Comments on the proposed Bye-Laws can be offered by any person within ten days from December 12, 2014 at the following address or by email to amendments.byelaws@bseindia.com
The Company Secretary,
BSE Ltd,
25th Floor, P.J. Tower,
Dalal Street, Fort.
Mumbai - 400 001
Bye-laws
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CHAPTER- I

DEFINITIONS

(1) "Board" means the Board of Directors of BSE Limited;

(2) “BSE Limited/BSE” mean a company incorporated and registered under the Companies Act, 1956, which, inter alia, carries on the business of providing trading platforms to various investors and is a recognized stock exchange;

(3) “Bye-laws” mean these Bye-laws or Bye-laws of BSE;

(4) "Committees" mean the committees formed by BSE Limited in accordance with its Rules and Bye-laws or in accordance with the directions of SEBI from time to time;

(5) “Clearing Member” shall mean a person/entity who/which has been admitted as a member to clear or settle trades executed on the platform of the Exchange;

(6) “Constituent” shall, in relation to a Trading Member mean a person on whose instructions and on whose account any contract for purchase or sale of any securities is executed and in relation to a Clearing Member mean (i) either a Trading Member or (ii) a client for whom trade was executed by the Trading Member or (iii) a client for whom the Clearing Member acted as Custodian Clearing Member and may also be referred to as “client”;

(7) "Exchange" means BSE;

(8) "Issuer" includes a Government, statutory body, a body corporate or other entity, whether incorporated or not, which issues any security or other instrument, or draws or accepts a negotiable instrument which is admitted to dealings on the BSE;

(9) "Market-Maker" means an entity permitted by the Exchange for market making in securities;

(10) “Member/s” as the context may require, means either the Trading Member or the Clearing Member or both;

(11) "Official List of BSE securities" means the list of securities which are listed and/or permitted to be traded on the platform of BSE;

(12) "Regulations", unless the context indicates otherwise, includes business rules, circulars, notices, code of conduct and such other regulations prescribed by the relevant authority from time to time;

(13) "Relevant Authority" shall mean the Board, Securities and Exchange Board of India, Managing Director of BSE Limited, Indian Clearing Corporation Limited, such other person or committee, as the context may admit or require, or any person/committee as may be specified by the Board from time to time;
(14) "Rules", unless the context indicates otherwise, means the rules framed by BSE Limited from time to time in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956 or in accordance with the directions of Securities and Exchange Board of India from time to time;

(15) "SEBI" means the Securities and Exchange Board of India;

(16) "Securities/Security" shall have the meaning as assigned to the term in the Securities Contracts (Regulation) Act, 1956 and shall also include such other class of monetary transactions or instruments, scripless or otherwise, as may be admitted to dealings on the Exchange;

(17) "Security admitted to dealings" means a security which is listed or which is permitted to trade;

(18) "Trading Member" mean a person/entity who/which has been admitted as a trading member by the Exchange and has the right to trade on the platform provided by the Exchange in accordance with its Rules, Bye-laws and Regulations;

(19) "Trading Segment/s" or "Segments" shall mean different segments of BSE in which the relevant securities are traded / eligible to be traded;

(20) "Trading system/platform of the BSE" means a system which makes available to the trading members by whatever method, quotations of securities and disseminates information regarding trades effected, volumes, etc. and such other notifications as may be placed thereon;

(21) Unless otherwise warranted by the context or meaning thereof, the terms used but not defined in these Bye-Laws shall have the meaning assigned to such terms either under the Securities Contracts (Regulations) Act, 1956, the Companies Act, 1956 or the Companies Act, 2013, the Securities and Exchange Board of India Act, 1992, the Depositories Act or in such other laws relating to securities market or Regulations of the Exchange.
CHAPTER II

TRADING SEGMENTS

(1) The Exchange may determine to have one or more trading segments as it may deem fit and proper from out of the trading segments in respect of which SEBI has granted its approval to the Exchange. The Exchange shall seek the approval of SEBI before introducing any new trading segment.

(2) The securities which will be eligible for admission to different trading segments will be specified by the relevant authority from time to time.

Wholesale Debt Market Segment

(3) Instruments used for Wholesale Debt Market transactions may be admitted to dealings on the Wholesale Debt Market Segment subject to the Regulations and such other requirements which the relevant authority may prescribe from time to time.

Capital Market Segment/Equity Segment

(4) Securities eligible under the Securities Contracts (Regulation) Act, 1956, may be admitted to dealings on the Capital Market Segment.

Futures & Options Segment/Equity Derivatives Segment

(5) Derivatives contracts approved by SEBI may be admitted to dealings on the Futures & Options Segment.

Currency Derivatives Trading Segment

(6) Currency futures contracts, interest rate futures and any other contracts permitted by SEBI for admission to dealing on the Currency Derivatives Segment of the Exchange may be admitted on the Currency Derivatives Segment.

Debt Market Segment

(7) The securities prescribed by SEBI/Reserve Bank of India from time to time may be admitted to dealings in Debt Market Segment.

(8) The relevant authority may specify different trading segments from time to time for securities/instruments permitted by SEBI to be traded through the Exchange.
CHAPTER III

COMMITTEE

(1) Committee(s) shall be appointed by the Board in accordance with the procedure laid down in the Rules and in the Articles of Association of BSE Limited or as specified by SEBI. The role of each Committee shall be as determined by the Board or SEBI.

(2) The Board may constitute Committee(s) for each trading segment which shall have such responsibility and power as delegated by the Board from time to time.
CHAPTER IV

REGULATIONS

(1) The Board or the relevant authority may prescribe Regulations from time to time for regulating the operations of the Exchange and/or its members.

(2) Without prejudice to the generality of Bye law (1) above, the Board or the relevant authority may prescribe Regulations from time to time, inter alia, with respect to:

(a) norms, procedures, terms and conditions to be complied with for inclusion of securities in the Official List of BSE securities;

(b) fees payable by an Issuer for inclusion and continued inclusion in the Official List of BSE Securities;

(c) norms, procedures, terms and conditions for admission to dealings, suspension of trading and delisting of the securities;

(d) norms and procedures for admission of members, surrender of membership rights of members and continuance as members;

(e) norms and procedures for approval of market-makers;

(f) forms and conditions of contracts to be entered into, and the time, mode and manner for performance of contracts between trading members inter se or between trading members and their constituents;

(g) determination from time to time, of fees, system usage charges, deposits, margins and other monies payable by members, and by Issuers whose securities are admitted/to be admitted to dealings on the Exchange and the scale of brokerage chargeable by trading members;

(h) prescription, from time to time, of capital adequacy and other norms which shall be required to be maintained by members;

(i) supervision of the market and promulgation of such business rules/circulars and codes of conduct as it may deem fit;

(j) maintenance of records and books of accounts by members as it may deem fit and records as required under applicable laws;

(k) inspection of members and audit of records and books of accounts of members;

(l) prescription, from time to time, and administration of penalties, fines and other consequences, including suspension/expulsion for defaults or violation of any requirements and codes of conduct and criteria for readmission, if any, promulgated hereunder;
(m) disciplinary action/procedures against any member;

(n) settlement of disputes, complaints, claims arising between members inter-se as well as between members and persons who are not trading members relating to any transaction in securities made on the Exchange including settlement by arbitration or conciliation;

(o) norms and procedures for arbitration and conciliation;

(p) administration, maintenance and investment of the corpus of the fund(s) set up by the Exchange including Investor Protection Fund, to the extent permissible;

(q) norms and procedures for settlement and clearing of deals, including establishment and functioning of clearing corporation or providing other arrangements for clearing and settlement;

(r) norms, procedures, terms and conditions for registration and continuance of registration of members in securities borrowing and lending scheme;

(s) norms and procedures in respect of, incidental or consequential to closing out of contracts, deals or transactions;

(t) dissemination of information, announcements to be placed on the trading system or otherwise;

(u) norms and procedure for admission, continuance and discontinuance of various category(s) of market participants such as remisier, authorized clerk, constituted attorney, authorized persons, etc;

(v) any other matter as may be decided by the Board/relevant authority.
CHAPTER V

DEALINGS IN SECURITIES

Dealings Allowed

(1) Dealings in securities shall be permitted on the Exchange as provided in these Bye Laws and Regulations and save as so provided, no other dealings shall be permitted.

Admission of Securities to Dealings

(2) (a) Admission to dealings in securities which are listed or permitted to be traded shall be in accordance with the provisions prescribed by the Exchange in its Rules, Bye laws, Regulations or in accordance with such other requirements as may be specified by the relevant authority in that behalf from time to time.

(b) Admission of securities to listing on the Exchange shall be in accordance with provisions prescribed in these Bye Laws or Regulations or in accordance with the requirements specified by the relevant authority from time to time in that behalf.

(c) The relevant authority may admit from time to time securities which are listed or permitted to be traded on other stock exchange/s

Government Securities

(3) (a) Notwithstanding anything contained in Byelaw (2) of this Chapter, dealings shall be deemed to have been permitted in “Government securities”, which term for the purpose of the Rules, Bye Laws and the Regulations shall denote securities issued by Government of India, State Governments, Port Trusts, Municipalities, local authorities, statutory bodies and similar other bodies or authorities and include treasury bills issued by Government of India.

(b) Government securities shall be deemed to have been admitted to dealing on such market segment of the Exchange as may be prescribed by the relevant authority.

(4) Dealings in Securities Dealt on other Stock Exchanges

Without prejudice to the generality of Byelaw (2) above of this Chapter, the relevant authority may in its discretion and subject to such conditions as it may deem proper, permit dealings in any securities which are either listed or admitted to dealings on any other stock exchange or the dealings in which are regularly allowed on the other stock exchanges.

(5) Application for Admission to Listing

Application for admission of securities to listing on the Exchange shall be made to the Exchange in such manner along with requisite fees, if any, as prescribed by the relevant
authority from time to time.

The issuer shall be required to make an application for admission of securities to listing to the Exchange in such manner as may be prescribed by the relevant authority regardless that the securities previously issued by the issuer is already listed on the Exchange.

(6) **Conditions and Requirements of Listing**

The relevant authority may not grant admission to listing of the securities of an issuer unless it complies with the applicable laws (including the rules/regulations/circulars/direction issued by SEBI from time to time), conditions and requirements prescribed in the Bye Laws and Regulations, the listing agreement and such other conditions and requirements as prescribed by the relevant authority from time to time.

Subject to provisions of the applicable law, the relevant authority may waive or dispense with any of the listing requirements specified by the relevant authority or which the relevant authority is permitted under any law, rules, regulations, order, direction, circulars or notification issued by SEBI from time to time.

(7) **Refusal of Admission to Listing**

The relevant authority may, in its discretion, either approve (subject to such terms as it deems proper) the application for listing of securities on the Exchange, or defer the consideration and/or decision thereon (subject to such terms, conditions and compliances as the relevant authority may specify), or may altogether reject the application for listing of securities.

(8) **Fees**

Issuers desiring listing of securities on the Exchange shall pay such listing and such other fees and such other deposits as the relevant authority may from time to time determine.

(9) **Dealings in Provisional Documents**

The relevant authority may, in its discretion, permit dealings in Provisional Documents on such terms and conditions as it may deem fit. “Provisional Documents” for purposes of these Bye Laws and Regulations shall mean such documents as may be determined by the relevant authority from time to time in respect of an issuer whose securities are sought to be admitted to listing on the Exchange.

(10) **Issuers Registered Outside India**

Admission to listing/dealing on the Exchange shall not be granted to securities issued by a body corporate, fund or other entity registered or formed outside India unless:

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

(b) the same is permitted by the laws of India in force at the relevant time; and
(c) the body corporate, fund or other entity agrees to maintain a register of members or other similar record in India and agrees to abide by such other criteria as prescribed by the relevant authority from time to time.

(11) Specific Deals

The relevant authority may permit specific deals to be made in the case of securities not admitted to listing on the Exchange or which for the time being are prohibited or suspended for dealings.

(12) Prohibited Dealings

The relevant authority may suspend or prohibit dealings on the Exchange in any security or securities or any class or group of securities, for any cause or reason, as it may deem fit or in the interest of securities market and/or as directed by SEBI.

(13) Action For non-compliance with Listing Requirements.

(a) Suspension of Admission to Dealings on the Exchange.

In the event of any company whose Securities are listed on the Exchange not complying with the listing requirements as may be in force from time to time and/or any other conditions that the Exchange may specify from time to time the Exchange shall be entitled, without prejudice to any other rights and/or remedies that the Exchange may have against such company in law or under these Rules, Bye-laws and Regulations, to suspend at any time the admission to dealings on the Exchange granted to any security of such company for such period or periods as it may determine. At the expiration of the period of suspension the Exchange may revoke the suspension subject to such conditions as it deems fit.

(b) Without prejudice to what is stated in Bye-law 13 (a) above, every listed company shall comply with the condition of the Listing Agreement as prescribed by Exchange and/or SEBI from time to time and shall be liable to pay such fine(s) as may be prescribed by Exchange and/or SEBI from time to time for non-compliance of the Listing Agreement or any of the SEBI Regulation dealing with listing.

(c) In so far as the non-compliances of listing requirements set out in the Standard Operating Procedure prescribed by SEBI/Exchange from time to time are concerned, the manner of levying penalty, suspension and revocation of suspension of admission to dealing on the Exchange, shall be in accordance with the provisions set out therein.

(14) Withdrawal of Admission on Redemption or Conversion

The relevant authority may, if necessary, withdraw admission to listing and/or dealings granted to securities which are about to be exchanged or converted into other securities as a result of any scheme of re-organisation or reconstruction or which being redeemable
or convertible securities are about to fall due for redemption or conversion.

(15) **Withdrawal of Admission on Liquidation or Merger**

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

(16) **Withdrawal of Admission on the Exchange**

The relevant authority may, where deemed necessary, after giving an opportunity to the issuer, withdraw the admission to listing on the Exchange granted to its securities either for breach of, or non-compliance with the applicable laws (including the rules/regulations/circulars/direction issued by SEBI from time to time), conditions and requirements prescribed in the Bye Laws and Regulations, the listing agreement and such other requirements as may be prescribed by the Exchange from time to time.

(17) **Readmission on the Exchange**

The relevant authority in its discretion may readmit to listing on the Exchange the securities of an issuer whose admission had been previously withdrawn subject to conditions as may be prescribed by relevant authority.

(18) **Admission to dealings based on differential norms.**

Notwithstanding anything stated herein with regard to conditions for listing/dealing of Securities, the Exchange may admit to listing and permit dealing in such Securities and of such entities in such manner other than as prescribed herein provided the same is permitted by SEBI and is in accordance rules/regulation/ circulars/ directions issued by SEBI/the Exchange from time to time.
CHAPTER VI

TRADING MEMBERS

Appointment and Fees

(1) (a) The relevant authority may admit any person/entity as a trading member in accordance with the relevant laws and its Bye Laws, Rules and Regulations from time to time.

(b) The relevant authority may specify prerequisites, conditions, formats and procedures for application for admission, continuance, termination, re-admission, etc. of trading members to each trading segment. The relevant authority may, at its absolute discretion, refuse permission to any applicant to be appointed as a trading member.

(c) The trading member shall pay such fees, security deposits and other monies as may be specified by the Board or the relevant authority from time to time, on admission as a trading member and for continued admission. The fees, security membership deposits, other deposits, other monies and any additional deposits paid, whether in the form of cash, fixed deposit receipts, bank guarantee, securities or otherwise, with the Exchange, by a trading member from time to time, shall be subject to a first and paramount lien for any sum due to the Exchange and all other claims against the trading member for due fulfillment of engagements, obligations and liabilities of trading members under the Rules, Bye-laws and Regulations, including any obligation or liability arising out of or incidental to any dealings made on the Exchange. The Exchange shall be entitled to adjust or appropriate such fees, deposits and other monies for such dues and claims, notwithstanding any claim against the trading member under any other law or otherwise, without any reference to the trading member.

(d) Trading members may trade in relevant securities either on their own account as principals or on behalf of their constituents unless otherwise specified by the relevant authority and subject to such conditions which the relevant authority may prescribe from time to time.

(e) The relevant authority may create such categories of trading members from time to time as it may deem fit in accordance with the regulations/guidelines/circulars issued by SEBI, if any.

Conditions For Admission

(2) (a) Trading members shall adhere to the Bye Laws, Rules and Regulations of the Exchange and shall comply with such operational parameters, rulings, notices, circulars, guidelines and instructions of the Exchange/relevant authority as may be applicable.

(b) All contract notes issued by trading members for deals on the Exchange shall be
in the manner specified by the Exchange from time to time.

(c) Trading members shall comply with such requirements as may be specified by SEBI or as prescribed by the Exchange from time to time with regard to advertisements and issue of circulars in connection with their activities as trading members.

(d) Trading members shall furnish declarations relating to such matters and in such forms as may be prescribed by the relevant authority from time to time.

(e) Trading members shall furnish to the Exchange an Auditors' Certificate in such form and at such intervals certifying that the requirements specified/prescribed from time to time by Exchange pertaining to their operations have been complied with.

(f) Trading members shall furnish such information and periodic returns pertaining to their operations as may be required by the Exchange from time to time.

(g) Trading members shall furnish audited and/or unaudited financial or quantitative information and statements as may be required by the Exchange from time to time.

(h) Trading members shall extend full co-operation and furnish such information and explanation as may be required for the purpose of any inspection or audit authorised by the relevant authority or other authorised official of the Exchange into or with regard to any trades, dealings, their settlement, accounting and/or other related matters.

(i) A trading member shall not deal with sub-brokers who are not registered with SEBI nor allow operation of its trading terminal at any office other than its registered office, branch offices and the offices of its registered sub-brokers or such permitted places, in the manner prescribed by the Exchange.
CHAPTER VII
DEALINGS BY TRADING MEMBERS

Jurisdiction

(1) (a) Any deal entered into through the trading system of the Exchange or any proposal for buying or selling or any acceptance of any such proposal for buying and selling shall be deemed to have been entered/made at the computerized processing unit of the Exchange at Mumbai and the place of contracting as between the trading members shall be at Mumbai. In relation to any dispute/claims arising out of or in connection with or in relation to any dealing, the civil courts in Mumbai shall have exclusive jurisdiction and the jurisdiction of other courts shall be deemed to have been excluded. The provisions of this Byelaw shall not apply to any dispute between trading members and their constituents to which the Exchange is not a party.

(b) The record of the Exchange as maintained by a central processing unit or a cluster of processing units or computer processing units, whether maintained in any register, magnetic storage units, electronic storage units, optical storage units or computer storage units or in any other manner shall constitute the agreed and authentic record in relation to any dealing entered into through the trading system. For the purposes of any dispute the record maintained by the Exchange in any of the above modes shall constitute valid evidence in any dispute or claim between the constituents and the trading members or between the members inter-se.

Indemnity

(2) The Exchange shall not be liable for any unauthorized dealings done on the Exchange by any person.

Trading Members Only Parties to Trades

(3) (a) The Exchange shall not recognise as parties to any deal any persons other than its own members, and

(b) Every trading member is directly, solely and exclusively liable, in accordance with the Bye Laws, Rules and Regulations of the Exchange, to every other trading member with whom such trading member effects any deal on the Exchange for due fulfillment of the deal, whether such deal be on account of the trading member effecting it or on account of a constituent.

All Dealings Subject to Bye Laws, Rules and Regulations

(4) All dealings in securities on the Exchange shall be deemed made subject to the Bye Laws, Rules and Regulations of the Exchange and the Rules, Bye-laws and Regulations shall be a part of the terms and conditions of all such deals and the deals shall be subject to the exercise by the relevant authority of the powers with respect thereto vested in it by the Bye Laws, Rules and Regulations of the Exchange.
Inviolability of Trade

(5) (a) All the dealings in securities on the Exchange made subject to the Bye Laws, Rules and Regulations of the Exchange shall be inviolable and shall be cleared and settled in accordance therewith. However, the Exchange may by a notice annul the deal(s) on an application by a trading member in that behalf, if the relevant authority is satisfied after hearing the other party/parties to the deal(s) that the deal(s) is/are fit for annulment on account of fraud or willful misrepresentation or material mistake in the trade.

(b) Notwithstanding anything contained in clause (a) above, the Exchange may, to protect the interest of investors in securities and for proper regulation of the securities market, suo motu annul deal(s) at any time if the relevant authority is satisfied for reasons to be recorded in writing that such deal(s) is/are vitiated by fraud, material mistake, misrepresentation or market or price manipulation and the like.

(c) Any annulment made pursuant to clauses (a) and (b) above, shall be final and binding upon the parties to trade(s).

(d) On such annulment, no parties shall have right as otherwise would be available under the Rules, Bye-laws and Regulations, if such deal(s) would not have been annulled.

Deals by Representative trading members

(6) (a) A trading member may authorise another trading member to act as his representative for dealing in securities with the prior permission of the Exchange and on such terms and conditions as the relevant authority may prescribe from time to time.

(b) Any deal done by a representative trading member shall be deemed to be a deal done by the employing trading member and all such deals shall also be subject to same terms and conditions as would be applicable to deals done by employing trading member.

(c) The representative trading member and the employing trading member shall, at all times, comply with the conditions laid down by the relevant authority, failing which, the relevant authority may suspend or rescind the arrangement between the representative trading member and employing trading member.

Restriction on the trading members

(7) A trading member shall become a constituent of another trading member of the Exchange only for trading on his own account after obtaining permission of the Exchange. The member can not become a constituent of more than one trading member.
CHAPTER VIII

TRADING SYSTEM AND MARKET MAKERS

1) Trading Parameters

Dealing/trading on any trading segment of the Exchange shall take place in such manner as the relevant authority may from time to time specify. The relevant authority shall be entitled to determine all matters relating to trading on various trading segments of the Exchange. In particular and without prejudice to the generality of the aforesaid, in consonance with circulars, guidelines and parameters issued or specified by SEBI from time to time, the relevant authority shall specify the following parameters for dealing in securities by the members, which the members shall adhere to:

(a) the tick size in which orders can be entered into the trading system;
(b) exposure, trading, clearing and other limits in respect of any Member and the constituents;
(c) price bands;
(d) the regular/market lot size in which orders can be placed;
(e) for maintenance of an order book, inter alia, specifying various conditions on the basis of which an order shall become eligible to be placed;
(f) the maximum permissible open position;
(g) the procedure to be followed for off-line entries (i.e. outside trading hours) and terms and conditions for placing such entries;
(h) market making in securities;
(i) parameters for alteration in the prices at which the trades are done or at which the orders are placed and to expunge the price of any trade/order;
(j) limit of variation within a day or between days in bid and offer prices;
(k) the types of trades permitted for a trading member and a security;
(l) functional details of the trading system including the system design, users infrastructure, system operation;
(m) reduce, extend or otherwise alter the time of any trading session or sessions on any particular day or otherwise;
(n) other matters which may affect smooth operation of trading in securities keeping
in mind larger interest of the securities market.

(2) **Settlement of Trades/deals**

Unless the relevant authority otherwise permits, all trades executed by a trading member shall either be cleared and settled by such trading member himself (if such trading member is also a clearing member) or through any other clearing member in accordance with the Rules, Bye-laws, Regulations and circulars/notices issued by SEBI/relevant authority from time to time.

(3) **Segregation of Trades**

Every member shall segregate trades/deals executed by him on his own account from that of his constituent in the manner provided in the Rules, Bye-laws and Regulations or in such manner as SEBI/relevant authority may prescribe.

(4) **Order Management**

(i) **Order Instructions**: Trading Members shall ensure that instructions for placing an order is obtained from constituents prior to any order being placed on the Exchange and shall keep the relevant documents and records of the such instructions and of the completion or otherwise of the orders as per the Rules, Bye-laws and Regulations of Exchange and all other applicable laws.

(ii) **Entering of Unique Client Code**: Every trading member shall, at the time of entering an order, enter in the trading system the unique client code as prescribed by SEBI/the relevant authority.

(iii) **Supply of Order Details**: A trading member shall make available to his constituent the order number generated by the trading system and copies of the trade confirmation slip/modification slip/contract note, wherever applicable.

(iv) **Amendment or Cancellation of Orders**: The relevant authority may from time to time specify the procedures and conditions for amendment or cancellation of orders.

(v) **Types of Orders**: Subject to the restrictions, if any, specified by SEBI from time to time, the relevant authority shall be entitled to stipulate from time to time, the kind of orders that a trading member can place in the trading system and the order attributes thereof, which may include:-

(a) Market order/limit order

(b) Stop loss

(c) Immediate or cancel

(d) Good till day

(e) Good till cancelled
(f) Good till date

(5) ORDER VALIDATION

Orders entered into the trading system by trading members may be subject to various validation requirements as may be specified by SEBI/the Exchange from time to time including trading parameters, exposure limits and/or other restrictions. The orders that do not meet the validation requirements may not be accepted by the trading system.

The trading member shall ensure that the systems (hardware or software) used by it for placing the orders with the trading system of the Exchange shall contain necessary requirements/checks/validations as prescribed by SEBI/the relevant authority from time to time.

(6) The securities which will be eligible for market making, if at all, will be specified by the relevant authority from time to time.

(7) Registration of Market Makers

(a) Trading members may apply to be market makers in any security eligible for market making.

(b) Application for registration as a market maker shall be in such form and with such particulars as may be prescribed from time to time and such application may be accepted or deferred on such terms and conditions as the Exchange may deem fit or rejected, at the sole discretion of the Exchange.

(c) A registered market maker shall comply with all the requirements as specified by the relevant authority from time to time.

(d) A registered market maker may cease making a market in a particular security at any time in accordance with direction issued by the relevant authority.

(8) An obligation may be imposed on a trading member who acts as a market maker in certain securities, to take up additional market making in certain other securities as determined by the relevant authority from time to time.

(9) Suspension and Prohibition of Market Makers

(a) The relevant authority may either restrict or prohibit a registered market maker from displaying on or entering quotations into the trading system or dealing in securities in which he is registered as a market maker if:

(i) such market maker has been or is expelled or suspended or declared a defaulter from trading membership of the Exchange, or is unable to comply with the Exchange's Bye Laws, Rules and Regulations or whose registration is cancelled by the SEBI;
(ii) such market maker has defaulted on any transaction effected in respect of securities;

(iii) the market maker is in such financial or operating difficulties, that in the opinion of the relevant authority, such market maker ought not to be allowed to display on or enter quotations into the trading system of the Exchange having regard to the safety of investors, creditors or other trading members of the Exchange;

(iv) where such market maker, in the view of the relevant authority, ceases to meet qualification requirements for registration as a market maker.

(b) Any market maker which the relevant authority takes action against pursuant to Byelaw 9 (a) above shall be notified in writing of such action. Such a market maker shall be bound by and comply with the directions given by the relevant authority.

(10) **Operational Parameters for Market Makers**

The relevant authority may determine from time to time operational parameters for market makers which registered market makers shall adhere to.

(11) The operational parameters may, inter alia, include:

(a) limit of spread between bid and offer rates for different securities, if found necessary;

(b) fixation of market lots, odd lots and/or minimum number of securities to be offered to be bought or sold;

(c) limit of variation within a day or between days in bid and offer prices;

(d) the minimum stock of scrips which the trading member must maintain, below which he must intimate the relevant authority;

(e) other matters which may affect smooth operation of trading in securities in which he acts as a market maker, keeping in view larger interest of the public.

(f) The terms and conditions of incentives receivable by market makers.

(12) Without prejudice to the above subject however to such directions/circulars issued by SEBI from time to time, the Exchange may appoint such other categories of person(s)/entities for the purpose of providing market marking on such terms and conditions, as it may deem fit.
CHAPTER IX
MARGINS

1. Margin Requirements

(1) The relevant authority may from time to time prescribe requirements of margins including collection of margins for deals cleared and settled through the clearing corporation of the Exchange and the members shall furnish such margin as a condition precedent as may be specified by the relevant authority.

(2) Every member has a continuing obligation to maintain margins at such levels and during such periods as may be stipulated by the relevant authority from time to time.

2. Form of Margin

The margins to be provided by a member under the Bye Laws and Regulations shall be in cash or in any other form as may be specified by the relevant authority from time to time. The relevant authority may at its discretion accept fixed deposit receipts or bank guarantee of a bank(s) approved by the relevant authority or securities or such other form of security as a margin subject to such terms and conditions as the relevant authority may from time to time prescribe. Any margin deposited by a member with the Exchange or any substitute thereof shall be deemed to have been pledged and/or hypothecated and/or transferred as the case may be in favour of the Exchange for fulfillment of the obligations of the members.

3. Quantum of Margin

The member depositing margins in the form of securities shall always maintain the value thereof such that the same shall not be less than the required threshold as prescribed by the relevant authority. Any deficit in the quantum of margin shall be met by the member by providing any further or other security as may be approved by the relevant authority.

4. Margin to be Held by the Exchange

The margins shall be held by the Exchange and when they are in the forms of bank deposit receipts and securities such receipts and securities may be transferred to such persons or to the name of a custodian or such other entity approved by the Exchange. All margin deposits shall be held by the Exchange and/or by the approved persons and/or by the approved custodian solely for and on account of the Exchange without any right whatsoever on the part of the depositing member or those otherwise having rights in respect thereof to call in question the decision of the Exchange in that behalf.

5. Lien on Margins

The Exchange shall have a first and paramount lien on the margins deposited by the members, including margins in the form of cash, bank deposit receipts, securities, bank
guarantees or any other collateral or in any other form approved by the relevant authority and shall be entitled to utilize the same or any part thereof, for satisfaction of the obligations and liabilities of the members under the Rules, Bye-laws and Regulations, in the manner provided by the Exchange/SEBI from time to time.

6. **Utilisation for Failure to Meet Obligations**

In the event of a member failing to meet his obligations to the Exchange as provided in the Bye Laws, Rules and Regulations, the relevant authority shall be entitled to utilise the margins deposited by the member with the Exchange in any form for meeting the obligations of such member.

7. **Evasion of Margin Requirements Forbidden**

A member shall not directly or indirectly enter into any arrangement or adopt any method for the purpose of evading or assisting in the evasion of the margin requirements prescribed under the Bye Laws, Rules and Regulations.

8. **Suspension on Failure to Pay Margin**

If a member fails to pay margin as required in the Bye Laws, Rules and Regulations, the relevant authority may take such action against such member as it may deem fit including suspension.

9. **Sale of Margin Securities**

The Exchange shall be entitled to sell the securities over which it has a lien, on such terms and conditions and in such manner as the Exchange may deem fit and proper without any recourse to the member depositing such security as a margin. The person/entity acquiring such security from the Exchange shall be entitled to only such rights and/or privileges which the Exchange had at the time of sale of such security. Transfer of title to such securities by virtue of the Exchange exercising its right of lien shall be valid and effectual and the depositing member shall not be entitled to challenge the sale.

10. The relevant authority shall be entitled to determine the types of margins, the mode of payment of margins, the form in which margin is to be deposited, the circumstances and manner in which margin should be withheld, utilized or released, the amount of margin, and all other matters relating to margin. The relevant authority shall also specify the exposure limits for the members as it may deem fit.

11. **Documentation in relation to Margin**

A member depositing margin under the provisions of these Bye Laws and Regulations shall execute such documents including a letter of declaration as the Exchange may prescribe and/or require from time to time.
CHAPTER X
TRANSACTIONS AND SETTLEMENTS

Transactions

Business Hours

(1) The business hours for dealing in the securities in different segments on the Exchange shall be decided by the relevant authority from time to time. The relevant authority may also, from time to time, specify business hours for different types of deals such as “for spot”, and “odd lots”.

(2) The relevant authority may declare a list of holidays in a calendar year. The relevant authority may from time to time alter or cancel any of the Exchange holidays fixed in accordance with these provisions. It may close the market on days other than or in addition to holidays as it may deem fit or as directed by SEBI/regulatory authority.

(3) (a) Deals may be effected through order driven, quote driven or such other method as the Exchange may put in place for the trading segments from time to time.

(b) Deals between trading members may be effected by electronic medium or computer network or such other medium as specified by the relevant authority from time to time.

(c) Deals may be effected on spot, ready or on such other basis as may be specified by the relevant authority from time to time, subject to the applicable laws.

Suspension on Failure to meet Trading Limits

(4) A trading member failing to restrict dealings on the Exchange to his trading limits as provided in these Bye Laws and Regulations shall be required by the relevant authority to reduce dealings to within trading limits forthwith. The relevant authority at its discretion may suspend a trading member for violation of trading limits and the suspension shall continue until the relevant authority withdraws such suspension.

Contract Notes

(5) Contract Notes shall be issued within such period as may be specified by the relevant authority from time to time for deals effected with constituents or on behalf of constituents, and will contain such details as the relevant authority may specify from time to time.

(6) Details of such deals as may be specified by the Exchange from time to time shall be informed to the Exchange.

Delivery of securities

(7) Delivery of all securities, documents and papers and payments in respect of all deals shall
be in such manner and such place(s) as may be prescribed by the relevant authority from time to time.

(8) The relevant authority shall specify from time to time, the securities, documents and papers which, when delivered in prescribed manner, shall constitute good delivery. Where circumstances so warrant, the relevant authority may determine, for reasons to be recorded, whether or not a delivery constitutes a good delivery and such finding shall be binding on the parties concerned. Where the relevant authority determines that a delivery does not constitute a good delivery, the delivering party shall be required to substitute bad delivery with good delivery within such time period as may be specified.

(9) The norms and procedures for delivery with respect to market lot, odd lot, minimum lot, part delivery, delivery of partly paid securities, etc. shall be as prescribed by the relevant authority from time to time.

(10) The requirements and procedures for determining disputed deliveries or defective deliveries, and measures, procedures and system of resolving the dispute or defect in deliveries or of consequences of such deliveries or the resolution shall, subject to these Bye Laws, be as prescribed by the relevant authority from time to time.

Clearing and Settlement

(11) Clearing and Settlement of deals shall be effected by the members concerned by adopting and using such arrangements, systems, agencies or procedures as may be prescribed or specified by the relevant authority from time to time. Without prejudice to the generality of the foregoing, to facilitate smooth operation of the clearing and settlement arrangement or system, the relevant authority may prescribe or specify from time to time adoption and use of custodial and depository services by the parties concerned, including the members and constituents.

(12) The function of the clearing corporation may be performed by such agency as may be specified by the Exchange from time to time. The clearing corporation will act as a central counterparty to all trades and shall provide full novation. The role of the clearing corporation shall be to act as a facilitator for processing of deliveries and payments between members for trades effected by them in each market segment of the Exchange which may be either on netted basis, gross basis, trade for trade basis or any other basis. Notwithstanding that the clearing corporation shall act as a facilitator, when funds and securities are routed through the clearing corporation, the settlement responsibility shall rest wholly and solely upon the counter parties to the trade and/or the concerned trading members as the case may be and the clearing corporation shall act as a common agent of the trading members for receiving or giving delivery of securities and for receiving and paying funds, without incurring any liability or obligation as a principal.

Closing out

(13) The relevant authority may from time to time close out any deals in securities made on the Exchange by buying in or selling out against a member as follows:-
(a) in case of sale of securities on failure to complete the delivery on the due date;
(b) in case of purchase of securities on failure to pay the amount due on the due date; and
(c) in any other cases as the relevant authority may specify from time to time.

And any loss, damage or shortfall sustained or suffered as a result of such closing out shall be payable by the member who failed to give due delivery or to pay the amount due.

(14) Closing out of contracts or deals in securities and settlement of claims arising therefrom shall be in such manner within such time frame and subject to such conditions and procedures as may be prescribed from time to time by relevant authority.

(15) Subject to the Bye-laws and Regulations prescribed by the relevant authority from time to time, any deal in securities made on the Exchange may be transferred from one member to another member under such circumstances and in respect of such segment as may be specified by relevant authority from time to time.

Interest, dividend, rights and calls

(16) The buying constituent shall be entitled to receive all vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges which may relate to securities bought cum voucher, cum coupons, cum dividends, cum cash bonus, cum bonus issues, cum rights, etc. The selling constituent shall be entitled to receive all vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges which may relate to securities sold ex voucher, ex coupons, ex dividends, ex cash bonus, ex bonus issues, ex rights, etc.

(17) The manner, mode, information requirements, alterations, date and timing, etc., of adjustment with respect to vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges between buying trading member and selling trading member shall be as prescribed by the relevant authority from time to time. The trading members shall be responsible between themselves and to their constituents for effecting such adjustments.

(18) In respect of a contract in securities which shall become or are exchangeable for new or other securities under a scheme of reconstruction or reorganisation, the selling constituent shall deliver to the buyer, as the relevant authority directs, either the securities contracted for or the equivalent in securities and/or cash and/or other property receivable under such scheme of reconstruction or reorganisation.

Brokerage on Dealings

(19) Brokerage

Trading members are entitled to charge brokerage upon the execution of all orders in respect of purchase or sale of securities at rates not exceeding the official scale.
prescribed by the relevant authority from time to time.

Brokerage on Calls

(20) A trading member buying securities on which calls have been prepaid by the seller may charge brokerage on the purchase price with the amount of such call money been paid by the seller.

(21) Underwriting Commission and Brokerage

Unless otherwise determined and restricted by the relevant authority, a trading member may, in its discretion, charge such brokerage or commission for underwriting or placing or acting as a broker or entering into any preliminary arrangement in respect of any floatation or new issues or offer for sale of any security as it may agree upon with the issuer or offerer or with the principal underwriters or brokers engaged by such issuer or offerer, subject to limits stipulated under the relevant statutory provisions as may be applicable from time to time.

Sharing of Brokerage

(22) A trading member may not share brokerage with a person who –

(a) is one for or with whom trading members are forbidden to do business under the Bye Laws, Rules and Regulations of the Exchange;

(b) is a trading member of the Exchange or

(c) is an employee in the employment of another trading member;
CHAPTER XI
CLEARING AND SETTLEMENT OF DEALS

A. Deals for Clearing and Settlement

(1) Clearing and Settlement of Deals

(1) The clearing corporation shall clear and settle such deals as provided in the Rules, Bye-Laws, Regulations and circulars/notifications issued by SEBI/clearing corporation/Exchange and save as so provided, no other deals shall be cleared and settled.

(2) Without prejudice to the generality of the above, the relevant authority may in its discretion and subject to such conditions as it may deem fit admit any other deals for clearing and settlement.

(2) Admission of Deals

(1) Clearing and settlement shall be permitted in deals which are from time to time admitted on the clearing segments by the relevant authority in accordance with the provisions of the Rules, Bye Laws and Regulations.

(2) The relevant authority may from time to time specify securities the deals in respect of which are eligible for clearing and settlement by clearing corporation in accordance with the provisions of the Rules, Bye Laws and Regulations in that regard.

(3) Conditions and Requirements of Clearing and Settlement

The relevant authority may grant admission for clearing and settlement to deals which are traded on the Exchange provided all the conditions and requirements prescribed in the Rules, Bye-Laws and Regulations and such other conditions and requirements as the relevant authority may prescribe from time to time are complied with.

(4) Refusal of Admission of Deals

The relevant authority shall have the discretion to approve admission of deals or defer, or reject admission of deals for clearing and settlement on the Exchange, subject to such terms as it deems fit.

(5) Deals in Provisional Documents

(1) The relevant authority may, in its discretion, admit deals in provisional documents.

(2) Provisional documents for the purpose of the Rules, Bye Laws and Regulations denotes coupons, Fractional Certificates, Letters of Renunciation, or
transferable Letters of Allotment, Acceptance or Application or options or other rights or interests in securities, warrants issued or to be issued by an issuer or other similar documents in respect of an issuer whose securities are sought to be admitted for listing/dealing.

(6) **Specific Deals**

The relevant authority may permit in appropriate cases as it may in its discretion decide from time to time specific deals to be cleared and settled through clearing corporation in case of securities which are not admitted or which for the time being are prohibited or suspended for dealings.

(7) **Suspension of Admission of Deals**

The relevant authority may suspend at any time the admission to clearing & settlement of any deal for such period as it may determine and reinstate such deals subject to such conditions as it may deem fit.

(8) **Withdrawal of Admission of Deals**

The relevant authority may where it deems necessary withdraw the admission to clearing and settlement of dealings either for breach of or non-compliance with any of the conditions or requirements of admission or for any other reason whatsoever.

(9) **Readmission of Deals**

The relevant authority in its discretion may readmit deals which have been previously withdrawn.

**B. Clearing and Settlement of Deals**

(10) **Clearing and Settlement**

Clearing and settlement of deals in each segment may be on netted basis or gross basis or trade-for-trade basis or any other basis as may be specified by the relevant authority from time to time. Settlement shall be effected by clearing members either by giving and receiving delivery or by paying and receiving funds as may be specified by the relevant authority from time to time in the Rules, Bye Laws and Regulations.

(11) **Privity of Contract**

(1) Except as provided herein, clearing members giving and receiving delivery as provided in the Rules, Bye-Laws and Regulations shall be deemed, notwithstanding that no direct contract may exist between them, to have made a contract with each other as sellers and buyers. However the rights and liabilities of delivering and receiving trading member in relation to their immediate contracting party shall not be deemed to be affected thereby except that the
selling trading member (unless he be himself the delivering trading member) shall be released from all responsibility in regard to the title, ownership, genuineness, regularity and validity of the documents received by the receiving trading member and in regard to the loss and damages arising therefrom, which shall be dealt with in accordance with the provisions of Rules, Bye Laws and Regulations thereof.

(2) In cases where the Exchange may specify either generally or specifically, clearing members giving and receiving delivery and paying and receiving funds as provided in the Rules, Bye Laws and Regulations shall be deemed, notwithstanding that no direct contract exists between them, to have made a contract with the Exchange as sellers and buyers and between themselves as delivering and receiving trading members; provided however that in such event the rights and liabilities of delivering and receiving trading member with the Exchange shall not be deemed to be affected thereby except that the Exchange shall not be responsible in respect of the title, ownership, genuineness, regularity and validity of the documents delivered or received and in regard to the loss and damages arising therefrom, which shall be dealt with in accordance with the provisions of Rules, Bye Laws and Regulations thereof.

(12) **Arrangement For Clearing And Settlement**

(1) Clearing and settlement of deals shall be effected by members by adopting and using such arrangements, systems, agencies or procedures as may be prescribed or specified by the relevant authority from time to time. Without prejudice to the generality of the above, the relevant authority may prescribe or specify from time to time such custodial, depository and other services for adoption and use by members and their constituents to facilitate smooth operation of the clearing and settlement arrangement or system.

(13) **Operational Parameters for Clearing**

(1) The relevant authority may determine and announce from time to time operational parameters regarding clearing of deals through the clearing corporation which the clearing members shall adhere to.

(2) The operational parameters may, inter alia, include:

(a) clearing limits allowed which may include clearing limits with reference to net-worth and capital adequacy norms;

(b) clearing volumes and limits at which it will be incumbent for clearing members to intimate the clearing corporation;

(c) fixation of delivery lots for different settlement types;

(d) other matters which may affect smooth operation of clearing and settlement of deals keeping in view larger interest of the public;
(e) determining the mode clearing and settlement of admitted deals;

(f) determining functional details of the clearing and settlement system including the system design, user infrastructure and system operation.

(14) Clearing Hours

(1) The hours for clearing and settling of different segments shall be such as may be decided by the relevant authority from time to time. The relevant authority may, from time to time, specify clearing hours for different types of deals and different segments.

(2) The relevant authority may declare a list of holidays in a calendar year. The relevant authority may from time to time alter or cancel any of the holidays fixed in accordance with these provisions. It may suspend clearing and settlement operations on days other than or in addition to holidays.

(15) Closing Out

(1) A deal admitted for clearing and settlement may be closed out on failure of a clearing member to comply with any of the provisions relating to delivery, payment and settlement of deals or on any failure to fulfill the terms and conditions subject to which the deal has been made, or such other circumstances as the relevant authority may specify from time to time. The deal may be closed out by the relevant authority in such manner, within such time frame and subject to such conditions and procedures as the relevant authority may prescribe from time to time.

(2) Without prejudice to the generality of the foregoing, the relevant authority may close out deals, inter alia, by buying in or selling out against a clearing member:-

(a) in case of a sale of security, on failure to complete delivery on the due date; and

(b) in case of a purchase of security, on failure to pay the amount due on the due date,

(c) in any other circumstances as the relevant authority may deem fit,

(d) and any loss, damage or shortfall sustained or suffered as result of such closing out shall be payable by the trading members who failed to give due delivery or to pay amount due.

(16) Failure to Meet Obligations

In the event of a member failing to meet his obligations the relevant authority may charge such interest, impose such penalties and fines and take such disciplinary action
against the member as it may determine from time to time. Any disciplinary action which the relevant authority takes pursuant to the above shall not affect the obligations of the clearing member nor shall it prejudice the rights to take any disciplinary action against the clearing member on account of non-fulfillment of its obligations or violation of Rules, Bye-laws and Regulations of the Exchange or any remedy to which the Exchange may be entitled under applicable law.
CHAPTER XII

RIGHTS AND LIABILITIES OF TRADING MEMBERS AND CONSTITUENTS

(1) Relationship between Trading Member and Constituents

Without prejudice to any other law for the time being in force and subject to these Bye Laws, the mutual rights and obligations inter se between the trading member and his/its constituent shall be such as may be prescribed by SEBI/the Exchange from time to time.

(2) Association

A trading member shall not be entitled to trade on the Exchange unless there is a valid and subsisting agreement in accordance with a specified format between a trading member and a clearing member for such segments as may be specified by SEBI. Provided that this Bye-law shall not apply to a trading member who clears its own trades.

(3) Disassociation

When a trading member wants to disassociate himself from his clearing member, he shall intimate the Exchange of his desire to be disassociated from such clearing member. Simultaneously, the trading member may also apply for association with a new clearing member with whom he desires to be associated in the future. Such application for association shall be accompanied by a letter from the new clearing member accepting such association. A trading member shall not disassociate from a clearing member without the approval of the clearing member. The clearing member shall not unreasonably withhold such consent. The open positions of such trading member (whether on his own account or on account of his constituents) may, in the discretion of the clearing member, be closed out or transferred subject to such requirements as may be imposed by the relevant authority. The date of disassociation shall be decided by the relevant authority.

If a clearing member wants to disassociate himself from a trading member, he shall intimate the relevant authority of such disassociation. Upon such intimation,

(i) The trading member shall not be entitled to trade on the Exchange until he has associated with another clearing member in the manner mentioned in these Bye-law; and

(ii) The open positions of such trading member (whether on his own account or on account of his constituents) may, in the discretion of the clearing member, be closed out or transferred.

Even after such disassociation the clearing member shall continue to be liable to clear and settle all open positions and trades/deals of the trading member, which were entered into by the trading member prior to the date of such disassociation.
All Contracts subject to Bye Laws, Rules and Regulations

All contracts relating to dealings permitted on the Exchange made by a trading member shall in all cases be deemed made subject to the Bye Laws, Rules and Regulations of the Exchange. The Rules, Bye-laws and Regulations shall be a part of the terms and conditions of all such contracts and shall be subject to the exercise by the relevant authority of the powers with respect thereto vested in it by the Bye Laws, Rules and Regulations of the Exchange.

Trading members not bound to accept Instructions and Orders

A trading member may not accept instructions or orders of constituents for purchase, sale, etc., of securities where circumstances appear to justify such action or on reasonable grounds. Where such refusal is made, the same may be immediately communicated to the constituent. The trading member shall also furnish the constituent the reasons for such refusal on a request being made by him.

Margin

A trading member shall have the right to demand from its constituent the margin deposit he has to provide under these Bye Laws, Rules and Regulations in respect of the business done by it for such constituent. A trading member shall also have the right to demand an initial margin in cash and/or securities from its constituent before executing an order and/or to stipulate that the constituent shall make a margin deposit or furnish additional margin as may be required by the trading member. The constituent shall when from time to time called upon to do so forthwith provide a margin deposit and/or furnish additional margin as required under these Bye Laws, Rules and Regulations in respect of the business done for him by and/or as agreed between him and the trading member concerned.

Constituent in Default

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

(b) On the application of a creditor trading member who refers or has referred to arbitration its claim against the defaulting constituent as provided in these Bye Laws, Rules and Regulations, the relevant authority shall issue orders against any trading members restraining them from paying or delivering to the defaulting constituent any monies or securities up to an amount or value not exceeding the creditor trading member's claim payable or deliverable by him to the defaulting constituent in respect of transactions entered into subject to the Bye Laws, Rules and Regulations of the Exchange and such monies and securities shall be deposited with the Exchange as directed by the relevant authority. Such deposits shall release the depositing member or members from all further liabilities and obligations to the defaulting constituent in respect of the monies and securities.
deposited by him or them. The application of the creditor member and the decisions of the relevant authority shall be deemed to form a part of the arbitration proceedings. The monies and securities deposited shall be disposed of in terms of the award in arbitration and pending a decree shall be deposited with the concerned Court when filing the award unless the creditor trading member and the defaulting constituent mutually agree otherwise.

(8) **Closing-out of Constituent's Account**

(a) The trading member may close-out positions of a constituent under such circumstances and in respect of such trading segment of the Exchange as may be specified by the relevant authority from time to time.

(b) When closing-out the account of a constituent a trading member may assume or take over such transactions to his own account as a principal at prices which are fair and justified by the condition of the market or he may close-out in the manner specified by the relevant authority and any expense incurred or any loss arising therefrom shall be borne by the constituent. The contract note in respect of such closing-out shall disclose whether the trading member is acting as a principal or on account of another constituent.

(c) In case, a constituent becomes a bankrupt or is declared an insolvent or a winding up petition is admitted against a constituent or a provisional liquidator is appointed, then the member may close out positions of such constituent in the manner prescribed by the Exchange from time to time.

(9) **Trading member not Liable to attend to Registration of Transfer**

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

(10) **Registration of Securities when in Name of trading member or Nominee**

(a) When the time available to the buying constituents of a trading member is less than thirty days to complete transfers and lodge the securities for registration before the closing of the transfer books and where the security is purchased cum interest, dividend, bonus or rights which the issuer may have announced or declared, subject to the consent of the constituent, the trading member may register the securities in its or its nominee’s name and recover the transfer fee, stamp duty and other charges from the buying constituent.
(b) The trading member shall give immediate intimation to the Exchange of the names of the constituents under Bye-law 10 (a) of this Chapter and the details of the transactions as may be specified by the relevant authority from time to time. The trading member shall also give immediate intimation thereof to the buying constituent and shall stand indemnified for the consequences of any delay in delivery caused by such action.

(c) The trading member shall be obliged to retransfer the security in the name of the buying constituent as soon as it has become ex interest, dividend, bonus or rights.

(11) Closing-out/ transfer by Constituent

If a trading member fails to complete the performance of a contract by delivery or payment in accordance with the provisions of these Bye Laws, Rules and Regulations the constituent shall, after giving notice in writing to the trading member and Exchange, close-out such contract through any other trading member of the Exchange or make an application to the Exchange for transfer of contracts to another trading member as soon as possible and any loss or damages sustained as a result of such closing-out or transfer, as the case may be, shall be immediately payable by the defaulting trading member to the constituent. If closing-out or transfer be not effected as provided herein, the damages between the parties shall be determined on such basis as specified by the relevant authority from time to time and the constituent and the trading member shall forfeit all further right of recourse against each other.

(12) No Lien on Constituent's Securities

If a trading member is declared a defaulter after delivering securities on account of his constituent, the constituent may be entitled to claim and on offering proof considered satisfactory by the relevant authority, and in the absolute discretion of the relevant authority, receive from the Exchange accordingly as the relevant authority directs either such securities or the value thereof subject to payment or deduction of the amount if any due by him to the defaulter.

(13) Complaint by Constituent

When a complaint has been lodged by a constituent with the relevant authority that any trading member has failed to implement his dealings, the relevant authority shall investigate the complaint and if it is satisfied that the complaint is justified it may take such disciplinary action as it deems fit.

(14) Death of Constituent

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

(15) Confidentiality of Constituent’s Details
The Exchange shall maintain the details of the constituent’s of the members in confidence and that it shall not disclose to any person / entity such details of the constituent as mentioned in the constituent registration form or any other information pertaining to the constituent except as required under the law or by any authority.
CHAPTER XIII

ARBITRATION

Definitions:

"Arbitrator" shall mean a sole arbitrator or a panel of arbitrators.

"Act" shall mean the Arbitration and Conciliation Act, 1996 and includes any statutory modification, replacement or re-enactment thereof, for the time being in force.

Reference to Arbitration

(1) A. All claims, differences or disputes between the members inter se and between members and Constituents arising out of or in relation to dealings, contracts and transactions made subject to the Bye- Laws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into or not shall be submitted to arbitration in accordance with the provisions of these Byelaws and Regulations.

B. All claims, differences or disputes between the members and sub brokers and between sub-brokers and Constituents arising out of or in relation to dealings, contracts and transactions made subject to the Byelaws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into or not shall be submitted to arbitration in accordance with the provisions of these Byelaws and Regulations.

Provided however, in case of claims, differences and disputes to which sub-broker is a party, the member with whom such sub-broker is associated shall be made a party to the proceedings along with the sub-broker.

Explanation: For the purpose of these Byelaws, sub-broker will have the meaning assigned to the term under SEBI (Stock-Brokers and Sub-Brokers) Regulations, 1992 and such sub-brokers who have obtained registration from SEBI.

C. The provisions of Bye laws (A) and (B) shall become applicable to all claims, differences, disputes between the parties mentioned therein for all dealings, contracts and transactions made subject to the Bye laws, Rules and Regulations of the Exchange provided such dealings, contracts and transactions had been entered into between the parties mentioned therein prior or upto the date on which a member was either declared a defaulter or expelled or has surrendered his membership rights.
D. All claims, differences or disputes arising between an issuer and a Constituent in respect of such matters as may be specifically provided from time to time in the listing agreement as executed by the issuer with the Exchange shall be submitted to arbitration in accordance with the provisions of these Byelaws and Regulations.

**Explanation 1:** For the purpose of Bye-law (1) (A) (B) & (C) of this, the term “Constituent” shall mean the investor who has bought or sold, on the Exchange, the securities of the issuer in respect of which the claim, differences or dispute has arisen.

**Explanation 2:** For the purpose of Bye-law (1) (D) of this Chapter, the term “Issuer” shall have the same meaning as defined in these Bye-laws and the term “Constituent” shall mean the transferee in case of transfer of shares, where the Issuer has failed to transfer the shares within the stipulated time period of one month, and in respect of which the differences or dispute has arisen.

**Provisions of these Byelaws and Regulations deemed to form part of all dealings, contracts and transactions**

(2) In all dealings, contracts and transactions, which are made or deemed to be made subject to the Byelaws, Rules and Regulations of the Exchange, the provisions relating to arbitration as provided in these Rules, Byelaws and Regulations or in such circulars issued by the Exchange from time to time shall form and shall be deemed to form part of the dealings, contracts and transactions and the parties shall be deemed to have entered into an arbitration agreement in writing by which all claims, differences or disputes of the nature referred to in Bye laws (A), (B) (C) and (D) above shall be submitted to arbitration as per the provisions of these Rules Byelaws and Regulations.

**Limitation period for reference of claims, differences or disputes for arbitration**

(3) All claims, differences or disputes referred to in Bye laws 1 (A), (B), (C) and (D) above shall be submitted to arbitration within the period prescribed under the Limitation Act, 1963.

**Power of the Relevant Authority to prescribe Regulations**

(4) (a) The Relevant Authority may, from time to time prescribe Regulations for the following:

   (i) The procedure to be followed by the parties in arbitral proceedings.

   In particular, and without prejudice to the generality of the foregoing power, such procedure may, inter alia, provide for the following:

   (a) the forms to be used;

   (b) the fees to be paid;

   (c) the mode, manner and time period for submission of all
pleadings by both the parties;

(d) matters relating to requests from the parties for amending or supplementing the pleadings; and

(e) the consequences upon failure to submit such pleadings by the parties.

(ii) The procedure to be followed by the arbitrator in conducting the arbitral proceedings. In particular, and without prejudice to the generality of the foregoing power, such procedure may, inter alia, provide for

(a) adjournment of hearings; and

(b) terms and conditions subject to which the arbitrator may appoint experts to report on specific issues and the procedure to be followed in arbitral proceedings upon such an appointment.

(iii) Different set of arbitration procedures for different claims, differences or disputes after taking into consideration such circumstances and facts as the relevant authority may deem fit, which circumstances and facts may include the value of the subject matter and the persons who are involved as parties to such claims, differences or disputes.

(iv) Creation of seats of arbitration for different regions or prescribing geographical locations for conducting arbitrations and prescribing the courts which shall have jurisdiction for the purpose of the Act.

(v) The claims, differences or disputes which may be referred to a sole arbitrator and the claims, differences or disputes which may be referred to a panel of arbitrators.

(vi) The procedure for selection of persons eligible to act as arbitrators.

(vii) The procedure for appointment of arbitrator.

(viii) The terms, conditions and qualifications subject to which any arbitrator may be appointed.

(ix) Determination of the number of arbitrators on the panel of arbitrators.

(x) The time period within which a substitute arbitrator has to be appointed in case the office of the arbitrator falls vacant for any reason whatsoever.

(xi) The matters to be disclosed by any person who is approached in connection with his possible appointment as an arbitrator.
(xii) The procedure to be adopted by the parties for challenging the appointment of arbitrator.

(xiii) The place of arbitration for each reference and the places where the arbitrator can meet for consultation, for hearing witnesses, experts, or the parties, or for inspection of documents, goods or other property.

(xiv) The making of the arbitral award including the manner in which a decision is to be taken in the case of panel of arbitrators and the form and contents of the arbitral award.

(xv) The term arbitral award shall also include an arbitral award on agreed terms. Prescriptions as to the contents of the arbitral award may include provisions for costs and where the arbitral award is for the payment of money, may include interest payable on principal sum due.

(xvi) The amount of deposit or supplementary deposit, as the case may be, as an advance for the costs which it expects will be incurred in respect of the claim, difference or dispute; provided where a counter-claim is submitted to the arbitrator, a separate amount of deposit for the counter-claim may also be prescribed.

(xvii) The administrative assistance which the Exchange may render in order to facilitate the conduct of arbitral proceedings.

(xviii) All matters regarding the mode and the manner of service of notices and communications by the parties including communication addressed to arbitrator.

(xix) Any other matter which in the opinion of the relevant authority is required to be dealt with in the Regulations to facilitate arbitration.

(b) The relevant authority from time to time may amend, modify, alter, repeal, or add to the provisions of the Regulations.

Disclosure by persons to be appointed as arbitrators

(5) Every person who is approached in connection with his possible appointment as an arbitrator, shall disclose to the relevant authority in writing any circumstances likely to give rise to justifiable doubts as to his independence and impartiality. If the person discloses any circumstances which in the opinion of the relevant authority are likely to give rise to justifiable doubts as to his independence and impartiality, then he shall not be appointed as an arbitrator.

Disclosure by persons appointed as arbitrators

(6) An arbitrator, from the time of his appointment and throughout the arbitral proceedings, shall, without delay, disclose to the relevant authority in writing any circumstances
referred to in Byelaw (5) above which have come to his knowledge after his appointment as an arbitrator.

**Termination of mandate of the arbitrator**

(7) The mandate of the arbitrator shall terminate if

(a) the arbitrator withdraws from office for any reason; or

(b) in the opinion of the relevant authority, the arbitrator becomes de jure or de facto unable to perform his functions or for other reasons fails to act without undue delay including failure to make the arbitral award within the time period prescribed by the relevant authority. Such a decision of the relevant authority shall be final and binding on the parties; or

(c) the mandate of the arbitrator is terminated by the relevant authority upon receipt of written request for the termination of the mandate of the arbitrator from both the parties to arbitration; or

(d) the arbitrator discloses any circumstances referred to in Byelaws (5) and (6) which in the opinion of the relevant authority are likely to give rise to justifiable doubts as to his independence and impartiality.

(e) the arbitral proceedings are terminated as provided for herein.

**Supplying of vacancy to the office of the arbitrator**

(8) At any time before the making of the arbitral award should the office of the arbitrator fall vacant for any reason whatsoever including any vacancy due to the illness or death of the arbitrator or termination of the mandate of the arbitrator by the relevant authority or otherwise, the vacancy shall be filled by the relevant authority by following the same procedure as specified by it for appointment of the arbitrator.

**Consideration of recorded proceedings and evidence**

(9) Unless otherwise agreed by parties, any arbitrator who has been appointed by the relevant authority to supply a vacancy to the office of the arbitrator may repeat any hearings previously held.

**Order or ruling of previous arbitrator; not invalid.**

(10) An order or ruling of the arbitrator made prior to the termination of his mandate shall not be invalid solely because his mandate has been terminated; Provided that when the termination has been effected pursuant to Byelaw (7) (d), the order or ruling of the arbitrator made prior to termination of his mandate shall become invalid unless otherwise agreed upon by the parties.
**Interim arbitral award and interim measures ordered by the arbitrator**

(11) The arbitrator may be empowered to make an interim arbitral award as well as pass interim measures.

**Appearance in arbitral proceedings by counsel, attorney or advocate**

(12) In arbitral proceedings where both the parties are trading members, the parties shall not be permitted to appear by counsel, attorney or advocate but where one of the parties is a Constituent, then the Constituent shall be permitted to appear by counsel, attorney or advocate. If the Constituent chooses to appear by counsel, attorney or advocate, then the trading member and issuer shall be granted a similar privilege.

(13) (a) **Time for appointment of Arbitrator**

Where an arbitration application is made, the appointment of arbitrator or panel of arbitrators shall be completed within thirty days of receipt of the application.

(b) **Adjournment**

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

(c) **Time for Completion of Arbitration**

The arbitrator(s) shall conclude the arbitration reference within four months from the date of their appointment, by issuance of an arbitral award.

(d) **Request for extension**

The Managing Director of the Exchange or the relevant authority may, on an application by either party or the arbitrator(s) and for sufficient cause to be recorded in writing, extend the time for making of arbitral award by not more than two months, on a case to case basis.

(14) **Arbitrator’s Award**

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

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

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

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

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

(15) **Publication of Award**

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

(16) **Award Binding on Parties and their Representatives**

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

(17) **Correction and Interpretation of Award**

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

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

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

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

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

**Implementation of Arbitral Award**

(18) Notwithstanding anything contained in the Bye-laws, in cases where the arbitral award or appellate arbitral award is passed against a trading member and/or its sub-brokers and in favour of a Constituent, the Exchange shall debit from the deposits or other monies of the trading member lying with the Exchange, the amount of award payable to the awardee together with interest payable, if any, till the date of debit and keep aside the said amount in a separate account to be dealt with in such manner as mentioned in Bye-laws 19.

Provided that, where the award is for the delivery of securities, the Exchange may consider the closing price of such securities on the Exchange as on the date of the award
or such other date the relevant authority may specify to be reasonable, stating reasons for arriving at the value of such securities and award amount.

**Payment of Debited Amount to Constituents**

(19) Arbitral Award:- Where the trading member/Sub-broker chose not to prefer an appeal under these Bye-law within the time permissible there under, the amount debited under Bye-law 18 shall be paid, together with the interest earned thereon, to the awardee.

(b) Appellate Arbitral Award:- Where an appeal is preferred by the trading member/Sub-broker under these Bye-law and the appellate arbitral tribunal makes an appellate arbitral award against the trading member/Sub-broker the Exchange shall pay the awarded amount to the awardee from the amount debited under Bye-law 18 :-

(i) where no application is made by the trading member/Sub-broker under Section 34 of the Arbitration and Conciliation Act, 1996 to challenge such arbitral award within the limitation period for making such application, upon expiry of such limitation period;

(ii) where an application to a court to set aside such appellate arbitral award under Section 34 of the Arbitration and Conciliation Act, 1996, having been made, it has been refused by such Court:

(iii) where an application to a court to set aside such appellate arbitral award under Section 34 of the Arbitration and Conciliation Act, 1996, having been made, but where no stay has been granted by such Court within a period of three months from the date on which the party making that application had received the appellate arbitral award.

**Arbitration proceedings subject to the provisions of the Act**

(20) The arbitration proceedings as provided for by the provisions of these Byelaws and Regulations shall be subject to the provisions of the Act to the extent not provided for in these Byelaws or the Regulations.

**Administrative assistance**

(21) The parties shall be deemed to have arranged for administrative/ministerial assistance of the relevant authority in order to facilitate the conduct of the arbitral proceedings.

**Jurisdiction**

(22) All parties to a reference to arbitration under these Bye-laws and Regulations and the persons claiming under them, shall be deemed to have submitted to the exclusive jurisdiction of a competent court as provided in the Regulations.
Exclusion

(23) For removal of doubts, it is hereby clarified that the Exchange shall not be construed to be a party to the dealings, contracts and transactions referred to under these Bye-laws; and the provisions of this Chapter shall not apply in case of claims, differences or disputes between the Exchange and a member and no arbitration shall lie between the Exchange and a member.

Appellate Arbitration

(24) Any party aggrieved by an arbitral award made under these Bye-laws shall have a right of appeal, in terms of the following:

(a) A party aggrieved by an arbitral award may appeal against such award to the appellate panel of arbitrators to be constituted by the Exchange within one month from the date of receipt of arbitral award.

(b) The relevant authority shall thereupon constitute an appellate panel consisting of three arbitrators who shall be different from the ones who passed the arbitral award appealed against.

(c) Such constitution of appellate panel of arbitrators shall be completed by relevant authority within thirty days from the date of receipt of the appeal.

(d) The appeal shall be disposed of within three months from the date of appointment of appellate panel of arbitrators, through issuance of an appellate arbitral award.

(e) The Managing Director may, on an application by either party or the appellate panel of arbitrators and for sufficient cause to be recorded in writing, extend the time for making of appellate arbitral award by not more than two months, on a case to case basis.

(f) A party aggrieved by the appellate arbitral award may file an application to the Court of competent jurisdiction to challenge the appellate award in accordance with Section 34 of the Arbitration and Conciliation Act, 1996.

(g) Except where specific provision is made in this Bye-law, the provisions of Bye-laws (5) to (23) of this Chapter and the Regulations shall mutatis mutandis apply to appellate arbitrators, appellate arbitration proceedings and appellate arbitral awards.

(25) Relevant Authority to Prescribe Arbitration Fees, Forms and Procedure

The fees to be paid, the forms to be used and the procedure to be followed in connection with a reference to arbitration under these Bye-laws and Regulations shall be as prescribed in the Regulation or by way of circulars/notices issued by the relevant
authority from time to time.

(26) **Fees and Charges**

The fees in arbitration and the charges for submitting and regulating the proceedings of the reference shall be payable in advance and when there is failure, neglect or refusal on the part of a party or parties to pay accordingly the other party shall be responsible for making such payment in advance without prejudice however to his right if any to recover the same from such party or parties failing, neglecting or refusing to pay. It shall be a condition precedent to the hearing of any reference that the prescribed fees and charges shall have been paid in advance by the party or parties to the reference.

Provided that, in case of failure, neglect or refusal on the part of a member who has been declared a defaulter against whom a reference to arbitration has been filed, to pay the arbitration fees, the relevant authority may take steps to make such payment and recover the same from the assets of defaulter member.

Provided further, that in case of failure, neglect or refusal on the part of a member, against whom a reference to arbitration has been filed, to pay the arbitration fees, the Exchange shall debit the same from the security deposits/assets of the Member lying with the Exchange or the clearing corporation.

(27) **Set-off and Counter-Claim**

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

(28) **Operation of Contracts**

All dealings, transactions and contracts which are made subject to the Rules, Bye-laws and Regulations of the Exchange shall be deemed to have been made and shall take effect as if such dealings, transactions and contracts were made, entered into and were to be performed in the city of Mumbai. The parties to such dealings, transactions, contracts shall be deemed to have submitted to the exclusive jurisdiction of the Courts in Mumbai where the Exchange has been made a party to any proceedings. Provided however that a competent court as provided in the Regulations shall have jurisdiction in respect of the arbitration proceedings conducted in the concerned Regional Arbitration Centre.

(29) **Secretarial Duties**

The Exchange shall render secretarial assistance including the following -
(i) maintain a register of references in physical or electronic mode;

(ii) Register of references rejected in physical or electronic mode.

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

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

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

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

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

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

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

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

(xi) to maintain a register of Appeals and make necessary entries therein in physical or electronic mode.

(30) **Indemnity**

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

(31) Subject to and as provided by SEBI and/or as agreed between the Exchange and regional stock exchange with whom the Exchange has entered into an arrangement, the provisions relating to “arbitration between members” in these Bye-laws and Regulations shall mutatis mutandis apply to the arbitration (i) between the members of the regional stock exchange and members of the Exchange and (ii) between the members of the regional stock exchange.
CHAPTER XIV

DEFAULT

Declaration of Default

(1) A member may be declared a defaulter by direction / circular / notification of the relevant authority if-

(a) he is unable to fulfill his obligations; or

(b) he admits or discloses his inability to fulfill or discharge his duties, obligations and liabilities; or

(c) he fails or is unable to pay within the specified time the damages and the money difference due on a closing-out effected against him under these Bye Laws, Rules and Regulations; or

(d) he fails to pay any sum due to the Exchange or to submit or deliver to the Exchange on the due date, delivery and receive orders, statement of differences and securities, balance sheet and such other clearing forms and other statements as the relevant authority may from time to time prescribe; or

(e) if he fails to pay or deliver to the Defaulters' Committee all monies, securities and other assets due to a member who has been declared a defaulter within such time of the declaration of default of such member as the relevant authority may direct; or

(f) if he fails to abide by the arbitration proceedings as laid down under the Bye Laws, Rules and Regulations; or

(g) if he fails to pay, fulfill or discharge his duties, obligations and liabilities to his clearing member, or

Explanation: The relevant authority may suspend a member if it has reason to apprehend that a member is likely to commit any of the above mentioned acts or omissions.

Expulsion in Certain Cases

(2) Without prejudice to the provisions of the Rules and the foregoing, if a member is expelled by any other recognised stock exchange or clearing corporation or if the member's registration certificate is cancelled by SEBI, the said member may be expelled from the Exchange after providing an opportunity of being heard to such member, unless SEBI directs otherwise from time to time.

Notwithstanding anything contained in this Bye-law, the membership right of such member shall be forthwith suspended and the facility of such member shall be withdrawn immediately after the receipt of information of expulsion by any other stock exchange/clearing corporation or cancellation of registration certificate by SEBI.
(2A) **Suspension in Other Segment:**

If a member is suspended or required to suspend business on any segment of the Exchange then immediately upon such declaration, the member may be suspended on all other segments of the Exchange. Notwithstanding the above, the relevant authority shall be entitled to take or permit such steps as are required in its opinion for transferring, settling, closing out, squaring off and/or otherwise dealing with outstanding positions and liabilities of the member or his constituents.

**Declaration of Default in all Segments**

(2B) Where a member is declared a defaulter on a segment, he shall also be immediately declared defaulter on all other segments in which he may hold membership right.

(2C) **Relevant Authority to Frame Procedures for Declaration of Default**

The relevant authority shall be entitled to specify appropriate provisions and procedures consistent with the Rules, Bye-laws and Regulations for and in connection with suspension of a member or declaration of a member as a defaulter and realisation of claims from the defaulter, his constituents or others and their respective assets.

**Declaration of Default by other Stock Exchanges**

(2D) A member shall immediately be liable to be declared a defaulter on all segments in which he is holding a membership right if he is declared a defaulter by any other recognised stock exchange or clearing corporation.

**Action against Associate in case of Declaration of Default**

(2E) On a member being declared a defaulter, the relevant authority may take appropriate action against the associates of such defaulter member.

‘Definition of ‘Associate’

(2F) For the purpose of Bye-law 2E, the term “associate/s” shall have such meaning as may be defined by SEBI from time to time.

**Insolvent a Defaulter**

(3) Without prejudice to the rights of the relevant authority under Bye-law (1) of this Chapter, a member, being an individual and/or partnership firm, has been adjudicated as an insolvent or it, being a company incorporated under the Companies Act, has been ordered to be wound up by a Court of Law or a provisional liquidator has been appointed, shall be declared a defaulter although he/it may not have at the same time defaulted on any of his / its obligations on the Exchange provided however the time for preferring an appeal against such order under the applicable Acts, if any, has expired.
Member's Duty to Inform

(4) A member shall be bound to notify the relevant authority immediately if there be a failure by any member to discharge his liabilities in full.

Compromise Forbidden

(5) A member guilty of accepting from any member anything less than a full and bona fide money payment in settlement of a debt arising out of a transaction in securities may be suspended for such period as the relevant authority may determine.

Notice of Declaration of Default

(6) On a member being declared a defaulter a notice to that effect shall be placed on the Website of the Exchange/clearing corporation and on such other place, as the relevant authority deem fits.

(7) Defaulters' Book and Documents

When a member has been declared a defaulter, the Defaulters' Committee shall take charge of all his books of accounts, documents, papers and vouchers to ascertain the state of his affairs and the defaulter shall hand over such books, documents, papers and vouchers to the Defaulters' Committee.

List of Debtors and Creditors

(8) The defaulter shall file with the Defaulters' Committee within such time of the declaration of his default as the relevant authority may direct a written statement containing a complete list of his debtors and creditors and the sum owing by and to each.

(9) Defaulter to give Information

The defaulter shall submit to the Defaulters' Committee such statement of accounts, information and particulars of his affairs as the Defaulters' Committee may from time to time require and if so desired shall appear before the Committee at its meetings held in connection with its default.

Inquiry

(10) The Defaulters' Committee shall enter into an inquiry into the accounts and dealings of the defaulter in the market and shall report to the relevant authority anything improper, unbusinesslike or unbecoming of a member in connection therewith which may come to its knowledge.

Vesting of assets in the Exchange

(11) The Defaulters' Committee shall call in and realise the deposits in any form, margin
money, other amounts lying to the credit of and securities deposited by the defaulter and recover all monies, securities and other assets due, payable or deliverable to the defaulter by any other member/constituent in respect of any transaction or dealing made subject to the Bye-laws, Rules and Regulations of the Exchange and/or all other assets/amounts/securities belonging to other parties which the Exchange may be entitled to realize and appropriate. All these assets shall vest ipso facto, on declaration of a member as a defaulter in the Exchange for the benefit of and on account of any dues or obligations of the defaulter to the Exchange, clearing corporation, SEBI, other members, Constituents, Investor Protection Fund, approved banks and any other persons as may be approved by the Defaulters' Committee and other recognised stock exchanges in the manner provided in these Bye-laws and/or as may be prescribed by SEBI from time to time.

**Payment to Defaulters' Committee**

(12) (a) All monies, securities and other assets due, payable or deliverable to the defaulter must be paid or delivered to the Defaulters' Committee within such time of the declaration of default as the relevant authority may direct. Any member violating this provision shall be declared a defaulter.

(b) A member who shall have received a difference on account or shall have received any consideration in any transaction prior to the date fixed for settling such account or transaction shall, in the event of the member from whom he received such difference or consideration being declared a defaulter, refund the same to the Defaulters' Committee for the benefit and on account of the creditor members. Any member who shall have paid or given such difference or consideration to any other member prior to such settlement day shall again pay or give the same to the Defaulters' Committee for the benefit and on account of the creditor member in the event of the default of such other member.

(c) A member who receives from another member during any clearing a claim note or credit note representing a sum other than a difference due to him or due to his constituent which amount is to be received by him on behalf and for the account of that constituent shall refund such sum if such other member be declared a defaulter within such number of days as prescribed by the relevant authority after the settling day. Such refund shall be made to the Defaulters' Committee for the benefit and on account of the creditor members and it shall be applied in liquidation of the claims of such creditor members whose claims are admitted in accordance with these Bye Laws, Rules and Regulations.

**Closing-out**

(13) (a) A member having open transactions with the defaulter shall close out such transactions on the Exchange after declaration of default. Such closing out shall be in such manner as may be prescribed by the relevant authority from time to time. Subject to the regulations in this regard prescribed by the relevant authority, when in the opinion of the relevant authority, circumstances so warrant, such closing out shall be deemed to have taken place in such manner as
may be determined by the relevant authority or other authorised persons of the Exchange.

(b) Differences arising from the above adjustments of closing out shall be claimed from the defaulter or paid to the Defaulters' Committee for the benefit of creditors of the defaulter.

*Provided* that, if the relevant authority in its discretion deems fit, and subject to such terms and conditions as it may specify, all, some or any of the open positions/dealing of any constituent(s) of the member as may be decided by the relevant authority may, instead of being closed out, be transferred to any other member who agrees to accept such transfer.

**Claims against Defaulter**

(14) Within such time of the declaration of default as the relevant authority may direct every member carrying on business on the Exchange shall, as it may be required to do, either compare with the Defaulters’ Committee his accounts with the defaulter duly adjusted and made up as provided in these Bye Laws, Rules and Regulations or furnish a statement of such accounts with the defaulter in such form or forms as the relevant authority may prescribe or render a certificate that he has no such account.

**Delay in comparison or submission of Accounts**

(15) Any member failing to compare his accounts or send a statement or certificate relating to a defaulter within the time prescribed shall be called upon to compare his accounts or send such statement or certificate within such further time as may be specified.

**Penalty for Failure to compare or submit Accounts**

(16) The relevant authority may fine, suspend or expel any member who fails to compare his accounts or submit a statement of its account with the defaulter or a certificate that he has no such account within the prescribed time.

**Misleading Statement**

(17) The relevant authority may fine, suspend or expel a member if it is satisfied that any comparison statement or certificate relating to a defaulter sent by such member was false or misleading.

**Accounts of Defaulters’ Committee**

(18) The Defaulters’ Committee shall keep a separate account in respect of all monies, securities and other assets vested in the Defaulters’ Committee and shall defray therefrom all costs, charges and expenses incurred in or about the collection of such assets or in or about any proceedings it takes in connection with the default.

**Report**
(19) The Defaulters' Committee shall present a report to the relevant authority relating to the affairs of a defaulter and shall show the assets realised, the liabilities discharged and dividends given, within the prescribed period, if directed by the relevant authority.

**Inspection of Accounts**

(20) All accounts kept by the Defaulters' Committee in accordance with these Bye Laws, Rules and Regulations may be open to inspection by any creditor member.

**Scale of Charges/Fees/Costs**

(21) The charges/fees/costs to be paid to the Exchange/clearing corporation on the assets collected shall be such sum as the relevant authority may from time to time prescribe.

**Application of Defaulters' Members' Assets and Other Amounts:**

(1) The relevant authority shall realise and apply all monies, rights and assets of the defaulter which have vested in or which have been received by the Exchange and all other assets and money of the defaulter including the money and securities receivable by him from any other member or Constituent, money and securities of the defaulter lying with the Exchange or credit balances lying in the Exchange, security deposits, any bank guarantees furnished on behalf of the defaulter, fixed deposit receipts discharged or assigned to or in favour of the Exchange, monies or contribution deposited with the Exchange/clearing corporation by the defaulter, any security created or agreed to be created by the defaulter or any other person in favour of the Exchange and/or all other assets/amounts/securities belonging to other parties which the Exchange may be entitled to realize and appropriate for the obligations of the defaulter to the following purposes and in the following order of priority, viz:

(a) First - to reimburse and/or compensate the payments made from the Settlement Guarantee Fund;

(b) Second - the payment of such subscriptions, debts, fines, fees, charges and other money as shall have been determined by the relevant authority to be due to the Exchange, or to clearing corporation or to Securities and Exchange Board of India, in the order of priority as mentioned hereinabove;

(c) Third- Dues to the extent of principle amount to other related members and constituents of the defaulter the payments of which have been admitted by the relevant authority. Provided that if the amount is insufficient then the amounts shall be distributed pro rata amongst other members and the constituents of the defaulter. The other members shall in turn share the amounts so received with their constituents on a pro rata basis;
d) Fourth - to reimburse and/or compensate the Investor Protection Fund for any payments made therefrom;

e) Fifth - against the dues to the extent of principle amount to any other recognised stock exchange: After meeting the claims under (a to d) above, the amounts, if any, shall be disbursed to any other recognised Stock Exchange for the purpose of meeting the obligations of the defaulter as a trading member of that Stock Exchange. If the defaulter is a trading member of more than one recognised stock exchange, then the remaining amount shall be distributed amongst all such recognised stock exchanges and if the remaining amount is insufficient to meet the claims of all such stock exchanges, then the remaining amount shall be distributed pro rata among all such stock exchanges;

f) Sixth - for clearing the dues of a clearing bank to the extent of the principle amount; if there are more than one clearing banks then the amounts, if any, shall be distributed amongst all clearing banks on a pro rata basis;

g) Seventh- Surplus assets, if any, may be released to the defaulter in accordance with the decision taken by relevant authority;

Provided that if the defaulter has expired then the surplus assets, if any, shall be released to the legal heirs of the defaulter as the relevant authority may decide from time to time.

(2) Any amounts determined and payable on a pro-rata basis to the persons referred to under sub-clause (c) hereinabove, shall be distributed/ paid either by crediting his account with the Exchange or in such other manner as the relevant authority directs. If any amounts, determined on a pro-rata basis referred to in sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the relevant authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, entitled to receive the amounts which have been determined on a pro-rata basis, be dead, all such amounts due to such person(s) shall be paid to his legal representative or heirs.

(23) The Defaulters' Committee shall not entertain any claim against a defaulter:

(a) which arises out of a contract in securities dealings in which are not permitted or which are not made subject to or in accordance with Bye Laws, Rules and Regulations of the Exchange or in which the claimant has either not paid himself or colluded with the defaulter in evasion of margins;

(b) which arises out of a contract in respect of which comparison of accounts has not been made in the manner prescribed in these Bye Laws, Rules and Regulations or when there has been no comparison if a contract note in respect of such contract has not been rendered as provided in these Bye Laws, Rules and Regulations;
(c) which arises from any arrangement for settlement of claims in lieu of bona fide money payment in full on the day when such claims become due;

(d) which is in respect of a loan with or without security;

(e) which is not filed with the Defaulters’ Committee within such time of date of declaration of default as may be prescribed by the relevant authority.

Claims against Defaulting Representative trading member

(24) The Defaulters’ Committee may entertain the claim of a member against a defaulter in respect of loss incurred by it by reason of the failure of the constituents introduced by such defaulter to fulfill their obligations arising out of dealings which are permitted on the Exchange and made subject to the Bye Laws, Rules and Regulations of the Exchange provided the defaulter was duly registered as a representative trading member working with such creditor trading member.

Claims of Defaulters’ Committee

(25) A claim of a defaulter whose estate is represented by the Defaulters’ Committee against another defaulter shall not have any priority over the claims of other creditor members but shall rank with other claims.

(26) Assignment of Claims on Defaulter’s Estate

A member being a creditor of a defaulter shall not sell, assign or pledge its claim on the estate of such defaulter without the consent of the relevant authority.

(27) Proceedings against the defaulter and other Parties

(a) For the purpose of recovering any amount payable by the defaulter member, the Exchange, the Defaulters Committee, Investor Protection Fund or such other entity, as may be decided by the relevant authority shall be entitled to take such steps and proceedings (including but not limited to sale of any property or a portion thereof) as it or they may think fit either in the name of the Exchange or the defaulter or the creditors against the defaulter member, the defaulter Member’s property or other parties and their properties/assets.

(b) The defaulter as well as the creditors of the defaulter shall be deemed to have appointed such entities as referred to Bye law (27) (a) as their constituted attorney for the purpose of taking such proceedings.

Payment of Defaulters’ Committee

(28) If any member takes any proceedings in a court of law against a defaulter whether during the period of its default or subsequent to its re-admission to enforce any claim against the defaulter’s estate arising out of any transaction or dealing in the market made subject
to the Bye Laws, Rules and Regulations of the Exchange before it was declared a defaulter and obtains a decree and recovers any sum of money thereon, it shall pay such amount or any portion thereof as may be fixed by the relevant authority to the Defaulters' Committee for the benefit and on account of the creditor members having claims against such defaulter.

(29) The Defaulters Committee for the purpose of this Chapter shall be a Committee as may be constituted by the Board of Directors from time to time.

(30) Notwithstanding anything to the contrary contained in this Chapter, where any securities are lodged for rectification of company objection arising out of signature difference or otherwise against a defaulter, the Exchange or clearing corporation shall, after satisfying itself about the bonafides of the receiving members/ constituent of the receiving member, acquire the securities in its own name for the benefit of the receiving member/ constituent of the receiving member. The Exchange/ clearing corporation may upon payment of such charges as it may prescribe, sell or otherwise dispose of the securities so acquired or transfer the securities to the receiving member/ constituent of the receiving member, in full and final satisfaction of the claim; Provided that the Exchange/ clearing corporation shall be free to require such receiving member/ constituent of the receiving member to indemnify the Exchange and clearing corporation in such form and manner as it may prescribe, as a condition precedent; Provided further that payment made to the receiving member/ constituent of the receiving member shall discharge the claim completely and no further claim shall lie against the defaulter on any ground whatsoever.

(31) Clearing Member responsible for dues of Trading Members:

Notwithstanding that a trading member is suspended or declared a defaulter, the clearing member who has agreed to clear such trading member’s trades/contracts shall be liable to satisfy the obligations/liabilities of the defaulter trading member arising out of dealings/transactions done on the Exchange and or such other amounts as may be specified by the relevant authority.

(32) Repayment and Payment of Interest by Defaulted Member:

If on account of the default of a member, any amount is paid out of the Settlement Guarantee Fund, then the defaulter member shall be liable to forthwith repay the same to the credit of the Settlement Guarantee Fund together with interest in the manner specified by the relevant authority.
CHAPTER XV

INVESTOR PROTECTION FUND

(1) The monies/amounts to be contributed by any person/entity to the Investor Protection Fund (Trust) shall be such as may be determined by the relevant authority from time to time or as may be directed by SEBI from time to time.

(2) The funds lying in the Trust shall solely and absolutely belong to the Trust and shall be dealt with by the trustees in accordance with the circulars issued by SEBI from time to time, Trust Deed and the Rules made thereunder;

(3) In case of declaration of a member as a defaulter, the Exchange shall publish in all editions of at least one English national daily with wide circulation and in at least one regional language daily with wide circulation, a notice specifying a date not being less than 3 months after the said publication or such period as specified by SEBI, on or before which claims for compensation shall be made by an investor in relation to the defaulter specified in the notice. The notice shall contain such particulars as may be determined by the relevant authority from time to time.

(4) A claim for compensation in respect of a default shall be made in writing to the Exchange on or before the date specified in the said notice and any claim which is not so made shall be barred unless the Trust otherwise determines. The Exchange shall process the claims in accordance with procedures as may be laid down by Defaulters' Committee and shall communicate its decision to the Trust.

(5) Once the Exchange has submitted its recommendation to the Trust as regards a claim made by any investor, then it will be the sole and absolute discretion of the Trust to determine and pay from its funds such amounts including disallowing such claim on such terms and conditions as the Trust may determine.

(6) The Trust may seek the advice of the Defaulters Committee as to the eligibility or otherwise of individual claims of investors.

(7) The Exchange may arrange to provide administrative assistance to the Trust to facilitate the processing and settlement of investor claims.
CHAPTER XVI

SETTLEMENT GUARANTEE FUND

Settlement Guarantee Fund

(1) The Exchange shall maintain separate settlement guarantee funds (Settlement Guarantee Fund/SGF/Fund) for each segment of the Exchange for such purposes as may be prescribed by SEBI/relevant authority from time to time.

(2) The relevant authority may prescribe from time to time the norms, procedures, terms and conditions governing each SGF which may inter-alia specify the amount of deposit or contribution to be made by each member to the relevant Fund, the terms, manner and mode of deposit or contributions, conditions of repayment of deposit or withdrawal of contribution from the Fund, charges for utilization, penalties and disciplinary actions for non-performance thereof.

(3) Subject to the other provisions of the Rules, Bye-Laws and Regulations, the objects of the Fund shall be:

(a) to guarantee, in accordance with the Rules, Bye-Laws and Regulations, the settlement of bona fide transactions carried out through the Exchange;

(b) to make, in accordance with the Rules, Bye-Laws and Regulations, temporary refundable advances to the members facing a temporary financial mismatch in order to enable them to meet in time their financial obligations in a settlement, so as to endeavour to ensure timely completion of transaction(s) executed on the Exchange;

Provided however that no claims shall be entertained which are collusive or entered into to defraud any person or the Exchange or which are otherwise not bona fide.

(c) to guarantee settlement of bonafide transactions executed on the platform of the Exchange by the members of the regional stock exchange provided the Exchange has entered into arrangement with such regional stock exchange and such payments from the Fund is directed by SEBI;

(d) for such other purposes as may be directed by SEBI from time to time;

(4) The relevant authority shall be entitled to make Regulations or issue circulars/notices relating to all matters in respect of:

(a) the management and administration of the Fund,

(b) the structure and composition of the Fund,

(c) the contributions to be made to the Fund by the Exchange, members of the
Exchange and others,

(d) investment of the Fund,

(e) application of the Fund,

(f) persons who would be disentitled from receiving a benefit from the Fund,

(g) minimum value of funds in the Fund,

(h) the money, securities and property to be paid to or received by the Exchange or the Fund,

(i) the application of the money and property paid to or received by the Exchange or the Fund including the order of priority in which they shall be applied,

(j) the closing-out, adjustment, settlement and/or cancellation of contracts/trades/deals entered into by a member with a defaulter or suspended member,

(k) The disbursement of advances from the Fund and the terms of such advances,

(l) The sources of the corpus of the Fund.

(5) **Composition of Fund:**

The Fund shall consist of-

(a) contributions from members,

(b) contributions from the Exchange,

(c) interest, dividend or other income arising from investments of the Fund,

(d) accretions arising from investments of the Fund,

(e) any money or property which the Exchange is entitled to appropriate to the Fund,

(f) any other fund, contribution or penalties collected from the members,

(g) any other money or property as the Exchange may decide from time to time

(6) **Management of the Fund:**

(i) Subject to the Rules, Bye-laws and Regulations, the relevant authority shall have complete control over the management and administration of the Fund. In addition to the powers conferred by the other provisions of the Rules, Bye-laws and Regulations, the relevant authority shall be vested with all powers, authorities and discretions necessary or expedient for, or incidental to, the management and administration of the Fund or for achieving the objects and
purpose of the Fund.

(ii) Without prejudice to the generality of the foregoing, the relevant authority shall have for the purposes of the Fund, the power to-

(a) summon members, partners of members and directors of members who are corporate bodies and their employees to appear before the relevant authority and question them;

(b) call upon members to furnish to the relevant authority such information, documents and papers, within such time, as the relevant authority may specify;

(c) specify forms, agreements, affidavits, undertakings and other writings to be signed by members, partners of members, directors of members who are companies or other corporate bodies or by other persons and specify the period within which the same should be signed and submitted,

(d) realise or otherwise deal with any security or other property offered to the Fund;

(e) borrow money without security or against the security of the Fund, or any property of, or available to, or accessible by the Fund, or otherwise;

(f) enter into financial arrangements with banks, institutions, companies and other persons for the purposes of the Fund;

(g) issue guarantees and indemnities for the purposes of the Fund;

(h) delegate any of the powers and functions to the clearing corporation as it may deem fit;

(i) do all such acts necessary to protect or advance the interests of the Fund or to achieve the purposes and objects of the Fund;

(j) institute and conduct legal proceedings to recover assets of a defaulter member.

(7) Contribution towards SGF

(1) Each member shall be required to contribute to and provide a deposit as may be determined from time to time by the relevant authority to the relevant SGF which shall be held by the Exchange to be applied as provided in these Bye Laws and Regulations.

(2) The relevant authority may specify the amount of contribution or deposit to be made by each member and/or category of members which may include inter alia the minimum amount to be provided by each member.
(3) The relevant authority may also specify such additional contribution or deposit that shall have to be provided towards the SGF from time to time to form part of the SGF.

(8) **Form of Contribution/Deposit**

The relevant authority shall prescribe from time to time the form of contribution or deposit to the relevant SGF. The relevant authority in its discretion, may permit a member to contribute or provide the deposit either in the form of cash, securities, bank guarantee or by such other method and subject to such terms and conditions as may be specified from time to time.

(9) **Replacement of Deposit**

By giving a suitable notice to the Exchange and subject to such conditions as may be specified by the relevant authority from time to time, a member may withdraw securities which were pledged, or may cause the Exchange to revoke the letter of credit or bank guarantee, which secured the member's contribution or deposit towards the SGF, provided that the member has, effective simultaneously with such withdrawal or revocation, deposited cash with, or pledged such securities to the Exchange or through such other mode as may be approved by the Exchange from time to time to satisfy his required contribution or deposit.

(10) **Administration and Utilisation of SGF**

(1) The SGF shall be utilised for such purposes as may be provided in the Bye Laws and Regulations and subject to such conditions as the relevant authority may prescribe from time to time which shall include:

(a) to defray the expenses of creation, maintenance and repayment of the SGF;

(b) investment in such approved securities and other avenues subject to such terms and conditions as may be decided by the relevant authority from time to time;

(c) the application of SGF to meet premia on insurance cover(s) which the relevant authority may take from time to time;

(d) the application of SGF to meet shortfalls and deficiencies arising out of the clearing and settlement of such deals as provided in the Bye Laws and Regulations;

(e) the application of the SGF to satisfy any loss or liability of the Exchange arising out of clearing and settlement operations of such deals as provided in the Bye Laws and Regulations;

(f) repayment of the balance after meeting all obligations under the
Rules, Bye Laws and Regulations to the member when he ceases to be a member in accordance with the provisions regarding the repayment of deposit provided hereinbelow;

(g) any other purpose as may be specified by SEBI or Exchange from time to time.

(2) Save as otherwise expressly provided in the Bye Laws and Regulations, the SGF shall not be utilised for any other purpose.

(3) The relevant authority shall have full power and authority to pledge, repledge, hypothecate, transfer, create a security interest in, or assign any or all of the-

(i) SGF cash,

(ii) securities or other instruments in which SGF cash is invested and

(iii) securities pledged by a member or letters of credit or any other instrument issued on behalf of a member in favour of the Exchange towards deposit to the SGF.

(11) **Utilisation for Failure to Meet Obligations**

In the event a member fails to meet his obligations arising out of clearing and settlement operations of deals as provided in the Bye Laws and Regulations, the relevant authority may utilise the SGF and other monies to the extent necessary to fulfill the obligation under such terms and conditions as the relevant authority may specify from time to time. The member shall be obliged to repay the amount so utilized to the Fund within such period as the relevant authority may specify together with interest thereon at the rate specified by the relevant authority. If a member fails to repay the amount so utilized from the Fund or a part thereof or any interest thereon within the period specified by the relevant authority, the member, may be declared a defaulter under Rules, Bye-Law and Regulations.

(12) **Utilisation in Case of Default**

In the event the member is declared a defaulter and such member is unable to satisfy its clearing and settlement obligations, then the Exchange may utilize the Fund and other monies / securities to the extent necessary to discharge the obligations of the defaulter Member, in the following order:

(i) any amount that may be paid in the form of margin or any other payment made by the defaulting member for the purpose of the clearing and settlement;

(ii) if the amount under sub-clause (i) is not sufficient, then any contribution or deposit made, or bank guarantee arranged, by the defaulting Member to the Fund, whether in the form of cash or securities or bank guarantee or receipts;
(iii) if the amounts under sub-clauses (i) and (ii) are not sufficient, the insurance amount, if any, received by the relevant authority for satisfying the obligations, provided the insurance proceeds are received within such time as may be specified by the relevant authority;

(iv) if the amounts under sub-clauses (i), (ii) and (iii) are not sufficient, the fines, penalties, penal charges, auction difference, interest on delayed payments, interest or other income, if any, earned by investment or disinvestment of the Fund or interest earned on margin monies that form part of the Fund to the extent as may be decided by the relevant authority;

(v) if the amounts under sub-clauses (i), (ii), (iii) and (iv) are not sufficient, the retained earnings of the Exchange to the extent available and in the manner the Exchange deems fit;

(vi) if the amounts under sub-clauses (i), (ii), (iii), (iv) and (v) are not sufficient, in the absolute discretion of the Exchange, such part or portion of the profits as may be available for appropriation in the year in which the default took place, in such proportion and manner as the Exchange deem fits;

(vii) if the amounts under sub-clauses (i), (ii), (iii), (iv), (v) and (vi) are not sufficient, the amount of contribution and deposit made by all categories of members to the Fund in proportion to the total contribution and deposit made by each member,

(viii) if the amounts under sub-clauses (i), (ii), (iii), (iv), (v), (vi) and (vii) are not sufficient, the balance obligation remaining after application of the Fund shall be assessed against the clearing members in the same proportion as their total contribution and deposit and the clearing members shall be required to contribute or deposit in the Fund, within such time as the relevant authority shall require, the deficient amount.

(13) **Adjustments by Relevant Authority:**

If any amount is payable or any obligation is due by any member or Constituent to the defaulter member, then the relevant authority shall, in the first instance, be entitled to set-off such amount /obligation against any amount payable from the Fund to such member or constituent, and after such adjustment, if any amount remains payable by the defaulter member to Fund and if any member or the Constituent fail to make payment to the Fund within the time frame specified by the relevant authority, then it shall be deemed that the member or Constituent has defaulted in making payment of such amount.

(14) **Obligation to Bring in Additional Contribution or Deposit**

(1) If a pro-rata charge is made as mentioned in the above provision against a member's actual contribution or deposit, and as a consequence the member's remaining contribution and deposit towards the SGF is less than his required
contribution and deposit, the member shall contribute or deposit in the SGF, within such time as the relevant authority shall require the deficient amount.

(2) If the member shall fail to do so, the relevant authority may charge such interest, impose penalties and fines and take such disciplinary action against the member as it may determine from time to time. Any disciplinary action which the relevant authority takes pursuant to the above provisions or involuntary cessation of membership by the member shall not affect the obligations of the member to the clearing corporation/ Exchange or any remedy to which the Exchange may be entitled under applicable law.

(15) Allocation of the Contribution or Deposit

Each member’s contribution and deposit towards SGF shall be allocated by the relevant authority among the various segments which are designated as such by the relevant authority and in which the member participates, in such proportion as it may decide from time to time. The relevant authority shall retain the right to utilise the fund for satisfaction of the liabilities/obligations of the member in any segment as may be decided from time to time at its sole and absolute discretion.

(16) Cessation of the Member

(1) A member shall be entitled to the repayment of deposit made by him to the SGF after –

(a) the member ceases to be a member, and

(b) all pending deals, at the time the member ceases to be a member which could result in a charge to the SGF, have been closed and settled, and

(c) all obligations under the Rules, Bye-laws and Regulations for which the member was responsible while he was a member have been satisfied or, at the discretion of the relevant authority, have been deducted by the clearing corporation from the member’s actual deposit, and

(d) a suitable amount as may be determined by the relevant authority at its discretion has been set aside for taking care of any loss arising from any document defects that may be reported in the future, and

(e) a suitable amount as may be determined by the relevant authority at its discretion towards such other obligations as may be perceived by the relevant authority to exist or may be perceived to arise in future.

(2) The relevant authority may specify rules for the repayment of deposit including the manner, amount and period within which it will be paid but at no point of time will the repayment exceed the actual deposit available to the credit of the member after deducting the necessary charges from the same.
(3) Any obligation of a member unsatisfied at the time he ceases to be a member shall not be affected by such cessation of membership.

(17) Certain claims not to be entertained:

(i) Notwithstanding anything stated elsewhere in the Rules, Bye-laws and Regulations, if the relevant authority has reason to believe that any transaction –

(a) is illegal, collusive or fraudulent; or
(b) is disallowed under any Bye-law; or
(c) is connected with payment or repayment of a deposit or loan;
(d) if the procedure prescribed by the relevant authority for receiving payment from the Fund has not been followed;
(e) if the relevant authority is of the opinion that the transaction is not bonafide, then it shall refuse to make payment of any claims arising out of such transaction from the Fund.

(ii) For the purpose of determining whether or not an entity is entitled to payment from the Fund, the relevant authority shall be entitled to take into account, inter alia, the surrounding circumstances, the usual course of dealings on the Exchange, the relationship between the defaulter and the claimant, the quantity and price of the securities involved in the transaction, other transactions in the same scrip and such other matters as it may thinks fit;

(iii) In case the payment is already made from the Fund, and the relevant authority subsequently finds that such claims could not have been entertained, then the relevant authority shall have the right to recall payment already made along with the interest, and shall be entitled to initiate such steps as it may deem fit for recovery of those amounts.

(18) Loss to Fund Investments:

The Exchange/relevant authority shall not be responsible for, or incur any liability by reason of or on account of, any loss or diminution in value of the investments of the Fund from whatever cause arising, unless such loss or diminution is caused directly by any willful default or fraud of Exchange/relevant authority. In case of any such loss or diminution by reason of willful default or fraud by the Exchange, the persons committing the willful default or fraud shall be personally liable for the loss or diminution.

(19) Limitation of Liability

The liability of the Exchange/clearing corporation resulting from the deemed contracts of
members and to losses in connection therewith be limited to the extent of contributions available to the SGF. The Exchange/clearing corporation shall not be liable for obligations of a non-member, obligations of a member to a non-member, obligations of a member to another member towards deals or obligations to a Constituent by a member, and to losses in connection therewith.

(20) **Charge on Defaulters’ Member’s Assets:**

Upon payment of any money /satisfaction of any obligation out of the money or property of the Fund, the Exchange/clearing corporation shall have a first charge on all assets and property of the defaulter Member wherever situated and of whatsoever nature as security for the repayment of such money /obligation and the payment of interest thereon.

(21) **Expenses of the Fund:**

The relevant authority shall be entitled to charge to the Fund all expenses of creation, administration and management of the Fund including fees of auditors, legal advisors, chartered accountants, valuers and other professional advisers and salaries, wages and all related costs, charges and expenses in connection with the creation, administration or management of the Fund and the exercise of the powers of the Fund.
CHAPTER XVII

MISCELLANEOUS

(1) The relevant authority shall be empowered to impose such restrictions on transactions in one or more securities admitted for listing and dealing on the Exchange or permitted to be traded on the Exchange as the relevant authority in its judgment deems advisable in the interest of maintaining a fair and orderly market in the securities or if it otherwise deems advisable in the public interest or for the protection of investors. During the effectiveness of such restrictions, no trading member shall, for any account in which it has an interest or for the account of any constituent, engage in any transaction in contravention of such restrictions.

(2) Any failure to observe or comply with any requirement of any Bye Laws, Rules or Regulations or directions/orders/requirements of the relevant authority, may be dealt with by the relevant authority as a violation of such Bye Laws, Rules or Regulations.

(3) The members have an obligation to inform the relevant authority and the Securities Exchange Board of India about insider trading, information on takeover and other such information/practices as may be construed as being detrimental to the efficient operations of the Exchange and as may be required under any applicable law.

(4) Save as otherwise specifically provided in the regulations prescribed by the relevant authority regarding clearing and settlement arrangement, in promoting, facilitating, assisting, regulating, managing and operating the Exchange, the Exchange should not be deemed to have incurred any liability, and accordingly no claim or recourse, in respect of, in relation to, any dealing in securities or any matter connected therewith shall lie against the Exchange or any authorised person(s) acting for the Exchange.

(5) No claim, suit, prosecution or other legal proceedings shall lie against the Exchange or any authorised person(s) acting for the Exchange or relevant authority, in respect of anything which is in good faith done or intended to be done in pursuance of any order or other binding directive issued to the Exchange under any law or delegated legislation for the time being in force.

(6) All the records, correspondence, data, information, proceedings, minutes, decisions of the Exchange/clearing corporation shall be confidential and the Exchange/clearing corporation shall not be required to disclose the same to any party or person, save and except when called upon to do so by SEBI or by an under an order of any competent court, tribunal or any other competent authority.

(7) **Saving Clause**

Nothing contained in these Rules, Bye-laws and Regulations (New Rules, Bye-laws and Regulations) shall affect the Rules, Bye-laws and Regulations (Old Rules, Bye-laws and Regulations) which were in force and operation prior to New Rules, Bye-laws and Regulations came into force in relation to any deals and/or contracts, rights and obligations accrued and arisen, action/s, decision/s, disciplinary proceedings initiated, pending, decided or any proceedings pending and/or decided etc. thereunder and all such
matters shall continue to be governed under the Old Rules, Bye-laws and Regulations.

All dealings and/or contract entered into and/or executed after New Rules, Bye-laws and Regulations come into force and all matters including rights, duties, obligations, actions, proceedings arising pursuant thereto shall be subject to and be governed in accordance with New Rules, Bye-laws and Regulations of the Exchange and circulars/directions issued by Exchange/relevant authority from time to time.

(8) **Indian Clearing Corporation Limited**

Upon SEBI granting recognition to Indian Clearing Corporation Limited (ICCL) and upon the Rules, Bye-laws and Regulations of ICCL coming into force, clearing and settlement of any deals/trades executed, inter alia, on the Exchange and all matters necessary or incidental or ancillary thereto shall be governed in accordance with Rules, Bye-laws and Regulations of ICCL. Upon coming into force of the Rules, Bye-laws and Regulations of ICCL, the provisions contained in these Rules, Bye-laws and Regulations of the Exchange (including in the Old Rules, Bye-laws and Regulations) shall automatically and forthwith cease to apply to any clearing and settlement of deals/trades. It is however clarified that clearing and settlement of any trade/dealing, made and executed in accordance with and subject to Rules, Bye-laws and Regulations of the Exchange shall continue to be governed in accordance with the Rules, Bye-laws and Regulations of the Exchange irrespective of the Rules, Bye-laws and Regulations of ICCL having come into force.

(9) **Power to provide clarification:**

In case of any difficulty in implementing the provisions of Old Rules, Bye-laws and Regulations or New Rules, Bye-laws and Regulations or in case of a conflict between Old Rules, Bye-laws Regulations and New Rules, Bye-laws and Regulations, the Exchange has the power to provide clarification, if the circumstances demand and such clarification shall be final and binding on all persons.

(10) **Reference to provisions of Old Rules, Bye-laws and Regulation:**

On New Rules, Bye-laws and Regulations coming into force, any reference to the provisions of old Rules, Bye-laws and Regulations may be construed to refer to the corresponding provision as provided in the New Rules, Bye-laws and Regulations unless the context requires otherwise.