

# **METROPOLITAN STOCK EXCHANGE OF INDIA LIMITED**

## **METROPOLITAN STOCK EXCHANGE (FUTURES AND OPTIONS SEGMENT) REGULATIONS**

Registered Office  
205(A), 2nd floor, Piramal Agastya Corporate Park,  
Kamani Junction, LBS Road, Kurla (West),  
Mumbai-400070

# METROPOLITAN STOCK EXCHANGE (FUTURES AND OPTIONS SEGMENT) REGULATIONS

## CONTENTS

### INTRODUCTION

### APPLICABILITY

#### 1. DEFINITIONS

- 1.1 American Style Option Contract
- 1.2 Approved Office
- 1.3 Approved Workstation
- 1.4 Approved user
- 1.5 At the money or Near the money strike price
- 1.6 Authorised Person
- 1.7 Books of Accounts, Records and Documents
- 1.8 Branch Office
- 1.9 Clearing Corporation
- 1.10 **Deleted**
- 1.11 Clearing Member
- 1.12 Closing buy transaction
- 1.13 Closing sell transaction
- 1.14 Common Pool facility
- 1.15 Constituent
- 1.16 Contract Value
- 1.17 Contract Month
- 1.18 Corporate Actions
- 1.19 Deal, Transaction, Dealing And Contract
- 1.20 Derivatives Contract
- 1.21 Exercise
- 1.22 Exercise Price
- 1.23 Exercise Style
- 1.24 Expiration Day
- 1.25 Expiration Time
- 1.26 European Style option contract
- 1.27 Future Contract
- 1.28 In the money strike price
- 1.29 Last Trading Day
- 1.30 Long Position
- 1.31 Market Type
- 1.32 Members Open Position
- 1.33 Notification, Notice Or Communication
- 1.34 MSE
- 1.35 Opening buy transaction
- 1.36 Opening sell transaction
- 1.37 Open Interest
- 1.38 Option Class
- 1.39 Option Contract

- 1.40 Option Holder
- 1.41 Option Seller
- 1.42 Option Writer
- 1.43 Out of the money strike price
- 1.44 Outstanding Obligation
- 1.45 Participant
- 1.46 Permitted Derivatives Contract
- 1.47 Premium
- 1.48 Regular lot/Market Lot Size
- 1.49 Risk Disclosure Document
- 1.50 Series of Options
- 1.51 Settlement Date
- 1.52 Settlement Price
- 1.53 Short Position
- 1.54 Strike Price Interval
- 1.55 Trading cycle
- 1.55A Trading Member
- 1.56 Trade Type
- 1.57 Trading System
- 1.58 Type of option
- 1.59 Underlying Securities
- 1.60 Interpretation

## **2. DEALINGS ON THE F&O SEGMENT OF THE STOCK EXCHANGE**

- 2.1 Trading System
- 2.2 Trading Members, Approved Users and Authorised Persons
- 2.3 Trading Days
- 2.4 Trading Hours
- 2.5 Trading Cycle
- 2.6 Contract Expiration
- 2.7 Trading Parameters
- 2.8 Market Types/Trade Types /Transaction Types
- 2.9 Failure of Trading Members' Terminal

## **3. DEALINGS IN DERIVATIVES CONTRACTS**

- 3.1 Dealings in Derivatives contracts
- 3.2 Position Limit
- 3.3 Action by Relevant Authority
- 3.4 Trade Operations
- 3.5 Order Management
  - 3.5.1 Order Type
  - 3.5.2 Order Attributes
  - 3.5.3 Modification and Cancellation of Orders
  - 3.5.4 Order Validation
  - 3.5.5 Matching Rules
- 3.6 Contract Note
- 3.7 Brokerage
- 3.8 Deposit Requirements

- 3.9 Margin Requirements
- 3.10 Margin from the Constituents
- 3.11 Power of the relevant authority to prescribe mode, manner, method or form for certain aspects
- 3.12 Collection of securities transaction taxes & SEBI turnover fees
- 3.13 Collection, verification and uploading of PAN

#### **4. CONDUCT OF BUSINESS BY TRADING MEMBERS**

- 4.1 Office Related Procedure
- 4.2 Supervision
  - 4.2.1 Procedures to be followed
  - 4.2.2 Internal Inspections
  - 4.2.3 Internal Audit
  - 4.2.4 Written Approval
  - 4.2.5 Qualifications Investigated
- 4.3 Relation with Constituents
- 4.4 Disclosure of Investor Complaints, Arbitration Details and Disciplinary Action
- 4.5 Guidelines governing relationship between trading member and constituent
- 4.6 Code of conduct for trading members
  - 4.6.1 Adherence to SEBI Code of Conduct
  - 4.6.2 General Principles
  - 4.6.3 Trading Principles
  - 4.6.4 General Guidelines
- 4.7 Fraudulent and Unfair Trading Practices

#### **5. ARBITRATION**

- 5.1 Definitions
- 5.2 Seat of arbitration
- 5.3 Criteria for selection of seat of arbitration.
- 5.4 Request for nearest RAC by constituent
- 5.5 **Deleted**
- 5.6 Reference of the claim, difference or dispute
- 5.7 Criteria and procedure for selection of persons eligible to act as arbitrators
- 5.8 Guidelines for fair practices/Code of conduct for arbitrators
- 5.9 Procedure for appointment of arbitrators
- 5.10 Vacancy in the office of the arbitrator
- 5.11 Deposit towards cost of arbitration
- 5.12 Procedure for arbitration
- 5.13 Requirement for hearings
- 5.14 Notice of hearing
- 5.15 Adjournment of hearing
- 5.16 Appearance through authorised representative
- 5.17 Arbitral award on agreed terms
- 5.18 Arbitral award under certain circumstances
- 5.19 Making of arbitral award
- 5.20 Interest
- 5.21 Arbitration fees and charges, costs, etc
- 5.22 Administrative assistance which may be provided by the Stock Exchange.
- 5.23 Mode of communication

- 5.24 Preservation of records
- 5.25 Destruction of records

## **6. APPELLATE ARBITRATION**

- 6.1 Definitions
- 6.2 Seat of Appellate Arbitration
- 6.3 Time for preferring Appeal
- 6.4 Procedure for appointment of Arbitrators
- 6.5 Appellate Arbitration Fees
- 6.6 Procedure for Appellate Arbitration
- 6.7 Vacancy in the office of the Arbitrators
- 6.8 Notice of Hearing
- 6.9 Adjournment of Hearing
- 6.10 Appellate Arbitral Proceeding
- 6.11 Appellate Arbitral Award on Agreed Terms
- 6.12 Making of Appellate Arbitral Award
- 6.13 Interest
- 6.14 Arbitration Fees and Charges, costs etc.
- 6.15 Applicability of Chapter 5

## **7. RECORDS, ANNUAL ACCOUNTS & AUDIT**

- 7.1 Records
- 7.2 Annual accounts and audit

## **8. INSPECTION**

- 8.1 Inspection authority
- 8.2 Notice
- 8.3 Obligations of a trading member on inspection.
- 8.4 Submission of report
- 8.5 Collection and dissemination of information

## **ANNEXURES**

### **Arbitration forms**

## **INTRODUCTION**

These Regulations shall be known as Metropolitan Stock Exchange (Futures and Options Segment) Regulations (herein after called “Regulations”).

These Regulations shall be in addition to the provisions of the Securities Contracts (Regulations) Act, 1956 as amended from time to time and the Rules made there-under, Securities and Exchange Board of India Act, 1992 and the Regulations made there-under, various circulars, notifications and directives issued by SEBI from time to time and the Rules and Byelaws of Metropolitan Stock Exchange of India Limited (MSE), as may be applicable to Trading Members and Participants.

## **APPLICABILITY**

These Regulations shall be applicable to all Trading Members and Participants to the extent specified here in of the Futures & Options Segment of MSE (hereinafter called “F&O Segment”). They shall be subject to jurisdiction of the Courts of Mumbai irrespective of the place of business of Trading Members in India.

## 1. DEFINITIONS

### 1.1 **American Style option contract**

‘American Style option contract’ means an option contract which may be exercised on any day on or before the expiration day.

### 1.2 **Approved Office**

‘Approved office’ means the registered office of a Trading Member including such premises or offices from which the member is allowed by the F&O Segment of the Stock Exchange to trade on the Trading system or carry out back office work and other related works.

### 1.3 **Approved Workstation**

‘Approved workstation’ refers to such trading workstation of a Trading Member or a Participant comprising of computer terminal(s) and all associated equipment installed and connected to the Trading System and used by the trading member or the Participant for the purpose of market inquiry, execution of orders/trades and settlement of its trades in the F&O Segment on the Trading System, and all other actions associated with the trading and settlement on the Trading System.

### 1.4 **Approved User**

‘Approved User’ is an individual appointed by a Trading Member in accordance with Chapter 2 of these Regulations.

### 1.5 **At the money or Near the money strike price**

‘At the money or Near the money’ strike price is the strike price of the option contract at or within such range of the underlying as may be specified by the Relevant Authority from time to time.

### 1.6 **Authorised Person**

‘Authorised Person’ means a person who is an individual, a registered partnership firm, a limited liability partnership or a body corporate as defined under the Companies Act, 1956 or any other category of person(s) allowed by SEBI, who is appointed as such by a Trading Member after obtaining specific prior approval of the Stock Exchange for providing access to trading platform of the Stock Exchange, as an agent of the Trading Member.

### 1.7 **Books of Accounts, Records and Documents**

‘Books of accounts, records and documents’ include books of accounts, records and documents which are required to be maintained under Chapter 6 of these Regulations and records maintained in a computer or in any magnetic form.

### 1.8 **Branch Office**

‘Branch office’ in relation to a Trading Member means:-

- (a) any establishment described as a branch;
- (b) any establishment carrying on any of the same or substantially the same activities as that carried on by the head office;
- (c) any place where a trading terminal is provided by the Trading Member to an Authorised Person;

- (d) any other place which the Stock Exchange may notify

**1.9 Clearing Corporation**

‘Clearing Corporation’ for the purpose of these regulations means the Clearing Corporation or any other entity which may be identified by the F&O Segment of the Stock Exchange for the purpose of performing the clearing and settlement of Derivatives contracts traded on the F&O Segment of the Stock Exchange provided that stock exchange has entered into an arrangement with it or/and any other clearing corporation, in a multi-partite agreement with such clearing corporation to ensure interoperability among clearing corporations.

**1.10 Clearing Member**

‘Clearing Member’ means a Member of the Clearing Corporation and includes all categories of Clearing Members as may be admitted as such to the F&O Segment of the Stock Exchange. In case of a Clearing Member who is also a Trading Member of the F&O Segment the term Trading Member includes Clearing Member.

**1.12 Closing buy transaction**

‘Closing buy transaction’ means a buy transaction which will have the effect of partly or fully offsetting a short position.

**1.13 Closing sell transaction**

‘Closing sell transaction’ means a sell transaction which will have the effect of partly or fully offsetting a long position.

**1.14 Common Pool facility**

‘Common Pool facility’ means the trading facilities created by the F&O Segment of the Stock Exchange at various places including the Stock Exchange that may be to make available for use by the Trading Member in the event of failure of trading facilities in his office or otherwise.

**1.15 Constituent**

A ‘Constituent’ means a person, on whose instructions and, on whose account, the Trading Member enters into any contract for the purchase or sale of any security or does any act in relation thereto.

**Explanation:** For the purpose of these regulations, the term Constituent includes a Participant as defined under the Byelaws of the Stock Exchange unless expressly stated otherwise.

**1.16 Contract Value**

‘Contract Value’ is the value arrived at by multiplying the strike price of the options contract with the regular or market lot size.

**1.17 Contract Month**

‘Contract month’ means the month in which A contract has to be finally settled.

**1.18 Corporate Actions**

‘Corporate Actions’ mean and include dividend, bonus, right shares, issue of shares as a result of stock split stock consolidations, schemes of mergers/demerger, spin-offs,

amalgamations, capital restructuring and such other privileges or events of a similar nature which may be specified by the Relevant Authority from time to time.

**1.19 Deal, Transaction, Dealing and Contract**

For the purpose of these Regulations, the terms “deal”, “transaction” and “dealing” shall have one and the same meaning unless the context indicates otherwise.

**1.20 Derivatives Contract**

A contract which derives its value from the prices, or index of prices, of underlying securities, the trading of which shall be carried out in such manner as provided under these Regulations.

**1.21 Exercise**

‘Exercise’ means the invocation of right of option, in accordance with and subject to Rules, Byelaws and Regulations of Stock Exchange, by the holder of a right of option, which may include delivery of underlying.

**1.22 Exercise Price**

The ‘Exercise Price’ or strike price is the price per unit of trading at which the option holder has the right either to buy or sell the underlying upon exercise of the option.

**1.23 Exercise Style**

‘Exercise Style’ of an option refers to the price at which and/or time as to when the option is exercisable by the holder. It may either be an American style option or an European style option or such other exercise style of option as the Relevant Authority may prescribe from time to time.

**1.24 Expiration Day**

‘Expiration Day’ means the day on which the final settlement obligations are determined in a Derivatives Contract

**1.25 Expiration time**

‘Expiration time’ is the close of business hours on the expiration day of the option contract or such other time as may be specified by the Relevant Authority from time to time.

**1.26 European Style option contract**

‘European Style option contract’ means an option contract which may be exercised on the expiration day

**1.27 Futures Contract**

Futures contract means a contract to buy or sell a specified quantity of the underlying security at a specified time in the future.

**1.28 In the money strike price**

‘In the money strike price’, in case of Put Option, is the strike price of the option contract which is above ‘At the money or Near the money’ strike price. In the money strike price, in case of Call Option, is the strike price of the option contract which is below ‘At the money or Near the money’ strike price.

- 1.29 Last Trading Day**  
'Last Trading Day' means the day upto and on which a Derivatives Contract is available for trading.
- 1.30 Long Position**  
'Long Position' in a Derivatives Contract means outstanding purchase obligations in respect of a permitted Derivatives Contract at any point of time.
- 1.31 Market Type**  
'Market Type' refers to the different markets in which trading is permitted on the Trading system.
- 1.32 Members' Open Position**  
'Members' Open Position' means the sum of long and short positions of the Member and his constituents in any or all of the Derivatives Contracts outstanding with the Clearing Corporation.
- 1.33 Notification, Notice Or Communication**  
'Notification, Notice Or Communication' refers to any such intimation that can be served by the F&O Segment of the Stock Exchange to the Trading Member at ordinary business address and/or ordinary place of residence and/or last known address of the party in any one or more or all of the following ways:-
- (a) delivering it by post
  - (b) sending it by registered post
  - (c) ending it under certificate of posting
  - (d) sending it by express delivery post / courier services
  - (e) sending it by telegram
  - (f) affixing it on the door at the last known business or residential address
  - (g) advertising it at least once in any prominent daily newspaper
  - (h) sending a message through the Trading System of MSE
  - (i) an electronic mail or fax
- 1.34 MSE**  
'MSE' means the Metropolitan Stock Exchange of India Limited. The terms MSE and Stock Exchange are used interchangeably.
- 1.35 Opening buy transaction**  
'Opening buy transaction' means a buy transaction which will have the effect of creating or increasing a long position.
- 1.36 Opening sell transaction**  
'Opening sell transaction' means a sell transaction which will have the effect of creating or increasing a short position.
- 1.37 Open Interest**  
'Open Interest' means the total number of Derivatives Contracts of an underlying security that have not yet been offset and closed by an opposite Derivatives transaction nor fulfilled by delivery of the cash or underlying security or option exercise. For calculation of Open Interest only one side of the Derivatives Contract is counted.

- 1.38 Option Class**  
‘Option contracts’ of the same type and style that cover the same underlying constitute an option class.
- 1.39 Option Contract**  
‘Option Contract’ is a type of Derivatives Contract which gives the buyer/holder of the contract the right (but not the obligation) to buy/sell the underlying security at a predetermined price within or at end of a specified period. The option contract which gives a right to buy is called a Call Option and the option contract that gives a right to sell is called a Put Option.
- 1.40 Option Holder**  
‘Option Holder’ is a person who has bought an option contract.
- 1.41 Option Seller**  
‘Option Seller’ is a person who has sold an option contract.
- 1.42 Option Writer**  
‘Option Writer’ means a Trading Member who is permitted by the F&O Segment of the Stock Exchange to write Options contracts.
- 1.43 Out of the money strike price**  
‘Out of the money strike price’, in case of Put Option, is the strike price of the option contract which is below ‘At the money or Near the money’ strike price. Out of the money strike price, in case of Call Option, is the strike price of the option contract which is above ‘At the money or Near the money’ strike price.
- 1.44 Outstanding Obligation**  
‘Outstanding Obligation’ means the obligation which has neither been closed out nor been settled.
- 1.45 Participant**  
‘Participant’ refers to such users as may be specified or approved by the relevant authority from time to time with regard to trading, clearing, settlement and other support services including constituents, approved users, Clearing banks, technology vendors and such other service providers as the relevant authority may decide from time to time in the manner provided under Chapter VII of the Byelaws of the Stock Exchange.
- 1.46 Permitted Derivatives Contract**  
‘Permitted Derivatives Contract’ is a contract which is permitted to be traded on the F&O Segment of the Stock Exchange.
- 1.47 Premium**  
‘Premium’ is the price which the buyer of the option pays to the seller of the option for the rights conveyed by the option contract.
- 1.48 Regular Lot/Market Lot Size**  
‘Regular Lot/Market Lot Size’ means the number of units that can be bought or sold in a specified Derivatives contract as may be specified by the Relevant Authority of F&O Segment of the Stock Exchange from time to time.

**1.49 Risk Disclosure Document**

‘Risk Disclosure Document’ refers to the document to be issued to all potential investors at the time of registration for disclosure of the risks inherent to Derivatives which may be in the format as may be prescribed by the Stock Exchange or SEBI from time to time

**1.50 Series of Options**

‘Series of Options’ means all options of the same class having the same exercise price and expiration day.

**1.51 Settlement Date**

‘Settlement Date’ means the date on which the settlement of outstanding obligations in a permitted Derivatives contract are required to be settled as provided in these Regulations or as specified by the F&O Segment from time to time.

**1.52 Settlement price**

‘Settlement Price’ in respect of Exercise Settlement, is the closing price of the underlying on the day of exercise or such other price as may be decide by the Relevant Authority from time to time.

**1.53 Short Position**

‘Short Position’ in a Derivatives contract means outstanding sell obligations in respect of a permitted Derivatives Contract at any point of time.

**1.54 Strike Price Interval**

‘Strike price Interval’ is the gap between any two successive strike prices which the Relevant Authority may prescribe from time to time.

**1.55 Trading cycle**

‘Trading cycle’ means the period, as notified by the F&O Segment of the Stock Exchange from time to time, during which the Derivatives Contract will be available for trading which may include settlement and delivery.

**1.55A Trading Member**

Trading Member refers to an entity as defined in Byelaws of Metropolitan Stock Exchange of India Limited.

**1.56 Trade Type**

‘Trade Type’ is the type of trade as may be permitted by the F&O Segment of the Stock Exchange from time to time for each Market Type.

**1.57 Trading System**

‘Trading System’ refers to Automated Trading System of the F&O Segment of the Stock Exchange, which is also referred to as ATS in these regulations.

**1.58 Type of option**

‘Type of option’ means the classification of an option as either a put or a call.

### **1.59 Underlying Securities**

‘Underlying Securities’ means a security with reference to which a Derivatives Contract is permitted to be traded on the F&O segment of the Stock Exchange from time to time, which may include securities or as index of prices of securities.

### **1.60 Interpretation**

Unless in the context it is explicitly stated otherwise, all words and expressions used in these Regulations but not defined, and defined in the following, shall have the meanings respectively assigned to them therein:

- 1) Securities Contract (Regulations) Act, 1956 and the Rules/Regulations made there-under.
- 2) Securities and Exchange Board of India Act, 1992 and the Regulations made there-under.
- 3) The Depositories Act, 1996 and the Regulations framed thereunder
- 4) The Companies Act, 1956/ 2013
- 5) Rules, Bye-laws of MSE.
- 6) Rules, Byelaws and/or Regulations of Clearing Corporation.

In case a term is defined in more than one of the above instruments then its meaning as defined in that act or statute or instrument which precedes in the above order shall prevail, unless the context requires otherwise.

## **2. DEALINGS ON THE F&O SEGMENT OF THE STOCK EXCHANGE**

### **2.1 TRADING SYSTEM**

- 2.1.1 The F&O Segment of the Stock Exchange shall provide an Automated Trading systems in all the Derivatives Contracts admitted for dealings on the F&O Segment.
- 2.1.2 Trading on the F&O Segment of the Stock Exchange shall be allowed only through approved Workstation(s) located at approved office of a Trading Member. If an approved workstation of a Trading Member is connected by LAN or any other way to other workstations at any place, it shall require an approval of the F&O Segment of the Stock Exchange.
- 2.1.3 Each Trading Member/Participant shall have a unique identification number which shall be provided by the F&O Segment of the Stock Exchange on an application made by Trading member, and which shall be used to log on (sign on) to the ATS.
- 2.1.4 A Trading Member/ Participant shall have a non-exclusive permission to use the Trading system as provided by the F&O Segment of the Stock Exchange in the ordinary course of business as Trading Member/Participant.
- 2.1.5 A Trading Member /Participant shall not have any title, rights or interest with respect to Trading System, its facilities, software and the information provided in / through the ATS system.
- 2.1.6 The Trading System
- (a) may be made available to the Trading Member for trading subject to such terms and conditions as the Relevant Authority may determine from time to time, inter alia, payment of such charges as may be specified from time to time and taking up the clearing membership or having arrangements with Professional Clearing Members of the Clearing Corporation.
  - (b) access shall be withdrawn or restricted by the Relevant Authority for noncompliance with any of these regulations.
- 2.1.7 The Trading Member shall use such equipment and software as specified or approved by the F&O Segment of the Stock Exchange from time to time for the purpose of accessing ATS System.
- 2.1.8 The F&O Segment of the Stock Exchange shall have the right to inspect equipment and software used for the purpose of accessing ATS.
- 2.1.9 The cost of equipment and software supplied by the F&O Segment of the Stock Exchange, installation and maintenance of the equipment shall be borne by the Trading Member.
- 2.1.10 A Trading Member/ Participant shall not, permit itself or any other person(s) to:

- (a) use the software provided by the F&O Segment of the Stock Exchange for any purpose other than the purpose as approved and specified by the F&O Segment of the Stock Exchange
- (b) use the software provided by the F&O Segment of the Stock Exchange on any equipment other than the workstation approved by the F&O Segment of the Stock Exchange
- (c) copy, alter, modify or make available to any other person the software provided by the F&O Segment of the Stock Exchange
- (d) use the software in any manner other than the manner as specified by the F&O Segment of the Stock Exchange
- (e) attempt directly or indirectly to decompile, disassemble or reverse engineer the same.

2.1.11 Trading Member shall adopt such security procedures pertaining to connection to the trading system as may be specified by the F&O Segment of the Stock Exchange from time to time.

2.1.12 A Trading Member /Participant shall not, by himself or through any other persons on his behalf, publish, supply, show or make available to any other person other than SEBI and other statutory authorities, or reprocess, retransmit, store or use the facilities of the Trading System or the information provided by the Trading System except with the explicit approval of the F&O Segment of the Stock Exchange and in the ordinary course of business to complete the transactions on the F&O Segment of the Stock Exchange.

2.1.13 The F&O Segment of the Stock Exchange shall provide its services on a best effort basis. However the F&O Segment of the Stock Exchange shall not be liable for failure of the ATS or for any loss, damage, or other costs arising in any way out of:

- (a) Telecom network or system failures including failure of ancillary or associated support systems provided by the Stock Exchange or support agencies, or fluctuation of power, or other environmental conditions or destruction of any data;
- (b) Accident, transportation, neglect, misuse, errors, frauds of the Trading Member /Participant or the agents or any third party;
- (c) Any fault in any attachments or associated equipment (either supplied by the F&O Segment of the Stock Exchange or approved by the F&O Segment of the Stock Exchange) which forms or does not form part of the trading workstation installation;
- (d) Act of God, natural calamity, fire, flood, war, act of violence, or any other similar occurrence;
- (e) Any incidental, special or consequential damages.

- 2.1.14 Without prejudice to anything contained in 2.1.13, such failure if any, shall not reduce, alter or affect the liability of the Trading Member/Participant in respect of any trades to which it is a party.
- 2.1.15 The F&O Segment of the Stock Exchange may also permit common pool facility to Trading Members as per the norms as may be specified by it in case of failure of terminal of Trading Member or any other circumstances which the Stock Exchange deems it expedient to do so.
- 2.1.16 (a) A Trading Member shall not deal with other Trading Members of the Stock Exchange either for proprietary trading or for trading on behalf of Clients, except with the prior permission of the Stock Exchange granted on the request of such Trading Member.
- (b) The Stock Exchange while giving permission under clause (a) shall consider the reasons stated by the Trading Member and after carrying out due diligence allow such Trading Member to deal with only one Trading Member of the Stock Exchange.
- (c) A Trading Member of the Stock Exchange can deal with only one Member of another stock exchange for proprietary trading after intimating the name of such Member to his parent stock exchange.
- (d) A Trading Member of the Stock Exchange can deal with only one Member of another Stock Exchange on behalf of clients after obtaining necessary registration as Authorized Person if allowed, from the Securities and Exchange Board of India.

## **2.2 TRADING MEMBERS, APPROVED USERS AND AUTHORISED PERSONS**

- 2.2.1 Subject to the provisions of this Chapter, Trading Members may appoint, with the specific prior approval of the Stock Exchange, Authorised Person(s) for providing access to the F&O Segment of the Stock Exchange, as an agent of the Trading Member, subject to payment of such approval fee as may be specified by the Relevant Authority from time to time.
- 2.2.2 Trading Members and their Authorised Persons may appoint, with the approval of the Stock Exchange, Approved Users to operate their Trading Workstation(s), subject to payment of such approval fee as may be specified by the Relevant Authority from time to time.
- 2.2.3 The Authorised Person may receive his remuneration whether by way of fees, charges, commission, salary or otherwise for his services only from the Trading Member and he shall not charge any amount from the Constituents.
- 2.2.4 Approved Users on the F&O Segment should have passed the certification program which has been approved by SEBI.
- 2.2.5 Each Trading Member/ Participant shall be permitted to appoint such number of approved users as may be notified from time to time by the F&O Segment of the Stock Exchange.

- 2.2.6 The appointment of Approved users shall be subject to such terms and conditions as the F&O Segment of the Stock Exchange may from time to time specify.
- 2.2.7 Each approved user shall be given a unique identification number through which he shall have access to the ATS system.
- 2.2.8 An approved user can access the ATS system through a password.
- 2.2.9 A Trading Member /Participant or its approved users thereof shall maintain complete secrecy of its password.
- 2.2.10 An approved user shall be required to change his password at the end of the password expiry period. For this purpose, the “password expiry period” is such period as may be specified by the F&O Segment of the Stock Exchange from time to time.
- 2.2.11 (a) Only persons who are registered as Trading Members and Participants in accordance with provisions of the Byelaws, Rules and Regulations of the Stock Exchange or are agents of Trading Members, for whom an application has been made to the Stock Exchange by the Trading Members in accordance with the format specified by the Relevant Authority of the Stock Exchange from time to time, may be approved as user (Approved User).
- (b) No person shall be admitted as an Approved User who is under 18 years of age.
- (c) No person shall be admitted as an approved user against whom any disciplinary action has been taken by the Stock Exchange or any other Stock Exchange.
- (d) No Trading Member /Participant shall without permission of the F&O Segment of the Stock Exchange take into his employment a former Trading Member or approved user of such Trading Member as an approved user, if such Trading Member or approved user is one against whom any disciplinary action has been taken by the Stock Exchange or any other Stock Exchange.
- (e) No person shall be admitted as an Approved User unless he has passed Certification course as approved by SEBI. The Certification obtained should be valid for the period specified by the F&O Segment of the Stock Exchange from time to time. On the Certification becoming invalid due to any reason, the User Id shall stand terminated. It shall be the responsibility of the approved user to inform the F&O Segment of the Stock Exchange of the expiry of the Certification, if any.
- 2.2.12.1 No individual shall be appointed as an Authorised Person unless he:
- (a) is a citizen of India;
- (b) is not less than 18 years of age;
- (c) has passed at least 10<sup>th</sup> standard or equivalent examination from an institution recognized by the Government;
- (d) has not been convicted of any offence involving fraud or dishonesty;

- (e) has good reputation and character;
- (f) has not been expelled or declared defaulter by any stock exchange in the country, except if he has been readmitted by the relevant stock exchange;
- (g) is or was not debarred or prohibited from associating with securities market or from dealing in securities in any manner whatsoever by SEBI or any other competent authority, tribunal or court and the period of debarment or prohibition is not over;
- (h) is not or has not been a partner or director, of any expelled member or member declared defaulter, at the time of the expulsion or declaration, as the case may be, by any of the stock exchanges in the country, except if such member has been readmitted by the relevant stock exchange;
- (i) is not or has not been a partner or director of any entity who is or was debarred or prohibited from associating with securities market or from dealing in securities in any manner whatsoever by SEBI or any other competent authority, tribunal or court, and the period of debarment or prohibition is not over;
- (j) is not an Approved User or Authorised Person or employee of any other Trading Member;
- (k) has and continues to have NISM certification or any other certification prescribed by SEBI, as being essential for carrying on such activity.

2.2.12.2 No registered partnership firm, or a body corporate as defined under the Companies Act 1956/ 2013 or a limited liability partnership is eligible to be appointed as an Authorised Person unless:-

- (a) all the partners of the firm or limited liability partnership and all the directors of the company comply with all the eligibility criteria listed out at clauses a) to j) of regulation 2.2.12.1 above
- (b) all the partners/ directors satisfies all the conditions at clause k) of regulation 2.2.12.1 above
- (c) the firm and the company satisfies all the conditions from clauses d) to j) of regulation 2.2.12.1 above, to the extent those provisions are applicable to them.
- (d) the provisions of the partnership deed of the firm or limited liability partnership or main object clause of the Memorandum of Association of the company shall enable the registered firm or the company, as the case may be, to undertake securities business.

2.2.12.3 Authorised Persons shall have the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the activities on behalf of the Trading Member.

- 2.2.12.4 The Stock Exchange may prescribe such other additional conditions in regard to appointment of Authorised Persons as it may deem fit from time to time and the Trading Members shall be bound to comply with the same.
- 2.2.12.5 Authorised Person(s) shall comply with the Rules, Bye-laws, Regulations and Circulars of the Stock Exchange. The Trading Member shall ensure that the Authorised Person appointed by him complies with the Rules, Bye-laws, Regulations and Circulars of the Stock Exchange and with the requirements relating to Authorised Person as laid down by SEBI/ the Stock Exchange, on an ongoing basis.
- 2.2.12.6 The Authorised Person shall not receive nor pay any money and/or securities in his own name or account. All receipts and payments of securities and funds shall be in the name or account of the Trading Member only.
- 2.2.12.7 A person shall not be appointed as Authorised Person by more than one Trading Member of the Stock Exchange.
- 2.2.12.8 A partner or director of an Authorised Person shall not be appointed as an Authorised Person of the same or any other Trading Member of the Stock Exchange.
- 2.2.12.9 The Trading Member and Authorised Person shall enter into written agreement(s) in the form(s) specified by the Stock Exchange.
- 2.2.12.10 Approval given to an Authorised Person may be withdrawn by the Stock Exchange:
- (i) on being satisfied that the continuation of Authorised Person is detrimental to the interest of investors or securities market; or
  - (ii) on being satisfied that the Authorised Person has, subsequent to the approval granted by the Stock Exchange, become ineligible to continue as such under criteria laid down in regulation 2.2.11.1(a) or 2.2.11.1(b), as the case may be, or under regulation 2.2.11.1(c) or 2.2.11.1(d); or
  - (iii) on receipt of a request to that effect from the Trading Member or the Authorised Person, subject however to compliance with the requirements prescribed by the Stock Exchange; or
  - (iv) on being satisfied that the approval was obtained by misrepresentation or fraud.
  - (v) Without prejudice to the above, the Stock Exchange may take disciplinary action against the Authorised Person under provisions of the Rules.
- 2.2.12.11 Without prejudice to the generality of the above, the F&O Segment of the Stock Exchange may withdraw any recognition granted to such authorised person after giving an opportunity, if
- (a) he fails to abide by the Byelaws, Rules, Regulations and the guidelines or circulars thereunder,
  - (b) he violates/ contravenes any statute or the Rules or Regulations made thereunder.

- 2.2.12.12 Notwithstanding anything contained in Regulations 2.2.12.2 and 2.2.12.3, an authorised person shall cease to be so, ipso facto, on
- (a) the Trading Member to whom he is attached ceases to be a Trading Member or
  - (b) on the expiry / cessation of his contract of employment with such Trading Member.
- 2.2.13 Any dispute between a Constituent and an Authorised Person shall be treated as a dispute between the Constituent and the Trading Member.
- 2.2.14 Trading Member/Participant desiring to change the User Id or cancel the authority given to its approved user to operate the trading system on its behalf shall intimate the F&O Segment of the Stock Exchange in writing, in such form and manner as the F&O Segment of the Stock Exchange may specify, immediately on taking such action and obtain confirmation from the F&O Segment of the Stock Exchange of having received such intimation, and of the disabling of the particular approved user by the F&O Segment of the Stock Exchange. However the Trading Member/Participant shall continue to be liable for all the activities reported on the basis of such or previous User Id undertaken up to a period of 24 hours after his obtaining a confirmation as mentioned above from the F&O Segment of the Stock Exchange. The Trading Member shall cancel all his outstanding orders in respect of such approved user.
- 2.2.15 Whenever an approved user of the Trading Member/Participant ceases to act in such or any capacity with the Trading Member then each such Trading Member shall inform the F&O Segment of the Stock Exchange, within 24 hours, the name and other particulars of such approved user.
- 2.2.16 No application shall be made by any Trading Member /Participant under 2.2.11 (a), if such a person for whom such an application is made, is already an approved user for any other Trading Member/ Participant.
- 2.2.17 The F&O Segment of the Stock Exchange shall notify different levels of the approved users for each workstation provided. These levels shall define the access to the ATS system by the approved users and shall include a provision for inquiry only on the terminal, provision for order entry and trading, or such others as may be specified by the F&O Segment of the Stock Exchange.
- 2.2.18 The F&O Segment of the Stock Exchange may change the status of the approved user of the Trading Member from Trader to Inquiry only where circumstances warrant and intimate the same to the concerned Trading Member with any reasons thereof.
- 2.2.19 Trading Member /Participant shall not access the trading system using a different Trading Member /Participant or User Id other than the one allotted to him.
- 2.2.20 An approved user shall not attempt to aid in or access the trading system using the Trading Member code from a location other than the Trading Member's location, unless he has the express prior approval of the Trading Member for whom he is an approved user.

2.2.21 A Trading Member/ Participant who wants the F&O Segment of the Stock Exchange to reset his password, has to make a request in writing signed by the Trading Member/ Participant indicating his Trading Member ID and User Id. A Trading Member/Participant shall not make a request for resetting the password of any other Trading Member/Participant.

### **2.3 Trading Days**

2.3.1 The F&O Segment of the Stock Exchange shall operate on all days except Saturdays, Sundays and on such holidays as the F&O Segment of the Stock Exchange may declare from time to time.

2.3.2 The F&O Segment of the Stock Exchange may close the market on days other than or in addition to scheduled holidays or open the market on days originally declared to be holidays under 2.3.1 to be called unscheduled opening or closing of the markets or Segments and the decision of the F&O Segment of the Stock Exchange in this matter shall be final and binding.

2.3.3 Other than the regular trading hours, members may be provided a facility to place orders off- line i.e. outside trading hours. Such orders shall be stored by the system but the same shall get placed in the system only once the market opens for trading on the following working day.

2.3.4 A trading day may ordinarily be divided into such periods during which such transactions may be carried out, as may be specified by the F&O Segment of the Stock Exchange from time to time.

### **2.4 TRADING HOURS**

2.4.1 The F&O Segment of the Stock Exchange shall announce the regular trading hours for every calendar year in advance.

2.4.2 The F&O Segment of the Stock Exchange may extend, advance or reduce trading hours by notifying Trading Members as and when it deems fit and necessary in this regard.

### **2.5 TRADING CYCLE**

Trading Cycle for each Derivatives Contract will have a standard period during which the Derivatives Contract will be available for trading which shall be notified by the F&O Segment of the Stock Exchange from time to time.

### **2.6 CONTRACT EXPIRATION**

2.6.1 Derivatives Contracts will expire on a pre-determined date and time upto which the contract will be available for trading which shall be notified by the F&O Segment of the Stock Exchange in advance.

2.6.2 The contract expiration period shall not exceed twelve months or such other period as may be specified by SEBI or the F&O Segment of the Stock Exchange from time to time.

## **2.7 TRADING PARAMETERS**

- 2.7.1 The F&O Segment of the Stock Exchange shall from time to time specify various trading parameters relating to the Trading System.
- 2.7.2 Every trading member will be required to specify the buy or sell orders as either an open order or a close order.
- 2.7.3 The F&O Segment of the Stock Exchange shall from time to time may specify one or more order books that shall be maintained on the Trading System and shall specify such various conditions on the order that shall make it eligible to place it in those books.
- 2.7.4 The F&O Segment of the Stock Exchange shall specify the number of days after which Good Till Cancelled orders shall be cancelled by the system.
- 2.7.5 The F&O Segment of the Stock Exchange shall specify from time to time the lot size in which orders can be placed for any or all Derivatives Contracts traded on the F&O Segment of the Stock Exchange.
- 2.7.6 The F&O Segment of the Stock Exchange shall specify from time to time price steps in which orders shall be entered on the trading system of the F&O Segment of the Stock Exchange.
- 2.7.7 The F&O Segment of the Stock Exchange shall lay down position limits in respect of each contract from time to time.
- 2.7.8 The F&O Segment of the Stock Exchange shall specify the price fluctuations for each Derivatives Contract.
- 2.7.9 The F&O Segment of Stock Exchange may specify for the procedure for delivery of underlying securities, where the contract provides for such delivery.

## **2.8 MARKET TYPES / TRADE TYPES / TRANSACTION TYPES**

- 2.8.1 The F&O Segment of the Stock Exchange shall permit and notify different kinds of trades in permitted Derivatives Contracts.
- 2.8.2 The F&O Segment of the Stock Exchange shall specify from time to time different market types, trade types that shall be permitted to Trading Members or Participants for dealings in Derivatives Contracts.
- 2.8.3 All trades executed on the F&O Segment of the Stock Exchange shall be cleared and settled by the Trading Members either by themselves as Clearing Members or through Professional Clearing Members in accordance with the byelaws, rules and regulations of the specified Clearing Corporation as may be notified by it from time to time.
- 2.8.4 The F&O Segment of the Stock Exchange shall allow from time to time different transaction types.

## **2.9 FAILURE OF TRADING MEMBERS' TERMINAL**

In the event of failure of Trading Members'/Participants' workstation and / or the loss of access to the trading system, the F&O Segment of the Stock Exchange may at its discretion undertake on behalf of the Trading Member /Participant (although not guarantee) to carry out the necessary functions and trades which the Trading Member /Participant is eligible on a valid request from such Trading Member /Participant subject to such terms and conditions which the F&O Segment of the Stock Exchange may deem necessary to be imposed. The F&O Segment of the Stock Exchange shall entertain such request only if such request is made in writing in a clear and precise manner by the Trading Member and in a manner as specified by the F&O Segment of the Stock Exchange. The Trading Member /Participant shall be accountable for the functions and trades executed by the F&O Segment of the Stock Exchange on their behalf and shall indemnify the F&O Segment of the Stock Exchange against any losses or costs arising out of execution of such functions & trades.

### **3. DEALINGS IN DERIVATIVES CONTRACTS**

#### **3.1 DEALINGS IN DERIVATIVES CONTRACTS**

- 3.1.1 Dealings shall be permitted on the F&O Segment of the Stock Exchange in Derivatives Contracts as provided for in these Rules, Bye-laws and Regulations of the F&O Segment of the Stock Exchange and for such categories of Trading Members/ Participants in such market types, trade types and trading hours as the F&O Segment of the Stock Exchange may specify from time to time.
- 3.1.2 The Relevant Authority may from time to time introduce new contracts at such strike prices ('in the money', 'at the money or near the money' and 'out of the money') for put /call options respectively for every month after the expiry of the previous month contracts.
- 3.1.3 The Relevant Authority may from time to time introduce one or more new contract(s) at new strike prices for both call and put options respectively as and when the prices of the underlying changes beyond pre-defined parameters prescribed by it.
- 3.1.4 The Relevant Authority may from time to time prescribe the criteria for underlying with reference to which the option contracts shall be permitted to be traded on the F&O Segment of the Stock Exchange.
- 3.1.5 All Derivatives Contract specifications will be notified by the F&O Segment of the Stock Exchange from time to time. The relevant Authority may prescribe from time to time whether such underlying is meant for delivery or not
- 3.1.6 Pursuant to the Corporate Actions announced by the issuer of the underlying securities, the Relevant Authority may make such modifications as may be deemed necessary including modifications in the open interest and / or contract specifications in accordance with the Rules, Byelaws and Regulations of the Stock Exchange.
- 3.1.7 The Relevant Authority may from time to time prescribe the exercise style of an option.
- 3.1.8 The Relevant Authority may at any time introduce additional series of option contracts with different exercise prices based on changes in the value of the underlying or such other factors and circumstances including investor interest, market conditions, etc. as may be decided from time to time.
- 3.1.9 The F&O Segment of the Stock Exchange may at its discretion suspend trading in Derivatives Contracts, inter alia, on the following grounds:
- (a) suspension of trading in the underlying securities;
  - (b) for protection of the interests of the investors ;
  - (c) for the purpose of maintaining a fair and orderly market.
- 3.1.10 If the Relevant Authority is of the opinion that a particular underlying no longer meets its requirements for options trading or is not eligible for trading or if the Relevant

Authority decides to discontinue trading in a particular options series for such reason(s) as it may deem fit, it may stop introducing new options on that underlying and may in such circumstances impose restrictions on transactions that open new positions in options series that have been previously introduced.

- 3.1.11 The Relevant Authority may discontinue trading in a particular option contract if there are no sufficient 'open positions' in such a contract.
- 3.1.12 The Relevant Authority may limit the total number of puts or calls on the same underlying that a single investor or group of investors acting in concert may exercise during such time period as may be prescribed by the Relevant Authority from time to time. The Relevant Authority may also limit the maximum number of options on the same side of the market (i.e., calls held plus puts written or puts held plus calls written) with respect to a single underlying that may be carried in the accounts of a single investor or group of investors acting in concert.
- 3.1.13 The F&O Segment of the Stock Exchange may also revoke suspension of trading in Derivatives Contracts at any time. If trading has been suspended or halted in particular or all Derivatives Contracts, the F&O Segment of the Stock Exchange may determine in its absolute discretion when trading in the respective Derivatives Contracts may be resumed.
- 3.1.14 Trading Members may trade on the Trading System in Derivatives Contracts, either on behalf of their constituents or on their own account unless otherwise specified by the Relevant Authority and trading shall be subject to such conditions as the F&O Segment of the Stock Exchange may specify from time to time.

Explanation: For the purpose of this regulation, for transactions entered into on behalf of the director or an employee of the Trading Member or for transactions in which the director or employee has beneficial interest, such director or employee shall be considered as a constituent of the Trading Member and margins shall be collected from each such constituent separately.

- 3.1.15 When a Trading Member enters an order on behalf of a Mutual Fund or any of its Schemes, Foreign Institutional Investor or any of its sub-accounts, then such a Trading Member shall at the time of entering orders on behalf of such clients, enter the unique code in respect of such Mutual Fund or its Scheme, Foreign Institutional Investor or any of its sub-accounts, in such format and with effect from such date as may be notified by the Stock Exchange.
- 3.1.16 The Trading Member cannot utilise the funds and securities of one constituent for and on behalf of another constituent except on specific authorisation of the constituent whose funds or securities are utilised.
- 3.1.17 The F&O Segment of the Stock Exchange may, at any time restrict conditionally or unconditionally a Trading Member/Participant from dealing in a specified Derivatives Contract.
- 3.1.18 The Trading Member / Participant shall be liable for all orders placed and trades executed through his trading terminals. The Trading Member/Participant shall be

responsible for all acts of omission and commission of his Authorised Person(s) and/or their employees, including liabilities arising there from and all the acts of omission and commission of the Authorised Person or their employees shall be deemed to be those of the Trading Member.

- 3.1.19 If any trading terminal is provided by the Trading Member to his Authorised Person, the place where such trading terminal is located shall be treated as branch office of the Trading Member.
- 3.1.20 The Trading Member shall notify changes, if any, in the Authorised Person to all registered Constituents of the relevant branch office at least thirty days before the change.
- 3.1.21 The Trading Member shall conduct periodic inspection of branches assigned to Authorised Persons including with reference to records of the operations carried out by them.
- 3.1.22 The Constituents shall be registered with the Trading Member only. The funds and securities of the Constituents shall be transferred directly between Trading Member and Constituent and all documents like contract note and statement of funds and securities would be issued to Constituents by the Trading Member. Authorised Person may provide administrative assistance in procurement of documents and settlement, but shall not issue any document to Constituent in his own name. No fund/securities of Constituents shall be transferred to the name and / or account of Authorised Person.
- 3.1.23 On noticing irregularities, if any, in the operations of Authorised Person, the Trading Member shall seek withdrawal of approval of the Stock Exchange, withhold all moneys due to Authorised Person till resolution of investor problems, alert investors in the location where Authorised Person operates, file a complaint with the police and take all measures required to protect the interest of investors and market.
- 3.1.24 Any proposed change relating to the Authorised Person including change of status or constitution as laid down in regulation 2(ab) of Securities and Exchange Board of India (Stock Broker) Regulations, 1992 shall be notified to the Stock Exchange at least 30 days in advance in the format prescribed by the Stock Exchange and also immediately after effecting such changes

Provided that, in case of any change in the legal form of the authorized person, the member shall ensure that the existing approval for appointment of the authorized person is withdrawn by the Stock Exchange and a fresh approval is granted by the Stock Exchange for his appointment in the new legal form. The Member shall make requisite applications to the Stock Exchange simultaneously with the intimation made under the above clause.

- 3.1.25 Without prejudice to other relevant regulations, a Trading Member shall be responsible for all the actions including trades originating through or with the use of all following variables - Trading Member Id and User Id. However if the Trading Member satisfies the F&O Segment of the Stock Exchange that the action(s) and/or trade(s) took place due to fraud or misrepresentation by any other person other than his authorised person(s) and that the action(s) and/or trades did not originate from any of his approved workstations,

the F&O Segment of the Stock Exchange may issue such directions as it considers just and reasonable. The directions may include referring the matter to arbitration and/or annulment of trade(s) so effected.

- 3.1.26 When a Trading Member enters an order on behalf of a Constituent, then such a Trading Member shall at the time of entering orders on behalf of such Constituent, enter the Unique Client Code in respect of such Constituent in such format and with effect from such date as may be notified by the Stock Exchange. Every Trading Member shall be responsible to furnish particulars of Unique Client Codes of each of his Constituents to the Stock Exchange in such form, manner, at such intervals and within such time as may be specified by the Stock Exchange from time to time.

## **3.2 POSITION LIMIT**

The Relevant Authority may at any time in its absolute discretion prescribe maximum long and/or short open positions for all or any of the F&O Trading Members and their clients including quantity and/or value for any or all Derivatives Contracts.

## **3.3 ACTION BY THE RELEVANT AUTHORITY**

Upon a F&O trading member/any constituent of a F&O Trading Member failing to comply with any provisions of the Byelaws, Rules and Regulations of the Stock Exchange/ Clearing Corporation, requirements of the Stock Exchange/ Clearing Corporation including the requirements pertaining to the position limits as imposed by the Relevant Authority from time to time, the Relevant authority may at its discretion, either on its own or on the advice from the Clearing Corporation without notice to the trading member close out open positions to the extent possible or take any such other measure or action, including withdrawal of trading facility, as may be deemed fit from time to time.

## **3.4 TRADE OPERATIONS**

- 3.4.1 Trading Members shall ensure that appropriate confirmed order instructions are obtained from the constituents before placement of an order on the ATS system and shall keep relevant records or documents of the same and of the completion or otherwise of these orders thereof.
- 3.4.2 The Trading Member shall make available to his constituent the ATS system generated order number and copies of the order/trade confirmation slip/modification slip wherever applicable.
- 3.4.3 The Trading Member shall disclose to the F&O Segment of the Stock Exchange at the time of order entry that the order is on his own account or on behalf of constituents and also specify orders for buy or sell as open or close orders.
- 3.4.4 The procedures and conditions for amendment or cancellation of orders would be subject to such conditions and as specified by the F&O Segment of the Stock Exchange from time to time.

- 3.4.5 Trading Members shall be solely responsible for the accuracy of orders entered into the trading system including orders entered on behalf of his constituents.
- 3.4.6 Trades generated on the ATS system are irrevocable and ‘locked in’. The F&O Segment of the Stock Exchange may specify from time to time the markets in which trade cancellation can be effected.
- 3.4.7 Where a trade cancellation is permitted and Trading Member wishes to cancel a trade, it may be done only with the approval of the F&O Segment of the Stock Exchange and in the following manner:
- (a) The Trading Member wishing to cancel the trade shall initiate a cancellation request to the F&O Segment of the Stock Exchange. The counter Trading Member to the trade, too, shall have to put in his cancellation request separately.
  - (b) Where a Trading Member initiates such request the onus shall be on the Trading Member to ensure that he receives a written request from the constituent.
  - (c) Where a trade cancellation request comes to F&O Segment of the Stock Exchange from only one party to trade and is pending with the F&O Segment of the Stock Exchange as a result of it being not confirmed by the counter party to such trade till such time as may be notified by the F&O Segment of the Stock Exchange, such request may be cancelled at the discretion of the F&O Segment of the Stock Exchange.
  - (d) The F&O Segment of the Stock Exchange shall not consider any request for a Trade Cancellation after such period after the market close on a trading day as may be notified from time to time.
  - (e) The F&O Segment of the Stock Exchange shall not give the reasons for rejection or approval of any such trade cancellation request.
  - (f) The F&O Segment of the Stock Exchange may cancel a trade suo-moto without any request by either of the parties to the trade at any time without giving any reason thereof which cancellation shall be final and binding up on the parties to the trade. In the event of such cancellation, Trading Member shall be entitled to cancel relative contract(s) with his constituents.
- 3.4.8 The Trading Member shall make available to his constituent the ATS generated trade number and copies of the trade cancellation slip wherever applicable.

## **3.5 ORDER MANAGEMENT**

### **3.5.1 Order Type**

The F&O Segment of the Stock Exchange shall stipulate from time to time, the kinds of orders that a Trading Member can place in the ATS which may include Normal order, Special Term order, etc. as also the order attributes that he could place thereon.

### **3.5.2 Order Attributes**

- (a) The F&O Segment of the Stock Exchange shall from time to time allow various order attributes subject to restrictions as specified in the trading parameters.
- (b) The F&O Segment of the Stock Exchange shall specify the order types and order attributes permitted for different market types.

### **3.5.3 Modification and Cancellation of Orders**

- (a) A Trading Member shall be permitted to modify or cancel his orders, provided a trade has not already taken place in respect of that order.
- (b) The order can be modified by effecting changes in the order input parameters in the manner and on such conditions as specified by the F&O Segment of the Stock Exchange.
- (c) The modified order shall lose or retain its time priority as per the trading parameter set by the F&O Segment of the Stock Exchange.

### **3.5.4 Order Validation**

Orders entered into the Trading System by Trading Members shall be subject to various validation requirements as specified by the F&O Segment of the Stock Exchange from time to time including trading parameters, turnover limits, exposure limits and/or other restrictions placed on traded Derivatives Contracts. Orders that do not meet the validation checks shall not be accepted by the Trading System.

### **3.5.5 Matching Rules**

- (a) The F&O Segment of the Stock Exchange shall specify from time to time the kinds of order books that shall be maintained on the ATS, the order matching algorithms and the matching rules and parameters that shall be followed therein.
- (b) The F&O Segment of the Stock Exchange may modify or change the matching algorithms relevant to any market or order books any time where it is necessary to do so.
- (c) Where the F&O Segment of the Stock Exchange feels that it is in the interests of the market to do so, it may at any time make unavailable any particular order books or forms of matching, in the case of a particular Derivatives Contract or Trading Member or to the market as a whole.
- (d) Without prejudice to the generality of the above, the order matching rules would include the following:
- (e) Orders in the Normal market shall be matched on price-time priority basis.
- (f) The best buy order shall match with the best sell order. For trading on price, the best buy order would be the one with the highest price and the best sell order would be the one with the lowest price.

### **3.6 CONTRACT NOTE**

- 3.6.1 Every Trading Member shall issue a contract note to his constituents for trades executed in such format as may be prescribed by the Stock Exchange from time to time with all relevant details as required therein to be filled in, and issued in such manner and within such time as specified by the F&O Segment of the Stock Exchange.
- 3.6.2 A contract note shall be signed by a Trading Member or his Authorised signatory or constituted Attorney.
- 3.6.3 Contract note shall be time stamped with the time of receipt of order and the time of execution of order.
- 3.6.4. The contract notes shall be numbered with unique running serial number commencing from one which shall be reset only at the beginning of every financial year (viz. April to March). In case separate series are maintained in respect of different dealing offices of the Trading Member, then the dealing office name or code shall be pre- fixed to the serial number.
- 3.6.5 Notwithstanding anything contained in Regulation 3.6, a contract note may also be issued by a Trading Member in electronic form, in such format as may be prescribed by the Stock Exchange from time to time, duly authenticated by means of a digital signature as specified in the Information Technology Act, 2000 and the Rules made thereunder and subject to any further conditions that be specified by the Stock Exchange/SEBI.

### **3.7 BROKERAGE**

- 3.7.1 All the orders entered on the Trading System shall be at prices exclusive of brokerage.
- 3.7.2 Trading Members shall charge brokerage at rates not exceeding such scale as the F&O Segment of the Stock Exchange may specify from time to time.
- 3.7.3. The Trading Members shall charge brokerage for option contracts on the premium amount at which the option contract was bought or sold and not on the strike price of the option contract.
- 3.7.4 A Trading Member shall charge brokerage separately to their constituents and this shall be indicated separately from the price, in the contract note.

### **3.8 DEPOSIT REQUIREMENTS**

- 3.8.1. Trading Member shall make available such deposits as may be specified from time to time with the F&O Segment of the Stock Exchange within such time as may be notified.
- 3.8.2 The F&O Segment of the Stock Exchange shall specify from time to time such categories of securities that would be eligible for such a deposit as also the method of valuation and amount of securities that would be required to be so deposited.

- 3.8.3 The trading member shall be required to deposit, such deposits either in the form of cash, deposit receipts, guarantee of banks approved by the Relevant Authority or securities approved by it or such other mode as may be approved or subject to such terms and conditions as the Relevant Authority may impose from time to time.
- 3.8.4 The procedure for refund of deposit will be such as notified by the F&O Segment of the Stock Exchange from time to time.

### **3.9 MARGIN REQUIREMENTS**

- 3.9.1 Subject to the provisions as contained in the Bye-laws of the Stock Exchange and the Bye Laws of the Clearing Corporation and such other regulations as may be in force, every Trading Member/Participant shall in respect of trades in which he is a party, deposit a margin with F&O Segment of the Stock Exchange / Clearing Corporation/Clearing Member, in the manner, form and to the extent specified by the F&O Segment of the Stock Exchange /Clearing Corporation. Whenever a margin is payable by a Participant, it shall pay such margins directly to the Clearing Member, unless otherwise directed by the F&O Segment of the Stock Exchange /Clearing Corporation.
- 3.9.2 The F&O Segment of the Stock Exchange / Clearing Corporation shall specify from time to time Derivatives Contracts, the settlement periods and trade types for which margin would be attracted.
- 3.9.3 The F&O Segment of the Stock Exchange / Clearing Corporation / Clearing Member shall levy initial margin and such other margins on Derivatives Contract of such amounts and in such manner as may be specified from time to time by the Relevant Authority.
- 3.9.4 The margin shall be deposited with the F&O Segment of the Stock Exchange /Clearing Corporation within such time as may be notified by the F&O Segment of the Stock Exchange / Clearing Corporation from time to time.
- 3.9.5 The F&O Segment of the Stock Exchange / Clearing Corporation shall specify from time to time such categories of securities that would be eligible for a margin deposit as also the method of valuation and amount of securities that would be required to be so deposited against the margin amount.
- 3.9.6 The procedure for refund/adjustment of margins shall be such as may be notified by the F&O Segment of the Stock Exchange/Clearing Corporation from time to time.
- 3.9.7 The F&O Segment of the Stock Exchange / Clearing Corporation shall from time to time, impose upon any particular Trading Member/Participant or category of Trading Member/Participant any special or other margin requirement.

### **3.10 MARGIN FROM THE CONSTITUENTS**

- (a) The Trading Members must demand from its constituents the Margin Deposit which the member has to provide under these Regulations in respect of the business done by the Members for such constituents. The Trading Members shall

buy and/or sell Derivatives Contracts on behalf of the constituent only on the receipt of margin of minimum such percentage as the Relevant Authority may decide from time to time, on the price of the Derivatives Contracts proposed to be purchased, unless the constituent already has an equivalent credit with the Trading Member. The Trading member may collect higher margins from constituents, as he deems fit.

The Trading Member shall obtain a written undertaking from the constituents that the latter shall when called upon to do so forthwith from time to time provide a Margin Deposit and/or furnish additional Margin as required under these Rules and Regulations in respect of the business done for the constituent by and/or as agreed upon by constituent with the Trading Member concerned.

The Trading Member shall demand from his constituents the amounts arising in respect of daily settlement in accordance with the Clearing Corporation Regulations for business done by the Members on behalf of such constituents or such higher amounts, as the Trading Member deems fit. The Trading Member may, if so desire, for administrative convenience, maintain the daily settlement margin balance upto a pre-agreed balance level to avoid collecting and paying daily settlement amount on a daily basis, which may be referred to as maintenance margin.

The trading member may keep the unutilised margin deposits of its Constituents in bank deposits and pay interest accrued thereon to its Constituents or utilise the same as per the instructions of such Constituents.

**(b) Constituent(s) in default**

In case of non-payment of daily settlement by the constituents within the next trading day, the Trading Member shall be at liberty to close out transactions by selling or buying the Derivatives Contracts, as the case may be, unless the constituent already has an equivalent credit with the Trading Member. The loss incurred in this regard, if any, shall be met from the margin money of the constituent.

In case of open purchase position undertaken on behalf of constituents, the Trading Members shall be at liberty to close out transactions by selling Derivatives Contracts, in case the constituent fails to meet the obligations in respect of the open position within next trading day for the execution of the full contract or within next trading day of the contract note having been delivered, unless the constituent already has an equivalent credit with the Trading Member. The loss incurred in this regard, if any, shall be met from the margin money of the constituent.

In case of open sale position undertaken on behalf of the constituents, the Trading Member shall be at liberty to close out transactions by effecting purchases of Derivatives Contracts if the constituent fails to meet the obligation in respect of the open position within next trading day of the transaction having been executed on the F&O Segment of the Stock Exchange for the concerned settlement period.

Loss on the transaction, if any, shall be deductible from the margin money of the constituent.

### **3.11 POWER OF RELEVANT AUTHORITY TO PRESCRIBE MODE, MANNER, METHOD OR FORM FOR CERTAIN ASPECTS**

The Relevant Authority may from time to time prescribe –

- (a) the mode, method or manner in which the premium shall be collected by the trading member from the constituent;
- (b) the mode, method or manner in which the margins shall be collected by the trading member from the constituent;
- (c) the manner or form in which and time within which the constituent shall give exercise notice to the trading member;
- (d) the manner or form in which and time within which the trading member shall assign exercise notice to its constituents account; and
- (e) the mode, method of exercise, for different option contracts.

### **3.12 COLLECTION OF SECURITIES TRANSACTION TAX & SEBI TURNOVER FEES**

Every Trading Member shall remit to the Stock Exchange the Securities Transaction Tax (STT) and turnover fees payable to SBI in respect of taxable securities transactions entered into by him on the Stock Exchange either on his behalf or on behalf of his Constituents in accordance with the procedures prescribed by the Relevant Authority from time to time for the calculation and collection of such tax. Any Trading Member who fails to make the payment in accordance with the procedures prescribed by the Relevant Authority from time to time would be liable for such consequences of non-payment including but not limited to withdrawal of trading facility, appropriation from the monies of the Trading Member, withholding of payouts, etc. as may be prescribed from time to time.

### **3.13 COLLECTION, VERIFICATION AND UPLOADING OF PAN**

The trading members shall –

- (i) collect copies of Permanent Account Number (PAN) cards issued to their existing as well as new clients by the Income-tax Department and maintain the same in their record after verifying with the original;
- (ii) cross check the aforesaid details collected from their clients with the details on the website of the Income tax Department; and
- (iii) upload the details of PAN so collected to the Stock Exchanges as part of unique client code.

## **4. CONDUCT OF BUSINESS BY TRADING MEMBERS**

### **4.1 OFFICE RELATED PROCEDURE**

- 4.1.1 No office of a Trading Member shall be used for trading without prior approval of the F&O Segment of the Stock Exchange.
- 4.1.2 Each office, department or division responsible for trading on Exchange, shall be under the supervision and control of the Trading Member establishing it and of the personnel to whom such authority and responsibility is delegated in this regard.
- 4.1.3 Every Trading Member shall ensure that all persons acting in his behalf on the Trading System shall subscribe at all times to high standards of professional expertise and integrity.
- 4.1.4 Each Trading Member shall at all times maintain such infrastructure, staff, communication facilities and records so as to be able to service his constituents satisfactorily and as per the requirements enumerated in the SEBI Act, 1992 and Regulations framed thereunder, Securities Contracts (Regulation) Act, 1956 and/ or Rules thereunder, Exchange Bye-laws, Rules and Regulations, or any other relevant law for the time being in force.
- 4.1.5 Where the F&O Segment of the Stock Exchange feels it necessary, in the public interest to do so, it may at its own instance or on receiving a complaint from another Trading Member or constituent, seek explanation from the Trading Member regarding the level of service or professional conduct of the Trading Member or any of his staff where such service or conduct has been found unsatisfactory or contrary to principles enumerated in the Stock Exchange Bye-laws, Rules and Regulations, or notifications, directions or circulars issued thereunder.

### **4.2 SUPERVISION**

#### **4.2.1 Procedures to be followed**

- (a) Each Trading Member shall establish, maintain, and enforce procedures to supervise its business and to supervise the activities of its employees that are reasonably designed to achieve compliance with the MSE Bye-laws, Rules and Regulations and any notifications, directions, etc. issued thereunder as well as the relevant statutory Acts. Such procedures to supervise its business and to supervise the activities of its employees shall be in compliance with the manual of supervisory procedure, if any, provided by the F&O Segment of the Stock Exchange
- (b) The Trading Member shall maintain an internal record of the names of all persons who are designated as supervisory personnel and the dates for which such designation is or was effective. Such record shall be preserved by the Trading Member for a period of not less than three years.
- (c) Every Trading Member shall specifically authorise in writing, person or persons who may be authorised to transact on behalf of the Trading Member and to do such acts which Trading Member may wish to delegate to such person, and make available a copy

of such power of attorney to the F&O Segment of the Stock Exchange before such person transacts any business on the F&O Segment of the Stock Exchange.

- (d) A Trading Member shall maintain such records and make available for inspection by any person authorised in this behalf by the F&O Segment of the Stock Exchange, the information related to such Trading Member's financial condition as specified by the F&O Segment of the Stock Exchange for this purpose.
- (e) The Trading Member shall pay such fees, charges and other sum as the F&O Segment of the Stock Exchange may notify from time to time, in such time and manner as required by the F&O Segment of the Stock Exchange.
- (f) The Trading Member must inform the F&O Segment of the Stock Exchange of any change in the status and constitution, operation and activities of the Trading Member.

#### **4.2.2 Internal Inspections**

Each Trading Member shall conduct a review, at least annually, of the business in which it engages, which shall be reasonably designed to assist in detecting and preventing violations of and achieving compliance with Securities and Exchange Board of India Act, 1992 and Regulations framed thereunder, the Securities Contracts (Regulation) Act, 1956 and Rules framed thereunder and Exchange Bye-laws, Rules, Regulations and Circulars.

#### **4.2.3 Internal Audit**

Each Trading Member shall conduct complete internal audit at such periodicity, by such professionals and having such scope as may be prescribed by the Stock Exchange/SEBI from time to time.

#### **4.2.4 Written Approval**

Each Trading Member shall establish procedures for the review and endorsement by an appropriate senior officer in writing, on an internal record, of all transactions and all correspondence of its employees pertaining to the solicitation or execution of any transaction.

#### **4.2.5 Qualifications Investigated**

Each Trading Member shall have the responsibility and duty to ascertain the good character, business repute, qualifications, and experience of any person prior to making such certification in the application for registration of such person, with the F&O Segment of the Stock Exchange as Approved user.

### **4.3 RELATION WITH CONSTITUENTS**

- 4.3.1 When establishing a relationship with a new constituent, Trading Members must take reasonable steps to assess the background, genuineness, beneficial identity, financial soundness of such person, and his investment objectives by obtaining from the new

Constituent such Constituent account opening documents in the form and format as may be prescribed by the Stock Exchange / SEBI from time to time. The Trading Member shall also obtain from all constituents other than individual constituent an approved copy of the board resolution permitting trading in Futures and Options/ Derivatives.

Provided however that a Trading Member may, at his discretion, not obtain Constituent Registration Form from a Constituent, who is a SEBI registered Foreign Institutional Investor, Mutual Fund, Venture Capital Fund and Foreign Venture Capital Investor, Scheduled Commercial Bank, Multilateral and Bilateral Development Financial Institution, State Industrial Development Corporation, Insurance Company registered with IRDA and Public Financial Institution as defined under Section 4A of the Companies Act, 1956.

- 4.3.2 Without prejudice to the generality of regulation 4.3.1, the Trading Member shall perform such other specific verification of the Constituent as may be required by SEBI and/or the Stock Exchange or in terms of any law for the time being in force.
- 4.3.3 The Trading Member shall before registering a Constituent furnish him with account opening forms which shall be in such format, shall be accompanied by such documents, including segregation into mandatory and non-mandatory documents and shall further meet such other requirements, as may be specified by SEBI and/or the Stock Exchange.
- 4.3.4 Notwithstanding anything contained in Regulations 4.3.1 to 4.3.3, a member may use the proposed Constituent's Know Your Client (KYC) information which is available with a KYC Registration Agency registered by SEBI under the Securities and Exchange Board of India {KYC (Know Your Client) Registration Agency} Regulations, 2011, subject to such conditions and restrictions as may be specified by SEBI or the Stock Exchange from time to time.
- 4.3.5 Trading Members shall provide information relating to Constituents dealings and balances of funds including margins in such manner and at such periodicity as maybe specified by SEBI and/or the Stock Exchange.
- 4.3.6 Trading Members who maintain their own websites, shall display the set of standard documents required in connection with Constituent registration and shall allow secured online access to their Constituents to such trading and settlement related information pertaining to them and in such manner as may be specified by SEBI and/or the Stock Exchange.
- 4.3.7 The Trading Member shall evolve policies and procedures for such matters pertaining to dealings with the Constituent and treatment of the Constituent, as may be specified by SEBI and/or the Stock Exchange and shall disclose the same to the Constituent or display the same in such manner as may be specified.
- 4.3.8 Trading Member shall make the constituent aware of trading Segment to which Trading Member is admitted, particulars of SEBI registration number, employee primarily responsible for the constituents affairs, the precise nature of the Trading Member's liability for business to be conducted, the risk associated with business in securities trading including any limitations on that liability and the capacity in which the Trading

Member acts and the constituent's liability thereon by issuing to the constituent a copy of the model Risk Disclosure Document which shall be in such format as may be prescribed by the Stock Exchange from time to time. The Trading Member shall furnish a copy of the Risk Disclosure Document to all his clients.

- 4.3.9 The Trading Member shall provide extracts of relevant provisions governing the rights and obligations of constituents as constituents of Trading Members (including Participants as specified in the Bye-laws, Rules and Regulations), relevant manuals, notifications, circulars of the Stock Exchange, or of any regulatory authority any additions or amendments thereto etc. to the extent it governs the relationship between Trading Members and constituents, to the constituents at no extra cost.
- 4.3.10 The Trading Member shall also bring to the notice of his constituents, including Participants any indictments, penalties, etc. imposed on him by the Stock Exchange or any other regulatory authority.
- 4.3.11. A Trading Member may obtain Power of Attorney from his Client only in strict compliance with the directions, guidelines or Circulars of SEBI and/or the Stock Exchange issued from time to time.
- 4.3.12(a) A Trading Member shall make adequate disclosures of relevant material information in his dealings with his constituents.
- (b) No Trading Member or person associated with the Trading Member shall guarantee a constituent against a loss in any transactions effected by the Trading Member for such constituent.

#### **4.4 DISCLOSURE OF INVESTOR COMPLAINTS, ARBITRATION DETAILS AND DISCIPLINARY ACTION**

Unless otherwise directed by SEBI or other competent authority, court or tribunal, the Stock Exchange may disclose the details of the complaints lodged by Constituents/investors against Trading Members on its website or any other web-site designated for the purpose, including the details pertaining to arbitration and penal action taken by the Stock Exchange against the Trading Members, in such format and update at such periodicity as may be specified by SEBI.

#### **4.5 GUIDELINES GOVERNING RELATIONSHIP BETWEEN TRADING MEMBER AND CONSTITUENT**

- 4.5.1 The Trading Member shall not recommend to the constituent sale or purchase of any Derivatives Contracts traded on the Trading System, unless he has reasonable grounds to believe that such recommendation is suitable for the constituent on the basis of facts, if any, disclosed by the constituent, whether in writing or orally, regarding the objectives, constituent's holdings of Derivatives contracts, financial soundness and investment

- 4.5.2 The Trading Member shall make adequate disclosures of relevant material information in his dealing with his constituent including the current best price of trade and trade or order quantities on the Trading System, as also any allocation policy inter se constituents, any relevant announcement from the F&O Segment of the Stock Exchange relating to margin, trading restrictions as to price, quantity or where the Trading Member is the counter party to a trade executed on the ATS system with the constituent.
- 4.5.3 Where the Trading Member manages a discretionary account for or on behalf of the constituent, he should abide by the Securities and Exchange Board of India (Portfolio Managers) Rules and Regulations, 1993.
- 4.5.4 The Trading Member shall not furnish any false or misleading information or advice with a view to inducing the constituent to do business in particular  
Derivatives Contracts and which shall enable the Trading Member to earn a gain thereby.
- 4.5.5 The Trading Member shall explain the ATS /Trading System and order matching process to the constituent before accepting any orders from him.
- 4.5.6 Trading Members shall inform their Constituents whether they do client based trading or Pro-account trading. Trading Members shall disclose the aforesaid information to-
- (i) their Constituents upfront at the time of registering them;
  - (ii) their Constituents before carrying out any Pro-account trading, in case they do not do Pro-account trading at the time of registering them, but choose to do so at a later date.
- 4.5.7 Where the Constituent requires an order to be placed or any of his orders to be modified after the order has entered the system but has not been traded, the Trading Member may, if it so desires, obtain order placement / modification details in writing from the Constituent. The Trading Member shall accordingly provide the Constituent with the relevant order confirmation / modification details in writing or copy thereof, forthwith, if so required by the Constituent.
- 4.5.8 Where the Constituent requires any of his orders to be cancelled after the order has been entered in the system but has not been executed, the Trading Member may, if it so desires, obtain the order cancellation details in writing from the Constituent. The Trading Member shall accordingly provide the Constituent with the relevant order cancellation details in writing, forthwith, if so required by the Constituent.
- 4.5.9 The Trading Member may, if it so desires, obtain in writing, the delivery and payment requirement in any instructions of an order that it receives from the Constituents. Where a Trading Member receives a request for order modification or order cancellation from the Constituents, it shall duly bring it to their notice that if the order results in a trade in the meantime, the requests for modification or cancellation cannot be executed.
- 4.5.10 The Trading Member shall not accumulate or withhold constituent's order/ unexecuted balances for Derivatives Contracts. The Trading Member shall place forthwith all orders as per the instruction of the constituents

- 4.5.11 The Trading Member shall act promptly in accordance with the instructions provided by the constituent unless he has discretion as to the timing relating to entering and/or execution of the order, in which case he must exercise his judgment as to the best moment for entering that order in the system.
- 4.5.12 The Trading Member shall provide Constituent with a copy of the trade confirmation slip as generated on the trading system, forthwith on execution of the trade, if so desired by the Constituent; and with a contract note for the trade executed.
- 4.5.13 The Trading Member may issue electronic contract notes to the Constituent, if so specifically authorized by him, subject to such conditions as may be specified by SEBI and/or the Stock Exchange
- 4.5.14 In addition to the guidelines issued by SEBI relating to the regulation of transactions between constituents and brokers, member shall at all times keep the money of the constituent in a separate bank account. The bank will not be able to access the constituents account to meet the brokers defaults in anyway unless specified by the constituent.
- 4.5.15 Where the member is required to pay margin money on transaction executed on behalf of the constituent, he shall collect the same from the constituent in such form and manner as may be specified by F&O Segment of the Stock Exchange.
- 4.5.16 Where the constituent requires an executed trade to be cancelled, the Trading Member shall obtain a written request for trade cancellation from the constituent. In all instances of trade cancellation requests, the member shall explain to the constituent that the right to approve or reject such trade cancellation requests rests with the F&O Segment of the Stock Exchange.
- 4.5.17 A Trading Member may maintain a running account, if so specifically authorised by the Constituent, subject to such conditions as may be specified by SEBI and/or the Stock Exchange
- 4.5.18 The Trading Member shall make pay out of funds or securities, as the case may be, to the Constituent within one (1) working day of receipt of the payout from the Stock Exchange. The Trading Member shall comply with the regulations pertaining to delivery of underlying securities, where applicable:
- (a) Trading Member shall not make payment in cash to the Constituents and shall not receive payment in cash from the Constituents, towards the payment of Mark to market settlement for Derivatives contracts.
  - (b) The trading member shall make or receive all payments to/from the Constituents by account payee crossed cheques/ Demand Drafts or by way of direct credit into the respective bank account through Electronic Fund Transfer Facility or any other mode allowed by the Reserve Bank of India.
  - (c) In respect of their transactions, the trading member shall accept cheques / Demand Drafts drawn only by the Constituents and issue cheques / Demand Drafts in favour of the Constituents only;

Provided that in exceptional circumstances the trading members may receive the amount in cash, to the extent permissible under the provisions of the Income Tax Act or Rules or circulars or directives framed or issued thereunder, as may be in force from time to time.

- (d) The member shall ensure that giving / taking delivery of securities in 'demat mode' should be done directly to / from the 'beneficiary accounts' of the Constituents except in case of delivery of securities to a recognised entity under the approved scheme of the Stock Exchange and /or SEBI.

## **4.6 CODE OF CONDUCT FOR TRADING MEMBERS**

### **4.6.1 Adherence to SEBI Code of Conduct**

The Trading Member shall at all times subscribe to the Code of Conduct as specified by the Securities and Exchange Board of India (Stock Brokers and Sub- Brokers) Regulations, 1992.

### **4.6.2 General Principles**

- (a) A Trading Member shall make adequate disclosures of relevant material information in his dealings with his clients.
- (b) No Trading Member or person associated with the Trading Member shall guarantee a client against a loss in any transactions effected by the Trading Member for such client.
- (c) Professionalism: A Trading Member in the conduct of his business, shall observe high standards of commercial honour of just and equitable principles of trade.
- (d) Adherence to Trading Practices: Trading Members shall adhere to the Rules, Regulations and Bye - laws of the Stock Exchange and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the Relevant Authority as may be applicable from time to time.
- (e) Honesty and Fairness: In conducting his business activities, a Trading Member shall act honestly and fairly, in the best interests of his constituents.
- (f) Capabilities: A Trading Member shall have and employ effectively the resources and procedures which are needed for the proper performance of his business activities.

### **4.6.3 Trading Principles**

- (a) Trading Members/Participants shall ensure that the fiduciary and other obligations imposed on them and their staff by the various statutory acts, rules and regulations are complied with.
- (b) Trading Members/Participants shall ensure –
  - (i) that any employee who commits the Trading Members or Participants to a transaction has the necessary authority to do so.

- (ii) that employees are adequately trained in operating in the relevant market Segment in which they deal, are aware of their own, and their organization's responsibilities as well as the relevant statutory acts governing the Trading Member, the Rules, Regulations and Bye-laws of the F&O Segment of the Stock Exchange including any additions or amendments thereof.
- (c) Without prejudice to regulation 3.1.17 and 3.1.19, a Trading Member shall be responsible for all the actions including trades originating through or with the use of all following variables - Trading Member Id and User Id, at that point of time. However if the Trading Member satisfies the F&O Segment of the Stock Exchange that the action(s) and/or trade(s) took place due to fraud or misrepresentation by any other person other than his authorised person(s) and that the action(s) and/or trades did not originate from any of his approved workstations, the F&O Segment of the Stock Exchange may issue such directions as it considers just and reasonable. The directions may include referring the matter to arbitration and /or annulment of trade(s) so effected.
- (d) When entering into transactions on behalf of constituents, the Trading Members shall ensure that they abide by the Code of Conduct and regulations as enumerated in the current chapter of these regulations.
- (e) No Trading Member or person associated with a Trading Member shall make improper use of constituent's securities /positions in Derivatives Contracts or funds.
- (f) No Trading Member shall publish and circulate or cause to be published or circulated, any notice, circular, advertisement, newspaper article, investment service or communication of any kind

which purports to report any transaction as a purchase or sale of any Derivatives Contracts unless such Trading Member can establish if called for, that such transaction was a bonafide purchase or sale of such contract; or which purports to quote the purchase/sale price for any Derivatives Contract unless such Trading Member can establish if called for that such quotation represents a bonafide order of such Derivatives Contract.

- (g) When entering into or arranging transactions, Trading Members must ensure that at all times great care is taken not to misrepresent in any way, the nature of transaction.
- (h) No Trading Member shall exercise any discretionary power in a constituent's account unless such constituent has given prior written authorisation to a stated individual or individuals and the account has been accepted by the Trading Member, as evidenced in writing by the Trading Member.
- (i) A Trading Member shall not act as a principal or enter into any agreement or arrangement with a constituent or constituent's agents, employees or any other person connected to the constituent, employee or agency, whereby special or unusual rates are given with an intent to give special or unusual advantage to such constituent for the purpose of securing his business.

- (j) The Trading Member shall not disclose the name and beneficial identity of a constituent to any person except to the F&O Segment of the Stock Exchange as and when required by it.
- (k) The facility of placing orders on 'Pro-account' through trading terminals shall be availed by the Trading Members only at one location of the Trading Members as informed to the Stock Exchange. Any trading terminal located at a place other than the above location shall have a facility to place order only for and on behalf of a Constituent by entering client code details as required/specified by the Stock Exchange / SEBI. In case any Trading Member requires the facility of using 'Pro-account' through trading terminals from more than one location, such Trading Member shall request the Stock Exchange stating the reason for using the 'Pro-account' at multiple locations and the Stock Exchange may, on a case to case basis after due diligence, consider extending the facility of allowing use of 'Pro-account' from more than one location.

#### **4.6.4 General Guidelines**

A Trading Member shall comply with the following while conducting business on the F&O Segment of the Stock Exchange.

**(a) Shielding or Assisting:**

No Trading Member shall shield or assist or omit to report to Stock Exchange regarding any Trading Member whom he has known to have committed a breach or evasion of any Rules, Bye-Laws or Regulations or circular or notification of the F&O Segment of the Stock Exchange, order, notice or direction thereunder of the Governing Board or the Managing Director or of any committee or officer of the F&O Segment of the Stock Exchange authorised in that behalf.

**(b) Suspended Derivatives contracts**

Except with the permission of the F&O Segment of the Stock Exchange, business shall not be transacted by the Trading Member in Derivatives Contracts which have been suspended from official quotation.

**(c) Misleading Transactions**

A Trading Member shall not –

- (i) make bids and/or offers for Derivatives Contracts with an intention of creating a false or misleading appearance with respect to the market for, or the price of any Derivatives Contracts or;
- (ii) make a transaction or give an order for the purchase or sale of Derivatives Contracts, the execution of which would involve no change of beneficial interest, unless the Trading Member had no knowledge that the transaction would not involve a change in the beneficial interest of Derivatives Contracts.

**(d) Use of information obtained in Fiduciary Capacity**

A Trading Member who in the capacity of paying agent, transfer agent, trustee, or in any other similar capacity, has received information as to the purchase/sale of Derivatives Contracts, shall under no circumstance make use of such information for the

purpose of soliciting purchases/sales except at the request and on behalf of the issuer, if any.

#### **4.7 FRAUDULENT AND UNFAIR TRADING PRACTICES**

4.7.1 No Trading member shall buy, sell or deal in securities / Derivatives Contracts in a fraudulent manner or indulge in any unfair trade practices including market manipulation.

4.7.2 Without prejudice to generality of the provisions contained in the above clause, no person shall indulge in market manipulation, namely:

- (a) effect, take part in or enter into either directly or indirectly transactions in securities / Derivatives Contracts, which are likely to have the effect of artificially raising or depressing or stabilising the price of securities / Derivatives Contracts;
- (b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities / Derivatives market or, results in reflection of prices of securities / Derivatives Contracts based on transactions, which are not genuine trade transactions ; or
- (c) pay, offer or agree to pay or offer, directly or indirectly, to any person to purchase or sell any securities / Derivative Contract not intended to effect transfer of beneficial interest but with the sole object to maintain, inflate, depress, or cause fluctuations in the market price of such securities / Derivatives Contracts.

4.7.3 No person shall make a statement, or disseminate information which is misleading in a material particular which is likely to induce the sale of Derivatives Contracts by other persons or is likely to have the effect of maintaining or stabilising the market price of Derivatives Contracts if, when he makes or disseminates the information –

- (a) he does not care whether the statement or information is true or false;
- (b) he knows or ought to reasonably know that the statement or information is false or misleading in material.

4.7.4 No trading member shall

- (a) engage in any act, practice in course of his business, which would operate as a fraud or deceit upon any person in connection with the purchase or sale of any Derivatives Contracts; or
- (b) buy, sell or deal in Derivatives Contracts on his own behalf or on behalf of a person associated with him pending the execution of the order of his constituent or of his company or director for the same Derivatives Contracts in or
- (c) delay the transfer of Underlying Securities in the name of the transferee which results in the price of such securities increasing or reducing ; or
- (d) indulge in falsification of his books, accounts and records for the purpose of market manipulation; or

- (e) when acting as an agent execute a transaction with a constituent at a price other than the price at which it was executed on the F&O Segment of the Stock Exchange or other than the price it was off-set against the transaction of another constituent; or
- (f) either take opposite position to an order of a constituent or shall execute opposite orders which he is holding in respect of two constituents except in the manner laid down by the F&O Segment of the Stock Exchange .

## 5. ARBITRATION

### 5.1 DEFINITIONS

- (a) 'arbitrator' means a sole arbitrator or a panel of arbitrators.
- (b) 'Applicant' means the person who makes the application for initiating arbitral proceedings.
- (c) 'Respondent' means the person against whom the Applicant lodges an arbitration application, whether or not there is a claim against such person.
- (d) 'Act' shall mean the Arbitration and Conciliation Act, 1996 and includes any statutory modification, replacement or re-enactment thereof, for the time being in force.
- (e) 'arbitral award' shall mean an award passed by the Arbitrator.

### 5.2 SEAT OF ARBITRATION

- (a) The Relevant Authority may provide for different seats of arbitration for different regions of the country either generally or specifically and in such an event the seat of arbitration shall be the place so provided by the Relevant Authority and the same shall be communicated by the Relevant Authority from time to time. The premises/location where arbitration shall take place shall be such place as may be identified by the Stock Exchange from time to time and intimated to the arbitrator and the parties to the dispute accordingly.

### 5.3 CRITERIA FOR SELECTION OF SEAT OF ARBITRATION

Save as otherwise specified by the Relevant Authority, the criteria for selection of seat of arbitration for a particular matter is as follows:

| Parties to Dispute | Place of filing the Application for Arbitration  | Place of hearing  |
|--------------------|--|---|
| T M* V/s T M       | <p>a) If the dealing offices of both Trading Members from where the dealing was carried is situated in any one of the states covered by a particular RAC then the Application for Arbitration shall be filed by the Applicant-Trading Member in that RAC.</p> <p>b) If the dealing offices of both Trading Members from where the dealing was carried out are situated in states covered by different RAC then the Application for Arbitration shall be filed in the RAC covering the state in which the Respondent –Trading</p> | <p>The hearing shall be held at the RAC where the Applicant-Trading Member has filed the Application for Arbitration and the Respondent – Trading Member shall attend the hearing in that particular RAC.</p> |

|                            |   |   |
|----------------------------|---|---|
|                            | Member's dealing office is situated.  |   |
| TM V/s C*<br>&<br>C V/s TM | The Application for Arbitration shall be filed by the Applicant at the RAC nearest to the address provided by the Constituent in the KYC form, provided however that in respect of a Non-Resident Indian Constituent, the seat of arbitration shall be the RAC in the area in which the correspondence office of the Trading Member is situated | The hearing shall be held in that RAC where the Applicant has filed the Application for Arbitration and the Respondent shall attend the hearing in that particular RAC. |

\* "TM" stands for "Trading Member" and "C" stands for "Constituent."

#### **5.4 REQUEST FOR NEAREST RAC BY CONSTITUENT**

In the event the seat of Arbitration as mentioned in Regulation 5.2(a) is not in proximity to the area in which the Constituent ordinarily resides, the Constituent may request the Stock Exchange to conduct the arbitration proceedings at the Regional Arbitration Center nearest to his ordinary place of residence

In case the IGRC admissible claim award amount is more than Rs. 50 lakh (Rs. Fifty lakh), the next level of proceedings i.e. arbitration may take place at the nearest metro city, if desired by any of the party involved. The additional cost for arbitration, if any, to be borne by party desirous of shifting the place of arbitration.

#### **5.5 Deleted**

#### **5.6 REFERENCE OF THE CLAIM, DIFFERENCE OR DISPUTE**

Save as otherwise specified by the Relevant Authority, if the value of the claim, difference or dispute is more than Rupees Twenty Five Lakhs on the date of application, then such claim, difference or dispute shall be referred to a panel of three arbitrators and if the value of the claim, difference or dispute is upto Rupees Twenty Five Lakhs, then the same shall be referred to a sole arbitrator.

#### **5.7 CRITERIA AND PROCEDURE FOR SELECTION OF PERSONS ELIGIBLE TO ACT AS ARBITRATORS**

- (a) The relevant authority may prefer persons with background in law, finance, management, administration and experience in the areas related to securities market over other candidates and shall consider both educational qualification and experience of the candidates.
- (b) In case of re-nomination of an existing person on list of eligible persons, the relevant authority shall consider the past experience with such persons, such as time taken for passing awards, quality of awards passed, complaints received, if any, against the arbitrator.
- (c) Such list of eligible persons may be constituted for each Regional Arbitration Centre.
- (d) Such list of eligible persons for inclusion in the Common Pool may be constituted for each Regional Arbitration Centre.
- (e) The pooling of arbitrators will be done centre-wise and displayed on the website of the Exchange.

Explanation: "Common Pool" shall mean pool of arbitrators formed by inclusion of all the arbitrators on panels of all the recognised stock exchanges having nation-wide trading terminals.

- (f) The relevant authority shall obtain the following declaration from all persons included in the list of eligible persons;
  - (i) Confirming that he/she was not involved in any act of fraud or dishonesty or moral turpitude or found guilty of any economic offence.
  - (ii) Disclosing the names of his dependents that are associated with the securities market as Trading Member or major investors.

## **5.8 GUIDELINES FOR FAIR PRACTICES/CODE OF CONDUCT FOR ARBITRATORS**

Persons appointed as arbitrators shall:-

- (a) Act in a fair, unbiased and objective manner
- (b) Maintain the highest standard of personal integrity, truthfulness, honesty and fortitude in discharge of his dispute in order to inspire public confidence and shall not engage in acts discreditable to his responsibilities
- (c) Avoid any interest or activity which is in conflict with the conduct of his duties as an arbitrator.
- (d) Perform his duty in an independent and objective manner and avoid activities that may impair, or may appear to impair, his independence or objectivity.
- (e) Disclose his interest or conflict in particular cases i.e whether any party to the proceeding had any dealing with or related to the arbitrator

- (f) Ensure that all the provisions of the arbitration and conciliation act 1996, SEBI Act, 1992, Securities Contract Regulations Act, 1956, and rules regulations and bye laws framed there under and the circulars, directions issued by the government / SEBI in respect of Arbitration and dealing in securities are followed.
- (g) Endeavour that the arbitral award is passed within the minimum period stipulated by the Bye- laws, Rules and Regulations of the Stock Exchange.
- (h) Endeavour that adjournments, if any, are granted as an exception rather than a rule and after recording the reasons thereof in writing.
- (i) Ensure that the awards are detailed and well reasoned.
- (j) Ensure that the principles of natural justice are followed.

## **5.9 PROCEDURE FOR APPOINTMENT OF ARBITRATORS**

- (a) The Applicant and the Respondent against whom the claim has been made by the Applicant shall submit to the Stock Exchange in the order of descending preference names of such number of persons as specified hereunder as from amongst the list of eligible persons specified by the Stock Exchange for the respective seats of arbitration. The number of persons to be so selected by the Applicant and the Respondent shall be submitted in Form No. II by the Applicant along with Form No. I. The Respondent shall submit the names in Form No. II within seven days of the receipt of Form No. I from the Stock Exchange. Upon receiving the Form No. II from both the Applicant as well as the Respondent, the Stock Exchange shall as provided for herein, identify the person/s who shall act as the arbitrator
- (b) Upon receiving the prescribed form, from both the Applicant as well as the Respondent, the arbitrator(s) shall be appointed through an automatic process or any other process as may be specified by SEBI or the Exchange, from time to time.
- (c) The matter upto Rs. 25 lakhs will be referred to sole arbitrator to whom the arbitration application will be referred. .
- (i) The claims above Rs. 25 lakhs to be referred to panel of three Arbitrators.
- (ii) Deleted
- (iii) In the event of the failure of Applicant and the Respondent to submit any names of eligible persons to act as arbitrators the Relevant Authority shall select arbitrators through the automated process for appointment from the lists of persons eligible to act as arbitrators.
- (iv) The panel of arbitrators so appointed shall select one among themselves to act as a presiding arbitrator within 7 days of receipt of intimation from the Stock Exchange appointing them to act as an arbitrator. In case of failure or lack of consensus among the panel to select a presiding arbitrator, the Relevant Authority shall select the presiding arbitrator.

- (d) If the Applicant refuses to choose the persons eligible to act as arbitrators or fails to submit Form II, and the Respondent submits Form II, then the Relevant Authority shall appoint the arbitrator through an automatic process or any other process as may be specified by SEBI or the Exchange, from time to time
- (e) If the Applicant submits Form II and the Respondent fails to submit the same, then Relevant Authority shall appoint the arbitrator through an automatic process or any other process as may be specified by SEBI or the Exchange, from time to time.
- (f) If the arbitrator chosen as per the above procedure is not able to take up the matter for whatsoever reasons and/or not available for an extended period, then the Relevant Authority shall select an arbitrator from the remaining names on the list of eligible persons excluding the persons selected by the Applicant and/or the Respondent through the automatic process or any other process as may be specified by SEBI or the Exchange, from time to time.

#### **5.10 VACANCY IN THE OFFICE OF THE ARBITRATOR**

If the office of the sole arbitrator or any one or more of the arbitrators in the panel of arbitrators falls vacant after the appointment thereto, the Stock Exchange shall adopt the procedure specified in Regulation 5.7 herein above and fill up the vacancy within 7 days of such vacancy. For this purpose, the list of names of eligible persons in Form No.II already submitted by the Applicant and by the Respondent shall be considered.

#### **5.11 DEPOSITS TOWARDS COST OF ARBITRATION**

- (a) The parties to the claim, difference or dispute shall bear cost of arbitration. For this purpose, both the parties to arbitration shall make a deposit with the Stock Exchange along with Form No. I or Form No. III, as the case may be, for defraying the costs that may be incurred for conducting the arbitration proceeding provided when there is failure, neglect or refusal by Respondent, being a Constituent, to make a deposit accordingly, the Applicant shall be responsible for making such deposit without prejudice however to its right to recover the same from such Respondent in terms of the award. The Stock Exchange shall have the right to recover the deposit from the Trading Member from the moneys due to it if the Trading Member fails to make the deposit.
- (b) In order to have faster implementation of award and to discourage delayed filling of arbitrations by members, the fee structure (exclusive of statutory dues - stamp duty, applicable taxes, etc.) for filling arbitration, the amount of deposit I.E Arbitration Fee which has to be deposited shall be determined by the amount of the claim initially and thereafter determined based on a higher counter claim, if any, as specified by the Relevant Authority from time to time.
- (c) If the amount of claim is less than or equal to Rs.10 lakhs, then the constituent whether he or she or it is an Applicant or Respondent shall not be required to furnish the deposit to the Stock Exchange. In such cases, the costs incurred for conducting the arbitration proceedings for and on behalf of the Constituent shall be borne by the Stock Exchange.
- (d) On issuance of the arbitral award, the Stock Exchange shall refund the deposit, if any, to the party in whose favor the award has been passed. Excess of filing fee over fee payable

to the arbitrator, if any, shall be credited to the Investor Protection Fund of the Stock Exchange.

- (e) The period of 6 months referred in clauses (b) to (e) above, shall be computed from the end of the quarter during which the disputed transaction(s) were executed/settled, whichever is relevant for the dispute, and after excluding:-
  - (i) the time taken by the Relevant Authority in trying to administratively resolve the claim, difference or dispute i.e. the time taken from the date of receipt of dispute till the decision by the Relevant Authority, and
  - (ii) the time taken by the member to attempt the resolution of the dispute or one month from the date of receipt of the dispute by the member, whichever is earlier in reckoning the time taken by the Member to attempt resolution of the dispute, the time between the date of receipt of complaint/dispute by the Member and the date of receipt of the Member's last communication by the constituent, shall be considered.

## **5.12 PROCEDURE FOR ARBITRATION**

- (a) The Applicant shall submit to the Stock Exchange application for arbitration in Form No. I , (three copies in case of sole arbitrator and five copies in case of panel of arbitrators) alongwith the following enclosures:
  - (i) The Statement of Case (containing all the relevant facts about the dispute and relief sought)
  - (ii) The Statement of Accounts
  - (iii) Copies of Member - Constituent Agreement
  - (iv) Copies of the relevant Contract Notes and Bills
- (b) The Applicant shall also submit to the Stock Exchange the following along with Form No. I.
  - (i) A cheque/ pay order/demand draft for the deposit payable at the seat of arbitration in favour of Metropolitan Stock Exchange of India Limited
  - (ii) Form No. II containing list of names of the persons eligible to act as arbitrators.
- (c) If any deficiency/defect in the application is found, the Stock Exchange shall call upon the Applicant to rectify the deficiency/defect and the Applicant shall rectify the deficiency/defect within 15 days of receipt of intimation from the Stock Exchange. If the Applicant fails to rectify the deficiency/defect within the prescribed period, the Stock Exchange shall return the deficient/defective application to the Applicant. However, the Applicant shall have the right to file a revised application which shall be considered as a fresh application for all purposes and dealt with accordingly.

- (d) Upon receipt of Form No. I, the Stock Exchange shall forward a copy of the statement of case and related documents to the Respondent.
- (e) Upon receiving Form No. I, the Respondent shall submit Form II to the Stock Exchange within 7 days from the date of receipt. If the Respondent fails to submit Form II within the time period prescribed by the Stock Exchange, then the arbitrator shall be appointed in the manner as specified in Regulation 5.7.
- (f) Upon receiving Form No. II from the Respondent(s), the arbitrator shall be appointed as per the procedure prescribed in Regulation 5.7. In the event there is more than one Respondent, being legal heirs of a deceased Constituent or family members, then such legal heirs shall authorise one of them to represent the deceased Constituent in the arbitration proceedings including signing of Form II and such other documents as may be required.
- (g) The Respondent(s) shall within 15 days from the date of receipt of Form No. I from the Stock Exchange, submit to the Stock Exchange in Form No. III three copies in case of sole arbitrator and five copies in case of panel of arbitrators along with the following enclosures:
  - (i) The Statement of Reply (containing all available defences to the claim)
  - (ii) The Statement of Accounts
  - (iii) Copies of the Member Constituent Agreement,
  - (iv) Copies of the relevant Contract Notes and Bills
  - (v) Statement of the set-off or counter claim along with statements of accounts and copies of relevant contract notes and bills
- (h) The Respondent shall also submit to the Stock Exchange a cheque/pay order/demand draft for the deposit payable at the seat of arbitration in favour of Metropolitan Stock Exchange of India Limited along with Form No.III
- (i) If the Respondent fails to submit Form III within the prescribed time, then the arbitrator may proceed with the arbitral proceedings and make the award ex parte.
- (j) Upon receiving Form No. III from the Respondent the Stock Exchange shall forward one copy to the Applicant. The Applicant shall within ten days from the date of receipt of copy of Form III, submit to the Stock Exchange, a reply to any counterclaim, if any, which may have been raised by the Respondent in its reply to the Applicant. The Stock Exchange shall forward the reply to the Respondent.
- (k) The time period to file any pleading referred to herein may be extended for such further periods as may be decided by the Relevant Authority in consultation with the arbitrator depending on the circumstances of the matter.

### **5.13 REQUIREMENT FOR HEARINGS**

- (a) No hearing shall be required to be given to the parties to the dispute if the value of the claim, difference or dispute is Rs.25,000/- or less. In such a case the arbitrator shall

proceed to decide the matter on the basis of documents submitted by both the parties provided however the arbitrator for reasons to be recorded in writing may hear both the parties to the dispute.

- (b) If the value of claim, difference or dispute is more than Rs.25,000, the arbitrator shall offer to hear the parties to the dispute unless both parties waive their right for such hearing in writing.

#### **5.14 NOTICE OF HEARING**

Unless otherwise specified, the Stock Exchange shall in consultation with the arbitrator determine the date, the time and place of the first hearing. Notice for the first hearing shall be given at least ten days in advance, unless the parties shall, by their mutual consent, waive the notice. The arbitrator shall determine the date, the time and place of subsequent hearings of which a notice shall be given by the Stock Exchange to the parties concerned.

#### **5.15 ADJOURNMENT OF HEARING**

If any party to the reference wants to make an application for adjournment of hearing by the arbitrator the party shall make an application in writing giving reasons for seeking adjournment to the Stock Exchange sufficiently in advance to enable the Stock Exchange to forward such request to the arbitrator. The arbitrator at his discretion may grant the adjournment subject to such conditions as deemed fit by him.

#### **5.16 APPEARANCE THROUGH AUTHORISED REPRESENTATIVE**

In the arbitral proceeding a Constituent may appear through a power of attorney holder and the trading member may appear through his authorised representative;

Provided that the trading member may appear through a legal practitioner only if the Constituent is represented through a legal practitioner.

For the purpose of this regulation, ‘authorised representative’ shall mean as under-

- (a) If the trading member is an individual, an employee or authorised person of the trading member as defined in these Regulations.
- (b) If the trading member is a partnership firm, any partner or employee or authorised person of the trading member as defined under these Regulations.
- (c) If the trading member is a Company, any director or employee or authorized person of the trading member as defined under these Regulations.

#### **5.17 ARBITRAL AWARD ON AGREED TERMS**

If after the appointment of an arbitrator, the parties settle the dispute, then the arbitrator shall record the settlement in the form of an arbitral award on agreed terms or may dismiss the matter summarily on an application made by the applicant for withdrawal of arbitration matter due to settlement with the other party.

## **5.18 ARBITRAL AWARD UNDER CERTAIN CIRCUMSTANCES**

The arbitrator, in case of any arbitration proceedings which is not defended or in his opinion is not effectively defended, besides the documents produced by the applicant, may, for the purpose of passing a fair and proper award, also consider any other document in general, which the arbitrator considers necessary for the purpose of coming to a proper conclusion and in particular the following documents for the purpose of arriving at a decision:

1. Copy of member-constituent agreement.
2. Contract notes and bills.
3. Statement of accounts given by the trading member to the constituent on periodic basis.
4. Bank statements supported by confirmation from the bank regarding payments/receipts.
5. Transaction cum Holding statements of the demat account(s) of the applicants and respondents with the depository.
6. Unique id upload, if any, from the members to Exchange with regard to the client.
7. Trade log in respect of transactions relating to dispute.

For the purpose of the above, the arbitrator may also seek relevant information from the applicant as well as the Stock Exchange, to the extent available with the Stock Exchange.

## **5.19 MAKING OF ARBITRAL AWARD**

- (a) The arbitral award shall be in writing and made in three originals duly dated and signed by the sole arbitrator or in case of a panel of arbitrators by all the three arbitrators.
- (b) The arbitrator shall file all the three original awards with the Stock Exchange, which shall arrange to send one original each to the parties to the dispute and the stamped original award shall be retained by the Stock Exchange.

## **5.20 INTEREST**

- (a) The arbitrator may include in the sum for which the award is made interest at such rate on such sum and for such period as the arbitrator deems reasonable.
- (b) A sum directed to be paid by an award shall, unless the award otherwise directs, carry rate of interest in compliance with Arbitration and Conciliation (Amendment) Act, 2015.

## **5.21 ARBITRATION FEES AND CHARGES, COSTS, ETC.**

- (a) The fees and expenses payable to arbitrator shall be as determined by the Relevant Authority from time to time.
- (b) All fees and charges relating to the appointment of the arbitrator and conduct of arbitration proceedings shall be borne by the parties to the reference equally or in such proportions as may be decided by the arbitrator.
- (c) The costs, if any, to be awarded to either of the party in addition to the fees and charges that have to be borne by the parties for conducting the arbitration shall be decided by the arbitrator.
- (d) Unless the arbitrator directs otherwise each party shall bear their own expenses of traveling and other incidental expenses incurred.

**5.22 ADMINISTRATIVE ASSISTANCE WHICH MAY BE PROVIDED BY THE STOCK EXCHANGE**

The Stock Exchange shall

- (a) maintain a register of references;
- (b) receive all applications for arbitration and communications addressed by the parties before or during the course of arbitration proceedings or otherwise in relation thereto;
- (c) receive payment of all costs, charges, fees and other expenses;
- (d) give notices of hearing and all other notices to be given to the parties before or during the course of the arbitration proceedings or otherwise in relation thereto;
- (e) communicate to the parties all orders and directions of the arbitrator;
- (f) receive and record all documents and papers relating to the reference and keep in custody all such documents and papers except such as the parties are allowed to retain;
- (g) communicate the award on behalf of the arbitrator;
- (h) generally do such things and take all such steps as may be necessary to assist the arbitrator in the execution of their function.

**5.23 MODE OF COMMUNICATION**

- (a) Any communication sent by the Stock Exchange to either of the parties shall be deemed to have been properly delivered or served, even if such communication is returned to the Stock Exchange as unclaimed/ refused/ undelivered, if the same is sent to the ordinary business address and/or ordinary place of residence and/or last known address of the party, in any one or more of the following ways: -
  - (i) by post,
  - (ii) by registered post,
  - (iii) under certificate of posting
  - (iv) by speed post/courier services,
  - (v) by telegram,

- (vi) by affixing it on the door at the last known business or residential address,
  - (vii) by advertising it in at least one prominent daily newspaper having circulation in the area where the last known business or residential address of Respondent is situated,
  - (viii) by sending a message through the Trading System,
  - (ix) by electronic mail or fax
  - (x) by hand delivery
- (b) Any communication sent by either of the parties to the Stock Exchange shall be made in any one or more of the following ways:
- (i) by post (ordinary or registered or speed) or Courier service
  - (ii) by telegram
  - (iii) by fax
  - (iv) by hand delivery
  - (v) by electronic mail

#### **5.24 PRESERVATION OF RECORDS**

The following documents shall be preserved by the Stock Exchange for the time periods as mentioned hereunder

- (a) The original arbitration award along with acknowledgements shall be preserved permanently.
- (b) In case an appeal for setting aside the award is not filed, then apart from the original award, all the other records pertaining to arbitration shall be preserved for 5 years from the date of award.
- (c) In case an appeal for setting aside the award is filed, then apart from the original award, all the other records pertaining to arbitration shall be preserved for 5 years from the date of final disposal by court.

#### **5.25 DESTRUCTION OF RECORDS**

The destruction of records by the Stock Exchange shall be subject to the previous order, in writing of the relevant authority and the details of the destruction shall be entered in a register wherein the brief particulars of the records destroyed along with the certification regarding the date and mode of destruction shall be mentioned.

## FORM NO. I - ARBITRATION APPLICATION

| Details   | Applicant<br>(Details of entity filing the case) | Respondent<br>(Details of entity against whom the case is filed) |
|---|--|--|
| Name*   |  |  |
| Address*(As mentioned in KYC or MCA document or the changed address duly informed to TM in writing) |  |  |
| City *  |  |  |
| Pincode*  |  |  |
| State*  |  |  |
| Telephone/Mobile no.  |  |  |
| Email id*   |  |  |
| PAN No.*  |  |  |
| Unique Client Code*   |  |  |

**All fields marked \* are mandatory.**

### 2. Details of complaint filed with Investor Services Cell of the Exchange or SEBI relating to

| Complaint filed before    | Complaint reference no. | Date of complaint |
|---------------------------|-------------------------|-------------------|
| SEBI(scores or otherwise) |                         |                   |
| Exchange                  |                         |                   |

Submit the claim amount under the relevant segment against the pertinent claim categories. In case the claim is of the nature not listed there; state it against "Others"

| Sr. no. | Nature of claim  | CM*<br>(Rs.) | F&O*<br>(Rs.) | CD S*<br>(Rs.) |
|---------|--|--------------|---------------|----------------|
| 1       | Non-receipt / delay in receipt of:<br>Funds / Payments, Securities<br>Corporate benefits |              |               |                |
| 2       | Execution of Trades without<br>Authorisation   |              |               |                |
| 3       | Close out / Square up of positions<br>without consent                                    |              |               |                |
| 4       | Issues pertaining to brokerage /   |              |               |                |

|          |   |  |  |  |
|----------|---|--|--|--|
|          | interest / penalty / commission / other charges |  |  |  |
| 5        | Non Execution of Trades                         |  |  |  |
| 6        | Outstanding Debit Balance unpaid                |  |  |  |
| 7        | Any other complaint, Specify:                   |  |  |  |
|          | Total   |  |  |  |
|          | <b>Total (CM + F&amp;O + CD)</b>                |  |  |  |
| <b>8</b> | <b>Date of Dispute*</b>                         |  |  |  |

\* - Segment: **CM** = Capital Market, **F&O** = Future & Options, **CDS** = Currency Derivatives  
This date will be used to determine whether the claim has been filed within six months of the dispute. Date of dispute is actual date when the dispute has arisen.

\*\* Additional sheet may be attached if required for statement of the calculation/ break up of claim value.

|  |  |
|--|--|
|  | <b>Statement of case*</b>                    |
|  | Know Your Client Form (KYC)                  |
|  | Member Constituent Agreement (MCA)           |
|  | Risk Disclosure Document (RDD)               |
|  | Statement of Accounts for Funds / Securities |
|  | Ledger statement                             |
|  | Margin Statements                            |
|  | Contract Notes                               |
|  | Other, please specify                        |

Statement of case is mandatory which has to be attached with the Form I, and should provide detailed brief description of the case

|                             |
|-----------------------------|
| <b>5. Arbitration Fees:</b> |
|-----------------------------|

Dated: \_\_\_\_\_ issued by the Bank Name: \_\_\_\_\_  
in favour of Metropolitan Stock Exchange Of India Limited, for an amount of ` \_\_\_\_\_ (in Figures) payable at Mumbai, towards Arbitration deposit for defraying costs and expenses of arbitration.

Where the applicant is a constituent/investor and the claim amount is less than Rs 10 lacs the Arbitration Cost will be borne by the Exchange. No amount is payable by constituent/investor in such cases

|                                       |
|---------------------------------------|
| <b>6. Hearing and Representation:</b> |
|---------------------------------------|

Do you require a hearing in the matter: Ye  No  (Please tick the relevant option)

Note: For cases having claim amount below Rs 25,000/-, hearing is not compulsory but arbitrator may call for hearing, if required.

- I will personally represent the case.
- I would represent the case along with my representative \_\_\_\_\_ in his/her capacity as \_\_\_\_\_.
- On my behalf \_\_\_\_\_ will represent in his/her capacity as \_\_\_\_\_.

\* Investor may attend the Arbitration proceedings and defend the matter on his own or appoint Authorized Representative to defend the matter by executing a notarized Power of Attorney. In case investor has appointed a Lawyer/Advocate to represent his case, then a duly signed Vakalatnama will be required.

**Date:** \_\_\_\_\_

**Place:** \_\_\_\_\_

\_\_\_\_\_  
**(Signature of Applicant)**

**Note: General Instructions**

1. Please fill the application form in legible manner.
2. Complaints only in respect of trades executed on the trading system of Metropolitan Stock Exchange Of India Limited will be entertained.
3. The Applicant shall put his/her signature on all the pages of the documents submitted alongwith this form and if the Applicant is a firm/company, the rubber stamp of the firm/company shall be affixed on all the pages.
4. If the Applicant is a firm/company then the authorized representative of the Applicant has to submit the authority letter/board resolution as the case may be alongwith this form.

**FORM NO. II - CHOICE OF ARBITRATORS**

**1. Information**

Arbitration Matter No. \_\_\_\_\_/20\_\_\_\_

| Details  | Applicant<br>(Details of entity filing the case) | Respondent<br>(Details of entity against whom<br>the case is filed) |
|--|--|---|
| Name*  |  |   |
| Address*<br>(As mentioned in KYC or<br>MCA document or the<br>changed address duly<br>informed to TM in writing) |  |   |
| City *   |  |   |
| Pincode*   |  |   |
| State*   |  |   |
| Telephone/Mobile no.   |  |   |
| Email id*  |  |   |
| PAN No.*   |  |   |
| Unique Client Code*  |  |   |

**2. Response & List of documents attached: (please tick relevant box)**

In connection with the application for arbitration submitted by Mr./Mrs./Ms./M/s \_\_\_\_\_ the applicant above named, I/We enclose herewith three/five copies of my/our reply along with the enclosures as specified in regulation.

|  | <b>Statement of response*</b>                |
|--|--|
|  | Know Your Client Form (KYC)                  |
|  | Member Constituent Agreement (MCA)           |
|  | Risk Disclosure Document (RDD)               |
|  | Statement of Accounts for Funds / Securities |
|  | Ledger statement                             |
|  | Margin Statements                            |
|  | Contract Notes                               |
|  | Other, please specify                        |

\* Statement of response is mandatory which has to be attached with the Form III, and should provide detailed response of the case.

### 3. Arbitration Fees:

Please find enclosed a Cheque/ Demand Draft/ Pay Order No. \_\_\_\_\_ Dated: \_\_\_\_\_ issued by the Bank Name: \_\_\_\_\_ in favour of Metropolitan Stock Exchange Of India Limited, for an amount of ` \_\_\_\_\_ (in Figures) payable at Mumbai, towards Arbitration deposit for defraying costs and expenses of arbitration.

Where the respondent is a constituent/investor and the claim amount is less than Rs. 10 lacs the Arbitration Cost will be borne by the Exchange. No amount is payable by constituent/investor in such cases.

### 4. Hearing and Representation :

Do you require a hearing in the matter: **Yes**  **No**  (Please tick the relevant option)

Note: For cases having claim amount below Rs 25,000/-, hearing is not compulsory but arbitrator may call for hearing, if required.

- d) I will personally represent the case.  
e) I would represent the case along with my representative \_\_\_\_\_ in his/her capacity as \_\_\_\_\_.  
f) On my behalf \_\_\_\_\_ will represent in his/her capacity as \_\_\_\_\_.

\* Investor may attend the Arbitration proceedings and defend the matter on his own or appoint Authorized Representative to defend the matter by executing a notarized Power of Attorney. In case investor has appointed a Lawyer/Advocate to represent his case, then a duly signed Vakalatnama will be required.

\*Date: \_\_\_\_\_

\*Place: \_\_\_\_\_

\_\_\_\_\_  
**Signature of Respondent**

### Note: General Instructions

- Please fill the application form in legible manner.
- The Respondent shall put his/her signature on all the pages of the documents submitted alongwith this form and if the Applicant is a firm/company, the rubber stamp of the firm/company shall be affixed on all the pages.
- If the Respondent is a firm/company then the authorized representative of the Applicant has to submit the authority letter/board resolution as the case may be alongwith this form.

\* **Are Mandatory field**

**FORM NO. III - REPLY BY THE RESPONDENT TO ARBITRATION APPLICATION**

In the matter of an Arbitration under the Bye laws, Rules and Regulations of Metropolitan Stock Exchange Of India Limited (*Formerly known as MCX Stock Exchange Limited*)

**Arbitration Matter No. \_\_\_\_\_/20\_\_**

**BETWEEN**

Name of Applicant : \_\_\_\_\_  
Status : Trading Member/Participant of the Exchange/ Constituent\*  
Office/residential \_\_\_\_\_  
address of Applicant : \_\_\_\_\_  
\_\_\_\_\_  
Tel: Off res. : \_\_\_\_\_  
Fax: Off res. : \_\_\_\_\_  
Mobile No. : \_\_\_\_\_  
Email address : \_\_\_\_\_

**AND**

Name of Respondent : \_\_\_\_\_  
Status : Trading Member/Participant of the Exchange/ Constituent\*  
Office/residential : \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
Tel: Off res. : \_\_\_\_\_  
Fax: Off res. : \_\_\_\_\_  
Mobile No. : \_\_\_\_\_  
Email address : \_\_\_\_\_

To,

Arbitration Department,  
Metropolitan Stock Exchange Of India Limited  
(*Formerly known as MCX Stock Exchange Limited*)  
Regional Arbitration Center - \_\_\_\_\_ (Mention the name of the location where application is being filed)

Sirs,

In connection with the application for arbitration submitted by Mr./Mrs./Ms./M/s \_\_\_\_\_ the applicant above named, I/We enclose herewith three copies of my/our reply along with the enclosures as specified in regulation.

Please find enclosed a Cheque/Demand Draft/Pay Order No. \_\_\_\_\_ Dated: \_\_\_\_\_ issued by the Bank Name: \_\_\_\_\_ in favour of Metropolitan Stock Exchange Of India Limited (*Formerly known as MCX Stock Exchange Limited*) for an amount of ` \_\_\_\_\_ (in Figures) payable at: \_\_\_\_\_, towards Arbitration deposit for defraying costs and expenses of arbitration.

I/We state that I do not want a hearing from the arbitrator/ I do want a hearing from the arbitrator.\*

**Yours faithfully**

**Date:**

**Place:**

\_\_\_\_\_  
**Signature of Respondent/s**

Note: **General Instructions**

1. Please fill the application form in legible manner.
2. The Respondent shall put his/her signature on all the pages of the documents submitted alongwith this form and if the Applicant is a firm/company, the rubber stamp of the firm/company shall be affixed on all the pages.
3. If the Respondent is a firm/company then the authorized representative of the Applicant has to submit the authority letter/board resolution as the case may be alongwith this form.

\* **Strike out whichever is not relevant**

## **6. APPELLATE ARBITRATION**

### **6.1 DEFINITIONS**

- (a) 'Appellant' means the person who files an appeal under this Chapter.
- (b) 'Respondent' means the person against whom the Appellant lodges an appeal, whether or not there is a claim against such person.

### **6.2 SEAT OF APPELLATE ARBITRATION**

The Appellate Arbitration shall be conducted at the same Regional Arbitration Center (RAC) where the award under challenge was passed, unless otherwise specified by the relevant authority.

In case the award amount is more than Rs. 50 lakh (Rs. Fifty lakh only), the next level of proceedings may take place at the nearest metro city, if desired by any of the party involved. The additional cost for arbitration, if any, to be borne by party desirous of shifting the place of arbitration. .

### **6.3 TIME FOR PREFERRING APPEAL**

The Memorandum of Appeal shall be submitted to the Stock Exchange by the appellant or his authorised representative within one month from the date of receipt of the Arbitral Award.

### **6.4 PROCEDURE FOR APPOINTMENT OF ARBITRATORS**

- (a) The Appellant and the Respondent shall submit to the Stock Exchange in, the order of descending preference, names of persons from amongst the list of eligible persons specified by the Stock Exchange for the respective seats of appellate arbitration other than those Arbitrator(s) who passed the Award under dispute. The number of persons to be so submitted by the Appellant and the Respondent shall be as may be specified by the Relevant Authority. Such names shall be submitted in Form B by the Appellant along with Form A. The Respondent shall submit the names in Form B within seven days of the receipt of Form A from the Stock Exchange. Upon receiving the Form B from the Appellant as well as the Respondent, the Stock Exchange shall as provided for herein, identify the person/s who shall act as the arbitrators.
- (b) The Stock Exchange shall identify the panel of arbitrators to whom the Memorandum of Appeal will be referred through such process and manner as may be specified by SEBI / Exchange from time to time.

However,

- (i) The appellate panel consisting of three arbitrators shall be different from the ones who passed the arbitral award appealed against.
  - (ii) In the event of the failure of Appellant and the Respondent to submit any names of eligible persons to act as arbitrators the Relevant Authority shall select the panel of arbitrators from the lists of persons eligible to act as arbitrators.
  - (iii) The panel of arbitrators so appointed shall select one among themselves to act as a presiding arbitrator within 7 days of receipt of intimation from the Stock Exchange appointing them to act as an arbitrator. In case of failure or lack of consensus among the panel to select a presiding arbitrator, the Relevant Authority shall select the presiding arbitrator.
  - (iv) Such constitution of appellate panel of arbitrators shall be completed within thirty days from the date of receipt of the appeal.
- (c) If the Appellant refuses to choose the persons eligible to act as arbitrators or fails to submit Form B, and the Respondent submits Form B, then the Relevant Authority shall select an arbitrator through such process and manner as may be specified by SEBI / Exchange from time to time .
  - (d) If the Appellant submits Form B and the Respondent fails to submit the same, then Relevant Authority shall select an arbitrator through such process and manner as may be specified by SEBI / Exchange from time to time..
  - (e) If the arbitrator chosen as per the above procedure is not able to take up the matter for whatsoever reasons and/or not available for an extended period, then the Relevant Authority shall select an arbitrator through such process and manner as may be specified by SEBI / Exchange from time to time till the confirmation of matter acceptance from the arbitrator appointed

## **6.5 APPELLATE ARBITRATION FEES**

- (a) The Appellant shall bear the cost of Appellate Arbitration. The appellant shall pay to the Stock Exchange along with the Memorandum of Appeal such fees as may be prescribed by the Relevant Authority from time to time, not exceeding Rs. 30,000/- (exclusive of statutory dues such as, stamp duty, service tax, etc).
- (b) In case the party filing an appeal is a client having claim/ counter claim of up to Rs.10 lakh, then the party shall pay a fee not exceeding Rs. 10,000/-. Further, expenses thus arising shall be borne by the Stock Exchange and the Investor Protection Fund of the Stock Exchange equally.

## **6.6 PROCEDURE FOR APPELLATE ARBITRATION**

- (a) The Appellant shall submit to the Stock Exchange five copies of Memorandum of Appeal, and the following enclosures:

- (i) Five copies of the Arbitration Award.
  - (ii) Five copies of the decision of Relevant Committee, where relevant.
  - (iii) Five copies of Arbitration proceedings.
  - (iv) A cheque/ pay order/demand draft for the fees payable in drawn favour of Metropolitan Stock Exchange of India Limited.
  - (v) List of names of eligible arbitrators in his/her/its order of preference to act as arbitrator(s), in the prescribed form.
- (b) If any deficiency/defect in the Form A is found, the Stock Exchange shall call upon the Appellant to rectify the deficiency/defect and the Appellant shall rectify the deficiency/defect within 7 days of receipt of intimation from the Stock Exchange. If the Appellant fails to rectify the deficiency/defect within the prescribed period, the Stock Exchange shall return the deficient/defective Form A to the Appellant. However, the Appellant shall have the right to file a revised Form A which shall be considered as a fresh Form A for all purposes including limitation and dealt with accordingly.
  - (c) Upon receipt of Form A, the Stock Exchange shall forward a copy of the same and related documents to the Respondent.
  - (d) The Respondent shall submit Form B to the Stock Exchange within 7 days from the date of receipt of Form A and related documents. If the Respondent fails to submit Form B within the time period prescribed by the Stock Exchange, then the arbitrator shall be appointed in the manner as specified in Regulation 6.4
  - (e) Upon receiving Form B from the Respondent(s), the arbitrator shall be appointed as per the procedure prescribed in Regulation 6.4. In the event there is more than one Respondent, being legal heirs of a deceased Constituent or family members, then such legal heirs shall authorise one of them to represent the deceased Constituent in the appellate arbitration proceedings including signing of Form B and such other documents as may be required.
  - (f) The Respondent(s) shall within 10 days from the date of receipt of Form A from the Stock Exchange, submit to the Stock Exchange five copies of Statement of Reply along with the related documents as mentioned in Form C.
  - (g) If the Respondent fails to submit Statement of Reply within the prescribed time, then the appellate arbitral tribunal may proceed with the arbitral proceedings and make the award ex parte.
  - (h) Upon receiving Statement of Reply as prescribed in Form C from the Respondent the Stock Exchange shall forward one copy to the Appellant.
  - (i) The time period to file any pleading referred to herein may be extended for such further periods as may be decided by the Relevant Authority in consultation with the arbitrator depending on the circumstances of the matter.

## **6.7 VACANCY IN THE OFFICE OF THE ARBITRATORS**

If one or more of the arbitrator's office falls vacant, in the panel of appellate arbitral tribunal after the appointment thereto, the Stock Exchange shall adopt the procedure specified in Regulation 5.7 and fill up the vacancy within 7 days of such vacancy. For

this purpose, the list of names of eligible persons in Form B already submitted by the Appellant and by the Respondent shall be considered.

## **6.8 NOTICE OF HEARING**

Unless otherwise specified, the Stock Exchange shall in consultation with the panel of arbitrators determine the date, the time and place of the first hearing. Notice for the first hearing shall be given at least 7 days in advance, unless the parties shall, by their mutual consent, waive the notice. The arbitral tribunal shall determine the date, the time and place of subsequent hearings of which a notice shall be given by the Stock Exchange to the parties concerned.

## **6.9 ADJOURNMENT OF HEARING**

If any party to the appeal wants to make an application for adjournment of hearing by the arbitral tribunal, the party shall make an application in writing giving reasons for seeking adjournment to the Stock Exchange sufficiently in advance to enable the Stock Exchange to forward such request to the arbitrators. The arbitrators at their discretion may grant the adjournment in exceptional cases, for reasons, to be recorded in writing.

## **6.10 APPELLATE ARBITRAL PROCEEDING**

In the appellate arbitral proceeding a Constituent may appear through a power of attorney holder and the trading member may appear through his authorised representative;

Provided that the trading member may appear through a legal practitioner only if the Constituent is represented through a legal practitioner.

Explanation: For the purpose of this Regulation, ‘authorised representative’ shall mean as under-

- (a) If the trading member is an individual, an employee or authorised person of the trading member as defined in these Regulations.
- (b) If the trading member is a partnership firm, any partner or employee or authorised person of the trading member as defined under these Regulations.
- (c) If the trading member is a Company, any director or employee or authorized person of the trading member as defined under these Regulations.

## **6.11 APPELLATE ARBITRAL AWARD ON AGREED TERMS**

If after the appointment of panel of arbitrators, the parties settle the dispute, then the Arbitral Tribunal shall record the settlement in the form of an appellate arbitral award on agreed terms or may dismiss the matter summarily on an application made by the appellant for withdrawal of matter due to settlement with the other party.

## **6.12 MAKING OF APPELLATE ARBITRAL AWARD**

- (a) The award of the Appellate Tribunal shall be in writing and made in three originals duly dated and signed by the panel of arbitrators (by all the three arbitrators), and shall be made within the time mentioned in the Bye-laws.
- (b) The panel of arbitrators shall file all the three original awards with the Stock Exchange, which shall arrange to send one original each to the parties to the dispute and the stamped original award shall be retained by the Stock Exchange.

## **6.13 INTEREST**

- (a) The arbitral tribunal may include in the sum for which the award is made interest at such rate on such sum and for such period as the arbitrators deem reasonable.
- (b) A sum directed to be paid by an award shall, unless the award otherwise directs, carry rate of interest in compliance with Arbitration and Conciliation (Amendment) Act, 2015 .

## **6.14 ARBITRATION FEES AND CHARGES, COSTS, ETC.**

- (a) The fees and expenses payable to arbitrators shall be as determined by the Relevant Authority from time to time.
- (b) The costs, if any, to be awarded to either of the party in addition to the fees that is paid by the parties for conducting the appellate arbitration shall be decided by the arbitral tribunal.
- (c) Unless the arbitrator directs otherwise, each party shall bear their own expenses of traveling and other incidental expenses incurred.

## **6.15 APPLICABILITY OF CHAPTER 5**

Except where specific provision is made in these Regulations, the provisions of Regulations 5.7 to 5.9 and 5.23 to 5.25 of Chapter 5 of the Regulations shall, so far as may be, apply to appellate arbitrators, appellate arbitration proceedings and appellate arbitral award.

## FORM A-MEMORANDUM OF APPEAL

Appeal against the Arbitration Matter No. \_\_\_\_\_ under the Rules, Bye-laws and Regulations of Metropolitan Stock Exchange of India Limited

\_\_\_\_\_  
Appellant

.... (Original Applicant/Respondent\*)

Versus

\_\_\_\_\_  
Respondent

.... (Original Applicant/Respondent\*)

### 1. Particulars

| Details              | Appellant<br>(Details of entity filing the case) | Respondent<br>(Details of entity against whom the case is filed) |
|----------------------|--|--|
| Name*                |  |  |
| Address*             |  |  |
| City *               |  |  |
| Pincode*             |  |  |
| State*               |  |  |
| Telephone/Mobile no. |  |  |
| Email id*            |  |  |
| PAN No.*             |  |  |
| Unique Client Code*  |  |  |

### 2. Jurisdiction

- The appellant declares that the matter of appeal falls within the jurisdiction of the Appellate Tribunal.
- In case the award amount is more than Rs. 50 lakh (Rs. Fifty lakh), the next level of proceedings i.e. appellate arbitration may take place at the nearest metro city, if desired by any of the party involved. Please mention the city \_\_\_\_\_.
- The additional cost for arbitration, if any, to be borne by the party desirous of shifting the place of arbitration. .

### 3. Limitation

The appellant further declares that the appeal is within limitation as prescribed by the Rules, Bye-laws and Regulations of the Exchange.

#### **4. The grounds of appeal**

(Give here concise statement of facts and grounds of appeal against the specified order in a chronological order, each paragraph containing as neatly as possible as separate issue, fact or otherwise. **Separate sheet may be attached, if required**)

#### **5. List of Documents**

##### **Statement of appeal\***

Copy of award appealed against

Supporting documents for appeal

Other, please specify

\* Statement of appeal is mandatory which has to be attached with the Form A, and should provide detailed brief description of the case.

#### **6. Relief(s) sought**

In view of the facts mentioned in para 4 above, the appellant to specify the relief(s) sought. **Separate sheet may be attached, if required.**

#### **7. Matter not pending with any other court etc.**

The appellant further declares that the matter regarding which this appeal has been made is not pending before any court of law or any other authority.

#### **8. Fees**

a) If appellant is constituent/investor and the claim amount is less than Rs 10 lacs the Arbitration then a payment of Rs. 10,000/-, is to be paid towards the cost of appeal. No other expenses/charges are payable by Investors.

*Accordingly find enclosed a Cheque/ Demand Draft/ Pay Order No. \_\_\_\_\_ Dated: \_\_\_\_\_ issued by the Bank Name: \_\_\_\_\_ in favour of Metropolitan Stock Exchange Of India Limited, for an amount of Rs.10,000/- payable at Mumbai, towards Arbitration deposit for defraying costs and expenses of appellate arbitration.*

b) In all other cases than mentioned in point a) the appellant has to make a payment of Rs.30,000/- in addition to the statutory charges i.e. stamp duty charges as applicable (refer checklist) is to be paid towards the cost of appeal.

*Accordingly find enclosed a Cheque/ Demand Draft/ Pay Order No. \_\_\_\_\_ Dated: \_\_\_\_\_ issued by the Bank Name: \_\_\_\_\_ in favour of Metropolitan Stock Exchange Of India Limited, for an amount of Rs. \_\_\_\_\_ payable at Mumbai, towards Arbitration deposit for defraying costs and expenses of appellate arbitration.*

#### **9. Hearing and Representation**

- a) I will personally represent the case.
  - b) I would represent the case along with my representative \_\_\_\_\_ in his/her capacity as \_\_\_\_\_.
  - c) On my behalf \_\_\_\_\_ will represent in his/her capacity as \_\_\_\_\_.
- \* Investor may attend the Arbitration proceedings and defend the matter on his own or appoint Authorized Representative to defend the matter by executing a notarized Power of Attorney. In case investor has appointed a Laywer/Advocate to represent his case, then a duly signed Vakalatnama will be required.

**Place:** \_\_\_\_\_  
**Date :** \_\_\_\_\_ (Signature of appellant/Authorized Representative)

Note: The appellant shall put his/her signature on all the pages of the documents submitted along with this memorandum of appeal and if the appellant is a firm/company, the rubber stamp of the firm/company shall be affixed on all the pages.

If the appellant is a firm/company then the authorized representative of the Respondent has to submit the authority letter/board resolution as the case may be along with this memorandum of appeal.

**\* Mandatory fields**

**FORM B - CHOICE OF ARBITRATORS**

Appeal against the Arbitration Matter No. \_\_\_\_\_ under the Rules, Bye-laws and Regulations of Metropolitan Stock Exchange of India Limited

\_\_\_\_\_Appellant                      .... (Original Applicant/Respondent\*)

Versus

\_\_\_\_\_Respondent                      .... (Original Applicant/Respondent\*)

Sir,

In the said matter, the names of persons chosen by me/us as arbitrator(s) from the list of eligible persons to act as arbitrator(s) are given below:

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_
- 3. \_\_\_\_\_
- 4. \_\_\_\_\_
- 5. \_\_\_\_\_

Yours faithfully,

\_\_\_\_\_  
Signature of Applicant/ Respondent

Date: \_\_\_\_\_

Place: \_\_\_\_\_

Note:

- At least **three** and Maximum **five** names to be submitted from the list of persons eligible to act as arbitrators.
- Arbitrator appointment is done through a computerized automated process wherein neither the Exchange nor the parties are directly involved.
- The list of Arbitrators is available on the Exchange website at <http://www.MSE.in/investors/list-of-arbitrators>. Please select the arbitrators from the regional list of arbitrators where the case is filed.

## FORM NO. C – RESPONSE TO APPEAL

Appeal against the Arbitration Matter No. \_\_\_\_\_ under the Rules, Bye-laws and Regulations of Metropolitan Stock Exchange of India Limited

\_\_\_\_\_Appellant ..... (Original Applicant/Respondent\*)

Versus  
\_\_\_\_\_Respondent ..... (Original Applicant/Respondent\*)

### 1. Response & List of documents attached: (please tick relevant box)

In connection with the application for appeal submitted by Mr./Mrs./Ms./M/s \_\_\_\_\_ the applicant above named, I/We enclose herewith five copies of our reply along with the enclosures as specified in regulation.

|  | Statement of ground of objection to the appeal * |
|--|--|
|  | Supporting documents for response                |
|  | Other, please specify                            |

(Give here the respondent to specify the ground of objection to the appeal. Separate sheet may be attached, if required)

### 2. Relief sought

(In view of the objections raised, respondent to specify the relief(s) sought. Separate sheet may be attached, if required)

### 3. Hearing and Representation

- I will personally represent the case.
- I would represent the case along with my representative \_\_\_\_\_ in his/her capacity as \_\_\_\_\_.
- On my behalf \_\_\_\_\_ will represent in his/her capacity as \_\_\_\_\_.

\* Investor may attend the Arbitration proceedings and defend the matter on his own or appoint Authorized Representative to defend the matter by executing a notarized Power of Attorney. In case investor has appointed a Lawyer/Advocate to represent his case, then a duly signed Vakalatnama will be required.

Place: \_\_\_\_\_

Date : \_\_\_\_\_ (Signature of Respondent/Authorized Representative)

Note:

The Respondent shall put his/her signature on all the pages of the documents submitted along with this form and if the Respondent is a firm/company, the rubber stamp of the firm/company shall be affixed on all the pages.

If the Respondent is a firm/company then the authorized representative of the Respondent has to submit the authority letter/board resolution as the case may be along with this form.”

**\* Mandatory fields**

## 7. RECORDS, ANNUAL ACCOUNTS & AUDIT

### 7.1 RECORDS

**7.1.1** Every Trading Member shall comply with all relevant statutory Acts, including Securities Contracts (Regulation) Act, 1956 and Rules framed thereunder, and Securities and Exchange Board of India Act, 1992 and Regulations and guidelines framed thereunder PMLA Rules, and the requirements of and under any notifications, directives and guidelines issued by the Central Government and any statutory body or local authority or any body or authority acting under the authority or direction of the Central Government relating to maintenance of accounts and records.

**7.1.2** In addition to the requirements of regulation 7.1.1 above, every Trading Member of the F&O Segment of the Stock Exchange shall comply with the following requirements and such other requirements as the F&O Segment of the Stock Exchange may from time to time notify on this behalf relating to books of accounts, records and documents in respect of his membership and trading on the F&O Segment of the Stock Exchange.

**7.1.3** Where a Trading Member holds membership of any other recognized stock exchange(s), then such a Trading Member shall maintain a separate books of accounts, records and documents for trades executed on each recognised stock exchange.

**7.1.4** Every Trading Member of the F&O Segment of the Stock Exchange shall maintain the following records relating to its business for a period of five years:-

- (a) Order confirmation slips, order modification slips as obtained from the trading system of the F&O Segment of the Stock Exchange.
- (b) Trade confirmation slips and exercise notice records as obtained from the trading system of the F&O Segment of the Stock Exchange.
- (c) Statements of obligations received from the Clearing Corporation.
- (d) Record of all statements received from the settling agencies and record of all correspondence with them.
- (e) Order Book of Constituents reflecting the following:
  - (i) identity of person receiving the order
  - (ii) date and time of order received
  - (iii) name of the person placing the order
  - (iv) name of Constituent, description and value of Derivatives contracts to be bought and sold
  - (v) terms and conditions of the order stating particularly price/rate limit or price / rate related instructions and time limit on the order (if any).
  - (vi) the ATS order number as per the trading system of the F&O Segment of the Stock Exchange or trading member order number as the case may be.
  - (vii) any modification or cancellation thereof including cases when it is cancelled by the system or cancelled due to maturity of the contract.

- (viii) if executed, the price/rate at which it is executed and to the extent feasible, the time of execution or cancellation and trade number as per the trading system of the F&O Segment of the Stock Exchange .
  - (ix) reference number of the contract issued in case of executed orders.
  - (x) orders entered pursuant to the exercise of discretionary power shall be so designated.
  - (xi) entries of orders shall be serially numbered.
  - (xii) details of upfront deposits collected by member for each constituent describing the form and value, mentioning appropriate haircuts.]
  - (xiii) Risk disclosure documents executed by each constituent approved to trade in Derivatives,
  - (xiv) Margin call made and met.
- (f) Order book in respect of Trading Member's own orders
- (g) Every Trading Member shall preserve the following reports produced from the trading system for a period of five years.
    - (i) Activity Log
    - (ii) Orders Cancelled Today
    - (iii) New Orders Today
    - (iv) Outstanding Orders Today
    - (v) Trades done Today
- (h) Copies of records/ logs/ communication in respect of all instructions obtained from constituents including Participants for an order placement, order modification, order cancellation, trade cancellation, etc
- (i) Records in respect of interest received on securities of constituents, monies borrowed and loaned including monies received.
- (j) Records in respect of brokerage collected separately from constituents.
- (k) A Register of transaction (or other records of original entry) executed by Trading Members on behalf of Constituents containing an itemised daily record of all purchases and sales of securities, showing for each such transaction effected, contract specifications, value of Derivatives contracts, expiration dates of Derivatives contracts, rates both gross and net of brokerage and name of constituents.
- (l) Register of transactions for trades executed by the Trading Member on his own behalf containing such particulars as may be specified by the F&O Segment of the Stock Exchange
- (m) Every Trading Member shall keep such records and books of accounts, as may be necessary, to distinguish constituent's contracts from its own contracts. These should be maintained on a Pro & Client basis where Pro stands for Proprietary (indicates trade carried on his own account) and Client stands for trade carried out for constituents. This is necessary to determine the amounts of brokerage and margins to be recovered from the constituents. Such records for constituent's contracts shall inter-alia, provide for the following:

- (i) contracts held in custody by the Trading Member as security deposit/margin, etc. Proper authorisation from constituent for the same shall be obtained by Trading Member;
  - (ii) Fully paid for constituent's securities registered in the name of Trading Member, if any, towards margin requirements, etc.
  - (iii) Trading members should maintain records in respect of charges collected from constituents.
  - (iv) Record of the Long and Short position of the Trading Member as well as that of each of his constituents.
- (n) Margin book for constituents and for Trading Members' own account trades containing the particulars relating to the amount of margins deposited by each constituent and the amount of margin released to each constituent.

**7.1.5** Trading Members shall maintain and preserve for a period of seven years a mapping of client IDs used at the time of order entry in the trading system with those unique client IDs along with client name, address and other particulars given in the Know your Client form.

**7.1.6** The Trading Member shall display at each branch office, additional information such as particulars of Authorised Person in charge of that branch, time lines for dealing through Authorised Person, etc., as may be specified by the Stock Exchange.

**7.1.6.1(a)** Every Trading Member shall keep for a period of three years such books of accounts, as shall be necessary, to show and distinguish in connection with his business as a Trading Member and also to comply with Rule 15 of Securities Contracts (Regulation) Rules, 1957:

- (i) The moneys received from or on account of and moneys paid to or on account of each of his constituents; and,
- (ii) The moneys received and the moneys paid on Trading Member's own account.

(b) It shall be compulsory for all Trading Members to keep the money of the constituents in a separate account and their own money in a separate account. No payment for transaction in which the Trading Member is taking a position as a principal shall be allowed to be made from the constituent's account.

(c) Every Trading Member shall send a complete 'Statement of Accounts' for both funds and securities in respect of each of its clients in such periodicity not exceeding three months (Calendar quarter) within a month of the expiry of the said period. The Statement shall also state that the client shall report errors, if any, in the Statement within 30 days of receipt thereof to the Trading Member.

**7.1.6.2** The transfer from constituent's account to Trading Member's account shall be allowed under circumstances enumerated below:

- (i) **Obligation to pay money into “Constituents account”:** Every Trading Member who holds or receives money on account of a constituent shall forthwith pay such money to current or deposit account at bank to be kept in the name of the Member in the title of which the word “Constituents” shall appear (hereinafter referred to as “Constituents Account”). Trading Member may keep one consolidated constituents account for all the constituents or accounts in the name of each constituent, as he thinks fit; provided that when a Trading Member receives a cheque or draft representing in part money belonging to the constituent and in part money due to the Trading Member, he shall pay the whole of such cheque or draft into the constituents account and effect subsequent transfer as laid down below in para (iii.b).
- (ii) **Money to be paid into “constituents account”:** No money shall be paid into constituents account other than –
- (a) money held or received on account of constituents;
  - (b) such moneys belonging to the Trading Member as may be necessary for the purpose of opening or maintaining the account;
  - (c) money for replacement of any sum which may by mistake or accident have been drawn from the account;
  - (d) a cheque or draft received by the Trading Member representing in part money belonging to the constituent and in part money due to the Trading Member.
- (iii) **Money to be withdrawn from “constituents account”:** No money shall be drawn from constituents account other than –
- (a) money properly required for payment to or on behalf of constituents for or towards payment of a debt due to the Member from constituents or money drawn on constituent’s authority, or money in respect of which there is a liability of constituents to the Trading Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for such each constituent;
  - (b) such money belonging to the Trading Member as may have been paid into the constituent account under para (ii.b) and (ii.d) above;
  - (c) money which may by mistake or accident have been paid into such account.
- (iv) **Right to lien, set-off etc., not affected:** Nothing in this para 1 shall deprive a Trading Member of any recourse or right, whether by way of lien, setoff, counter-claim charge(s) or otherwise against moneys standing to the credit of constituents account.
- (v)(a) The Trading Members shall keep the dematerialised securities of Constituents in a separate beneficiary account distinct from the beneficiary account maintained for holding their own dematerialised securities. No delivery towards the own transactions of the Trading Members shall be allowed to be made from the account meant for Constituents. For this purpose, every Trading Member is required to open a beneficiary account in the name of the Trading Member exclusively for the securities of the

Constituents (hereinafter, to be referred to as “Constituents beneficiary account”). A Trading Member may keep one consolidated Constituents’ beneficiary account for all its Constituents or different accounts for each of its Constituents as it may deem fit.

- (b) Securities to be delivered into Constituents beneficiary account: No security shall be delivered into Constituents beneficiary account, other than-
  - (a) securities held or received on account of Constituents
  - (b) securities for replacement of those which may by mistake or accident have been drawn from the account.
- (c) Securities to be withdrawn from Constituents beneficiary account: No security shall be drawn from Constituents beneficiary account other than-
  - A. when they are properly required, for delivery to or on behalf of Constituents; for or towards meeting the Constituents’ margin or pay-in obligations;
  - B. what are drawn under Constituents’ authority or in respect of which there is a liability of Constituents to the Trading Member;
  - C. securities which by mistake or accident have been deposited into the account;

Provided further that the securities so drawn shall not in any case exceed the securities so held for the time being for the respective Constituent.

- 7.1.7** A Trading Member shall maintain permanently copies of agreements executed with each of its constituent in accordance with the F&O Segment of the Stock Exchange requirements.
- 7.1.8** A Trading Member shall maintain permanently copies of agreements and documents executed with each of the settling agencies or banks.
- 7.1.9** A Trading Member shall maintain records of all relevant particulars of persons which are approved as approved users by F&O Segment of the Stock Exchange.
- 7.1.10** A Trading Member shall maintain originals of all communications received and copies of all communications sent by such Trading Member (including interoffice memo and communications) relating to its business as such.
- 7.1.11** A Trading Member shall maintain all guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account and copies of resolutions empowering an agent to act on behalf of a Trading Member.
- 7.1.12** A Trading Member shall maintain all written agreements and documents (or copies thereof) entered into by that Trading Member relating to its business as such, including agreements with respect to any account.

- 7.1.13** A Trading Member shall preserve for a period of not less than ten years after the closing of any constituent's account any records which relate to the terms and conditions with respect to the opening and maintenance of such account date of entering into agreement with the constituent, date of modification thereof date of termination and representatives of such constituent who signed in each case.
- 7.1.14** A Trading Member shall intimate to F&O Segment of the Stock Exchange the place where these records are kept and available for audit/inspection.
- 7.1.15** The above requirements relating to maintenance of records shall apply not only to records of the member's principal office but also to those of any branch office and to any nominee company owned or controlled by a Trading Member for the purpose of conducting the business of the Trading Member.
- 7.1.16** A Trading Member shall display at each branch office, additional information such as particulars of Authorised Person in charge of that branch, time lines for dealing through Authorised Person, etc., as may be specified by the Stock Exchange.
- 7.1.17** A Trading Member shall keep and preserve a record of all written complaints of its constituents showing the reference number of constituent, date, constituent's name, particulars of the complaints, action taken by the Trading Member, if the matter is referred to arbitration to F&O Segment of the Stock Exchange then the particulars thereof and record of resolution of the complaint by the member.
- 7.1.18** A Trading Member shall maintain details of securities which are the property of a Trading Member showing with whom they are deposited and if held otherwise than by the member, whether they have been lodged as collateral security for loans or advances.
- 7.1.19** A Trading Member shall keep copies/duplicates of Contract Notes issued by the Member and details of any statements which are required by these Rules to appear on Contract Notes.
- 7.1.20** For the purpose of Regulation Nos. 7.1.4, 7.1.6.1 and 7.1.13, the term of 5 years or 3 years, as the case may be, shall be reckoned from the date of closure of account or termination of contract of a Constituent or after the final settlement or adjudication of the dispute where there is a dispute between the Trading Member and the Constituent.
- 7.1.21** Notwithstanding anything contained hereinabove where copies of any documents with a Trading Member are taken by the CBI, any Police Department or any other enforcement agency during the course of any investigation the relevant original documents shall be preserved by the Trading Member in the physical and electronic form till the trial or other enforcement proceeding is concluded or the case is closed.

## **7.2 ANNUAL ACCOUNTS AND AUDIT**

- 7.2.1** Each Trading Member shall prepare annual accounts for each financial year ending on 31st March or such other date as advised to the F&O Segment of the Stock Exchange.

- 7.2.2** The Assets and Liabilities of the Trading Member's business shall be brought into account in the balance sheet at such amounts and shall be classified and described therein in such manner that the balance sheet gives a true and fair view of the state of affairs of such business as at the date to which it is made up.
- 7.2.3** Each Trading Member shall furnish to the F&O Segment of the Stock Exchange, its audited financial statement and such report shall be furnished not later than six months after the end of the Trading Member's financial year, provided that when the F&O Segment of the Stock Exchange is satisfied that circumstances exist which warrant an extension of time to furnish such report, it may grant an extension of such time as it may deem fit.

## **8. INSPECTION**

The Exchange shall have the powers to conduct annual or regular inspection of a Trading Member and/ or may conduct adhoc inspections as the Exchange may deem fit.

### **8.1 INSPECTION AUTHORITY**

**8.1.1** Where it appears to the F&O Segment of the Stock Exchange so to do, it may appoint one or more persons as inspecting authority to undertake inspection of books of accounts, other records and documents of the Trading Members, Authorised Person(s) and Constituents for any of the purposes specified in regulation 8.1.2

- (a) The Inspecting authority appointed by the F&O Segment of the Stock Exchange under Regulation 8.1.1 may be either its own officials or such authorised person as the Relevant Authority may appoint from time to time.
- (b) When the F&O Segment of the Stock Exchange appoints outside professionals as an inspecting authority, it shall notify the Trading Member the names and addresses of the professionals or firms so appointed as an inspecting authority at the time of inspection.
- (c) When outside professionals are appointed as an inspecting authority in respect of a Trading Member and such professionals are already related in any other capacity with the Trading Member then such member shall forthwith inform the F&O Segment of the Stock Exchange of such relationship.
- (d) Where after appointment of any outside professional as an inspecting authority in respect of a Trading Member, the Trading Member or any of its associates engages the inspecting authority for its services in any other capacity, the inspecting authority shall not engage itself in such other professional capacity with the Trading Member or any of its associates without prior consent of the F&O Segment of the Stock Exchange.

**8.1.2** The purposes referred to in regulation 8.1.1. include the following :

- (a) to ensure that the specified records, books of accounts and other books are being maintained in the manner required;
- (b) to ensure that the provisions of SEBI Act, Rules and Regulations thereunder are being complied with;
- (c) to ensure that provisions of the Securities contracts (Regulation) Act and the Securities contracts (Regulation) Rules are being complied with;
- (d) to ensure that various provisions of MSE Bye-laws, Rules and Regulations and any directions or instructions issued thereunder are being complied with;
- (e) to ensure efficacy of the investor grievance redressal mechanism and verify discharge of various obligation towards clients
- (f) to investigate into the complaints received from investors, other members of the F&O Segment of the Stock Exchange or any other person on any matter having a bearing on the activities of the Trading Member;

- (g) to investigate suo-moto, for any reason where circumstances so warrant into the affairs of the Trading Member;
- (h) to examine whether any notices, circulars, instructions or orders issued by the F&O Segment of the Stock Exchange from time to time relating to trading and other activities of Trading Members are being complied with;
- (i) to comply with any of the directives issued in this behalf by any regulating authority including Government of India.
- (j) to verify whether Authorised Person(s) of the Trading Member comply with the requirements specified by SEBI and/or the Stock Exchange.

## **8.2 NOTICE**

**8.2.1** In the case of annual inspection of a Trading Member, the Exchange shall before undertaking any inspection under regulation 8.1.1, shall give a reasonable notice to the Trading Member for that purpose.

**8.2.2** Notwithstanding anything contained in sub regulation 8.2.1, where the F&O Segment of the Stock Exchange is of the opinion that no such notice should be given, it may direct in writing that the inspection of the affairs of the Trading Member be taken up without such notice.

**8.2.3** The inspecting authority appointed by the F&O Segment of the Stock Exchange shall undertake inspection and the Trading Member, against whom an inspection is being carried out, shall be bound to discharge his obligations as provided under regulation 8.3.

## **8.3 OBLIGATIONS OF A TRADING MEMBER ON INSPECTION**

**8.3.1** It shall be the duty of every director, officer and employee of the Trading Member, who is being inspected, to produce to the inspecting authority such books, records and other documents in his custody or control or arrange to produce such books, records and other documents which are in any other person's custody or control and furnish such statements and information within such time as the said inspection authority may require.

**8.3.2** The Trading Member shall allow the inspecting authority to have reasonable access to the premises occupied by him or by any other person on his behalf and also extend reasonable facilities for examining any books, records, documents and computerised data in his possession or any other person and also provide copies of documents or other materials which in the opinion of the inspecting authority are relevant. Such copies or materials shall be retained by the Inspecting Authority as the property of the F&O Segment of the Stock Exchange.

**8.3.3** The inspecting authority, in the course of inspection shall be entitled to examine or record statements of any member, director, officer and employee of the Trading Member or of any associate of such Trading Member.

**8.3.4** It shall be the duty of every director, officer and employee of the Trading Member or where an associate is examined, such associate, to give to the inspecting authority all assistance in connection with the inspection which the Trading Member may be reasonably expected to give.

**8.3.5** The inspecting authority shall be entitled to examine the records relating to the Trading Member's financial affairs held with its bankers or any other agency which the inspecting authority may find relevant.

**8.3.6** The inspecting authority shall have access to the accounts and other records relating to the Trading Member or such access as authorised by the F&O Segment of the Stock Exchange to the accounts and other records relating to any associate of the Trading Member as are within the power of the Trading Member to provide.

## **8.4 SUBMISSION OF REPORT**

**8.4.1** The inspecting authority shall submit an inspection report to the F&O Segment of the Stock Exchange, within such time as the F&O Segment of the Stock Exchange may specify in this regard.

**8.4.2(a)** The F&O Segment of the Stock Exchange shall after consideration of the Inspection Report, communicate the findings to the Trading Member to give him an opportunity of being heard before any action is taken by the F&O Segment of the Stock Exchange on the findings of the Inspecting Authority.

(b) On receipt of the explanation, if any, from the Trading Member the F&O Segment of the Stock Exchange may call upon Trading Member to take such measures as the F&O Segment of the Stock Exchange may deem fit in the public interest.

(c) Notwithstanding anything contained in sub regulation 8.4.2 (a), where the F&O Segment of the Stock Exchange is of the opinion that no such hearing should be provided in certain circumstances, it may take action forthwith without giving the Trading Member any opportunity of being heard.

**8.4.3** The F&O Segment of the Stock Exchange may, at its discretion, require from the constituents of the Trading Member or any other persons dealing with the Trading Member submission of such documents, records, statement of accounts or any other information as it may deem fit.

## **8.5 COLLECTION AND DISSEMINATION OF INFORMATION**

**8.5.1** The Stock Exchange may call upon the trading members to furnish such information and/or explanation with regard to any constituent, dealings, settlement, account and/or other related matters.

**8.5.2** The Stock Exchange shall maintain the details of the clients of the members in confidence and that it shall not disclose to any person /entity such details of the client as mentioned in the client registration form or any other information pertaining to the client except as required under the law or by any authority.

**8.5.3** Notwithstanding anything contained in any of the regulations, the Stock Exchange may at its discretion disseminate to other stock exchanges or regulatory authorities or to the general public, any information including information relating to any trades, dealings, settlement of dealings, accounting, disciplinary action initiated/taken against Trading Members and/or other matters relevant for enforcement or regulatory purposes.

\*\*\*\*\*