

8.10 Notwithstanding anything stated elsewhere in these Rules, Bye-laws and Regulations, the Trading Members and the Governing Council shall not have any powers in respect of the properties, finances or funds of the Exchange (whether of the Derivatives Segment or any other segment) and shall not be entitled to make any Rules or Bye-laws relating to the Exchange's Finances, Funds or properties or to incur any financial liability or obligation (whether contractual or otherwise and whether contingent or otherwise) on behalf of the Exchange or do any act or deed which may affect the Exchange's finances, funds or properties, save and except as may be expressly delegated by the Exchange's Governing Board to the Governing Council. In particular, and without prejudice to the generality of the foregoing, the powers mentioned at clauses (ii) to (vii) of Rule 121 of the Rules, Bye-laws and Regulations of the Exchange, whether or not relating to the Derivatives Segment, shall be exercised by the Governing Board of the Exchange unless the Governing Board otherwise determines.

Power to Make Rules and Bye-laws

8.11 Subject to Rule 8.10, the Governing Council may from time to time and subject to the provisions of the Securities Contracts (Regulation) Act, 1956 make, add to, vary or rescind any of these Rules, Bye-laws or Regulations in so far as they relate to or impact the Derivatives Segment only. Provided always that the Governing Council shall not be entitled to directly or indirectly add to, vary, rescind, override or negate the provisions of Rule 8.10 or this rule, and provided further that the Governing Council may amend this Rule only with the prior consent of the Governing Board of the Exchange.

Finality of Governing Council Resolutions

8.12 Any resolution passed by the Governing Council under the powers or authority conferred upon it by the provisions of any of these Rules or Bye-laws relating to the Derivatives Segment shall not be added to, altered, varied or rescinded by the Trading Members in general meeting and all such resolutions shall when they come into force be deemed valid and binding upon all Trading Members and Clearing Members, their directors, officers, representatives, partners, attorneys, agents, authorised clerks, Approved Users, Authorised Persons, employees, Clients and all those dealing with or through them.

Decision of Governing Council Final

8.13 In all matters brought under the consideration of the Governing Council its decision whether expressed by a resolution or otherwise shall be final and must be carried out forthwith by every Trading Member and Clearing Member concerned and by his directors, officers, representatives, partners, attorneys, agents, authorised clerks, Approved Users, Authorised Persons, employees, Clients and all those dealing with or through them.

Delegation of Powers

8.14**(a)** The Governing Council may subject to such conditions as it may think fit delegate such of its powers (except the power to make, add to, vary and rescind any Rules, Bye-laws or Regulations) as it may from time to time determine to the Chief Executive Officer or the Chairman or to committees appointed out of its own members or any other person(s) and may likewise delegate the performance of such ministerial and administrative duties as it may deem expedient to the Chief Executive Officer or to the Chairman or to committees composed of its own members and/or to any officer of the Derivatives Segment and/or any other person(s).

Representation

(b) A person affected by a decision of the Chief Executive Officer or the Chairman or a Committee or an Officer of the Exchange or the Governing Council or any other person(s) acting under powers delegated by the Governing Council as provided in sub-clause (a) may make a representation to the Governing Council within seven days after the decision has been communicated to the concerned Member and the Governing Council may, on such representation, modify such decision. Provided that a person shall not be entitled to make a representation to the Governing Council in respect of a decision which has been made by the Governing Council on a representation under this Rule..

Delegation of Powers in Emergency

8.15 Whenever the Governing Council in its discretion is of the opinion that an emergency exists it may by a special resolution delegate all of its powers for such period as it may determine to the Chief Executive Officer or to the Chairman or to a special committee appointed out of the members of the Governing Council from whose decision there shall be no appeal.

Exchange as Trustees

8.16 The Exchange shall hold on behalf of the Derivatives Segment and subject to these Rules, Bye-laws and Regulations and the Rules, Bye-laws and Regulations of the Exchange, as agent and in trust for the concerned Trading Member or Clearing Member all sums of money paid and securities delivered by him to the Clearing House and all credits and securities to which he is entitled as appearing in his account in the books of the Clearing House.

Indemnity to the Exchange and Governing Council

8.17 The Exchange, the Governing Council and its members shall in no way either collectively or individually be held liable by any person for any act or omission on its part or on the part of any employee of the Exchange done or omitted to be done in good faith in the due discharge of duties and in the execution or purported execution of their duties or of any powers, authorities or discretions vested in them including all liabilities, costs, losses or expenses consequent on any mistake, oversight or omission on their part and they shall be fully indemnified by the Exchange out of its funds for anything so done or omitted to be done.

CHAPTER IX

MEETINGS OF THE GOVERNING COUNCIL

Meetings of the Governing Council

9.1 The Governing Council may meet for the despatch of business, adjourn and otherwise regulate its meetings as it deems fit.

Ordinary Meetings

9.2 Ordinary meetings of the Governing Council may be called by the Chief Executive Officer or the Chairman at any time and by the Secretary as directed by the Governing Council.

Chief Executive Officer or Chairman May Call Special Meeting

9.3**(a)** The Chief Executive Officer or the Chairman may at any time call a special meeting of the Governing Council.

Special Meeting on Requisition

(b) The Secretary shall call a special meeting of the Governing Council within twenty-four hours of the receipt of a requisition to that effect signed by two or more members of the Governing Council failing which any two of the signatories may call such meeting.

Urgent and Emergency Meetings

9.4 In case of urgency a special meeting may be called at less than twenty-four hour's notice and in case of emergency one-hour's notice of a special meeting shall be deemed sufficient.

Notice of Special Meeting

9.5**(a)** A notice calling a special meeting shall state the purpose for which it is called. In the case of an urgent or emergency meeting the notice shall state the nature of the urgency or the emergency and the business to be transacted at the meeting and no other business shall be transacted at such meeting.

Business When Not to be stated

(b) Notwithstanding anything contained in sub-clause (a) when the Chief Executive Officer or the Chairman is of the opinion that the matter is confidential or of a nature not advisable to disclose he may direct that the notice calling a special meeting shall not state the business and/or the urgency or emergency of the special meeting.

Quorum

9.6**(a)** Unless otherwise specially provided, the quorum of the Governing Council shall be forty percent of the total number of appointed members of the Governing Council. If within half an hour from the time appointed for holding a meeting of the Governing Council, a quorum is not present, the members present on the expiry of half an hour from the time appointed for

holding the meeting (not being less than two members) shall be the quorum.

Interested Member Not to be Included in Quorum

(b) An interested member of the Governing Council shall not be included when counting the quorum prescribed under these Rules and Bye-laws for dealing with the question in which the member is interested.

Chairman to Preside

9.7 The Chairman of the Governing Council or in his absence the Chief Executive Officer shall preside at all meetings of the Governing Council. If there be no Chairman or Chief Executive Officer or if at any meeting the Chairman or Chief Executive Officer be not present within fifteen minutes of the time appointed for such meeting the members of the Governing Council present shall choose a member of the Governing Council as chairman of the meeting.

Chairman to have Casting Vote

9.8 In case of an equality of votes at a meeting of the Governing Council the chairman of the meeting shall have a casting vote in addition to the vote to which he is entitled as a member.

Voting

9.9 A member of the Governing Council shall be entitled to take part in the proceedings but it shall not be competent for him to vote -

Personal Interest

(i) on any question in which he is personally interested, the chairman of the meeting being the final judge whether he is so interested or not; or

Member of Committee

(ii) on the final decision in respect of any inquiry or dispute on which a decision has been given by a committee of which he has been a member. Except that no member of the Governing Council shall be so disqualified by reason of his being or having been a member of a committee which has made prior examination or investigation of the subject under consideration for the purpose of submitting a report; or

Absence During Hearings

(iii) On the decision in respect of any inquiry or dispute unless he has been present at every meeting of the Governing Council at which there has been a hearing of the inquiry or dispute.

Majority

9.10 Any question before the Governing Council shall be decided by a majority of the votes cast at a meeting of the Governing Council unless a specified majority is required by any Rule or Bye-law for the time being in force. Any

fraction that appears when determining the required majority shall be omitted.

Special Resolution

9.11 The quorum for a special resolution shall be six members of the Governing Council present at a meeting of the Governing Council and such special resolution shall be passed by a majority of at least two-thirds of the votes cast at the meeting (any fraction contained in such two-thirds being rounded off as one).

Ordinary Resolution by Circular

9.12 An ordinary resolution in writing approved by not less than two-thirds of the total number of members of the Governing Council present shall be as valid and effective as if it had been passed at a meeting of the Governing Council duly called and constituted.

Adjourned Meeting

9.13 Any meeting of the Governing Council may be adjourned from time to time and it shall be no objection to any resolution passed or any decision arrived at such meeting that all or any of the members of the Governing Council present were not present at the former meeting or meetings or that any of those present at any former meeting or meetings were not present at any adjourned meeting or meetings.

Proceedings

9.14 The Governing Council shall, unless otherwise provided, regulate and determine the manner and form in which its proceedings shall be conducted. Except as otherwise specially provided in these Rules it may with the permission of the Chairman consider and take action upon any matter at any ordinary or special meeting even though such matter has not been referred to in the notice of such meeting.

Governing Council Need Not Give Reasons

9.15 Save as provided in these Rules and Bye-laws, it shall not be necessary for the Governing Council to give any reason for or to record in its minutes the reasons or circumstances of any proceedings or decision and all proceedings and the information obtained in connection therewith shall be deemed confidential.

Members and Others to Appear Before Governing Council if Required

9.16 Members, their directors, partners, attorneys, agents, authorised clerks, Authorised Persons, Approved Users, representatives, officers and employees shall appear before such meetings of the Governing Council or of any committee appointed by it as they may be directed to attend and they shall give all such information and produce all such records as may be in their possession relative to any matter before the Governing Council or such committee.

Minutes

9.17 Minutes of the proceedings of the Governing Council shall be maintained under the authority of the Secretary. Such minutes shall be deemed confidential and shall not be available for inspection by Trading Members, Clearing Members or any member of the Exchange.

Correspondence

9.18 All communications to the Derivatives Segment or the Governing Council or any committee appointed by the Governing Council or to any official of the Derivatives Segment shall be made in writing and shall be signed and no action need be taken on any anonymous communications.

CHAPTER X

CHAIRMAN, CHIEF EXECUTIVE OFFICER AND SECRETARY

Chairman to Preside

10.1 The Chairman of the Governing Council shall preside at any meeting of the Trading Members, Governing Council or any standing or other committee, which he may attend. He shall have in case of an equality of votes, a casting vote in addition to the vote to which he may be entitled as a member.

Representatives of the Derivatives Segment

10.2**(a)** The Chief Executive Officer and/or the Chairman shall represent the Derivatives Segment officially in all public matters.

Ex-Officio Members of Committees

(b) The Chief Executive Officer and the Chairman shall be ex-officio members of any committee appointed by the Governing Council including the Derivatives Segment Disciplinary Action Committee but they shall not be members of the Derivatives Segment Arbitration Committee.

Special Power

10.3**(a)** The Chief Executive Officer and the Chairman and in the absence of the one, the other shall be entitled to exercise any or all of the powers exercisable by the Governing Council whenever they or he be of the opinion that immediate action is necessary, subject to such action being confirmed by the Governing Council within twenty-four hours.

Absence or Inability to Act

(b) In the absence of the Chief Executive Officer or in the event of his inability to act, his functions and powers shall be exercised under the directions of the Governing Council by a senior available officer of the Derivatives Segment appointed by the Governing Council in this behalf.

Secretary

10.4 The Secretary of the Exchange shall ex-officio be the Secretary of the Derivatives Segment.

CHAPTER XI

STANDING COMMITTEES

Arbitration, and Disciplinary Action Committee

11.1**(a)** The Governing Council shall within six months of it being constituted and thereafter every year at the first meeting in April after its election appoint -

Arbitration Committee

(i) a Derivatives Segment Arbitration Committee consisting of Trading Members who may or may not also be Clearing Members.

Disciplinary Action Committee

(ii) a Derivatives Segment Disciplinary Action Committee consisting of 40% persons from among Trading Members and/or Clearing Members and 60% persons who are not Trading and/or Clearing Members or members of the Exchange to be appointed with the approval of SEBI. In addition to the above, the Chairman and Chief Executive Officer shall be ex-officio members of the Derivatives Segment Disciplinary Action Committee.

Explanation: For the purposes of clause (a) of Rule 11.1 the term "Trading Members" shall include representatives of Trading Members who are corporate bodies appointed in accordance with Rule 11.2.

Alteration in Number of Members

(b) The Governing Council may from time to time determine, increase or reduce the number of members of the Derivatives Segment Arbitration Committee or the Derivatives Segment Disciplinary Action Committee. A change in the number of members of the Derivatives Segment Disciplinary Action Committee shall be in terms of the ratio mentioned in clause 11.1(a)(ii) above.

(c) Only an individual may be a member of the Derivatives Segment Arbitration Committee. and/or the Derivatives Segment Disciplinary Action Committee.

Nominee of Body Corporate

11.2 A Trading Member which is a body corporate (hereinafter referred to as **"a Corporate Trading Member"**) may nominate a director of the Corporate Trading Member as its representative for appointment on any committee under Rule 11.1(a). A Corporate Trading Member shall not be entitled to have more than one representative on the same committee at the same time. A representative shall cease to be a member of the committee if he ceases to be a director of the Corporate Trading Member who he represents in which event the Corporate Trading Member shall be entitled to replace such person and nominate another in his place during the remaining term of the originally elected member. Such representative shall also cease to be a member of the committee if the nominating Corporate Trading Member ceases to be a Trading Member. If any event occurs which would have caused the Corporate

Trading Member (if it was an individual Trading Member who was a member of the Governing Council) to cease to be a member of the Governing Council, then such representative shall cease to be a member of the Governing Council and the Corporate Trading Member shall not be entitled to nominate another in his place. The provisions of clauses (iii) to (xiii) of Rule 11.11 shall apply to such representative individually as also to the Corporate Trading Member who he represents.

Partners as Committee Members

11.3 A partner (who is not himself a Trading Member) of a Trading Member in a partnership firm approved by the Governing Board of the Exchange may be appointed on a Committee under clause (a) of Rule 11.1. However, not more than one partner of a partnership firm may be a member of the same Committee at one and the same time. The provisions relating to a representative of a Corporate Trading Member shall, so far as may be applicable, apply *mutatis mutandis* to a partner (who is not himself a Trading Member) as if such partnership were a corporate and the partner (who is not himself a Trading Member) were a Corporate Trading Member.

Chairman and Honorary Secretary

11.4 Each Committee shall immediately after its nomination elect from its own body its Chairman. The Committee may also elect from its own body an Honorary Secretary.

Retiring Members

11.5**(a)** All retiring members of a Committee shall be eligible for re-nomination.

Retiring Members When to Continue in Office

(b) All retiring members of a Committee shall continue in office until their successors are validly nominated.

Quorum

11.6(a) A committee may from time to time determine its own quorum; Provided that such quorum shall not be less than one-third of the total number of members of the committee (any fraction contained in that one-third being rounded off as one) or three committee members, whichever is higher.

(b) Notwithstanding anything contained in clause (a) of Rule 11.6, the Derivatives Segment Arbitration Committee may hear and decide arbitrations by benches constituted of one or more of its own members in the manner provided in these Bye-laws or Regulations and the provisions relating to quorum and voting shall not apply to such benches.

Voting

11.7 Any question before a committee shall be decided by a majority of the votes cast at a meeting and in case of an equality of votes the Chairman shall have a casting vote in addition to the vote to which he is entitled as a member.

Proceedings

11.8 Unless otherwise provided or directed, a Committee shall conduct and regulate its proceedings in the same manner as the Governing Council. However the Derivatives Segment Disciplinary Action Committee shall record reasons for its decisions.

Leave

11.9 A committee may give any member thereof leave of absence for a period not exceeding four months and may declare the seat of such member temporarily vacated in which event the vacancy shall be filled by the Governing Council. The member so appointed shall vacate office on the absentee member intimating to the committee his ability to attend the affairs of the committee.

Removal of Member

11.10 The Governing Council may for reasons to be recorded remove a member of a committee from such committee.

Provided that a member appointed with the approval of SEBI shall be removed only with the approval of SEBI.

11.11 A person shall forthwith cease to be a member of the Derivatives Segment Disciplinary Action Committee upon the occurrence of any of the events specified in clauses (i) to (xiii) below and of the Derivatives Segment Arbitration Committee upon the occurrence of any of the events specified at clauses (iii) to (xiii) below:

(i) if he is a member of the committee by reason of his being the Chief Executive Officer and he ceases to be the Chief Executive Officer,

(ii) if he is a member of the Committee by reason of his being the Chairman and he ceases to be the Chairman,

(iii) if he was a Trading Member at the time when he was appointed a member of the Committee or at any time thereafter and he ceases to be a Trading Member,

(iv) if he was a Clearing Member at the time when he was appointed a member of the Committee or at any time thereafter and he ceases to be a Clearing Member,

(iv) he dies,

(v) he is found to be of unsound mind by a court of competent jurisdiction,

(vi) he applies to be adjudicated an insolvent,

(vii) he is adjudicated an insolvent,

(viii) he is convicted by a court of any offence involving moral turpitude,

(ix) he leaves India on a permanent basis,

(x) the Governing Council is of the opinion that by reason of illness or infirmity he has become incompetent to properly discharge his duties as a member of the Committee,

(xi) he resigns as a member of the Committee,

(xii) he is removed as a member of the Committee by the Governing Council

or

(xiii) his registration as a Trading Member, Clearing Member or broker under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Rules, 1992 is suspended or cancelled.

Casual Vacancy

11.12 If a casual vacancy arises in a Committee by reason of death, resignation, removal, expulsion, absence for a period exceeding four months or for any other reason such vacancy shall be filled by the appointment of an eligible person by the Governing Council with the approval of SEBI and the member so appointed shall retain office till the next appointment and shall be eligible for re-appointment.

Provided that when a person has ceased to be a member of the Committee by reason of his having ceased to be the Chairman or the Chief Executive Officer, such vacancy shall be filled by the person who next occupies the office of the Chairman or the Chief Executive Officer, as the case may be.

11.13 All claims, disputes and differences between Trading Members *inter se*, between Clearing Members *inter se*, or between Trading Member(s) and Clearing Member(s) arising out of or relating to any contract or transaction in Derivatives or on the **Derivatives Segment** shall be referred to the arbitration of an arbitral tribunal constituted by the Derivatives Segment Arbitration Committee in accordance with the Derivatives Segment Bye-laws and Regulations.

11.14 **All claims, disputes and differences** between a Trading Member or a Clearing Member on the one hand and one or more constituents on the other hand arising out of or relating to any contract or transaction in Derivatives or on the Derivatives Segment shall be referred to the arbitration of an arbitral tribunal in accordance with the Derivatives Segment Bye-laws and Regulations.

CHAPTER XII

APPROVED USERS

Approved Users

12.1 No person shall be appointed as an Approved User unless he is a partner in a firm (approved by the Governing Board or the Governing Council) or a director or employee of the Trading/Clearing Member or is under a contract with the Trading/Clearing Member for a consideration to be paid by the Trading/Clearing Member to the Approved User and unless such person has passed a certification program which has been approved by the Governing Council and by SEBI. The passing of such certification shall be deemed to constitute the approval of the Derivatives Segment to appoint such person as an Approved User subject to such terms and conditions as the Governing Council may from time to time specify.

Minimum Number of Approved Users

12.2 A Trading/Clearing Member shall have at least two Approved Users or such higher minimum number of Approved Users as may from time to time be specified by the Governing Council or SEBI. If the number of Approved Users of a Trading/Clearing Member at any time falls below the prescribed minimum then the Trading/Clearing Member shall appoint such number of new Approved Users as may be required to make up the minimum within one month, failing which the Trading/Clearing Member shall suspend business forthwith on the expiry of such one month, until the required number of new Approved Users are appointed.

Approved User Not to be Another's Employee

12.3 An Approved User shall be an individual and must not be in the employ of any person other than the concerned Trading Member or Clearing Member.

Approved User to Act for one Member only

12.4 No person shall be an Approved User to more than one Trading Member and/or Clearing Member.

Register of Approved Users

12.5**(a)** A register of Approved Users shall be maintained by the Derivatives Segment, in which shall be entered the names of all Approved Users together with the dates of their appointment and discharge and the names of the Trading Members or Clearing Members employing them.

Inspection of Register

(b) The register shall not be open to inspection generally but only to the Chief Executive Officer, Chairman or to the Governing Council sitting as such.

Registration and Removal

(c) The Governing Council shall have full power to refuse to recognise appointment of any Approved User and can remove the name of any Approved User from the register without assigning any reason. In such a case the Trading/Clearing Member shall, if required, immediately appoint other Approved User(s) to meet the minimum number as per Rule 12.2 above.

Bound by Rules, Bye-laws and Regulations

12.6**(a)** An Approved User shall be bound to observe the Rules, Bye-laws and Regulations of the Exchange.

Grant, Refusal or Suspension of Admission

(b) The Governing Council may in its absolute discretion at any time suspend the approval of an Approved User without assigning any reason whatsoever.

Approved User Not to Make Contracts

12.7 When using the Authorised Workstation of any Trading Member or Clearing Member an Approved User shall not make contracts on behalf of any other Trading Member or Clearing Member. An Approved User acting in violation of this provision shall be immediately suspended or expelled by the Governing Council.

Approved User Not to Sign Contract Notes

12.8 An Approved User shall not sign contract notes in his own or any other name nor shall he sign on behalf of his employer unless appointed by such employer as his constituted attorney for that purpose.

Approved User Not to Advertise

12.9 An Approved User shall not advertise or issue price lists or circulars.

Minors Ineligible

12.10 No person shall be an Approved User who is under eighteen years of age.

Defaulter Ineligible

12.11 No Trading/Clearing Member shall take into or continue in his employment as an Approved User a former Trading Member or Clearing Member or member of the Exchange or of any other stock exchange who has been declared a defaulter.

Suspended and Expelled Members

12.12 A Trading/Clearing Member shall not, without the special permission of the Governing Council, take into or continue in his employment as an Approved User a former Trading Member or Clearing Member or member of the Exchange or of any other stock exchange who has been suspended or expelled.

Notice of Authorisation, Termination

12.13 A Trading Member or Clearing Member appointing or employing an Approved User or terminating the appointment or employment of an Approved User shall give notice in writing within 24 hours of such event. The notice shall be sent to the Derivatives Segment containing the name of such Approved User and of the date of the commencement or termination of his employment.

Member Liable for Contracts of Approved User

12.14 A Trading Member or Clearing Member shall be liable for all contracts made in the Derivatives Segment market by his Approved User. He shall fulfil such contracts according to the Rules, Bye-laws and Regulations of the Exchange in the same manner as if such contracts had been made personally by him.

CHAPTER XIII

Additional Terms in Case of companies

13.1 The Memorandum and Articles of Association of a Trading Member or Clearing Member, which is a body corporate, shall contain such provisions as the Governing Council may from time to time require. The list of shareholders of the body corporate shall be promptly furnished to the Derivatives Segment. The shareholders for the time being shall be persons acceptable to the Governing Council or persons who have acquired shares pursuant to the Governing Council's general consent mentioned below. No such Trading/Clearing Member shall modify its Memorandum or Articles of Association or change its share capital or shareholding pattern without the consent of the Governing Council. The Governing Council may however, subject to such terms and conditions as it thinks fit to impose, grant a general consent permitting such Trading / Clearing Member to amend all or a portion of its shareholding from time to time without requiring any further consent of the Governing Council.

13.2 Unless the Governing Board of the Exchange or SEBI specify a higher number, every Trading Member which is a body corporate shall have two Designated Directors who shall be previously approved by the Exchange and/or SEBI.

13.3 Unless the Clearing Council or SEBI specify a higher number, every Clearing Member, which is a body corporate, shall have two Designated Directors who shall be previously approved by the Exchange and/or SEBI.

13.4 Every Trading/Clearing Member, which is a body corporate, shall inform the Derivatives Segment of any change in its board of directors within 48 hours of the change.

CHAPTER XIV

DISCIPLINARY PROCEEDINGS

Disciplinary Jurisdiction

14.1 Notwithstanding any action taken by SEBI or any matter under consideration of SEBI under the SEBI Act, 1992, or any rule, regulation or other statute, the Governing Council may cancel or suspend the registration of and/or fine and/or censure and/or warn and/or withdraw any of the Trading Membership or Clearing Membership rights of a Trading Member or Clearing Member if he be guilty of contravention, non-compliance, disobedience, disregard or evasion of any of the Rules, Bye-laws and Regulations of the Exchange or of any resolutions, orders, notices, directions or decisions or rulings of the Exchange or the Governing Council or the Chairman or the Chief Executive Officer or of any committee or officer of the Exchange authorised in that behalf, or of any conduct, proceeding or method of business which the Governing Council in its absolute discretion deems dishonourable, disgraceful or unbecoming a member of the Derivatives Segment or inconsistent with just and equitable principles of trade or detrimental to the interest, good name or welfare of the Exchange or prejudicial or subversive to its objects and purposes.

Offences by Directors, Partners, Officers, Representatives, Agents and Employees of Members

14.2 The Governing Council may expel or suspend and/or fine and/or censure and/or warn the partner of a Trading Member or a Clearing Member or his director, partner, officer, attorney, agent, Approved User, Authorised Person or employee for any act or omission which if done or omitted by the Trading /Clearing Member would subject him to the same penalties.

Member's responsibility for Partners, Agents and Employees, etc.

14.3 A Trading Member or a Clearing Member shall be fully responsible for the acts and omissions of his partnership firm and of his partners, directors, officers, representatives, attorneys, agents, Approved Users, Authorised Persons and employees. If any such act or omission be held by the Governing Council to be one which if done or omitted by the Trading Member or a Clearing Member would subject him to any of the penalties as provided in the Rules, Bye-laws and Regulations of the Exchange, then such Trading Member or a Clearing Member shall be liable therefore to the same penalty, to the same extent as if such act or omission had been done or omitted by him personally.

Members and Others to Testify and Give Information

14.4 A Trading Member or a Clearing Member shall appear and testify before and cause his partners, directors, officers, attorneys, agents, Approved Users, Authorised Persons and employees to appear and testify before the Governing Council or the Chairman or the Chief Executive Officer or before a committee or an officer of the Derivatives Segment authorised in that behalf

and shall produce and cause to be produced before the Governing Council or the Chairman or the Chief Executive Officer or before a committee or an officer of the Derivatives Segment authorised in that behalf such books, correspondence, documents, papers and records or any part thereof which may be in his or their possession and which may be deemed relevant or material to any matter under inquiry or investigation.

Permission Necessary for Legal Representation

14.5 No person shall have the right to be represented by professional counsel, attorney, advocate or other representative in any investigation or hearing before the Governing Council, the Chairman, the Chief Executive Officer or any committee unless the Governing Council or the Chairman or the Chief Executive Officer or committee so permits.

Explanation Before Suspension or Expulsion

14.6 A Trading Member or a Clearing Member shall be entitled to be summoned before the Governing Council or the Chairman or the Chief Executive Officer or any Committee and afforded an opportunity for explanation before his registration is suspended or cancelled but in all cases the findings of the Governing Council or the Chairman or the Chief Executive Officer or the Committee shall be final and conclusive.

Penalties How Imposed

14.7 The penalty of suspension or withdrawal of all or any of the Trading Membership and/or Clearing Membership rights, fine censure or warning may be inflicted singly or conjointly by the Governing Council or the Chairman or the Chief Executive Officer or the Committee. The penalty of cancellation of Trading/Clearing Membership rights shall be inflicted only by a special resolution of the Governing Council.

Pre-determination of Penalties

14.8 The Governing Council shall have the power to pre-determine the penalties (which may include revocation or suspension of Trading/Clearing membership, fine, censure, warning or any action which may withdraw all or any of the Trading/Clearing Membership rights.) The period of any suspension, the withdrawal of particular membership rights and the amount of any fine that would be imposed on contravention, non-compliance, disobedience, disregard or evasion of any Rule, Bye-law or Regulation of the Exchange relating to the Derivatives Segment or of any resolution, order, notice, direction, decision or ruling there under of the Derivatives Segment, the Governing Council or the Chairman, or the Chief Executive Officer of any committee or officer of the Derivatives Segment authorised in that behalf shall be determined by the Governing Council from time to time.

Commutation

14.9 Subject to the provisions of the Securities Contracts (Regulation) Rules, 1957 the Governing Council in its discretion may in any case suspend the registration of a Trading/Clearing Member in lieu of the penalty of cancelling

his registration or may withdraw all or any of the Trading/Clearing Membership rights or impose a fine in lieu of the penalty of suspension or cancellation and may direct that the guilty Trading/Clearing Member be censured or warned or may reduce or remit any such penalty on such terms and conditions as it deems fair and equitable.

Reconsideration

14.10 Subject to the provisions of the Securities Contracts (Regulation) Rules 1957 the Governing Council may of its own motion or on appeal by the Trading/Clearing Member concerned, reconsider and may rescind, revoke or modify its resolution withdrawing all or any of the Trading/Clearing membership rights of or fining, censuring or warning any Trading/Clearing Member. In a like manner the Governing Council may by a special resolution rescind, revoke or modify its resolution cancelling or suspending the registration of any Trading/Clearing Member.

Failure to Pay Fines and Penalties

14.11 If a Trading/Clearing Member fails to pay any fine or penalty imposed on him within seven days after notice in writing has been served on him by the Exchange his registration may be suspended by the Governing Council until he makes payment and if within a further period of thirty days he fails to make such payment his registration may be cancelled by the Governing Council.

Consequences of Suspension

14.12 The suspension of the registration of a Trading/Clearing Member shall have the following consequences namely -

Suspension of Membership Rights

(i) the suspended Trading/Clearing Member shall during the term of his suspension be deprived of and excluded from all the rights and privileges of Trading/Clearing Membership including the right to attend or vote at any meeting of the Trading Members. But he may be proceeded against by the Governing Council for any offence committed by him before, during or after his suspension. The Governing Council shall not be debarred from taking cognisance of and adjudicating on or dealing with any claim made against him by other members;

Rights of Creditors Unimpaired

(ii) the suspension shall not affect the rights of the Trading/Clearing Members or clients who are creditors of the suspended Trading/Clearing Member;

Fulfilment of Contracts

(iii) the suspended Trading/Clearing Member shall be bound to fulfil contracts outstanding at the time of his suspension;

Further Business Prohibited

(iv) the suspended Trading/Clearing Member shall not during the term of his suspension make any contract on or through any Authorised Workstation or transact any business with or through a Trading/Clearing Member provided that he may with the permission of the Governing Council close with or through a Trading/Clearing Member the transactions outstanding at the time of his suspension;

Members Not to Deal

(v) no member of the Exchange or Trading/Clearing Member shall transact business for or with a suspended Trading/Clearing Member for one year from the date of suspension or share brokerage with a suspended Trading/Clearing Member during the term of his suspension except with the previous permission of the Governing Council.

Collateral Suspensions of all Segments

(vi) the membership of the Exchange and his registration/membership of all segments of the Exchange shall also be suspended during the period of suspension of his registration as a Trading/Clearing Member.

Collateral Suspension of Clearing Rights

(vii) if the registration as regards the Trading Membership (or Clearing Membership) of a member who is a Trading Member as also a Clearing Member is suspended then his Clearing Membership (or Trading Membership) shall also be suspended during the period of such suspension.

Consequences of Expulsion

14.13 The cancellation of the registration of a Trading/Clearing Member shall have the following consequences namely -

(i) the expelled Trading/Clearing Member shall forfeit his right of Trading/Clearing Membership and all rights and privileges as a Trading/Clearing Member including any right to the use of or any claim upon or any interest in any property or funds of the Exchange or of the Derivatives Segment or of the Derivatives Segment Trade Guarantee Fund or the Clearing House but any liability of any such member to the Exchange, the Derivatives Segment, to the Clearing House, to the Derivatives Segment Trade Guarantee Fund or to any Trading/Clearing Member of the Exchange or any client shall continue and remain unaffected by his expulsion;

Office Vacated

(ii) the cancellation shall create a vacancy in any office or position held by the expelled Trading/Clearing Member or its representative;

Rights of Creditors Unimpaired

(iii) the cancellation shall not affect the rights of the Trading/Clearing Members who are creditors of the expelled Trading/Clearing Member;

Fulfilment of Contracts

(iv) the Trading/Clearing Member whose registration has been cancelled (hereinafter referred to as **"expelled Trading/Clearing Member"**) shall be bound to fulfil transactions outstanding at the time of the cancellation and he may with the permission of the Governing Council close such outstanding transaction with or through a Trading/Clearing Member;

Members Not to Deal

(v) no member of the Exchange or Trading/Clearing Member shall transact business for or with or share brokerage with the expelled Trading/Clearing Member except with the previous permission of the Governing Council.

Expulsion from All Memberships

(vi) the expelled Trading/Clearing Member shall cease to be a member of the Exchange and shall stand expelled from the membership of the Exchange and all segments of the Exchange and all his registrations with the Exchange shall stand cancelled.

Cancellation of Registration - Rules to Apply

14.14 When a Trading/Clearing Member ceases to be such under the provisions of these Rules otherwise than by death or resignation, it shall be as if such Trading/Clearing Member's registration has been cancelled by the Governing Council and in that event all the provisions relating to cancellation of registration contained in these Rules shall apply to such member in all respects.

Suspension of Business

14.15**(a)** The Governing Council or the Chairman or the Chief Executive Officer shall require a Trading/Clearing Member to suspend his business when he fails to maintain or provide further security as prescribed in these Rules and the suspension shall continue until he pays the necessary amount by way of security. Suspension of business for any Trading/Clearing Member in one segment would automatically bar the Trading/Clearing Member from continuing business in any segment of the Exchange or as a member of the Exchange.

Penalty for Contravention

(b) The registration of a Trading/Clearing Member who is required to suspend his business under sub-clause (a) shall be cancelled by the Governing Council if he acts in contravention of the provisions of this Rule.

Notice of Penalty and Suspension of Business

14.16 Notice shall be given to the Trading/Clearing Member concerned and to the Trading/Clearing Members in general by a notice on the Notice Board of the Exchange of the expulsion, suspension or default of or the suspension of business by a Trading/Clearing Member or any other penalty imposed on him or on his directors, partners, officers, representatives, attorneys, agents, authorised clerks or other employees. The Governing Council may in its

absolute discretion and in such manner as it thinks fit notify or cause to be notified to the members of the Derivatives Segment, the Exchange or to the public that any person who is named in such notification has been expelled, suspended, penalised or declared a defaulter or has suspended his business or ceased to be a Trading/Clearing Member. No action or other proceedings shall in any circumstances be maintainable by such person against the Exchange or the Governing Council or the Clearing Council or the Clearing House or any member of the Governing Council or the Clearing House or any officer or employee of the Exchange or the Clearing House for the publication or circulation of such notification. The application for membership or the application for registration as a member, director, officer, representative, partner, constituted attorney, or clerk by the person concerned shall operate as license and this Rule shall operate as leave to print, publish or circulate such advertisement or notification and be pleadable accordingly.

CHAPTER XV

CONSTITUTED ATTORNEYS

Power of Attorney

15.1 No Trading/Clearing Member shall give a Power of Attorney to any person to carry on or supervise any business on, or in relation to, Derivatives or the Derivatives Segment unless the person to whom he proposes to give such Power of Attorney is in all respect eligible for Trading/Clearing Membership, (as the case may be), and is approved by the Governing Council.

Appointment of Substitutes

15.2 No substitute shall be appointed under a Power of Attorney given by a Trading/Clearing Member unless the person proposed to be appointed as a substitute is in all other respect eligible for Trading/Clearing Membership (as the case may be) and is approved by the Governing Council.

Registration of Power of Attorneys

15.3 Any Power of Attorney granted by a member and any substitution there under must be registered and a copy thereof filed with the Derivatives Segment.

Register of Constituted Attorneys

15.4 A register of Constituted Attorneys shall be maintained by the Derivatives Segment in which the names of the constituted attorneys and the names of the appointing Trading/Clearing Members and the names of the substitutes appointed by such attorneys together with the dates on which the authority is granted and rescinded shall be entered.

Member's Liability

15.5 Nothing contained in these Rules shall absolve the Trading/Clearing Member granting the Power of Attorney from responsibility for the acts of his attorney or substitute.