

METROPOLITAN STOCK EXCHANGE OF INDIA LIMITED

RULES

Metropolitan Stock Exchange of India Limited

205(A), 2nd floor, Piramal Agastya Corporate Park,

Kamani Junction, LBS Road, Kurla (West),

Mumbai – 400 070.

METROPOLITAN STOCK EXCHANGE OF INDIA LIMITED

RULES

ARRANGEMENT OF CHAPTERS

Chapter	Description
I.	Board
II.	[Deleted]
III.	Trading Membership
IV.	[Deleted]
V.	Disciplinary Proceeding, Penalties, Suspension and Expulsion
VI	Interpretation

I. BOARD

- 1) The Board of Directors (herein referred to as Board) of Metropolitan Stock Exchange of India Limited, constituted in accordance with the provisions of the Articles of Association of the Company, may organize, maintain, control, manage, regulate and facilitate the operations of the Stock Exchange and of securities transactions by trading members of the Stock Exchange, subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules there-under, Securities and Exchange Board of India Act, 1992 and any directives there-under and the trading regulations which RBI may prescribe from time to time for currency and money market instruments.
- 2) Directors of the Metropolitan 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 the provisions contained in this Chapter. The appointment of the Directors on the governing board shall be subject to rules and regulations specified by SEBI from time to time.
 - 2A) The Composition of the Governing Board shall be as under:
 - a) Non-Independent Director not exceeding the number of Public Interest Directors;
 - b) Public Interest Directors; and
 - c) Managing Director.
 - 2B) No person shall be eligible to be appointed as Director unless he is a Fit and Proper Person as defined in SEBI Regulations.
 - 2C) The Directors, except for Public Interest Director(s) shall be elected by the Shareholders.
 - 2D) The Managing Director shall be an ex-officio director on the governing board and shall be included in the category of Non-Independent Director .
 - 2E) No trading member or clearing member, or their associates and agents, shall be on the Governing Board
 - 2F) Shareholder Directors shall be elected from the shareholders of the Company except Trading Members and their associates and agents.
 - 2G) Any employee of the Company appointed on the governing board in addition to the Managing Director, shall be deemed to be a Non-Independent Director.
 - 2H) No Foreign Institutional Investor shall have any representation in the Governing Board.
 - 2-I) The Appointment including re-appointment of Non-Independent Director to the governing board shall be with prior approval of SEBI.

- 2J) The Public Interest Directors on the governing board shall be nominated by SEBI
- 2K) Public Interest Director shall not be simultaneously on the board of any other stock exchange / clearing corporation or their subsidiary.
- 2L) Public Interest Directors shall be nominated for a fixed term of three years, or for such extended period, as may be approved by SEBI. If any issue arises as to whether an assignment or position of a public interest director is in conflict with his role, SEBI's decision shall be final. Public Interest Director shall not be liable to retire by rotation.
- 2M) The Chairman of the governing board shall be a Public Interest Director subject to the prior approval by SEBI.
- 2N) Public Interest Directors shall be paid only sitting fees as specified in the Companies Act, /2013 for Independent Directors.
- 2O) A person, having such disqualifications as may be prescribed from time to time, shall not be eligible for appointment as a Public Interest Director.
- 2P) Managing Director

The appointment, renewal of appointment and termination of service of the Managing Director shall be subject to prior approval of SEBI and the following:

- a) The Board may, subject to the guidelines issued by SEBI from time to time, determine the qualification, manner of appointment, terms and conditions of appointment and other procedural formalities associated with the selection/ appointment of the Managing Director. In the absence of such determination by the Board, the minimum requirements in the SEBI Regulations shall apply.
- b) The appointment, as well as re-appointment, of the Managing Director shall be for a term as specified in SEBI and other applicable Regulations.
- c) The Managing Director shall be liable for removal or termination of services by the governing board with the prior approval of SEBI for failure to give effect to the directions, guidelines and other orders issued by SEBI, or the rules, the articles of association, bye-laws and regulations of the Company.
- d) SEBI may suo motu remove or terminate the appointment of the managing director if deemed fit in the interest of securities market.

Provided that no managing director shall be removed unless he has been given a reasonable opportunity of being heard.

- 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 Stock 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 Stock Exchange.
- 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 there-under, the Securities and Exchange Board of India Act, 1992 and any directives there-under 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 Stock Exchange;
 - b) Conduct of business of the Stock Exchange;
 - c) Conduct of trading members with regard to the business of the Stock Exchange;
 - d) Penalties for disobedience or contravention of the Rules, Bye Laws and Regulations of the Stock Exchange or of general discipline of the Stock Exchange, including expulsion or suspension of the trading members;
 - e) Declaration of any trading member as a defaulter or suspension or resignation or expulsion from trading membership of the Stock Exchange and consequences thereof;
 - f) Conditions, levy for admission or subscription for admission or continuance of trading membership of the Stock Exchange;
 - g) Charges payable by trading members for transactions in such securities as may be laid down from time to time;
 - h) Investigation of the financial condition, business conduct and dealings of the trading members;
 - i) Appointment of Committee or Committees for any purpose of the Stock Exchange;
 - j) Such other matters in relation to the Stock 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 organization, maintenance, control, management, regulation and facilitation of the operations of the Stock Exchange.

- 5) The Board is empowered to delegate, from time to time 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 Stock Exchange and from time to time, to revoke, withdraw, alter or vary all or any of such powers.
- 6) The conducting of business of the Board (including meetings) shall be as per the provisions of Companies Act, 2013 and Rules and Regulations specified by SEBI from time to time.
- 7) 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 the committees specified under SEBI Regulations, Companies Act, 2013 or any other Regulations, Acts and circulars.
- 8) The Board shall have the authority to issue directives from time to time to any 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).
- 9) 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 currency and money market instruments, the Board is empowered to vary, amend, repeal or add to Bye Laws, Rules and Regulations framed by it.
- 10) The Members of the Board and of such committees shall adhere to the Code of Conduct as may be prescribed by the Board from time to time.

Guidelines for Fair Practices / Code of conduct for Public Interest.

11) **(A) Meetings & minutes**

Public Interest Directors shall

- a) endeavour to attend all the board meetings and shall be liable to vacate his office if he remains absent for three consecutive meetings of the Board of Directors or does not attend 75% of the total meetings of the Board in a calendar year;
- b) not participate in the discussion of 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;

- c) not encourage the circulation of agenda papers during the meeting, unless circumstances require;
- d) meet themselves at least once in 6 months separately, if necessary, to Stock Exchange views on critical issues;
- e) offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;
- f) insist on the minutes of the previous meeting being placed for approval in subsequent meeting;
- g) endeavour to have the date of next meeting fixed at each Board Meeting in consultation with other members of the Board;
- h) endeavour that in case where 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

Public Interest Directors shall

- a) participate in the formulation and execution of strategies in the best interest of the exchanges and contribute towards pro-active decision making at the Board level;
- b) give benefit of his experience and expertise to the Stock Exchange and provide assistance in strategic planning and execution of decisions when the Board is in the throes of a raging controversy.

(C) Regulatory Compliances

Public Interest Directors shall

- a) endeavour to ensure that the Stock Exchange abides by all the provisions of the SEBI Act, Securities Contracts (Regulation) Act, 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 Stock Exchange takes commensurate steps to honour the time limit prescribed by SEBI for corrective action;

- 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;
- e) endeavour that the arbitral award is given within the period stipulated in the Bye Laws, Rules or Regulations of the Stock Exchange and in any case, the award is delivered within 15 days after the final meeting.

(D) General Responsibility

Public Interest Directors shall

- a) be punctual and participate actively in the proceedings of the Meetings;
- b) place priority for redressing Investor Grievance, encourage fair trade practice, to become engine for the right growth of the securities industry;
- c) make use of every reasonable opportunity to enhance and improve his level of knowledge and endeavour to analyze and administer the Stock Exchange issues with professional competence, fairness, impartiality, efficiency and effectiveness;
- d) submit the necessary disclosures/ statement of holdings/dealings in securities as required by the Stock Exchange from time to time as per their Rules or Articles of Association;
- e) 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 gain;
- f) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of his duties in order to inspire public confidence and shall not engage in acts discreditable to his responsibilities;
- g) avoid any interest or activity which is in conflict with the conduct of his official duties;
- h) perform his duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, his independence or objectivity;
- i) perform his duties with a positive attitude and constructively support open communication, creativity, dedication and compassion;
- j) not engage in any act involving moral turpitude, dishonesty, fraud, deceit or misrepresentation or any other act prejudicial to the administration of the Stock Exchange.

III. TRADING MEMBERSHIP

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

Eligibility

- 3) The following persons shall be eligible to become trading members of the Stock Exchange:
 - a) individuals
 - b) registered firms
 - c) Limited Liability Partnership
 - d) bodies corporate
 - e) companies as defined in the Companies Act, 1956
 - f) any bank as included in the Second Schedule to the Reserve Bank of India Act, 1934 and specifically authorized by RBI for this purpose
 - i. is eligible to become Clearing Member and / or Trading Member of the Currency Derivatives Segment of an Exchange, on the recommendation of the governing body of the Exchange.
 - ii. such bank can act as member for their proprietary dealings, to act on their own account, in the Currency Derivatives Segment of the Exchange.
 - iii. such bank can also act as member or an agent for any other person, client or customer in the Currency Derivatives Segment of an Exchange.
 - iv. such bank shall abide by circulars and directions issued by RBI and SEBI in respect of dealing of such banks in the Exchange.
and
 - g) 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 Stock 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/ commodities 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 Stock 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 Stock Exchange and to enter into transactions on the Stock 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 Stock 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.

- 5A) No Limited Liability Partnership shall be eligible to be admitted to the trading membership of the Exchange unless:
 - (a) The Limited Liability Partnership is formed and registered under the Limited Liability Partnership Act, 2008.
 - (b) The Limited Liability Partnership complies with the conditions laid down in Rule 8(6) of the Securities Contracts (Regulation) Rules, 1957 pertaining to Limited Liability Partnerships
- 6) No person shall be eligible to be admitted to the trading membership of the Stock 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 Stock Exchange unless he has passed the Certification Programme conducted by the

Stock Exchange for such Trading segment of the Stock 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 securities permitted/ listed for trading in that segment.

Admission

- 9) Any person desirous of becoming a trading member shall apply to the Stock Exchange for admission to the trading membership of the relevant trading segment of the Stock 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 Stock 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 the application is accepted and admitted as trading member, the admission fee paid shall be non-refundable in nature and 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 Stock 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 Stock Exchange, intimation of the person's admission shall be sent to the person and to the Securities and Exchange Board of India in the prescribed form. If the person admitted to the membership of the Stock 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 dispatch of the intimation of admission, the admission fee paid by him shall be forfeited by the Stock Exchange.
- 17A) If an entity is already registered with Securities and Exchange Board of India as a stock broker with any recognized stock exchange or as a clearing member in any recognized clearing corporation, then for operating on the Stock Exchange the entity can directly apply to the Stock Exchange as per the procedure prescribed. The Stock Exchange shall report such grant of approval to Securities and Exchange Board of India in the prescribed form.
- 18) a) Every trading member of the Stock Exchange shall, upon being admitted as a trading member of the Stock 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 Stock 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.
 - vi. by making a transfer in compliance with clause 18(cb) of this Chapter
- 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 Stock 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 Stock 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.

- ca) A trading member may not effect any change in its status or constitution, unless it has made an application seeking prior approval of the Exchange in such manner and with such fees as may be specified by the relevant authority and such approval has been accorded.

Explanation 1: For the purpose of clause (ca), the expression “change in status or constitution” shall include:-

(I) in case of a body corporate:

- (a) amalgamation, demerger, consolidation or any other kind of corporate restructuring falling within the scope of section 391 of the Companies Act, 1956 (1 of 1956) or the corresponding provision of any other law for the time being in force;
- (b) change in its managing director, whole-time director or director appointed in compliance with clause (v) of sub-rule (4A) of rule 8 of the Securities Contracts (Regulation) Rules, 1957; and
- (c) any change in control over the body corporate;
- (d) Transfer/Transmission of shareholding among immediate relative will not covered under para (I) (c) of Explanation I given above: Transfer or transmission of shareholding among immediate relatives as defined under regulation 2(I) of SEBI SAST regulation shall not be construed as change in control.

(II) any change between the following legal forms - individual, partnership firm, limited liability partnership firms, Hindu undivided family, private company, public company, unlimited company or statutory corporation and other similar changes;

In case of Intermediary being a proprietary concern, the transfer of bequeathing of business/capital by way of transmission to another person is a change in the legal formation and hence such transmission or transfer is required to obtain prior approval and thereafter a fresh registration shall be obtained in the name of legal heir/transferee.

(III) in case of a partnership firm any change in partners not amounting to dissolution of the firm;

“In case of Partnership Firm:

Transfer of Ownership Interest in case of Partnership Firm.

Inter-se Transfer of Partner shall not be construed as change in control. Where the partnership consists of only two partners, the same would stand as dissolved in case of the death of one Partner. However when the new partner is inducted then the same would be construed as change in control requiring fresh registration and prior

approval of SEBI. Furthermore, if there is a specific clause in the partnership deed that the legal heir of the deceased would become partner, then bequeathing of partnership right to legal heir by way of transmission shall not amount to Change In Control.

(IV) any other change in relation to the Trading Members which may be specified by the relevant authority as amounting to a change in status or constitution.”

Explanation 2: In a case falling under para (I)(c) of Explanation I, or in any other case where the change in status or constitution requires the prior approval of SEBI or other authority, the Trading Member shall not carry out such change without obtaining such prior approval.

Explanation 3: A Trading Member shall apply for prior approval under Explanation 2 by following such procedure as may be specified by SEBI, other authority or the relevant authority.

- (cb) Without prejudice to other provisions of this Chapter, transfer of membership of the Exchange is permissible, subject to the following:
- i. A member of not less than three years' standing who desires to resign, may transfer its membership to a person eligible under these Rules for admission to membership of the Exchange;
 - ii. The legal representatives of a deceased member or his heirs may with the sanction of the relevant authority transfer the membership of the deceased member to any person eligible under these Rules for admission to membership of the Exchange as a candidate for admission in the places of the deceased member.
 - iii. If a transferee be not eligible under these Rules or if a transferee be rejected by the relevant authority a fresh application for transfer of membership may be submitted to the Exchange.
 - iv. (a) Any such transfer shall be effective only after obtaining prior approval of the relevant authority;
(b) The transferor shall make a written application duly signed by the transferor and containing the full name of and signed by the transferee;
(c) The application seeking prior approval shall be in such form as the relevant authority may from time to time prescribe.

- v. A transferee under this clause shall be admitted by the relevant authority only if he fulfills all eligibility requirements for becoming member of the Exchange and adheres to other requirements applicable to a member including the deposit requirements.
- vi. The relevant authority shall not approve a transfer unless the transferring member or in the case of a deceased member his legal representatives or heirs or any other person on his behalf shall have paid and satisfied in full:-
 - a) such subscriptions, debts, fines, fees, charges and other monies as shall have been determined by the relevant authority to be due to the Exchange or the Clearing Corporation by the transferring or deceased member.
 - b) such debts, liabilities, obligations and claims arising out of any contracts made by such member subject to the Rules, Bye-laws and Regulations of the Exchange as shall have been admitted by the relevant authority.]
- 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 Stock 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.
 - vi. Upon transfer of his membership in compliance with clause 18(cb) of this Chapter.

- 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 Stock 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 Stock 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 Stock 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 Stock 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 Stock Exchange. The relevant authority shall expel any trading member of the Stock 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 Stock 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 Stock 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 Stock 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 Stock 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 Stock Exchange;
 - (e) by dissolution in case of partnership firm;
 - (f) by winding up or dissolution of such company in case of a limited company.
 - (g) by cancellation of license granted by RBI to a Bank admitted as a Trading Member.
 - (h) by cancellation of registration of a Trading Member by SEBI.

Resignation

- 29) (a) A trading member who intends to resign from the trading membership of the Stock Exchange shall intimate to the Stock Exchange a written notice to that effect which shall be displayed on the trading system.
- (b) Any member of the Stock 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 authorized 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 Stock Exchange if a member fails to pay his annual subscription, fees, charges or other monies which may be due by him to the Stock 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 Stock 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 net-worth 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 Stock 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 Stock Exchange, including any right to use of or any claim upon or any interest in any property or funds of the Stock 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 Stock 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 Stock Exchange;
 - e) has been irreproachable in his general conduct.

V. 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 Stock Exchange or of any resolutions, orders, notices, directions or decisions or rulings of the Stock Exchange or the relevant authority or of any other Committee or officer of the Stock Exchange authorised in that behalf or of any conduct, proceeding or method of business which the relevant authority in its absolute discretion deems dishonorable, disgraceful or unbecoming a trading member of the Stock Exchange or inconsistent with just and equitable principles of trade or detrimental to the interests, good name or welfare of the Stock Exchange or prejudicial or subversive to its objects and purposes.

Penalty for Misconduct, Un-businesslike 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, un-businesslike 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 Stock Exchange, trading members and securities business in general;
 - c) Improper Conduct: If in the opinion of the relevant authority it is guilty of dishonorable or disgraceful or disorderly or improper conduct on the Stock Exchange or of willfully obstructing the business of the Stock 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 Stock Exchange or of any resolution, order, notice or direction thereunder of the relevant authority or of any Committee or officer or the Stock 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 Stock Exchange or other person authorised in that behalf under the Bye Laws, Rules and Regulations of the Stock 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 Stock 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 Stock 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 Stock 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 Stock 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 Stock 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 Stock 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.

Unbusiness like Conduct

- 4) A trading member shall be deemed guilty of un-business like 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 Stock 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 un-business like 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 Stock 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 authorized representative or employee of another trading member without the written consent of such employing trading member;
 - g) Business for Stock Exchange Employees : If it makes a speculative transaction in which an employee of the Stock 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 Stock 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 Stock Exchange or in contravention of the advertisement code prescribed by the Stock 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 Stock Exchange then such trading member shall be liable therefore to the same penalty to the same extent as if such act or omission had been done or omitted by 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 Stock 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 demoralization 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 Stock 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 Stock Exchange authorised in that behalf and shall produce before the relevant authority or before other Committee(s) or an officer of the Stock 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

- 13A) (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) Wherever such temporary suspension is on account of similar actions initiated by any other stock Exchange, no notice to show cause is required.
- (d) 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 or where such action is initiated by any other exchange, the temporary suspension has been revoked by the initiating Exchange.
- (e) 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 Stock 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 Stock 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 Stock Exchange or of any resolution, order, notice, direction, decision or ruling thereunder of the Stock Exchange, the relevant authority or of any other Committee or officer of the Stock 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 on its own motion or on an appeal by the trading member concerned may, 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 decision 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 decision expelling or suspending any trading member within the said period.

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 Stock 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 cognizance 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 Stock Exchange its right of trading membership and all rights and privileges as a trading member of the Stock Exchange including any right to the use of or any claim upon or any interest in any property or funds of the Stock Exchange but any liability of any such trading member to the Stock Exchange or to any trading member of the Stock 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 XV and Chapter XVI of the Byelaws pertaining to default and Protection Fund respectively shall become applicable to the Trading Member expelled from the Stock 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 Stock 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 Stock 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 Stock Exchange or the relevant authority or any officer or employee of the Stock 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 license and the Bye Laws, Rules and Regulations 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 Member Committee as may be constituted by the Board of Directors from time to time or the Committee formed under the Member Committee. The composition of Member Committee shall be such as may be prescribed by SEBI.
- 25) The Member Committee may delegate all or any of the following powers to the Managing Director:-
 - a) imposing monetary penalties, issuing warning or advise on/to members in terms of uniform scale or structure of penalties or other action, as specified by the Exchange through circulars issued to members;
 - b) taking penal action against members including suspension or cancellation of membership arising out of directions issued by SEBI;
 - c) expulsion of members under Bye-law 2 of Chapter XV of the Bye-laws of the Exchange, consequent to their being declared defaulter by other Exchanges.
- 26) For removal of doubt, it is clarified that powers under this Chapter in respect of the following cases shall be exercised only by the Member Committee:-
 - a) standard violations for which penalty of suspension or some other penalty other than monetary penalty/advise/warning is prescribed;
 - b) any new or different kind of violation for which the standard penalty is not prescribed;
 - c) any item involving discretion.

VI. INTERPRETATION

1. Words and expressions used in these Rules, but not defined herein, shall have the meanings assigned to them under any of the following:
 - (a) Securities Contracts (Regulation) Act, 1956 and the rules and regulations made thereunder;
 - (b) Securities and Exchange Board of India Act, 1992 and the regulations made thereunder;
 - (c) Companies Act, 1956 and the rules made thereunder;
 - (d) Depositories Act, 1996 and the regulations made thereunder;
 - (e) Bye-laws and Regulations of the Exchange;
 - (f) Memorandum and Articles of Association of the Exchange.

2. If any word or expression is used but not defined herein, but is defined in more than one of the above enactments/instruments mentioned in rule (1), it shall have the meaning given in the enactment or instrument that precedes the other(s) in the order given in the said rule.