

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

RULES

ARRANGEMENT OF CHAPTERS

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I. BOARD

- (1) The Board of Directors (herein referred to as Board) of National Stock Exchange of India Limited, constituted in accordance with the provisions of the Articles of Association of the Company, may organise, maintain, control, manage, regulate and facilitate the operations of the Exchange and of securities transactions by trading members of the Exchange, subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules thereunder, Securities and Exchange Board of India Act, 1992 and any directives thereunder and the trading regulations which RBI may prescribe from time to time for money market instruments.
- (2) Directors of the National Stock Exchange of India Limited shall be appointed in accordance with the provisions of the Articles of Association of the Company as amended from time to time and in particular, provisions of Articles 108, 109, 110, 111, 112, 113, 114, 115 and 116 thereof. Any such appointment of Directors shall be considered as one being made under the provisions of these rules.
- (3) Subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules thereunder, the Securities and Exchange Board of India Act, 1992 and any directives thereunder and the trading regulations which RBI may prescribe from time to time for money market instruments, the Board is empowered to make Bye Laws, Rules and Regulations from time to time, for all or any matters relating to the conduct of business of the Exchange, the business and transactions of trading members between trading members inter-se as well as the business and transactions between trading members and persons who are not trading members, and to control, define and regulate all such transactions and dealings and to do such acts and things which are necessary for the purposes of the Exchange.
- (3A) The composition of the Board shall consist of the following categories namely Public Interest Directors, Trading Member Directors, Shareholder Directors and SEBI may nominate Directors on the Board as and when deemed fit. The Chief Executive shall be an ex-officio Director on the Board.
- (3B) (1) Board Composition

The composition of the Board shall be as under:
 - (a) Public Interest Directors (PIDs) shall constitute one-fourth of the total strength of the Board.
 - (b) Trading Member Directors shall constitute a maximum of one-fourth of the total strength of the Board.

- (c) Shareholder Directors shall constitute the balance of the Board.

In case SEBI nominates Directors on the Board of NSE, then the SEBI Nominee Director shall be duly absorbed on the Board by appropriately readjusting/altering the strength of Trading Member Directors than Shareholder Directors.

- (2) General Requirements

- (a) The Directors except the Public Interest Directors and the Chief Executive such as Chief Executive Officer, Executive Director, Managing Director, etc. shall be elected by the Shareholders.
- (b) No director shall hold office for more than two consecutive terms.
- (c) 'Trading Member Directors' shall be elected from amongst the Trading Members.
- (d) 'Shareholder Directors' shall be elected from amongst the Persons, who are not Trading Members or Associates of Trading Members.

'Associate' in relation to a Trading Member, individual, body corporate or firm, shall include a person-

- (i) who, directly or indirectly, by himself or in combination with other persons, exercises control over the Trading Member, whether individual, body corporate or firm or holds substantial share of not less than 15% in the capital of such entities, or
- (ii) in respect of whom the Trading Member, individual or body corporate or firm, directly or indirectly, by itself or in combination with other persons, exercises control, or
- (iii) whose director or partner is also a director or partner of the Trading Member, body corporate or the firm, as the case may be.

The expression 'control' shall have the same meaning as defined under clause (c) of Regulation 2 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

- (e) 'Public Interest Directors' shall be selected by the Board from amongst the Persons in the SEBI constituted panel. A person shall not act as 'Public Interest Director' on more than one Stock Exchange simultaneously.

- (f) The Chairman shall be elected by the Board from amongst the non-executive non trading member directors. If, for some reason, it is not possible for the Board to elect a Chairman, the Board may elect a Chairman for every meeting of the Board from amongst the non-executive non-trading member directors of the Board.
- (g) The manner of election, appointment, tenure, resignation, vacation, etc. of Directors (except the Chief Executive) shall be governed by the Companies Act, 1956 save as otherwise specifically provided under or in accordance with the Securities Contracts (Regulation) Act, 1956.
- (h) The Chief Executive shall be an ex-officio Director on the Board.
- (i) No approval of SEBI shall be required for appointment of any Director, except for the Chief Executive.
- (j) SEBI may nominate Directors on the Board as and when deemed fit.

(3) Chief Executive

The appointment, renewal of appointment and the termination of service of the Chief Executive shall be subject to prior approval of SEBI. However, the Exchange shall determine the manner of selection, terms and conditions of appointment and other procedural formalities associated with the selection/appointment of the Chief Executive. The Exchange shall carry out necessary due diligence with respect to the verification of antecedents, credentials and experience of the proposed person as Chief Executive. The Exchange shall constitute a Committee for the selection of Chief Executive. The Committee shall generally consist of four persons, one representative from the exchange, two outside experts and one Public Interest Director. However, constitution of the said Committee shall not require SEBI approval.

(3C) Criteria to become a Director on the Board of NSEIL

(1) The person should be a 'fit and proper person' and for deciding such person is a fit and proper person, the Board of NSEIL may take account of any consideration as it deems fit including but not limited to the following criteria:-

- (a) financial integrity;
- (b) absence of convictions or civil liabilities;
- (c) competence;
- (d) good reputation and character;
- (e) efficiency and honesty; and
- (f) absence of any disqualification as mentioned in sub-rule (2) of this Rule.

- (2) A person shall not be considered as a 'fit and proper person' to become a Director on the Board of NSEIL if he incurs any of the following disqualifications:-
- (a) if he has been convicted by a Court for any offence involving moral turpitude, economic offence, securities laws or fraud;
 - (b) if he has been declared insolvent and has not been discharged;
 - (c) an order, other than an order of suspension of registration as an intermediary, restraining, prohibiting or debarring him from dealing in securities in the capital market or from accessing the capital market, has been passed by SEBI or any other regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed;
 - (d) an order canceling his certificate of registration has been passed by SEBI on the ground of his indulging in insider trading, fraudulent and unfair trade practices or market manipulation and a period of three years from the date of the order has not elapsed;
 - (e) an order withdrawing or refusing to grant any license /approval to him which has a bearing on the Capital Market, has been passed by SEBI or any other regulatory authority and a period of three years from the date of the order has not elapsed;
 - (f) he is financially not sound;
 - (g) any other reason which in the opinion of the SEBI renders such person unfit to operate in the capital market.
- (3D) The elected directors shall not interfere in the day to day management of the Exchange, particularly relating to the surveillance and risk management functions.
- (3E) Besides the Board, it shall be the duty of the Chief Executive to give effect to the directives, guidelines and other orders issued by SEBI in order to implement the applicable provisions of law, rules, regulations as also the Rules or the Articles of Association, Regulations and Byelaws of the stock exchange. Any failure in this regard will make him liable for removal or termination of services by the Exchange with the prior approval of SEBI or on receipt of direction to that effect from SEBI, subject to the concerned Chief Executive being given an opportunity of being heard against such termination.

- (4) Without prejudice to the generality of the foregoing, the Board is empowered to make Regulations, subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules thereunder, the Securities and Exchange Board of India Act, 1992 and any directives thereunder and the trading regulations which RBI may prescribe from time to time for money market instruments, for all or any of the following matters:
- (a) Conditions for admission to membership of the Exchange;
 - (b) Conditions for any arrangement with another stock exchange pursuant to the proviso to Section 13 of the Securities Contracts (Regulation) Act, 1956 and all matters relating thereto
 - (c) Conduct of business of the Exchange;
 - (d) Conduct of trading members with regard to the business of the Exchange;
 - (e) Penalties for disobedience or contravention of the Rules, Bye Laws and Regulations of the Exchange or of general discipline of the Exchange, including expulsion or suspension of the trading members;
 - (f) Declaration of any trading member as a defaulter or suspension or resignation or expulsion from trading membership of the Exchange and consequences thereof;
 - (g) Conditions, levy for admission or subscription for admission or continuance of trading membership of the Exchange;
 - (h) Charges payable by trading members for transactions in such securities as may be laid down from time to time;
 - (i) Investigation of the financial condition, business conduct and dealings of the trading members;
 - (j) Appointment of Committee or Committees for any purpose of the Exchange;
 - (k) Such other matters in relation to the Exchange as may be prescribed under the provisions of the Articles of Association, Bye Laws or these Rules or as may be necessary or expedient for the organisation, maintenance, control, management, regulation and facilitation of the operations of the Exchange.
- (5) The Board is empowered to delegate, from time to time, to the Executive Committee(s) or to the Managing Director or to any person, such of the powers vested in it and upon such terms as they may think fit, to manage all or any of the affairs of the Exchange and from time to time, to revoke, withdraw, alter or vary all or any of such powers.

- (6) The Board may, from time to time, constitute one or more committees comprising of members of the Board or such others as the Board may in its discretion deem fit or necessary and delegate to such committees such powers as the Board may deem fit and the Board may from time to time revoke such delegation. The Committees constituted by the Board may inter alia include :
- (a) Admissions Committee for admission of trading members of the Exchange;
 - (b) Infrastructure Committee to recommend appropriate infrastructure and implement the same;
 - (c) Systems Committee to recommend setting up of systems for carrying on the functioning of the Exchange and to implement and monitor the same;
 - (d) Any other matter which the Board may think fit.
- (7) The Board shall have the authority to issue directives from time to time to the Executive Committee or any other Committees or any other person or persons to whom any powers have been delegated by the Board. Such directives issued in exercise of this power, which may be of policy nature or may include directives to dispose off a particular matter or issue, shall be binding on the concerned Committee(s) or person(s).
- (8) Subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules thereunder, the Securities and Exchange Board of India Act, 1992 and any directives thereunder and the trading regulations which RBI may prescribe from time to time for money market instruments, the Board is empowered to vary, amend, repeal or add to Bye Laws, Rules and Regulations framed by it.
- (9) The Members of the Board and of such committees as may be identified by the Ethics Committee shall adhere to the Code of Conduct as may be prescribed by the Board or Ethics Committee from time to time.

Code of conduct for the Directors on the Board

(10) (A) Meetings & minutes

The Directors shall-

- (a) not participate in the discussion on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting;
- (b) not encourage the circulation of agenda papers during the meeting, unless circumstances so require;
- (c) offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;
- (d) insist on the minutes of the previous meeting being placed for approval in subsequent meeting;
- (e) endeavour to have the date of next meeting fixed at each Board Meeting in consultation with other members of the Board; and
- (f) endeavour that in case all the items of the agenda of a meeting were not covered for want of time, the next meeting is held within 15 days for considering the remaining items.

(B) Strategic Planning

The Directors shall-

- (a) participate in the formulation and execution of strategies in the best interest of the exchange and contribute towards pro-active decision making at the Board level; and
- (b) give benefit of their experience and expertise to the Exchange and provide assistance in strategic planning and execution of decisions.

(C) Regulatory Compliances

The Directors shall-

- (a) endeavour to ensure that the Exchange abides by all the provisions of the SEBI Act, 1992, Securities Contracts (Regulation) Act, 1956, Rules, Regulations framed thereunder and the circulars, directions issued by the Government / SEBI, from time to time;

- (b) endeavour compliance at all levels so that the regulatory system does not suffer any breaches;
- (c) endeavour to ensure that the Exchange takes commensurate steps to honour the time limit prescribed by SEBI for corrective action; and
- (d) not support any decision in the meeting of the Board which may adversely affect the interest of investors and shall report forthwith any such decision to SEBI.

(D) General Responsibility

The Directors shall-

- (a) place priority for redressing Investor Grievances and encourage fair trade practice, so that the Exchange becomes an engine for the growth of the securities market;
- (b) endeavour to analyse and administer the exchange issues with professional competence, fairness, impartiality, efficiency and effectiveness;
- (c) submit the necessary disclosures/ statement of holdings/dealings in securities as required by the Exchange from time to time as per their Rules or Articles of Association;
- (d) unless otherwise required by law, maintain confidentiality and shall not divulge/ disclose any information obtained in the discharge of their duty. Further, no such information shall be used for personal gains;
- (e) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and shall not engage in acts discreditable to their responsibilities;
- (f) perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;
- (g) perform their duties with a positive attitude and constructively support open communication, creativity, dedication and compassion;
- (h) not engage in any act involving moral turpitude, dishonesty, fraud, deceit or misrepresentation or any other act prejudicial to the administration of the Exchange.

II. EXECUTIVE COMMITTEE

Constitution

- (1) One or more Executive Committee(s) shall be appointed by the Board for the purposes of managing the day to day affairs of the different trading segment(s).
- (2) Executive Committee(s) appointed by the Board shall consist of:
 - (a) Managing Director of the Company,
 - (b) [deleted]
 - (c) Not more than four trading members as may be nominated by the Board as per Rules laid down in this regard,
 - (d) Such individual persons of eminence in the field of finance, accounting, law or other discipline and to be known as 'public representatives' as may be nominated by the Board.
 - (e) Four persons nominated in that behalf by the Board, to be known as 'other nominees', which may include two ex-officio senior officers of the Company.

The maximum strength of the Executive Committee shall be 15.

- (3) The Managing Director of the Company shall be the Chief Executive of the Exchange.
- (3A) Notwithstanding anything contained herein, the SEBI circulars or directives dealing with the constitution, composition of the Executive Committee(s) of the Futures & Options segment and/or Currency Derivatives segment shall be complied with.

Powers of Executive Committee

- (4) The Board may delegate from time to time to the Executive Committee(s) such of the powers vested in it and upon such terms as it may think fit, to manage all or any of the affairs of the Exchange and from time to time, to revoke, withdraw, alter or vary all or any of such powers.
- (5) The Executive Committee of each trading segment shall have such responsibilities and powers as may be delegated to it by the Board from time to time which may, inter alia, include the following responsibilities and powers to be discharged in accordance with the provisions of the Bye Laws and Rules :

- (a) approving securities for admission to the relevant Official List for NSE securities;
 - (b) admitting trading members;
 - (c) approving, in the case of capital market trading segment, market-makers to act as such;
 - (d) supervising the market and promulgating such Business Rules and Codes of Conduct as it may deem fit;
 - (e) determining from time to time, fees, deposits, margins and other monies payable to the NSE by trading members and Companies whose securities are admitted/to be admitted to the Official List and the scale of brokerage chargeable by trading members;
 - (f) prescribing, from time to time, capital adequacy and other norms which shall be required to be maintained by trading members;
 - (g) prescribing, from time to time, and administering and effecting penalties, fines and other consequences, including suspension/expulsion for defaults or violation of any requirements of the Bye-laws and Regulations and the Rules and Codes of Conduct and criteria for readmission, if any, promulgated thereunder;
 - (h) administering, maintaining and investment of the corpus of the Fund(s) set up by the Exchange including Investor Protection Fund;
 - (i) norms, procedures and other matters relating to arbitration;
 - (j) power to take disciplinary action/proceed legally against any trading member;
 - (k) dissemination of information, announcements to be placed on the trading system;
 - (l) listing requirements and conditions to be complied with;
 - (m) listing fees payable by the company whose securities are admitted to dealings on the Exchange;
 - (n) continuance of listed status of the company whose securities are admitted to dealings on the Exchange;
 - (o) any other matter delegated by the Board.
- (6) The Executive Committee may from time to time constitute such sub-committees to carry on business complying with all regulations and guidelines laid down by the Executive Committee. The constitution, quorum and responsibilities of such sub committees will be determined by Executive Committee.

- (7) The Executive Committee may from time to time, authorise the Managing Director or such other person(s) to carry out such acts, deeds and functions in accordance with such provisions as may be laid down in this regard for fulfilling the responsibilities and discharging the powers delegated to it by the Board.
- (8) The Executive Committee(s) shall be bound and obliged to carry out and implement any directives issued by the Board from time to time and shall be bound to comply with all conditions of delegation and limitations on the powers of the Executive Committee(s) as may be prescribed.

Government/SEBI Representative

- (9) The Government and SEBI shall nominate on the Executive Committee from time to time, not more than one person each to be referred to as “Government Nominee”.
- (10) Any vacancy caused by resignation, withdrawal of nomination, death or otherwise of such a nominated Government Representative shall be filled in by a similarly nominated person.

Trading Members

- (11) Subject to provisions of Rules 18 and 19 herein, the Board shall nominate on the Executive Committee from time to time not more than four trading members. The persons so nominated shall hold office for a period of one year and shall be eligible for renomination.
- (12) Any vacancy caused by resignation, removal, death or otherwise of such a nominated person shall be filled in by a similarly nominated person.

Public Representatives

- (13) The Board shall nominate on the Executive Committee from time to time not more than four persons referred to as ‘Public Representatives’ who are individual persons of eminence in the field of finance, accounting, law or other discipline. The persons so nominated shall hold office for a period of one year and shall be eligible for renomination.
- (14) Any vacancy caused by resignation, removal, death or otherwise of such a nominated Public Representative shall be filled in by a similarly nominated person.

Other Nominees

- (15) The Board shall nominate on the Executive Committee from time to time not more than four persons referred to as 'Other nominees'. These may include two senior officers of the Company. The persons so nominated shall hold office for a period of one year and shall be eligible for renomination.
- (16) Any vacancy caused by resignation, removal, death or otherwise of such a nominated person shall be filled in by a similarly nominated person.

Vacation of Office of Nominees of the Board

- (17) The office of nominees of the Board including that of the public representatives, trading members and other nominees on the Executive Committee shall ipso facto be vacated if:
- (a) he is adjudicated insolvent;
 - (b) he applied to be adjudicated insolvent;
 - (c) he is convicted by any Court in India of any offence and sentenced in respect thereof to imprisonment for not less than 30 days;
 - (d) he absents himself from three consecutive meetings of the Executive Committee or for a continuous period of three months whichever is longer without obtaining leave of absence from the Committee meeting;
 - (e) in the case of a trading member, if he ceases to be a trading member of the Exchange or if he, by notice in writing addressed to the Executive Committee, resigns his office or if he is suspended or expelled or if his membership is terminated;

Provided however that if at any time the Board is satisfied that circumstances exist which render it necessary in public interest to do so, the Board may revoke the nomination of any such person.

Eligibility of Trading Member to become Executive Committee member

- (18) No trading member shall be eligible to be nominated as a member of an Executive Committee:-
- (a) unless he satisfies the requirement, if any, prescribed in that behalf by the Rules framed under the Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992;
 - (b) unless he is a trading member of the relevant trading segment for such period as may be decided by the Board from time to time;

- (c) if he is a partner with a trading member who is already a member of that Executive Committee;
 - (d) if he has at any time been declared as defaulter or failed to meet his liabilities in ordinary course or compounded with his creditors;
- (18A) No trading member shall be eligible to continue or be nominated on the Executive Committee :-
- (a) if his certificate of registration as a stock broker has been cancelled by the Securities and Exchange Board of India or he has been expelled by the Exchange;
 - (b) if his certificate of registration as a stock broker or his trading rights have been suspended by the Securities and Exchange Board of India or the Exchange as the case may be or his membership rights have been suspended by the Exchange on account of any disciplinary action taken against him under the Rules, Regulations or Byelaws of the Exchange and two years have not elapsed from the date of expiry of such suspension of certificate of registration, trading rights or membership rights;
 - (c) if he falls in the category of Notified Persons as per the Special Courts (Trial of Offences Relating to Transaction in Securities) Act, 1992 and two years have not elapsed from the date the member is denotified under the said Act.
- (19) A trading member nominated for two consecutive years as a member on an Executive Committee shall not be eligible to be nominated to the Executive Committee unless a period of two years has elapsed since his last nomination.

Office Bearers of Executive Committee

- (20) The Executive Committee shall from time to time have the following office-bearers namely, the Chairman and Vice Chairman.
- (21) The Managing Director of the Company shall be the Chairman of Executive Committee(s).
- (22) The Executive Committee shall elect one among themselves as the Vice Chairman.
- (23) The Vice Chairman so elected shall hold office for a period of one year and shall be eligible for re-election.
- (24) In the event of any casual vacancy arising in the office of the Vice-Chairman due to death, resignation or any other cause, the Executive Committee shall nominate a successor from among the members of the Executive Committee.

- (25) The persons nominated/elected as above in any casual vacancy shall hold office for the same period for which the office-bearer in whose place he was appointed would have held office if it had not been vacated as aforesaid.

Meetings of the Executive Committee

- (26) The Executive Committee may meet at least once in every calendar month for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit, and may determine the quorum necessary for the transaction of business.
- (27) The quorum for a meeting of the Executive Committee, shall be one-third of the total strength of the Executive Committee, any fraction being rounded off as one, or three members whichever is higher; provided that where at any time the number of interested members exceeds two-thirds of the total strength, then the number of remaining members, i.e., the number of members not interested shall be the quorum for the meeting.
- (28) The Chairman or Vice-Chairman or any two members of the Executive Committee may at any time convene a meeting of the Executive Committee.
- (29) Questions arising at any meeting of the Executive Committee shall be decided by a majority of the votes cast excepting in cases where a larger majority is required by any provision of the Bye Laws, Rules and Regulations of the Exchange. In the case of equality of votes on matters which can be decided by a majority of votes, the Chairman presiding over the meeting shall have a second or casting vote.
- (30) At all meetings of the Executive Committee the Chairman shall ordinarily preside and in his absence the Vice-Chairman shall preside. If the Vice-Chairman also be not present at the meeting, the members of the Executive Committee present shall choose one from among themselves to be Chairman of such meeting.
- (31) Subject to the conditions stated elsewhere every member of the Executive Committee shall have only one vote whether on a show of hands or on a poll except that in the case of a poll resulting in equal votes, the Chairman who presides over the meeting shall have a casting vote.
- (32) No vote by proxy shall be allowed either on a show of hands or on a poll in respect of any matter.

Chairman and Vice Chairman

- (33) The Chairman may assume and exercise all such powers and perform all such duties as may be delegated to him by the Executive Committee from time to time as provided in the Rules, Bye Laws and Regulations of the Exchange.

- (34) In the absence of the Chairman or on his inability to act, the Vice-Chairman, and in his absence or inability to act, his functions and powers shall be exercised by the senior available officer of the Company under the directions of the Executive Committee.
- (35) The Chairman, and in his absence the Vice-Chairman, shall be entitled to exercise any or all of the powers exercisable by the Executive Committee whenever he be of the opinion that immediate action is necessary, subject to such action being confirmed by the Executive Committee within twenty-four hours.
- (36) The Chairman and/or delegated authority shall represent the Exchange officially in all public matters.

Provided that the Executive Committee may direct that on any matters or occasion the Chairman and/or other member or members of the Executive Committee shall represent the Exchange.

- (37) A meeting of the Executive Committee for the time being, at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion for the time being vested in or exercisable by the Executive Committee generally.

III. TRADING MEMBERSHIP

- (1) The rights and privileges of a trading member shall be subject to the Bye Laws, Rules and Regulations of the Exchange.
- (2) All trading members of the Exchange shall have to register themselves prior to commencing operations on the Exchange, with the Securities and Exchange Board of India.

Eligibility

- (3) The following persons shall be eligible to become trading members of the Exchange:
 - (a) individuals
 - (b) registered firms
 - (c) bodies corporate
 - (d) companies as defined in the Companies Act, 1956 and
 - (e) such other persons or entities as may be permitted under the Securities Contracts (Regulation) Rules, 1957 as amended from time to time.
- (4) No person shall be admitted as a trading member of the Exchange if such proposed member:
 - (a) is an individual who has not completed 21 years of age;
 - (b) is an individual who is engaged as a principal or employer in any business other than that of securities except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such business;
 - (c) is a body corporate who has committed any act which renders the person liable to be wound up under the provisions of the law;
 - (d) is a body corporate who has had a provisional liquidator or receiver or official liquidator appointed to the person;
 - (e) has been adjudged bankrupt or a receiving order in bankruptcy has been made against the person or the person has been proved to be insolvent even though he has obtained his final discharge;
 - (f) has been convicted of an offence involving a fraud or dishonesty;
 - (g) has compounded with his creditors for less than full discharge of debts;

- (h) has been at any time expelled or declared a defaulter by any other Stock Exchange;
 - (i) has been previously refused admission to membership unless the period of one year has elapsed since the date of rejection;
 - (j) incurs such disqualification under the provisions of the Securities Contracts (Regulation) Act, 1956 or Rules made thereunder as disentitles such person from seeking membership of a stock exchange.
- (5) No individual person shall be eligible for admission to trading membership of the Exchange unless:
- (a) he has worked for not less than two years as a Partner with, or as an authorised assistant or authorised clerk or apprentice to a member of any recognised stock exchange and is duly registered with that Exchange, or
 - (b) he agrees to work for a minimum period of two years as a partner or representative member with another member of the Exchange and to enter into transactions on the Exchange not in his own name but in the name of that member under whom he is working; or
 - (c) he succeeds to the established business of a deceased or retiring member of the Exchange who is his father, uncle, brother or any other person who is in the opinion of the relevant authority, a close relative;

Provided that the relevant authority may waive compliance with any or all of the foregoing conditions contained in this Rule and at their discretion waive the requirements set out above, if they are of the opinion that the person seeking is considered by the relevant authority to be otherwise qualified to be admitted as a member by reason of his means, position, integrity, knowledge and experience of business in securities.

- (6) No person shall be eligible to be admitted to the trading membership of the Exchange unless the person satisfies :
- (a) the requirements prescribed in that behalf under the Securities Contracts (Regulation) Act, 1956, and the Rules framed thereunder and under the Securities and Exchange Board of India Act, 1992, and
 - (b) such additional eligibility criteria as the Board or relevant authority may prescribe for the different classes of trading members and trading segments from time to time.

(6A) Certification

No person shall be eligible to be admitted to the trading membership of the Exchange unless he has passed the Certification Programme conducted by the

- Exchange for such Trading segment of the Exchange as it may determine from time to time.
- (7) Unless otherwise specified by the relevant authority, membership for any person shall be restricted to only one trading segment.
 - (8) Trading member of any trading segment may trade in NSE securities applicable to that segment.

Admission

- (9) Any person desirous of becoming a trading member shall apply to the Exchange for admission to the trading membership of the relevant trading segment of the Exchange. Every applicant shall be dealt with by the relevant authority who shall be entitled to admit or reject such applications at its discretion.
- (10) The application shall be made in such formats as may be specified by the relevant authority from time to time for application for admission of trading members to each trading segment.
- (11) The application shall have to be submitted along with such fees, security deposit and other monies in such form and in such manner as may be specified by the relevant authority from time to time.
- (12) The applicant shall have to furnish such declarations as may be specified from time to time by the relevant authority.
- (13) The relevant authority shall have the right to call upon the applicant to pay such fees or deposit such additional security in cash or kind, to furnish any additional guarantee or to require the deposit of any building fund, computerisation fund, training fund or fee as the relevant authority may prescribe from time to time.
- (14) The relevant authority may admit the applicant to the trading membership of the Exchange provided that the person satisfies the eligibility conditions and other procedures and requirements of admission. The relevant authority may at its absolute discretion reject any application for admission without communicating the reason thereof.
- (15) If for any reason the application is rejected, the admission fee shall be refunded to the applicant, without any interest.
- (16) The relevant authority may at any time from the date of admission to the trading membership of the Exchange cancel the admission and expel a trading member if he has in or at the time of his application for admission to membership or during the course of the inquiry made by the relevant authority preceding his admission :

- (a) made any willful misrepresentation; or
 - (b) suppressed any material information required of him as to his character and antecedents; or
 - (c) has directly or indirectly given false particulars or information or made a false declaration.
- (17) When a person is admitted to the trading membership of the Exchange, intimation of the person's admission shall be sent to the person and to the Securities and Exchange Board of India. If the person admitted to the membership of the Exchange and after intimation of his admission is duly sent, does not become a member by complying with acts and procedures for exercising the privileges of membership as may be prescribed by the relevant authority within a specified time period from the date of despatch of the intimation of admission, the admission fee paid by him shall be forfeited by the Exchange.
- (18) (a) Every trading member of the Exchange shall, upon being admitted as a trading member of the Exchange be issued a certificate or entitlement slip as proof of having been admitted to the benefits and privileges of the trading membership of the Exchange. Such a certificate or entitlement slip shall not be transferable or transmittable except as herein mentioned.
- (b) Subject to such terms and conditions as the relevant authority may prescribe from time to time and to the prior written approval of the relevant authority, transfer of the certificate / entitlement slip, may be effected as follows:
- (i) by making nomination under these Rules;
 - (ii) by an amalgamation or merger of a trading member company;
 - (iii) by takeover of a trading member company;
 - (iv) by transfer of the trading membership of a trading member firm to a new firm, in which, all the existing partners are not partners; and
 - (v) by two or more trading members / trading member firms coming together to form a new partnership firm/company.
- (c) A Trading Member or his successor(s) may make a nomination to the certificate / entitlement slip of trading membership. The nomination(s) made by a trading member or successor(s) of a trading member shall be subject to the following conditions, namely:
- (i) The nominee(s) shall, at the time when the nomination becomes effective, be person(s) who shall be qualified to be admitted as trading member(s) of the Exchange;
 - (ii) The nominee(s) shall give to the relevant authority his/their unconditional and irrevocable acceptance of his/their nomination;

- (iii) A trading member shall nominate one or more of his successor(s) as per the applicable succession laws. If the trading member has no successor(s) willing to carry on the trading membership, then, the trading member may nominate person(s) other than his successor(s);
 - (iv) If the trading member has not nominated any person and is rendered incompetent to carry on his business on the Exchange on account of physical disability, then the trading member may, within a period of six months, make a nomination as per the provisions of sub-clause (iii) above;
 - (v) If the trading member has not nominated any person, the successor(s) of the trading member may nominate one or more persons from among themselves within six months from the date of the death of the trading member;
 - (vi) If the nomination of the trading member is such that it cannot be given effect to by the relevant authority, at the time when the nomination would have become effective, then the successor(s) of such a trading member may nominate any other person(s) within six months from the date on which the nomination would have become effective;
 - (vii) If more than one person(s) are nominated by the trading member or the successor(s), then such nominated person(s) shall be required to form a company to carry on the trading membership;
 - (viii) A nomination made by a trading member or successor(s) may be revoked with the prior written approval of the relevant authority and subject to such terms and conditions as the relevant authority may prescribe from time to time. No such revocation shall be permitted after the nomination becomes effective; and
 - (ix) The nomination shall become effective in the case of a nomination made by a trading member, from the date of his death or physical disability or from the date of approval by the relevant authority, whichever is later and in the case of a nomination made by successor(s), from the date on which such nomination is made or from the date of approval by the relevant authority, whichever is later.
- (d) The relevant authority may permit the transfer of the certificate / entitlement slip in the following circumstances:
- (i) Death of a trading member;
 - (ii) If in the opinion of the relevant authority, the trading member is rendered incompetent to carry on his business on the Exchange on account of physical disability;

- (iii) Upon amalgamation or merger of a trading member company;
 - (iv) Upon takeover of a trading member company; and
 - (v) Upon the death of or resignation or notice of dissolution by a partner of a trading member firm, and re-alignment, if any, by the partners in such firm or by the partners in such firm and the nominee(s)/successor(s) of the outgoing partner or by the partners in such firm and person(s) other than the nominee(s)/successor(s) of the outgoing partner in a new firm, within a period of six months from the date of such death or resignation or notice of dissolution.
- (e) The relevant authority may, while permitting the transfer, prescribe from time to time such transfer fee as it deems fit in the following circumstances viz.,
- (i) nomination by a trading member of a person other than successor(s) under the applicable laws;
 - (ii) nomination by the successor(s) of a trading member, if the nominee(s) is/are not from amongst the successors;
 - (iii) amalgamation or merger of a trading member company with a non trading member company resulting in the loss of majority shareholding and/ or control of management by the majority shareholders of the trading member company;
 - (iv) takeover of the trading member company by non trading member(s) resulting in the loss of majority shareholding and/ or control of management by the majority shareholders of the trading member company; and
 - (v) in the case of sub-clause (v) of clause (d), if the person(s) other than the nominee(s)/successor(s) of the outgoing partner hold atleast 51% of share in the profits & losses of the new firm and /or atleast 51% of share in the capital of the new firm.

Explanation I

For the purpose of sub-clauses (iii) and (iv) above, the term “ loss of majority shareholding” means a shareholder or a group of shareholders holding 51% or more shares / interest in the trading member company ceases to hold 51% of shares / interest in the trading member company or in the amalgamated company which shall take up trading membership upon amalgamation of the trading member company with a non trading member company.

Explanation II

For the purpose of sub-clauses (iii) and (iv) above, the term “ loss of control in management “ means the loss of the right to appoint

majority of the directors or to control the management or policy decision exercisable by person or persons acting individually or in concert, directly or indirectly including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

- (f) For the purpose of the clauses (b) to (e), the term ‘trading member’ shall to the extent applicable, include a partner of a trading member firm or a shareholder of a trading member company. The term successor(s) shall to the extent applicable, include successor(s) of a partner of a trading member firm or successor(s) of a shareholder of a trading member company.
- (g) Without prejudice to any other provision of the Rules, the trading membership may be suspended, for such period as the relevant authority may deem fit, in the following circumstances:
- (i) Upon the individual trading member or a partner of a trading member firm or a shareholder of a trading member company, in the opinion of the relevant authority, being rendered incompetent to carry on his business on account of physical disability;
 - (ii) Upon the mental disability of the individual trading member or a partner of a trading member firm provided the partner holds atleast 51% of share in the profits & losses of and/or atleast 51% of share in the capital of such firm or a shareholder of a trading member company provided the shareholder is a majority shareholder in such trading member company;
 - (iii) Upon the death of an individual trading member or a partner of a trading member firm provided the partner holds atleast 51% of share in the profits & losses of and / or atleast 51% of share in the capital of such firm or a shareholder of a trading member company, provided the shareholder is a majority shareholder in such trading member company and during the six month period within which successor(s) of such individual trading member or partner or shareholder, may nominate person(s) to take up the stake/ shares of such deceased individual trading member or partner or shareholder;
 - (iv) Upon the dissolution of a trading member firm and during the six month period as referred to in sub clause (v) of clause (d); and
 - (v) Upon any deadlock in the management of a trading member firm or trading member company, which, in the opinion of the relevant authority will affect the ability of such trading member firm or trading member company to carry on its business. The trading member shall be entitled for an opportunity for representation

before the relevant authority, before being suspended under this sub-clause, but the decision of the relevant authority shall be final.

Explanation I

For the purposes of this sub-clause, the term “Deadlock in the Management “ means a situation wherein there is a loss of confidence or disagreement among the partners of a trading member firm or among the directors/shareholders of a trading member company, which, in the opinion of the relevant authority, will affect or is likely to affect the conduct of business by the trading member firm or trading member company, as the case may be or an equality of vote at a meeting of the directors or shareholders of a trading member company.

- (h) Without prejudice to any other provision of the Rules, the trading membership may be terminated by the relevant authority if an acceptable nomination or realignment, as the case may be, does not take place to the satisfaction of the relevant authority, within the said period of six months.
- (i) The nominee(s), successor(s), partners of a trading member firm or such other persons, as the case may be shall be entitled for an opportunity for representation before the relevant authority, before being terminated under clause (h) above, but the decision of the relevant authority shall be final.

Conversion of legal status of the trading member.

- (j) Subject to such terms and conditions as the relevant authority may prescribe from time to time and to the prior written approval of the relevant authority, conversion of the legal status of a trading member may be effected as follows:
 - (i) by conversion of an individual trading member into a partnership firm / company;
 - (ii) by conversion of a Trading Member firm into a company.
- (k) The relevant authority may permit the conversion of the legal status of the trading member in the following circumstances:
 - (i) In the case of sub-clause (i) of clause (j), if the individual trading member holds and continues to hold atleast 51% of the share in the profits/losses and/or atleast 51% of share in the capital of the partnership firm, or atleast 51% of shareholding / interest in the company, which shall take up the trading membership of the Exchange.
 - (ii) In the case of sub-clause (ii) of clause (j), if the partners holding atleast 51% of share in the profits / losses and /or atleast 51% of share in the capital of the trading member firm hold and continue

to hold atleast 51% of shareholding / interest in the company which shall take up the trading membership of the Exchange.

- (19) The entitlement slip does not confer any ownership right as a member of the Company. The original of the entitlement slip shall stand deposited with the relevant authority. An authenticated photocopy or duplicate of such entitlement slip shall remain in the possession of the trading member as a proof of the trading membership of the Exchange.
- (20) A trading member shall not assign, mortgage, pledge, hypothecate or charge his right of membership or any rights or privileges attached thereto and no such attempted assignment mortgage, pledge, hypothecation or charge shall be effective as against the Exchange for any purpose, nor shall any right or interest in any trading membership other than the personal right or interest of the trading member therein be recognised by the Exchange. The relevant authority shall expel any trading member of the Exchange who acts or attempts to act in violation of the provisions of this Rule.

Partnership

- (21) No trading member shall form a partnership or admit a new partner to an existing partnership or make any change in the name of an existing partnership without intimation and prior approval of the relevant authority in such form and manner and subject to such requirements as the relevant authority may specify from time to time; these requirements may, inter alia, include deposits, declarations, guarantees and other conditions to be met by and which may be binding on partners of the firm who are not trading members.
- (22) No trading member shall, at the same time, be a partner in more than one partnership firm which is a trading member of the Exchange.
- (23) No trading member who is a partner in any partnership firm shall assign or in any way encumber his interest in such partnership firm.
- (24) The partnership firm shall register with the Income Tax authorities and with the Registrar of Firms and shall produce a proof of such registration to the Exchange.
- (25) The partners of the firm shall do business only on account of the firm and jointly in the name of the partnership firm.
- (26) The members of the partnership firm must communicate to the Exchange in writing under the signatures of all the partners or surviving partners any change in

such partnership either by dissolution or retirement or death of any partner or partners.

- (27) Any notice of the Exchange intimating dissolution of a partnership shall contain a statement as to who undertakes the responsibility of settling all outstanding contracts and liabilities of the dissolved partnership firm but that shall not be deemed to absolve the other partner or partners of his or their responsibility for such outstanding contracts and liabilities.

Termination of membership

- (28) Any trading member may cease to be a member, if one or more apply:
- (a) by resignation;
 - (b) by death;
 - (c) by expulsion in accordance with the provisions contained in the Bye Laws, Rules and Regulations;
 - (d) by being declared a defaulter in accordance with the Bye Laws, Rules and Regulations of the Exchange;
 - (e) by dissolution in case of partnership firm;
 - (f) by winding up or dissolution of such company in case of a limited company.

Resignation

- (29) (a) A trading member who intends to resign from the trading membership of the Exchange shall intimate to the Exchange a written notice to that effect which shall be displayed on the trading system.
- (b) Any member of the Exchange objecting to any such resignation shall communicate the grounds of his objection to the relevant authority by letter within such period as may be specified by the relevant authority from time to time.
- (c) The relevant authority may accept the resignation of a member either unconditionally or on such conditions as it may think fit or may refuse to accept such resignation and in particular may refuse to accept such resignation until it is satisfied that all outstanding transactions with such member have been settled.

Death

- (30) On the death of a member, his legal representatives and authorised representatives, if any, shall communicate due intimation thereof to the relevant authority in writing.

Failure to pay Charges

- (31) Save as otherwise provided in the Bye Laws, Rules and Regulations of the Exchange if a member fails to pay his annual subscription, fees, charges or other monies which may be due by him to the Exchange or to the Clearing House within such time as the relevant authority may prescribe from time to time after notice in writing has been served upon him by the Exchange, he may be suspended by the relevant authority until he makes payment and if within a further period of fifteen days he fails to make such payment, he may be expelled by the relevant authority.

Continued Admittance

- (32) The relevant authority shall from time to time prescribe conditions and requirements for continued admittance to trading membership which may, inter alia, include maintenance of minimum networth and capital adequacy, renewal of certification, if any, etc. The trading membership of any person who fails to meet these requirements shall be liable to be terminated.

Readmission of Defaulters

- (33) A trading member's right of membership shall lapse and vest with the Exchange immediately he is declared a defaulter. The member who is declared a defaulter shall forfeit all his rights and privileges as a member of the Exchange, including any right to use of or any claim upon or any interest in any property or funds of the Exchange, if any.
- (34) The relevant authority may readmit a defaulter as a trading member subject to the provisions as may be prescribed by the relevant authority from time to time.
- (35) The relevant authority may readmit only such defaulter who in its opinion:
- (a) has paid up all dues to the Exchange, other trading members and constituents;
 - (b) has no insolvency proceedings against him in a Court or has not been declared insolvent by any Court;
 - (c) has defaulted owing to the default of principals whom he might have reasonably expected to be good for their commitments;

- (d) has not been guilty of bad faith or breach of the Bye Laws, Rules and Regulations of the Exchange;
- (e) has been irreproachable in his general conduct.

IV. DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND EXPULSION

Disciplinary Jurisdiction

- (1) The relevant authority may expel or suspend and/or fine under censure and/or warn and/or withdraw any of the membership rights of a trading member if it be guilty of contravention, non-compliance, disobedience, disregard or evasion of any of the Bye Laws, Rules and Regulations of the Exchange or of any resolutions, orders, notices, directions or decisions or rulings of the Exchange or the relevant authority or of any other Committee or officer of the Exchange authorised in that behalf or of any conduct, proceeding or method of business which the relevant authority in its absolute discretion deems dishonourable, disgraceful or unbecoming a trading member of the Exchange or inconsistent with just and equitable principles of trade or detrimental to the interests, good name or welfare of the Exchange or prejudicial or subversive to its objects and purposes.

Penalty for Misconduct, Unbusinesslike Conduct and Unprofessional Conduct

- (2) In particular and without in any way limiting or prejudicing the generality of the provisions in Rule (1) above, a trading member shall be liable to expulsion or suspension or withdrawal of all or any of its membership rights and/or to payment of a fine and/or to be censured, reprimanded or warned for any misconduct, unbusinesslike conduct or unprofessional conduct in the sense of the provision in that behalf contained herein.

Misconduct

- (3) A trading member shall be deemed guilty of misconduct for any of the following or similar acts or omissions namely:
- (a) *Fraud* : If it is convicted of a criminal offence or commits fraud or a fraudulent act which in the opinion of the relevant authority renders it unfit to be a trading member;
 - (b) *Violation* : If it has violated provisions of any statute governing the activities, business and operations of the Exchange, trading members and securities business in general;
 - (c) *Improper Conduct* : If in the opinion of the relevant authority it is guilty of dishonourable or disgraceful or disorderly or improper conduct on the Exchange or of willfully obstructing the business of the Exchange;
 - (d) *Breach of Rules, Bye Laws and Regulations* : If it shields or assists or omits to report any trading member whom it has known to have committed

a breach or evasion of any Rule, Bye-law and Regulation of the Exchange or of any resolution, order, notice or direction thereunder of the relevant authority or of any Committee or officer or the Exchange authorised in that behalf;

- (e) *Failure to comply with Resolutions* : If it contravenes or refuses or fails to comply with or abide by any resolution, order, notice, direction, decision or ruling of the relevant authority or of any Committee or officer of the Exchange or other person authorised in that behalf under the Bye Laws, Rules and Regulations of the Exchange;
- (f) *Failure to submit to or abide by Arbitration* : If it neglects or fails or refuses to submit to arbitration or to abide by or carry out any award, decision or order of the relevant authority or the Arbitration Committee or the arbitrators made in connection with a reference under the Bye Laws, Rules and Regulations of the Exchange;
- (g) *Failure to testify or give information* : If it neglects or fails or refuses to submit to the relevant authority or to a Committee or an officer of the Exchange authorised in that behalf, such books, correspondence, documents and papers or any part thereof as may be required to be produced or to appeal and testify before or cause any of its partners, attorneys, agents, authorised representatives or employees to appear and testify before the relevant authority or such Committee or officer of the Exchange or other person authorised in that behalf;
- (h) *Failure to submit Special Returns* : If it neglects or fails or refuses to submit to the relevant authority within the time notified in that behalf special returns in such form as the relevant authority may from time to time prescribe together with such other information as the relevant authority may require whenever circumstances arise which in the opinion of the relevant authority make it desirable that such special returns or information should be furnished by any or all the trading members;
- (i) *Failure to submit Audited Accounts*: If it neglects or fails or refuses to submit its audited accounts to the Exchange within such time as may be prescribed by the relevant authority from time to time.
- (j) *Failure to compare or submit accounts with Defaulter* : If it neglects or fails to compare its accounts with the Defaulters' Committee or to submit to it a statement of its accounts with a defaulter or a certificate that it has no such account or if it makes a false or misleading statement therein;
- (k) *False or misleading Returns* : If it neglects or fails or refuses to submit or makes any false or misleading statement in its clearing forms or returns required to be submitted to the Exchange under the Bye Laws, Rules and Regulations;

- (l) *Vexatious complaints* : If it or its agent brings before the relevant authority or a Committee or an officer of the Exchange or other person authorised in that behalf a charge, complaint or suit which in the opinion of the relevant authority is frivolous, vexatious or malicious;
- (m) *Failure to pay dues and fees* : If it fails to pay its subscription, fees, arbitration charges or any other money which may be due by it or any fine or penalty imposed on it.

Unbusinesslike Conduct

- (4) A trading member shall be deemed guilty of unbusinesslike conduct for any of the following or similar acts or omissions namely :
 - (a) *Fictitious Names* : If it transacts its own business or the business of its constituent in fictitious names or if he carries on business in more than one trading segment of the Exchange under fictitious names;
 - (b) *Fictitious Dealings* : If it makes a fictitious transaction or gives an order for the purchase or sale of securities the execution of which would involve no change of ownership or executes such an order with knowledge of its character;
 - (c) *Circulation of rumours* : If it, in any manner, circulates or causes to be circulated, any rumours;
 - (d) *Prejudicial Business* : If it makes or assists in making or with such knowledge is a party to or assists in carrying out any plan or scheme for the making of any purchases or sales or offers of purchase or sale of securities for the purpose of upsetting the equilibrium of the market or bringing about a condition in which prices will not fairly reflect market values;
 - (e) *Market Manipulation and Rigging* : If it, directly or indirectly, alone or with other persons, effects series of transactions in any security to create actual or apparent active trading in such security or raising or depressing the prices of such security for the purpose of inducing purchase or sale of such security by others;
 - (f) *Unwarrantable Business* : If it engages in reckless or unwarrantable or unbusinesslike dealings in the market or effects purchases or sales for its constituent's account or for any account in which it is directly or indirectly interested which purchases or sales are excessive in view of its constituent's or his own means and financial resources or in view of the market for such security;

- (g) *Compromise* : If it connives at a private failure of a trading member or accepts less than a full and bona fide money payment in settlement of a debt due by a trading member arising out of a transaction in securities;
- (h) *Dishonoured Cheque* : If it issues to any other trading member or to its constituents a cheque which is dishonoured on presentation for whatever reasons;
- (i) *Failure to carry out transactions with Constituents* : If it fails in the opinion of the relevant authority to carry out its committed transactions with its constituents;

Unprofessional Conduct

- (5) A trading member shall be deemed guilty of unprofessional conduct for any of the following or similar acts or omissions namely :
 - (a) *Business in Securities in which dealings not permitted* : If it enters into dealings in securities in which dealings are not permitted;
 - (b) *Business for Defaulting Constituent* : If it deals or transacts business directly or indirectly or executes an order for a constituent who has within its knowledge failed to carry out engagements relating to securities and is in default to another trading member unless such constituent shall have made a satisfactory arrangement with the trading member who is its creditor;
 - (c) *Business for Insolvent* : If without first obtaining the consent of the relevant authority it directly or indirectly is interested in or associated in business with or transacts any business with or for any individual who has been bankrupt or insolvent even though such individual shall have obtained his final discharge from an Insolvency Court;
 - (d) *Business without permission when under suspension* : If without the permission of the relevant authority it does business on its own account or on account of a principal with or through a trading member during the period it is required by the relevant authority to suspend business on the Exchange;
 - (e) *Business for or with suspended, expelled and defaulter trading members* : If without the special permission of the relevant authority it shares brokerage with or carries on business or makes any deal for or with any trading member who has been suspended, expelled or declared a defaulter;
 - (f) *Business for Employees of other trading members* : If it transacts business directly or indirectly for or with or executes an order for an authorised representative or employee of another trading member without the written consent of such employing trading member;

- (g) *Business for Exchange Employees* : If it makes a speculative transaction in which an employee of the Exchange is directly or indirectly interested;
- (h) *Advertisement* : If it advertises for business purposes or issues regularly circular or other business communications to persons other than its own constituents, trading members of the Exchange, Banks and Joint Stock Companies or publishes pamphlets, circular or any other literature or report or information relating to the stock markets without the prior written permission of the Exchange or in contravention of the advertisement code prescribed by the Exchange;
- (i) *Evasion of Margin Requirements* : If it willfully evades or attempts to evade or assists in evading the margin requirements prescribed in these Bye Laws and Regulations;
- (j) *Brokerage Charge* : If it willfully deviates from or evades or attempts to evade the Bye Laws and Regulations relating to charging and sharing of brokerage.
- (k) *Dealings with entities prohibited to buy or sell or deal in securities market:* If it deals, directly or indirectly, in the course of its business with or transacts any business with or for any entity, which has been prohibited by SEBI to buy or sell or deal in the securities market.

Trading member's responsibility for Partners, Agents and Employees

- (6) A trading member shall be fully responsible for the acts and omissions of its authorised officials, attorneys, agents, authorised representatives and employees and if any such act or omission be held by the relevant authority to be one which if committed or omitted by the trading member would subject it to any of the penalties as provided in the Bye Laws, Rules and Regulations of the Exchange then such trading member shall be liable therefor to the same penalty to the same extent as if such act or omission had been done or omitted by itself.

Suspension on failure to provide margin deposit and/or Capital Adequacy requirements

- (7) The relevant authority shall require a trading member to suspend its business when it fails to provide the margin deposit and/or meet capital adequacy norms as provided in these Bye Laws, Rules and Regulations and the suspension of business shall continue until it furnishes the necessary margin deposit or meet capital adequacy requirements. The relevant authority may expel a trading member acting in contravention of this provision.

Suspension of Business :

- (8) The relevant authority may require a trading member to suspend its business in part or in whole :
- (a) *Prejudicial Business* : When in the opinion of the relevant authority, the trading member conducts business in a manner prejudicial to the Exchange by making purchases or sales of securities or offers to purchase or sell securities for the purpose of upsetting equilibrium of the market or bringing about a condition of demoralisation in which prices will not fairly reflect market values, or
 - (b) *Unwarrantable Business* : When in the opinion of the relevant authority it engages in unwarrantable business or effects purchases or sales for its constituent's account or for any account in which it is directly or indirectly interested which purchases or sales are excessive in view of its constituent's or its own means and financial resources or in view of the market for such security, or
 - (c) *Unsatisfactory Financial Condition* : When in the opinion of the relevant authority it is in such financial condition that it cannot be permitted to do business with safety to its creditors or the Exchange.

Removal of Suspension

- (9) The suspension of business under clause (8) above shall continue until the trading member has been allowed by the relevant authority to resume business on its paying such deposit or on its doing such act or providing such thing as the relevant authority may require.

Penalty for Contravention

- (10) A trading member who is required to suspend its business shall be expelled by the relevant authority if he acts in contravention of this provision.

Trading members and others to testify and give information

- (11) A trading member shall appear and testify before and cause its partners, attorneys, agents, authorised representatives and employees to appear and testify before the relevant authority or before other Committee(s) or an officer of the Exchange authorised in that behalf and shall produce before the relevant authority or before other Committee(s) or an officer of the Exchange authorised in that behalf, such books, correspondence, documents, papers and records or any part thereof which may be in its possession and which may be deemed relevant or material to any matter under inquiry or investigation.

Permission necessary for Legal Representation

- (12) No person shall have the right to be represented by professional counsel, attorney, advocate or other representative in any investigation or hearing before the relevant authority or any other Committee unless the relevant authority or other Committee so permits.

Explanation before suspension or expulsion

- (13) A trading member shall be entitled to be summoned before the relevant authority and afforded an opportunity for explanation before being suspended or expelled but in all cases the findings of the relevant authority shall be final and conclusive.

Temporary Suspension

- (13 A) (a) Notwithstanding what is contained in clause (13) herein above if in the opinion of the Managing Director it is necessary to do so, he may, for reasons to be recorded in writing, temporarily suspend a trading member, pending completion of the proceedings for suspension under this chapter by the relevant authority, and no notice of hearing shall be required for such temporary suspension and such temporary suspension shall have the same consequences of suspension under this chapter.
- (b) A notice to show cause shall be issued to the trading member within five working days of such temporary suspension.
- (c) Any such temporary suspension may be revoked at the discretion of the Managing Director, for reasons to be recorded in writing, if the Managing Director is satisfied that the circumstances leading to the formations of opinion of the Managing Director to effect temporary suspension, have ceased to exist or are satisfactorily resolved.
- (d) A trading member aggrieved by the temporary suspension may appeal to the relevant authority, provided that such appeal shall not automatically suspend the temporary suspension unless otherwise directed by the relevant authority.

Effect of suspension of registration by SEBI

- (13B) Notwithstanding anything contained in any of the Byelaws and Rules of the Exchange, if the registration of a Trading Member is suspended by SEBI, such Trading Member shall ipso facto stand suspended from the trading membership of the Exchange for the period of suspension, so imposed by SEBI or till such suspension is in force.

Imposition of Penalties

- (14) The penalty of suspension, withdrawal of all or any of the membership rights, fine, censure or warning may be inflicted singly or conjointly by the relevant authority. The penalty of expulsion may be inflicted by the relevant authority.

Pre-determination of Penalties

- (15) The relevant authority shall have the power to pre-determine the penalties, the period of any suspension, the withdrawal of particular membership rights and the amount of any fine that would be imposed on contravention, non-compliance, disobedience, disregard or evasion of any Bye Law, Rules or Regulation of the Exchange or of any resolution, order, notice, direction, decision or ruling thereunder of the Exchange, the relevant authority or of any other Committee or officer of the Exchange authorised in that behalf.

Commutation

- (16) Subject to the provision of the Securities Contracts (Regulation) Rules, 1957 the relevant authority in its discretion may in any case suspend a trading member in lieu of the penalty of expulsion or may withdraw all or any of the membership rights or impose a fine in lieu of the penalty of suspension or expulsion and may direct that the guilty trading member be censured or warned or may reduce or remit any such penalty on such terms and conditions as it deems fair and equitable.

Reconsideration/Review

- (17) Subject to the provisions of the Securities Contracts (Regulation) Rules, 1957 the relevant authority may of its own motion or on appeal by the trading member concerned within 90 days from the date of communication of decision of the relevant authority to the member reconsider and may rescind, revoke or modify its resolution withdrawing all or any of the membership rights or fining, censuring or warning any trading member. In a like manner the relevant authority may rescind, revoke or modify its resolution expelling or suspending any trading member.

Failure to pay fines and penalties

- (18) If a trading member fails to pay any fine or penalty imposed on it within such period as prescribed from time to time by the relevant authority after notice in writing has been served on it by the Exchange it may be suspended by the relevant authority until it makes payment and if within a further period as

prescribed from time to time it fails to make such payment it may be expelled by the relevant authority.

Consequence of Suspension

(19) The suspension of a trading member shall have the following consequences namely:

- (a) *Suspension of Membership Rights* : The suspended trading member shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of membership including the right to attend or vote at any meeting of the general body of trading members of the relevant segment, but it may be proceeded against by the relevant authority for any offence committed by it either before or after its suspension and the relevant authority shall not be debarred from taking cognisance of and adjudicating on or dealing with any claim made against it by other trading members;
- (b) *Rights of creditors unimpaired* : The suspension shall not affect the rights of the trading members who are creditors of the suspended trading member;
- (c) *Fulfillment of Contracts* : The suspended trading member shall be bound to fulfil contracts outstanding at the time of its suspension;
- (d) *Further business prohibited* : The suspended trading member shall not during the terms of its suspension make any trade or transact any business with or through a trading member provided that it may with the permission of the relevant authority close with or through a trading member the transactions outstanding at the time of its suspension;
- (e) *Trading members not to deal* : No trading member shall transact business for or with or share brokerage with a suspended trading member during the terms of its suspension except with the previous permission of the relevant authority.

Consequences of Expulsion

(20) The expulsion of a trading member shall have the following consequences namely:

- (a) *Trading membership Rights forfeited* : The expelled trading member shall forfeit to the Exchange its right of trading membership and all rights and privileges as a trading member of the Exchange including any right to the use of or any claim upon or any interest in any property or funds of the Exchange but any liability of any such trading member to the Exchange or to any

trading member of the Exchange shall continue and remain unaffected by its expulsion;

- (b) *Office vacated* : The expulsion shall create a vacancy in any office or position held by the expelled trading member;
- (c) *Rights of Creditors unimpaired* : The expulsion shall not affect the rights of the trading members who are creditors of the expelled trading member;
- (d) *Fulfillment of Contracts* : The expelled trading member shall be bound to fulfil transactions outstanding at the time of his expulsion and it may with the permission of the relevant authority close such outstanding transactions with or through a trading member;
- (e) *Trading members not to deal* : No trading member shall transact business for or with or share brokerage with the expelled trading member except with the previous permission of the relevant authority.
- (f) *Consequences of declaration of defaulter to follow* : The provisions of Chapter XII and Chapter XIII of the Byelaws pertaining to default and Protection Fund respectively, shall become applicable to the Trading Member expelled from the Exchange as if such Trading Member has been declared a defaulter.

Expulsion Rules to Apply

- (21) When a trading member ceases to be such under the provisions of these Bye Laws otherwise than by death, default or resignation it shall be as if such trading member has been expelled by the relevant authority and in that event all the provisions relating to expulsion contained in these Rules shall apply to such trading member in all respects.

Suspension of Business

- (22) (a) The relevant authority shall require a trading member to suspend its business when it fails to maintain or provide further security as prescribed in the Bye Laws and Regulations and the suspension shall continue until it pays the necessary amount by way of security.
- (b) *Penalty for Contravention* : A trading member who is required to suspend its business under clause (a) shall be expelled by the relevant authority if it acts in contravention of the provisions of the Bye Laws.

Notice of Penalty and suspension of Business

- (23) Notice shall be given to the trading member concerned and to the trading members in general by a notice on the trading system of the Exchange of the expulsion or suspension or default of or of the suspension of business by a trading

- member or of any other penalty imposed on it or on its partners, attorneys, agents, authorised representatives or other employees. The relevant authority may in its absolute discretion and in such manner as it thinks fit notify or cause to be notified to the trading members of the Exchange or to the public that any person who is named in such notification has been expelled, suspended, penalised or declared a defaulter or has suspended its business or ceased to be a trading member. No action or other proceedings shall in any circumstances be maintainable by such person against the Exchange or the relevant authority or any officer or employee of the Exchange for the publication or circulation of such notification and the application for trading membership or the application for registration as the constituted attorney or authorised representative or by the person concerned shall operate as leave to print, publish or circulate such advertisement or notification and be pleadable accordingly.
- (24) The Relevant authority for the purpose of this Chapter shall be the Disciplinary Action Committee as may be constituted by the Board of Directors from time to time. At any point of time, not less than eighty percent of the members of the Disciplinary Action Committee shall be from among non-trading members, who shall be nominated by the Exchange
