

METROPOLITAN STOCK EXCHANGE OF INDIA LIMITED

BYE-LAWS

Metropolitan Stock Exchange of India Limited

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BYE-LAWS

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CHAPTER- I

DEFINITIONS

- (1) "Board" means Board of Directors of MSE.
- (2) "Exchange Securities" means securities which have been admitted to the Official List(s) of MSE Securities.
- (3) "Exchange" means the Stock Exchange(s) operated by MSE.
- (4) **[Deleted]**
- (5) "Issuer" includes a Government, a body corporate or other entity, whether incorporated or not, which issues any security or other instrument, or draws or accepts a negotiable instrument which is admitted to dealings on the MSE.
- (6) "Market-Maker" means a Trading Member of the Stock Exchange registered as such as per the Rules and Bye-laws of the Stock Exchange
- (7) "MSE" means the Metropolitan Stock Exchange of India Limited.
- (8) "Official List of MSE securities" means the list of securities which are listed or permitted to trade on the Stock Exchange
- (9) "Participant" means a constituent who is registered by the relevant authority from time to time under Chapter VII of the Bye Laws.
- (10) "Regulations", unless the context indicates otherwise, includes business rules, code of conduct and such other regulations prescribed by the relevant authority from time to time for the operations of the Stock Exchange and these shall be subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules and SEBI Act.
- (11) "Relevant Authority" means the Board, Securities and Exchange Board of India or such other authority as specified by the Board from time to time as relevant for a specified purpose.
- (11A) "Relevant Committee" means such committees constituted for specific purposes by the Relevant Authority as specified under Companies Act, 2013, SEBI Regulations/ Act or any other applicable Act/ Regulations issued from time to time."
- (12) "Relevant MSE Securities" or "Relevant Securities" means those MSE securities pertaining to the relevant trading segment.

- (13) "Rules", unless the context indicates otherwise, means rules as mentioned hereunder for regulating the activities and responsibilities of Trading Members of MSE and as prescribed by the relevant authority from time to time for the constitution, organization and functioning of the Stock Exchange and these rules shall be subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules and SEBI Act.
- (14) "SEBI" means the Securities and Exchange Board of India.
- (15) "Security(ies)" shall have the meaning assigned to it in the Securities Contracts (Regulation) Act, 1956 (as amended from time to time) and shall also include such other class of monetary transactions or instruments, scripless or otherwise, as may be admitted to dealings on Stock Exchange.
- (16) "Security admitted to dealings" includes a security which is listed or permitted to trade on Stock Exchange
- (17) "Trading Member" means a Stock broker and the Trading Member of the MSE registered in accordance with Chapter VI of the Bye-Laws.
- (18) "Trading Segments" or "Segments" mean the different segments or divisions comprising of MSE securities as may be classified and specified by the Board or relevant authority from time to time.
- (19) "Trading system of the MSE means a system which makes available to trading members and the investing public, by whatever method, quotations in MSE securities and disseminates information regarding trades effected, volumes, etc. and such other notifications as may be placed thereon by the EC.

CHAPTER II

TRADING SEGMENTS

(1) There may be more than one trading segment as may be specified by the relevant authority from time to time. The Stock Exchange shall seek the approval of SEBI before introducing any new trading segment.

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

Wholesale Debt Market Segment

(3) Instruments used for Wholesale Debt Market transactions may be admitted to dealings on the Wholesale Debt Market Trading Segment subject to trading regulations which the relevant authority may prescribe from time to time.

Capital Market Trading Segment

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

Futures & Options Trading Segment

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

Currency Derivatives Trading Segment

(6) Derivatives contracts based on currency or any other underlying approved by SEBI may be admitted to dealings on the Currency Derivatives Segment.

Debt Market Segment

(6A) Debt Securities and debt instruments may be admitted to dealings on the Debt Market Segment. The Debt Market Segment shall encompass the electronic screen based trading platform providing for order matching, request for quotes, negotiated trades, etc., in debt securities and debt instruments, where the Trading Members and the participants (wherever permitted) on such platform, of the Exchange, may trade or report such transaction. For the purpose of this Byelaw, "Debt Securities and debt instruments" shall include the following:

(i) "Debt securities" as defined in Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(ii) Government Securities, Treasury Bills, State Government loans, SLR and Non-SLR Bonds issued by Financial Institutions, municipal bonds, single bond repos, basket repos and CBLO kind of products subject to RBI approval, where required;

- (iii) Securitised debt instruments as defined in Securities Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008;
 - (iv) Any other debt instruments as may be permitted from time to time by Securities Exchange Board of India and/or by Reserve Bank of India for admission to dealings on the Debt Market Segment.]
 - (v) Such other debt securities as may be specified by the Relevant Authority from time to time with prior approval of SEBI.
- (6B) **SME Trading Segment**
The specified securities issued by the Small & Medium Enterprises in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 may be admitted to the dealings on the SME Trading segment.
- (7) Further trading segments such as for debt instruments or equity instruments or any other segment may be specified by the relevant authority from time to time.

CHAPTER IV

REGULATIONS

- (1) The Board or relevant authority may prescribe Regulations from time to time for the functioning and operations of the Stock Exchange and to regulate the functioning and operations of the Trading Members of the Stock Exchange
- (2) Without prejudice to the generality of (1) above, the Board or relevant authority may prescribe regulations from time to time, inter alia, with respect to:
 - (a) norms, procedures, terms and conditions to be complied with for inclusion of securities in the Official List of MSE securities;
 - (b) fees payable by an Issuer for inclusion and continued inclusion in the Official List of MSE Securities;
 - (c) norms and procedures for admission of Trading Members in accordance with Chapter-VI;
 - (d) norms and procedures for approval of market- makers to act as such;
 - (e) forms and conditions of contracts to be entered into, and the time, mode and manner for performance of contracts between Trading Members inter se or between Trading Members and their constituents;
 - (f) determination from time to time, of fees, system usage charges, deposits, margins and other monies payable to the Stock Exchange by Trading Members, participants and by Issuers whose securities are admitted/to be admitted to dealings on the Stock Exchange and the scale of brokerage chargeable by Trading Members;
 - (g) prescription, from time to time, of capital adequacy and other norms which shall be required to be maintained by Trading Members;
 - (h) supervision of the market and promulgation of such Business Rules and Codes of Conduct as it may deem fit;
 - (i) maintenance of records and books of accounts by Trading Members as it may deem fit and records as required under the Securities Contracts (Regulation) Act and Rules and SEBI Act;
 - (j) inspection and audit of records, and books of accounts;
 - (k) prescription, from time to time, and administration of penalties, fines and other consequences, including suspension/expulsion for defaults or violation of any requirements of the Bye Laws and Regulations and the

Rules and Codes of Conduct and criteria for readmission, if any, promulgated hereunder;

- (l) disciplinary action/procedures against any Trading Member;
- (m) settlement of disputes, complaints, claims arising between Trading Members inter-se as well as between Trading Members and persons who are not Trading Members relating to any transaction in securities made on the Stock Exchange including settlement by arbitration;
- (n) norms and procedures for arbitration;
- (o) administration, maintenance and investment of the corpus of the Fund(s) set up by the Stock Exchange including Investor Protection Fund;
- (p) norms and procedures for settlement and clearing of deals, including establishment and functioning of clearing house or other arrangements for clearing and settlement;
- (q) norms, procedures, terms and conditions for registration and continuance of registration of Participants;
- (r) norms and procedures in respect of, incidental or consequential to closing out of contracts, deals or transactions;
- (s) dissemination of information, announcements to be placed on the trading system;
- (t) any other matter as may be decided by the Board.

CHAPTER V

DEALINGS IN SECURITIES

Dealings Allowed

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

Admission of Securities to Dealings

- (2)
 - (a) Dealings are permitted on the Stock Exchange in accordance with the provisions prescribed in these Bye Laws and Regulations in that behalf, in securities which are, from time to time, listed or permitted to trade on the trading segments by the relevant authority.
 - (b) Admission of securities to listing on the Stock Exchange shall be in accordance with provisions prescribed in these Bye Laws and Regulations in that behalf and the applicable SEBI regulations and the amendments / clarifications issued from time to time.
 - (c) The relevant authority may admit from time to time securities which are permitted to trade on the Stock Exchange

Government Securities

- (3)
 - (a) Notwithstanding anything contained in Byelaw (2) above, dealings shall be deemed to have been permitted in Government securities, which term for the purpose of these Rules, Bye Laws and the Regulations made thereunder shall denote securities issued by the Government of India, State Governments, Port Trusts, Municipalities, local authorities, statutory bodies and similar other bodies or authorities and include treasury bills issued by the Government of India.
 - (b) Government securities shall be deemed to have been admitted to dealing on such market segment of the Stock Exchange as may be prescribed by the relevant authority as from the date of their inclusion on the Official List(s) of MSE Securities.

Dealings in Securities Dealt on other Stock Exchanges

- (4) Without prejudice to the generality of Byelaw (2) above, the relevant authority may in its discretion and subject to such conditions as it may deem proper, permit dealings in any securities admitted to dealings on any other Stock Exchange or which are regularly dealt in on such Stock Exchange.

Application for Admission to Listing

- (5) Applications for admission of securities to listing on the Stock Exchange shall be made to the relevant authority in such form as the relevant authority may from time to time prescribe.

Conditions and Requirements of Dealings

- (6) The relevant authority may not grant admission to dealings to the securities of an Issuer unless it complies with the conditions and requirements prescribed in these Bye Laws and Regulations and such other conditions and requirements as the relevant authority may from time to time prescribe.

Refusal of Admission to Listing

- (7) The relevant authority may, in its discretion, approve subject to such terms as it deems proper, or defer, or reject any application for admission of a security to listing on the Stock Exchange

Fees

- (8) (a) Issuers whose securities are granted admission to dealings on the Stock Exchange shall pay such listing and such other fees and such other deposits as the relevant authority may from time to time determine.
- (b) Every issuer shall comply with the conditions of the listing agreement as prescribed by Exchange and/ or SEBI from time to time and shall be liable to pay such fine(s) as may be prescribed by the Exchange and/ or SEBI from time to time for non-compliance of provisions of the listing agreement or any of the SEBI Regulations dealing with listing as may be applicable to Issuers listed on Exchange.

Dealings in Provisional Documents

- (9) The relevant authority may, in its discretion, permit dealings in Provisional Documents. Provisional Documents for purposes of these Bye Laws and Regulations denote Coupons, Fractional Certificates, Letters of Renunciation or transferable Letters of Allotment, Acceptance or Application or options or other rights or interests in securities, warrants issued or to be issued by an issuer or other similar documents in respect of an issuer whose securities are sought to be admitted/admitted to dealings on the Stock Exchange.

Issuers Registered Outside India

- (10) Admission to dealings on the Stock Exchange shall not be granted to securities issued by a body corporate, fund or other entity registered or formed outside India unless:
- (a) there is adequate public interest in such securities in India;
- (b) the body corporate, fund or other entity agrees to maintain a register of members or other similar record in India and agrees to abide by such other criteria as prescribed by the relevant authority are satisfied.

Specific Deals

- (11) The relevant authority may permit specific deals to be made in the case of securities of Issuers not admitted to dealings on the Stock Exchange, which for the time being are prohibited or suspended for dealings.

Prohibited Dealings

- (12) The relevant authority may prohibit dealings on the Stock Exchange in any security or securities for any cause.

(12A) Fines on Issuer of Security Admitted for Dealing on the Stock Exchange

- i. The manner of suspension and revocation of suspension of admission to dealing on the Exchange shall be in accordance with Standard Operating Procedure (SOP) prescribed by the Exchange and/ or SEBI from time to time.
- ii. Every issuer shall comply with the condition of Listing Agreement as prescribed by Exchange and/or SEBI from time to time and shall be liable to pay such fine(s) as may be prescribed by Exchange and/or SEBI from time to time for non-compliance of provisions of the Listing Agreement or any of the SEBI Regulations dealing with listing as may be applicable to companies listed on Exchange.

Suspension of Admission to Dealings on the Stock Exchange

- (13) (a) The relevant authority may suspend at any time the admission to dealings on the Stock Exchange granted to any security for such period as it may determine. At the expiration of the period of suspension the relevant authority may revoke such suspension subject to such conditions as it deems fit.
- (b) The manner of suspension and revocation of suspension of admission to dealings on the Exchange shall be in accordance with standard operating procedure prescribed by Exchange and/ or SEBI from time to time.

Withdrawal of Admission to Dealings on Redemption or Conversion

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

Withdrawal of Admission to Dealings on Liquidation or Merger

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

Withdrawal of Admission to Dealings on the Stock Exchange

- (16) The relevant authority may, where deemed necessary, after giving an opportunity to the issuer to explain, withdraw the admission to dealings on the Stock Exchange granted to its securities either for breach of or non-compliance with any of the conditions or requirements of admission to dealings, or for any other reason whatsoever.

Readmission to Dealings on the Stock Exchange

- (17) The relevant authority in its discretion may readmit to dealings on the Stock Exchange the securities of an issuer whose admission to dealings has been previously withdrawn.

CHAPTER VI

TRADING MEMBERS

Appointment and Fees

- (1) (a) The relevant authority is empowered to admit Trading Members in accordance with the Bye Laws, Rules and Regulations it may frame from time to time in accordance with the Securities Contracts (Regulation) Act and Rules and the SEBI Act.
- (b) The Relevant authority may specify prerequisites, conditions, formats and procedures for application for admission, termination, re-admission, etc. of Trading Members to each trading segment. The relevant authority may, at its absolute discretion, refuse permission to any applicant to be appointed as Trading Member.
- (c) The Trading Member shall pay such fees, security deposits and other monies as may be specified by the Board or the relevant authority from time to time, on admission as Trading Member and for continued admission. The fees, security deposits, other monies and any additional deposits paid, whether in the form of cash, Bank Guarantee, Securities or otherwise, with the Stock Exchange, by a Trading Member from time to time, shall be subject to a first and paramount lien for any sum due to the Stock Exchange and all other claims against the Trading Member for due fulfillment of engagements, obligations and liabilities of Trading Members arising out of or incidental to any dealings made subject to the Byelaws, Rules and Regulations of the Stock Exchange. The Stock Exchange shall be entitled to adjust or appropriate such fees, deposits and other monies for such dues and claims, to the exclusion of the other claims against the Trading Member, without any reference to the Trading Member.
- (d) Trading member of any trading segment may trade on the Stock Exchange in the MSE securities applicable to that segment.
- (e) Trading members may trade in relevant securities either on their own account as principals or on behalf of their clients unless otherwise specified by the relevant authority and subject to such conditions which the relevant authority may prescribe from time to time. They may also act as market- makers in such securities if they are so authorised and subject to such conditions as under Chapter IX.

- (f) Any bank included in the Second Schedule of the Reserve Bank of India Act, 1934, and specifically authorized by Reserve Bank of India for this purpose:
- (i) is eligible to become a Trading Member of the Currency Derivatives Segment of the Exchange, on the recommendation of the Relevant Authority.
 - (ii) such bank can act as a Trading Member for its proprietary dealings, to act on its own account, in the Currency Derivatives Segment of the Exchange.
 - (iii) such bank can also act as a Trading Member for its clients or constituents in the Currency Derivatives Segment of the Exchange.
 - (iv) such bank shall also abide by the circulars and directions issued by RBI and SEBI in respect of dealings of such bank on the Exchange besides Rules, Byelaws and Regulations of the Exchange.

Conditions

- (2) (a) Trading members shall adhere to the Bye Laws, Rules and Regulations of the Stock Exchange and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the relevant authority as may be applicable.
- (b) All contracts issued for deals on the Stock Exchange shall be in accordance with the Bye Laws, Rules and Regulations of the Stock Exchange
- (c) Trading members shall comply with such Stock Exchange requirements as may be prescribed by the relevant authority from time to time with regard to advertisements and issue of circulars in connection with their activities as trading members.
- (d) Trading members shall furnish declarations relating to such matters and in such forms as may be prescribed by the relevant authority from time to time.
- (e) Trading members shall furnish to the Stock Exchange an annual Auditors' Certificate certifying that specified Stock Exchange requirements as may be prescribed from time to time by the relevant authority pertaining to their operations have been complied with.
- (f) Trading members shall furnish such information and periodic returns pertaining to their operations as may be required by the relevant authority from time to time.
- (g) Trading members shall furnish to the extent such audited and/or unaudited financial or quantitative information and statements as may be required by the relevant authority from time to time.

- (h) Trading members shall extend full co-operation and furnish such information and explanation as may be required for the purpose of any inspection or audit authorised by the relevant authority or other authorised official of the Stock Exchange into or in regard to any trades, dealings, their settlement, accounting and/or other related matters.
- (i) A Trading Member shall not allow operation of its trading terminal at any office other than its registered office, branch offices and the offices of its registered Authorised Person.

CHAPTER VII

PARTICIPANTS

Registration of Participants on application

- (1) The relevant authority may register as a "Participant", those from amongst the constituents as are desirous of registering themselves as such, in accordance with these Bye Laws and Regulations framed from time to time, for such purpose and subject to such terms and conditions as may be prescribed by the relevant authority.

Suo Moto Registration of Participant

- (2) Notwithstanding anything contained in Byelaw (1) above, the relevant authority may suo moto register as a 'Participant' those from amongst the constituents as, in the opinion of the relevant authority for reasons to be recorded, should be so registered, subject to such terms and conditions as may be prescribed by the relevant authority.

Rights and Liabilities of Participants

- (3) (a) Notwithstanding any provisions to the contrary as may be contained in any other part of the Bye Laws especially VIII (3) (a), the Stock Exchange may recognise a Participant as a party to the deal or trade made, firm'd up or contracted by the Participant through a Trading Member on any segment of the Stock Exchange, for such purposes (including for clearing and settlement) subject to such terms, conditions and requirements and in such circumstances as may be prescribed by the relevant authority from time to time.

(b) Save as otherwise provided in these Bye Laws and Regulations, recognition of the Participant by the Stock Exchange as a party to the deal or trade made, firm'd up or contracted by the Participant through the Trading Member, shall not in any way affect the jurisdiction of the Stock Exchange on the concerned Trading Member in regard thereto and such Trading Member shall continue to remain responsible, accountable and liable to the Stock Exchange in this behalf.
- (4) The relevant authority may prescribe from time to time such guidelines governing the functioning and operation of the Participants on the Stock Exchange and conditions for continuance of their registration or recognition. Without prejudice to the generality of the foregoing, such norms, requirements and conditions may include prescription of, inter alia, deposits, margins, fees, system usage charges, system maintenance/propriety, etc.

- (5) Rights and liabilities of the Participants as mentioned in this Byelaw are in addition to their rights and liabilities under these Bye Laws as Constituents, save where a specific provision of these Bye Laws or Regulations prescribed from time to time regarding any right or liability of a Participant is at variance with that applicable to a Constituent. In the event of such a variance, the specific provision by virtue of the terms and conditions of their registration with the Stock Exchange, regarding any right or liability of a Participant shall prevail.
- (6) Rights and liabilities of the Participants shall be subject to these Bye Laws and Regulations as may be prescribed by the relevant authority from time to time.
- (7) Subject to the regulations prescribed from time to time, the relevant authority shall at any time be entitled to cancel the registration or recognition of a Participant on such terms and conditions as the relevant authority may specify. Save as otherwise expressly provided in the regulation or in the decision of the relevant authority, all rights and privileges available to the Participant shall accordingly stand terminated on such cancellation.
- (8) At the discretion of the Stock Exchange, and subject to such regulations as may be prescribed or other terms and conditions as may be stipulated by the relevant authority, the Participant may be permitted conditional and / or limited access to the trading system or any part thereof, as may be decided by the relevant authority from time to time.

CHAPTER VIII

DEALINGS BY TRADING MEMBERS

Jurisdiction

- (1) (a) Any deal entered into through automated trading system of the Stock Exchange or any proposal for buying or selling or any acceptance of any such proposal for buying and selling shall be deemed to have been entered at the computerized processing unit of the Stock Exchange at Mumbai and the place of contracting as between the Trading Members shall be at Mumbai. The Trading Members of the Stock Exchange shall expressly record on their contract note that they have excluded the jurisdiction of all other Courts save and except, Civil Courts in Mumbai in relation to any dispute arising out of or in connection with or in relation to the contract notes, and that only the Civil Courts at Mumbai have exclusive jurisdiction in claims arising out of such dispute. The provisions of this Byelaw shall not object the jurisdiction of any court deciding any dispute as between Trading Members and their constituents to which the Stock Exchange is not a party.
- (b) The record of the Stock Exchange as maintained by a central processing unit or a cluster of processing units or computer processing units, whether maintained in any register, magnetic storage units, electronic storage units, optical storage units or computer storage units or in any other manner shall constitute the agreed and authentic record in relation to any transaction entered into through automated trading system. For the purposes of any dispute the record as maintained by the computer processing units by the Stock Exchange shall constitute valid evidence in any dispute or claim between the constituents and the Trading Member of the Stock Exchange or between the Trading Members of the Stock Exchange inter-se.

Indemnity

- (2) The Stock Exchange shall not be liable for any unauthorised dealings on the Stock Exchange by any persons acting in the name of Trading Member(s).

Trading Members Only Parties to Trades

- (3) (a) The Stock Exchange does not recognise as parties to any deal any persons other than its own Trading Members, and
- (b) Every Trading Member is directly and wholly liable, in accordance with the Bye Laws, Rules and Regulations of the Stock Exchange, to every other Trading Member with whom such Trading Member effects any deal on the Stock Exchange for due fulfillment of the deal, whether such deal be for account of the Trading Member effecting it or for account of a constituent.

All Dealings Subject to Bye Laws, Rules and Regulations

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

Inviolability of Trade

- (5) (a) All the dealings in securities on the Stock Exchange made subject to the Bye Laws, Rules and Regulations of the Stock Exchange shall be in-violable and shall be cleared and settled in accordance with the Bye Laws, Rules and Regulations of the Stock Exchange. However, the Stock Exchange may by a notice and following the procedures prescribed by SEBI from time to time annul the deal(s) on an application by a Trading Member in that behalf, if the relevant authority is satisfied after hearing the other party/parties to the deal(s) that the deal(s) is/are fit for annulment on account of fraud or willful misrepresentation or material mistake in the trade.
- (b) Notwithstanding anything contained in clause (a) above, the Stock Exchange may, to protect the interest of investors in securities and for proper regulation of the securities market, suo motu annul deal(s) at any time if the relevant authority is satisfied for reasons to be recorded in writing that such deal(s) is/are vitiated by fraud, material mistake, misrepresentation or market or price manipulation and the like.
- (c) Any annulment made pursuant to clauses (a) and (b) above, shall be final and binding upon the parties to trade(s). In such an event, the Trading Member shall be entitled to cancel the relevant contracts with its constituents.

Deals by Representative Trading Members

- (6) (a) A Trading Member may authorise another Trading Member to act as a representative for a specified period with the prior permission of the relevant authority.
- (b) When a Trading Member employs another Trading Member as a representative to put through the transaction of a constituent, such representative shall report the transaction to the employing Trading Member at the same price as dealt in the market and the employing Trading Member shall report the same price to the constituent in respect of such transaction.

Restriction on the Trading Members

- (7) Unless the Stock Exchange otherwise specifies, a Trading Member shall not become a constituent of another Trading Member.

CHAPTER IX

TRADING SYSTEM AND MARKET MAKERS

- (1) Securities which will be eligible for market making if at all, will be specified by the relevant authority from time to time.

Registration of Market Makers:

- (2) (a) Trading members may apply to be market makers in any security eligible for market making.
- (b) No Trading Member shall act as a market maker unless such Trading Member is approved in accordance with this Bye Law and the approval has not been suspended or cancelled. Application for registration shall be in such forms and with such particulars as may be prescribed from time to time.
- (c) A market maker shall apply to be registered to the relevant authority before commencing market making operations in each relevant security. If the relevant authority is satisfied, it shall within fifteen business days of receipt of such notification, designate the market maker as a registered market maker for that security. A registered market maker shall not commence to make a market in any relevant security until one business day after notice of its registration has been disseminated through the trading system.
- (d) A registered market maker in any Security must:
- (i) undertake to make bid and offer quotations in the trading system with respect to that security and to effect transactions in a minimum quantity of such other number of securities as may be prescribed from time to time at its quoted price per business day;
 - (ii) undertake to make market for the security for as long as prescribed from time to time from the date the security becomes available for trading by public in the case of a registered market makers approved under Byelaw 2(b) above.
 - (iii) undertake to execute orders for the purchase or sale of relevant securities at its quoted prices with Trading Members or clients.

- (e) A registered market maker may cease making a market in a particular Stock Exchange security any time after a minimum period as prescribed from time to time from commencement of making market in that security, after having given the required notice of intention to the relevant authority. The required period of notice in this case shall be fifteen business days or such other period as may be prescribed from time to time.
 - (f) A registered market maker may cease making a market in that security provided formal approval has been obtained from the relevant authority. Such approval will normally be granted in situations where, in the opinion of the relevant authority, it is either impractical or undesirable for the registered market maker to continue to operate on account of events beyond its control.
- (3) An obligation may be imposed on a Trading Member taking up market making operations in certain securities to take up additional market making operations in certain other securities as determined by the relevant authority from time to time.

Suspension and Prohibition of Market Makers

- (4) (a) The relevant authority may limit or prohibit the authority of a registered market maker to display on or enter quotations into the trading system or deal in the securities in which he is registered as a market maker if:
- (i) such market maker has been or is expelled or suspended from Trading Membership of the Stock Exchange, or is unable to comply with the Stock Exchange's Bye Laws, Rules and Regulations or whose registration is cancelled by the Securities and Stock Exchange Board of India;
 - (ii) such market maker has defaulted on any transaction effected in respect of Stock Exchange securities;
 - (iii) such market maker is in such financial or operating difficulty that the relevant authority determines that such market maker cannot be permitted to display on or enter quotation into the trading system with safety to investors, creditors, other Trading Members of the Stock Exchange;
 - (iv) where such market maker in the view of the relevant authority, ceases to meet qualification requirements for registration as market maker.
- (b) Any market maker which the relevant authority takes action against pursuant to Byelaw 4(a) above shall be notified in writing of such action. Such a market maker shall forthwith cease to make market.

- (c) Any market maker against which the relevant authority takes action may request an opportunity for a hearing within ten days of the date of notification pursuant to Byelaw 4(b) above. A request for hearing shall not operate as a stay of action.
- (d) A written decision shall be issued within one week of the date of hearing and a copy shall be sent to the market maker.
- (e) On revocation of suspension or prohibition, the market maker can display on or enter quotations into the trading system.

Operational Parameters for Market Makers

- (5) The relevant authority may determine and announce from time to time operational parameters for market makers which registered market makers shall adhere to.
- (6) The operational parameters may, inter alia, include:
 - (a) limit of spread between bid and offer rates for different securities, if found necessary;
 - (b) fixation of market lots, odd lots and/or minimum number of securities to be offered to be bought or sold;
 - (c) limit of variation within a day or between days in bid and offer prices;
 - (d) the minimum stock of scrips which the Trading Member must maintain, below which he must intimate the relevant authority;
 - (e) in the event of stock of scrips with a market maker being sold out, allowing the market maker to quote only purchase price offers till such time as marketable lot of securities is built up to re-commence selling operations; and
 - (f) other matters which may affect smooth operation of trading in securities in which he acts as a market maker, keeping in view larger interest of the public.

CHAPTER X

MARGINS

1. Margin Requirements

- (1) The relevant authority may from time to time prescribe requirements of margins including collection of margins (including VaR margins) on an upfront basis for deals cleared and settled through the Clearing House/Clearing Corporation and the Trading Members shall furnish such margin as a condition precedent from such date as may be specified by the Stock Exchange
- (2) Every Trading Member has a continuing obligation to maintain margins at such levels and during such periods as may be stipulated by the Stock Exchange from time to time.

2. Form of Margin

The margins to be provided by a Trading Member under the Bye Laws and Regulations shall be in cash. The relevant authority may at its discretion accept deposit receipts, guarantee of a bank(s) approved by the relevant authority or securities approved by it or such other mode as may be approved and subject to such terms and conditions as the relevant authority may impose from time to time. Any such substitute like deposit receipt, securities approved by it or any other mode duly approved shall be deemed to have been pledged and/or hypothecated as the case may be in favour of the Stock Exchange

3. Quantum of Margin

The Trading Member depositing margins, in the form of securities by way of pledge or otherwise or in such other mode as may be prescribed by the relevant authority from time to time, shall always maintain the value thereof at not less than the quantum of margin required for the time being covered by them by providing further security to the satisfaction of the relevant authority which shall determine the said value and whose valuation shall conclusively fix the amount of any deficiency to be made up from time to time.

4. Margin to be Held by the Stock Exchange

The margins shall be held by the Stock Exchange and when they are in the form of bank deposit receipts and securities such receipts and securities may be transferred to such persons or to the name of a custodian or such other entity approved by the Stock Exchange All margin deposits shall be held by the Stock Exchange and/or by the approved persons and/or by the approved custodian solely for and on account of the Stock Exchange without any right whatsoever on the part of the depositing Trading Member or those in its right to call in question the exercise of such discretion.

5. Lien on Margins

The monies paid by way of margin or bank deposit receipts or other securities or assets pledged or hypothecated by a Trading Member in lieu of margin under the provisions of the Bye Laws and Regulations shall be subject to a first and paramount lien for all sums due to the Stock Exchange. Margin shall be available in preference to all other claims against the Trading Member for the due fulfillment of his obligations and liabilities arising out of or incidental to any deals made subject to the Bye Laws, Rules and Regulations of the Stock Exchange or anything done in pursuance thereof.

6. Utilisation for Failure to Meet Obligations

In the event of a Trading Member fails to meet obligations to the Stock Exchange arising out of clearing and settlement operations of such deals as provided in the Bye Laws and Regulations, the relevant authority shall be entitled to utilise any amount paid by the said Trading Member in the form of margin or any other payment retained by the Stock Exchange for the purpose of clearing and settlement.

7. Evasion of Margin Requirements Forbidden

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

8. Suspension on Failure to Pay Margin

If a Trading Member fails to pay margin as required in the Bye Laws and Regulations, the relevant authority may take such action as it may deem fit and specified from time to time including suspension.

9. Interest, Dividend and Calls

- (1) The receiving Trading Member shall be entitled to receive all vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges which may relate to securities bought cum voucher, cum coupons, cum dividends, cum cash bonus, cum bonus issues, cum rights, etc. The delivering Trading Member shall be entitled to receive all vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges which may relate to securities sold ex-voucher, ex-coupons, ex dividends, ex cash bonus, ex bonus issues, ex rights, etc.
- (2) The manner, mode, information requirements, alterations, date and timing etc., of adjustment with respect to vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges between the receiving and delivering Trading Member shall be as prescribed by the relevant authority from time to time. Save as otherwise provided in the Bye Laws and Regulations, the Trading Members shall be responsible between themselves and to their constituents for effecting such adjustments.

- (3) In respect of a deal in securities which shall become or are exchangeable for new or other securities under a scheme of reconstruction or re-organisation, the delivering Trading Member shall deliver to the receiving Trading Member, as the relevant authority directs, either the securities contracted for or the equivalent in securities and/or cash and/or other property receivable under such scheme of reconstruction or re-organisation.

10. Fees

The relevant authority may prescribe from time to time fees, charges and recoveries to be levied on the Trading Members in respect of clearing and settlement of deals.

CHAPTER XI

TRANSACTIONS AND SETTLEMENTS

Transactions

Business Hours

- (1) The business hours for dealing in the Stock Exchange securities in different segments on the Stock Exchange shall be during such time as may be decided by the relevant authority from time to time. The relevant authority may, from time to time, specify business hours for different types of deals such as for spot, ready and odd lots.
- (2) The relevant authority may declare a list of holidays in a calendar year. The relevant authority may from time to time alter or cancel any of the Stock Exchange holidays fixed in accordance with these provisions. It may, for reasons to be recorded, close the market on days other than or in addition to holidays. Trading System
- (3)
 - (a) Deals may be effected through order driven, quote driven (market makers) or such other system as the Stock Exchange may put in place for the trading segments from time to time.
 - (b) Deals between Trading Members may be effected by electronic media or computer network or such other media as specified by the relevant authority from time to time.
 - (c) Deals may be effected on spot, ready or on such other basis as may be specified by the relevant authority from time to time, subject to the Securities Contracts (Regulation) Act and Rules and the SEBI Act.

Transaction at Best Quotation

- (4) In transaction with or on behalf of clients, Trading Members must indicate to the clients the current best quotation as reflected in the trading system.

Operational Parameters for Trading

- (5) The relevant authority may determine and announce from time to time operational parameters regarding dealing of securities on the Stock Exchange which Trading Members shall adhere to.
- (6) The operational parameters may, inter alia, include:
 - (a) trading limits allowed which may include trading limits with reference to net worth and capital adequacy norms;
 - (b) trading volumes and limits at which it will be incumbent for Trading Members to intimate the Stock Exchange;

- (c) limit of spread between bid and offer rates for different securities, if found necessary;
- (d) fixation of market lots, odd lots and/or minimum number of securities to be offered to be bought or sold ;
- (e) limit of variation within a day or between days in bid and offer prices;
- (f) other matters which may affect smooth operation of trading in securities keeping in view larger interest of the public;
- (g) determine the types of trades permitted for a Trading Member and a security;
- (h) determining functional details of the trading system including the system design, users infrastructure, system operation.

Suspension on Failure to meet Trading Limits

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

Contract Notes

- (8) Contract Notes shall be issued within such period as may be specified by the relevant authority from time to time for deals effected with clients or on behalf of clients, and will contain such details as the relevant authority may specify from time to time. The contract notes shall specify that the deal is subject to the Bye Laws, Rules and Regulations of the Stock Exchange and subject to arbitration as provided therein.
- (9) Details of all deals effected, as may be specified, shall be communicated to the offices of the Stock Exchange on the day of the transaction.
- (10) Unless otherwise provided in these Bye Laws, all dealings carried out in respect of Stock Exchange securities shall be subject to the Bye Laws, Rules and Regulations of the Stock Exchange

Delivery of securities

- (11) Delivery of all securities, documents and papers and payments in respect of all deals shall be in such manner and such place(s) as may be prescribed by the relevant authority from time to time.
- (12) The relevant authority shall specify from time to time, the securities, documents and papers which, when delivered in prescribed manner, shall constitute good delivery. Where circumstances so warrant, the relevant authority may determine, for reasons to be recorded, whether or not a delivery constitutes a good delivery and such finding shall be binding on the parties

concerned. Where the relevant authority determines that a delivery does not constitute a good delivery, the delivering party shall be required to substitute good delivery instead within such time period as may be specified.

- (13) The norms and procedures for delivery with respect to market lot, odd lot, minimum lot, part delivery, delivery of partly paid securities, etc. shall be as prescribed by the relevant authority from time to time.
- (14) The requirements and procedures for determining disputed deliveries or defective deliveries, and measures, procedures and system of resolving the dispute or defect in deliveries or of consequences of such deliveries or the resolution shall, subject to these Bye Laws, be as prescribed by the relevant authority from time to time.

Clearing and Settlement

- (15) Clearing and Settlement of deals shall be effected by the parties concerned by adopting and using such arrangements, systems, agencies or procedures as may be prescribed or specified by the relevant authority from time to time. Without prejudice to the generality of the foregoing, the relevant authority may prescribe or specify, for adoption and use by the trading members, participants, and other specified constituents, such custodial and depository services from time to time to facilitate smooth operation of the clearing and settlement arrangement or system.
- (16) The function of the clearing house may be performed by the Stock Exchange or any agency identified by the relevant authority for this purpose. The Clearing House/ Clearing Corporation will act as the central counterparty to all trades and will provide full novation. The role of the clearing house/Clearing Corporation shall be to act as a facilitator for processing of deliveries and payments between trading members/participants for trades effected by them on the Stock Exchange Settlement in each market segment of the Stock Exchange shall be either on netted basis, gross basis, trade for trade basis or any other basis as may be specified by the relevant authority from time to time. Save as otherwise expressly provided in the regulations, when funds and securities are, under a prescribed arrangement, routed through the clearing house, the settlement responsibility shall rest wholly and solely upon the counter parties to the trade and /or the concerned trading members as the case may be and the clearing house shall act as the common agent of the trading members / Participants for receiving or giving delivery of securities and for receiving and paying funds, without incurring any liability or obligation as a principal.

Closing out

- (17) Subject to the regulations prescribed by the relevant authority from time to time, any dealing in securities made on the Stock Exchange may be closed out by buying in or selling out on the Stock Exchange against a trading member and/or Participant as follows:-
 - (a) in case of the selling trading member/Participant, on failure to complete delivery on the due date; and

- (b) in case of the buying trading member/Participant, on failure to pay the amount due on the due date, and any loss, damage or shortfall sustained or suffered as a result of such closing out shall be payable by the trading member or participant who failed to give due delivery or to pay amount due.
- (18) Closing out of contracts or dealings in securities and settlement of claims arising therefrom shall be in such manner within such time frame and subject to such conditions and procedures as may be prescribed from time to time by the relevant authority.
- (19) Subject to the regulations prescribed by the relevant authority from time to time, any deal in securities made on the Stock Exchange may be transferred from one Trading Member to another Trading Member under such circumstances and in respect of such trading segment of the Stock Exchange as may be specified by the relevant authority from time to time.

Margins

Margin Requirements

- (20) Dealings in any security or securities shall be subject to such margin requirements as the relevant authority may from time to time prescribe.

Form of Margin Deposit

- (21) The margin to be furnished by a Trading Member under these Bye Laws and Regulations shall, inter alia, be in the form of cash or Deposit Receipt of or a Guarantee given by a Bank approved by the relevant authority or securities approved by it subject to such terms and conditions as it may from time to time impose. Deposits of cash shall not carry interest and the securities deposited by a Trading Member valued at the ruling market price shall exceed the margin amount for the time being covered by them by such percentage as relevant authority may from time to time specify.

Value of Margin Deposit to be Maintained

- (22) The Trading Member depositing margin in the form of securities shall always maintain the value thereof at not less than the margin amount for the time being covered by them by providing further security to the satisfaction of the relevant authority which shall always determine the said value and whose valuation shall conclusively fix the amount of any deficiency to be made up from time to time

Margin Deposit to be held by the Stock Exchange

- (23) The margin deposits shall be held by the Stock Exchange and when they are in the form of Bank Deposit Receipts and securities and such Receipts and securities may at the discretion of the relevant authority be transferred to such persons or to the name of a Bank approved by the Stock Exchange. All margin deposits shall be held by the Stock Exchange and/ or by the approved persons and /or by the approved Bank solely for and on account of the Stock Exchange without any right whatsoever on the part of the depositing Trading Member or those in its right to call in question the exercise of such discretion.

Letter of Declaration

- (23) A Trading Member depositing margin under the provisions of these Bye Laws and Regulations shall when required to do so sign a Letter of Declaration in respect of such matters and in such form or forms as the relevant authority may from time to time prescribe.

Lien on Margins

- (24) The monies, Bank Deposit Receipts and other securities and assets deposited by a Trading Member by way of margin under the provisions of these Bye Laws and Regulations shall be subject to a first and paramount lien for any sum due to the Stock Exchange. Subject to the above, the margin shall be available in preference to all other claims of the Trading Member for the due fulfillment of its engagements, obligations and liabilities arising out of or incidental to any bargains, dealings, transactions and contracts made subject to the Bye Laws, Rules and Regulations of the Stock Exchange or anything done in pursuance thereof.

Evasion of Margin Requirements Forbidden

- (25) A Trading Member shall not directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the margin requirements prescribed under these Bye Laws and Regulations.

Suspension on Failure to Deposit Margin

- (26) A Trading Member failing to deposit margin as provided in these Bye Laws and Regulations shall be required by the relevant authority to suspend its business forthwith. A notice of such suspension shall be immediately placed on the trading system and the suspension shall continue until the margin required is duly deposited.

Interest, Dividends, Rights and Calls

- (27) The buying constituent shall be entitled to receive all vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges which may relate to securities bought cum voucher, cum coupons, cum dividends, cum cash bonus, cum bonus issues, cum rights, etc. The selling constituent shall be entitled to receive all vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges which may relate to securities sold ex voucher, ex coupons, ex dividends, ex cash bonus, ex-bonus issues, ex rights, etc.
- (28) The manner, mode, information requirements, alterations, date and timing, etc., of adjustment with respect to vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges between buying Trading Member and selling Trading Member shall be as prescribed by the relevant authority from time to time. The Trading Members shall be responsible between themselves and to their constituents for effecting such adjustments.
- (29) In respect of a contract in securities which shall become or are exchangeable for new or other securities under a scheme of reconstruction or reorganisation, the selling constituent shall deliver to the buyer, as the relevant authority directs, either the securities contracted for or the equivalent in securities and/or cash and/or other property receivable under such scheme of reconstruction or reorganisation.

Brokerage on Dealings

Brokerage

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

Brokerage on Calls

- (31) A Trading Member buying securities on which calls have been prepaid by the seller may charge brokerage on the purchase price with the amount of such calls added.

Underwriting Commission and Brokerage

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

Sharing of Brokerage

- (33) (a) A Trading Member may not share brokerage with a person who –
- (i) is one for or with whom Trading Members are forbidden to do business under the Bye Laws, Rules and Regulations of the Stock Exchange;
 - (ii) is a Trading Member or employee in the employment of another Trading Member;
- (b) Irrespective of any arrangement for the sharing of brokerage with any person, the Trading Member shall be directly and wholly liable to every other member with whom such Trading Member effects any deal on the Stock Exchange.

CHAPTER XIII

RIGHTS AND LIABILITIES OF TRADING MEMBERS AND CONSTITUENTS

All Contracts subject to Bye Laws, Rules and Regulations

- (1) All contracts relating to dealings permitted on the Stock Exchange made by a Trading Member shall in all cases be deemed made subject to the Bye Laws, Rules and Regulations of the Stock Exchange. This shall be a part of the terms and conditions of all such contracts and shall be subject to the exercise by the relevant authority of the powers with respect thereto vested in it by the Bye Laws, Rules and Regulations of the Stock Exchange.

Trading Members not bound to accept Instructions and Orders

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

Margin

- (3) A Trading Member shall have the right to demand from its constituent the margin deposit he has to provide under these Bye Laws, Rules and Regulations in respect of the business done by it for such constituent. A Trading Member shall also have the right to demand an initial margin in cash and/or securities from its constituent before executing an order and/or to stipulate that the constituent shall make a margin deposit or furnish additional margin according to changes in market prices. The constituent shall when from time to time called upon to do so forthwith provide a margin deposit and/or furnish additional margin as required under these Bye Laws, Rules and Regulations in respect of the business done for him by and/or as agreed upon by him with the Trading Member concerned.

Constituent in Default

- (4) (a) A Trading Member shall not transact business directly or indirectly or execute an order for a constituent who to his knowledge is in default to another Trading Member unless such constituent shall have made a satisfactory arrangement with the Trading Member who is his creditor.
- (b) On the application of a creditor Trading Member who refers or has referred to arbitration its claim against the defaulting constituent as provided in these Bye Laws, Rules and Regulations, the relevant authority shall issue orders against any Trading Members restraining them from paying or delivering to the defaulting constituent any monies or securities up to an amount or value not exceeding the creditor Trading Member's claim payable or deliverable by him to the defaulting constituent in respect of transactions entered into subject

to the Bye Laws, Rules and Regulations of the Stock Exchange, which monies and securities shall be deposited with the Stock Exchange. The monies and securities deposited shall be disposed of in terms of the award in arbitration and pending a decree shall be deposited with the concerned Court when filing the award unless the creditor Trading Member and the defaulting constituent mutually agree otherwise.

Closing-out of Constituent's Account

- (5) (a) The Stock Exchange may close-out open positions of a constituent or transfer his open positions to another Trading Member under such circumstances and in respect of such trading segment of the Stock Exchange as may be specified by the relevant authority from time to time.
- (b) When closing-out the account of a constituent a Trading Member may assume or take over such transactions to his own account as a principal at prices which are fair and justified by the condition of the market or he may close-out in the manner specified by the relevant authority and any expense incurred or any loss arising therefrom shall be borne by the constituent. The contract note in respect of such closing-out shall disclose whether the Trading Member is acting as a principal or on account of another constituent.
- (c) Notwithstanding anything contained in clause (a) above closing out of Participants' account shall be in such manner and subject to such stipulations as may be prescribed from time to time.

Trading Member not Liable to attend to Registration of Transfer

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

Registration of Securities when in Name of Trading Member or Nominee

- (7) (a) When the time available to the constituents of a Trading Member is less than thirty days to complete transfers and lodge the securities for registration before the closing of the transfer books and where the security is purchased cum interest, dividend, bonus or rights which the issuer may have announced or declared the Trading Member may register the securities in its or its nominee's name and recover the transfer fee, stamp duty and other charges from the buying constituent.

- (b) The Trading Member shall give immediate intimation to the Stock Exchange of the names of such constituents and details of the transactions as may be specified by the relevant authority from time to time. The Trading Member shall also give immediate intimation thereof to the buying constituent and shall stand indemnified for the consequences of any delay in delivery caused by such action.
- (c) The Trading Member shall be obliged to retransfer the security in the name of the original constituent as soon as it has become ex interest, dividend, bonus or rights.

Closing-out/ transfer by Constituent on Failure to perform a Contract

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

No Lien on Constituent's Securities

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

Complaint by Constituent

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

Relationship between Trading Member and Constituents

- (11) Without prejudice to any other law for the time being in force and subject to these Bye Laws, the mutual rights and obligations inter se between the Trading Member and his/its constituent shall be such as may be prescribed by the relevant authority from time to time.
- (12) The Relevant Authority shall constitute a Relevant Committee to supervise the working of the Investors Services Cell of the Exchange and in suitable cases attend to grievances of the Investors personally. The composition of Relevant Committee shall be such as may be prescribed by SEBI.

CHAPTER XIII-A

INVESTOR GRIEVANCE REDRESSAL MECHANISM

1. Definitions

- (a) 'Committee Member' shall mean a member of the Relevant Committee.
- (b) 'Investor' or 'constituent' or 'complainant' shall mean a person who has traded on the Exchange and is constituent of a Member.
- (c) 'Relevant Committee' shall mean Committee constituted by the Board or the Relevant Authority for the purposes of redressal of investor grievances.
- (d) 'Regional Investor Service Centre' or 'RISC' shall mean Centers specified at various locations by the Relevant Authority for redressal of investors grievances among other things, from time to time.
- (e) 'Member' shall mean a Member of the Exchange and include a Stock Broker, Trading Member and Clearing Member.
- (f) 'Admissible claim value' shall mean the claim value admissible to the Constituent as ascertained by the Relevant Committee or Panel and recorded in the directions or order.

2. Cognizance and Redressal of Complaints by RISCs/ Relevant Committee

- (1) Any constituent having a grievance against a Member may make a complaint in such physical or electronic form as may be specified by the Relevant Authority.
- (2) The Relevant RISC shall take cognizance of valid complaints containing the necessary particulars in the manner detailed herein after.
- (3) The Exchange will endeavor to resolve the complaint of the constituent through a process of conciliation, in the first instance through the investor grievance cell at the relevant RISC and where not so redressed through the Relevant Committee at the relevant center.
- (4) 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, it shall be referred to Relevant Committee comprising of three Members and if the value of the claim, difference or dispute is upto Rupees Twenty Five Lakhs, the same shall be referred to a single Committee Member.
- (5) Where such conciliation proceedings are not successful,

- a. the Relevant Committee may direct the Member to render required services, where the complaint is service related;
 - b. the Relevant Committee shall determine the admissible claim value, if ascertainable, based on the material available on record before it, in any other case.
- (6) The Relevant Authority may from time to time specify the procedure, method and timelines for redressal of grievances of Constituents.
 - (7) Upon determination of the admissible claim value, notwithstanding anything contained in the Bye-laws, the Stock Exchange shall debit from the deposits or other monies of the Trading Member lying with the Stock Exchange, the amount of admissible claim determined by the Relevant Committee and keep aside the said amount in a separate account to be dealt with in such manner as mentioned in Bye-laws (36) and (37) of Chapter XIV.
 - (8) Where the Trading Member chooses not to refer the matter to arbitration under Chapter XIV or does not indicate his intention to do so within the time specified by the relevant authority, the amount debited under Bye-law 7 shall be paid to the Constituent.
 - (9) A member aggrieved by the determination of admissible claim value by the Relevant Committee may file an arbitration application under Chapter XIV and thereupon all provisions of that Chapter shall apply to such arbitration.
 - (10) The relevant authority shall instruct the IPF Trust to release such interim sums of moneys to the Constituent as may be prescribed by SEBI or the Exchange, to cover whole or part of the admissible claim amount determined by the Relevant Committee or by the arbitrator under Chapter XIV, pending final determination of their complaint.
 - (11) The relevant authority shall instruct the IPF Trust to receive or recover the moneys thus released to the Constituent, either singly or jointly with the Exchange, where the Constituent eventually loses in the arbitration proceedings or other legal proceedings emanating therefrom.

3. Places of RISC

- (1) The Relevant Authority may specify the different centers of RISC and the same shall be communicated from time to time.
- (2) The premises/location where meetings of Relevant Committee shall take place shall be such place as may be specified by the Exchange from time to time and intimated to the parties to the dispute accordingly.

4. Guidelines for Fair Practices/Code of Conduct for Committee Members

- (1) Persons appointed as Committee Members shall:-
 - (i) Act in a fair, unbiased, independent and objective manner

- (ii) Maintain the highest standard of personal integrity, truthfulness, honesty and fortitude in discharge of his duties
- (iii) Disclose his interest or conflict in a particular case i.e. whether any party to the proceeding had any dealings with or is related to the Committee Member.
- (iv) Shall not engage in acts discreditable to his responsibilities.
- (v) Avoid any interest or activity which is in conflict with the conduct of his duties as a Committee Member.
- (vi) Perform his duty in an independent and objective manner and avoid activities that may impair, or may appear to impair, his independence or objectivity.
- (vii) Ensure that all the provisions of the SEBI Act, 1992 Securities Contract (Regulations) Act, 1956, and Byelaws, rules and regulations framed there under and the circulars, directions issued by the board in respect of Investor Grievance Redressal.
- (viii) Endeavour that the Decisions is passed with in the period stipulated by the Relevant Authority from time to time.
- (ix) Endeavour that adjournments, if any, are granted as an exception rather than a rule and after recording the reasons thereof in writing.
- (x) Ensure that the awards are detailed and well-reasoned.
- (xi) Ensure that the principles of natural justice are followed.

5. Fees

The fees and expenses payable to Committee Member shall be as determined by the Relevant Authority or the Exchange from time to time.

6. Mode of Communication

- (1) The Relevant Authority may from time to time specify the modes of service of notice, decision or other communication.
- (2) Any notice, decision or other communication sent by the Exchange to any Member or Constituent shall be deemed to have been properly delivered or served at a time when such notice or communication would have been served in the usual course.
- (3) Where such communication is returned to the Exchange as unclaimed/ refused/ undelivered, it shall be deemed to have been duly served on the Member or Constituent, as the case may be.

7. Implementation of Decision or Direction of the Relevant Committee

The Relevant Authority may from time to time specify the procedure and method for implementation of the decision/ order with respect to admissible claim or direction of the Relevant Committee.

7A. Timeline

The Exchange shall ensure that the investor complaints shall be resolved within timeline prescribed by the Relevant Authority from the date of receipt of the complaint. Additional information, if any, required from the complainant, shall be sought within the time frames from the date of receipt of the complaint. The period of time line shall be counted from the date of receipt of additional information sought.

7B. Complaints to be referred to Relevant Committee

For Complaints related to trade, settlement and 'deficiency in services', resulting into any financial loss, the exchange shall resolve the complaint on its own as per the time lines prescribed. However, if complaint is not resolved amicably, the same shall be referred to the Relevant Committee, after recording the reasons in writing by the Chief Regulatory Officer of the Exchange or any other officer of the Exchange authorized in this behalf by the Managing Director

7C. Arbitration

For any dispute between the member and the client relating to or arising out of the transactions in Exchange, which is of civil nature, the complainant/member shall first refer the complaint to the Relevant Committee and/ or to arbitration mechanism provided by the Exchange before resorting to other remedies available under any other law

A complainant/member, who is not satisfied with the recommendation of the Relevant Committee, shall avail the arbitration mechanism of the Exchange for settlement of complaints within six months from the date of Relevant Committee recommendation.

8. Payment and reversal of Debited Amount to the Investors

The Relevant Authority may from time to time specify the procedure and method for payment of debited amounts to the Investors.

9. Exclusion

For removal of doubts, it is hereby clarified that the Exchange shall not be construed to be a party to the dealings, contracts and transactions referred to under these Byelaws, and the provisions of this Chapter or circular shall not apply in case of claims, differences or disputes between the Exchange and a Trading Member and no recourse shall lie between the Exchange and a Trading Member.

CHAPTER XIV

ARBITRATION

1. Definitions

- (1) 'Arbitrator' shall mean a sole arbitrator or a panel of arbitrators.
- (2) '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.
- (3) 'Applicant' means the person who makes the application for initiating arbitral proceedings.
- (4) 'Respondent' means the person against whom the Applicant lodges an arbitration application, whether or not there is a claim against such person.

2. Reference to Arbitration

- (1) All claims, differences or disputes between the Trading Members inter se and between Trading Members and Constituents arising out of or in relation to dealings, contracts and transactions made subject to the Bye-Laws, Rules and Regulations of the Stock Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into or not shall be submitted to arbitration in accordance with the provisions of these Bye-laws.
- (2) All claims, differences or disputes between the Trading Members and Clients arising out of or in relation to dealings, contracts and transactions made subject to the Bye-laws, Rules and Regulations of the Stock Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into or not shall be submitted to arbitration in accordance with the provisions of these Bye-laws.
- (3) All claims, differences or disputes between the Trading Members inter se, Trading Members and Constituents, whether or not registered as Participants, Constituents inter se, whether or not registered as Participants, arising out of or in relation to dealings, contracts and transactions executed or reported on the Wholesale Debt Market Trading Segment of the Stock Exchange and made subject to the Bye-laws, Rules and Regulations of the Stock Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into or not shall be submitted to arbitration in accordance with the provisions of these Bye-laws.

Provided this Bye-law shall not in any way affect the jurisdiction of the Stock Exchange on the Trading Member, through whom such a Participant has dealt with or traded, in regard thereto and such Trading Member shall continue to

remain responsible, accountable and liable to the Stock Exchange in this behalf.

- (4) A Trading Member aggrieved by the determination of admissible claim value by the Relevant Committee under Chapter XIII-A may submit his claim, difference or dispute with the Constituent to arbitration under this Chapter.
- (5) The provisions of Bye-laws 2(1), 2(2), 2(3) and 2(4) of this Chapter shall become applicable to all claims, differences, disputes between the parties mentioned therein for all dealings, contracts and transactions made subject to the Bye laws, Rules and Regulations of the Stock Exchange provided such dealings, contracts and transactions had been entered into between the parties mentioned therein prior or to the date on which the Trading Member was either declared a defaulter or expelled or has surrendered his trading membership.
- (6) All claims, differences or disputes arising between an Issuer and a Constituent in respect of such matters as may be specifically provided from time to time in the Listing Agreement as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR Regulations') entered into by an Issuer with the Stock Exchanges, shall be submitted to arbitration in accordance with the provisions of these Bye-laws.

Explanation: For the purpose of these Bye-laws, the term 'Issuer' shall have the same meaning as defined in these Bye-laws and the term 'Constituent' shall mean the investor who has bought or sold, on the Stock Exchange, the securities of the Issuer in respect of which the claim, differences or dispute has arisen.

3. Provisions of these Bye-laws deemed to form part of all dealings, contracts and transactions

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

4. Limitation period for reference of claims, differences or disputes for arbitration

All claims, differences or disputes referred to in these Bye laws shall be submitted to arbitration within the period prescribed as per the Regulatory Authority and under the Limitation Act, 1963.

Explanation:-

- (a) In cases where the date of claim, difference or dispute is not ascertainable, it shall be deemed to have arisen on the date of expiry of six months from the date of the transaction in respect of which the claim, difference or dispute has arisen.
- (b) In cases where the date of claim, difference or dispute arising out of Bye-law 2(6) of Chapter XIV of the Bye-laws is not ascertainable, it shall be deemed to have arisen as follows:
 - (i) In cases where the Issuer fails to communicate to the Constituent the transfer of shares, the date of dispute shall be deemed to have arisen on the date of expiry of six months from the date of expiry of 30 days from the date of lodgment of shares by the Constituent for transfer with the Issuer; or
 - (ii) In cases where the Issuer refuses to transfer the shares, the date of dispute shall be deemed to have arisen on the date of expiry of six months from the date of receipt of communication of Issuer refusing to transfer the shares in favour of the Constituent.
 - (iii) In cases where the Issuer delays the transfer of shares of the Constituent beyond the stipulated period, the date of dispute shall be deemed to have arisen on the date of expiry of six months from the date of expiry of 30 days from the date of lodgment of shares by the Constituent for transfer with the Issuer; or the date of receipt of communication of the Issuer to the Constituent intimating the transfer of shares in favour of the Constituent, whichever is later.

5. Place of Arbitration

- (1) 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.
- (2) 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.

6. Criteria for Selection of Place 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
TM* V/s TM	<p>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>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 Member’s dealing office is situated.</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.
TM V/s C* & 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.”

In case of the Relevant Committee, if the admissible claim award amount is more than Rs. 50 lakh (Rs. Fifty lakh), then 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 statutory cost for arbitration, if any, to be borne by party desirous of shifting the place of arbitration.

7. 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, it 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, the same shall be referred to a sole arbitrator.

8. Criteria and Procedure for Selection of Persons eligible to act as Arbitrators

- (1) 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 for inclusion in the Common Pool.

- (2) 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.
- (3) Such list of eligible persons for inclusion in the Common Pool may be constituted for each Regional Arbitration Centre.
- (4) 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.

9. Guidelines for Fair Practices/Code of Conduct for Arbitrators

- (1) Persons appointed as arbitrators shall:-
 - (i) Act in a fair, unbiased and objective manner
 - (ii) 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
 - (iii) Avoid any interest or activity which is in conflict with the conduct of his duties as an arbitrator.
 - (iv) Perform his duty in an independent and objective manner and avoid activities that may impair, or may appear to impair, his independence or objectivity.
 - (v) 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
 - (vi) 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.
 - (vii) Endeavour that the arbitral award is passed with in the period stipulated by the Bye-laws, Rules and Regulations of the Stock Exchange.
 - (viii) Endeavour that adjournments, if any, are granted as an exception rather than a rule and after recording the reasons thereof in writing.
 - (ix) Ensure that the awards are detailed and well-reasoned.
 - (x) Ensure that the principles of natural justice are followed.
 - (xi) No person appointed on the panel of Relevant Committee shall be eligible to be appointed on the panel of arbitrators or panel of Appellate arbitrators, maintained by the Exchange.

10. Procedure for Appointment of Arbitrators

- (1) 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 from amongst the list of eligible persons specified by the Stock Exchange for the respective seats of arbitration. The number of preferences shall be submitted in the prescribed format within 7 days from the date of receipt of arbitration application from the Exchange, three names in case of sole arbitrator and five names in case of panel of arbitrators. 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.
- (2) The panel of arbitrators so appointed shall select one among themselves to act as a presiding arbitrator within 7 days of receipt of intimation of their appointment 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.

11. Disclosure by persons to be appointed as arbitrators

Every person who is approached in connection with his possible appointment as an arbitrator shall disclose to the Relevant Authority in writing any circumstances likely to give rise to justifiable doubts as to his independence and impartiality. If the person discloses any circumstances which in the opinion of the Relevant Authority are likely to give rise to justifiable doubts as to his independence and impartiality, then he shall not be appointed as an arbitrator and in such event another arbitrator(s) shall be appointed through the automatic process as mentioned in Bye-law 10.

12. Disclosure by persons appointed as arbitrators

An arbitrator, from the time of his appointment and throughout the arbitral proceedings, shall, without delay, disclose to the Relevant Authority in writing any circumstances referred to in Bye-law (11) above which have come to his knowledge after his appointment as an arbitrator.

13. 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 herein above and fill up the vacancy caused in the office arbitrator.

14. Termination of mandate of the arbitrator

- (1) The mandate of the arbitrator shall terminate if
 - (i) the arbitrator withdraws from office for any reason; or

- (ii) in the opinion of the Relevant Authority, the arbitrator becomes de jure or de facto unable to perform his functions or for other reasons fails to act without undue delay including failure to make the arbitral award within the time period prescribed by the Relevant Authority. Such a decision of the Relevant Authority shall be final and binding on the parties; or
- (iii) the mandate of the arbitrator is terminated by the Relevant Authority upon receipt of written request for the termination of the mandate of the arbitrator from both the parties to arbitration; or
- (iv) the arbitrator discloses any circumstances referred to in Bye-laws (11) and (12) above, which in the opinion of the Relevant Authority are likely to give rise to justifiable doubts as to his independence and impartiality.
- (v) the arbitral proceedings are terminated as provided for herein.

15. Supplying of vacancy to the office of the arbitrator

At any time before the making of the arbitral award should the office of the arbitrator fall vacant for any reason whatsoever including any vacancy due to the illness or death of the arbitrator or termination of the mandate of the arbitrator by the Relevant Authority or otherwise, the Stock Exchange shall adopt the procedure specified herein above and fill up the vacancy caused in the office arbitrator.

16. Proceedings to be taken up by Arbitrator appointed by Relevant Authority in supply of vacancy

Unless otherwise agreed by parties, any arbitrator who has been appointed by the Relevant Authority to supply a vacancy to the office of the arbitrator may repeat any hearings previously held.

17. Order or ruling of previous arbitrator not invalid

An order or ruling of the arbitrator made prior to the termination of his mandate shall not be invalid solely because his mandate has been terminated; Provided that when the termination has been effected pursuant to Bye-law (14) (1) of this Chapter, the order or ruling of the arbitrator made prior to termination of his mandate shall become invalid unless otherwise agreed upon by the parties.

18. Interim arbitral award and interim measures ordered by the arbitrator

The arbitrator may be empowered to make an interim arbitral award as well as to provide interim measures of protection in terms of provisions of the Act. An arbitrator may require a party to provide appropriate security in connection with an interim measure.

19. Deposits towards cost of Arbitration

- (1) 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 of the

arbitration fee with the Stock Exchange along with the arbitration application or the reply, as the case may be, for defraying the costs that may be incurred for conducting the arbitration proceeding. Provided that 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.

- (2) 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
- (3) 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.
- (4) 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. In case where claim was filed within 6 months, the full deposit made by the party against whom the award has been passed, may be appropriated towards arbitration fees of the Stock Exchange. In case where claim was filed after 6 months, one third of the deposit collected from the party shall be appropriated towards arbitration fees of the Stock Exchange and balance two-third amount shall be credited to the Investor Protection Fund of the Stock Exchange.

Excess of filing fee, over fee payable to the arbitrator, if any, to be deposited in the Investor Protection Fund of the Stock Exchange

- (5) The period of 6 months referred in Bye-law (19) (2) to (19) (4) 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.

20. Appearance in arbitral proceedings by counsel, attorney or advocate

In arbitral proceedings where both the parties are Trading Members, the parties shall not be permitted to appear by counsel, attorney or advocate but where one of the parties is a Constituent, then the Constituent shall be permitted to appear by counsel, attorney or advocate. If the Constituent chooses to appear by counsel, attorney or advocate, then the Trading Member and Issuer shall be granted a similar privilege.

21. Procedure for Arbitration

- (1) The Applicant shall submit to the Stock Exchange his/her/its application for arbitration in the prescribed form, (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 Case containing all the relevant facts about the dispute and relief sought;
 - (ii) The Statement of Accounts;
 - (iii) Copies of the Member - Constituent Agreement;
 - (iv) Copies of the relevant Contract Notes and Bills;
 - (v) Copies of any other document(s) relied upon by the Applicant;
 - (vi) Copies of the decision of the Relevant Committee where it is a reference made under Bye-law 2(4).
- (2) The Applicant shall also submit to the Stock Exchange the following along with his/her/its arbitration application:
 - (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, if applicable;
 - (ii) List of names of eligible arbitrators in his/her/its order of preference to act as arbitrator(s), in the prescribed form;
- (3) 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.
- (4) Upon receipt of arbitration application along with requisite documents, the Stock Exchange shall forward a copy of the statement of case and related documents to the Respondent.
- (5) The Respondent shall submit Form II to the Exchange, within 7 days from the date of receipt of Form I from the Exchange, three copies in case of sole arbitrator and five copies in case of panel of arbitrators along with the following:

- (i) The statement of reply (containing all available defenses to the claim)
 - (ii) The statement of accounts.
 - (iii) Copies of the Member Constituent Agreement, if any;
 - (iv) Copies of the relevant Contract Notes and Bills;
 - (v) Statement of the set-off or counter claim along with the statement of accounts and copies of relevant contract notes and bills;
 - (vi) Copies of any other documents(s) relied upon by the Respondent.
- (6) Upon receiving the reply from the Respondent(s), the arbitrator shall be appointed as per the procedure prescribed in Bye-law (10) herein above. 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 the prescribed form(s) and such other documents as may be required.
- (7) The Respondent shall also submit to the Stock Exchange a cheque/pay order/demand draft for the deposit payable at the seat of arbitration, if applicable, in favour of Metropolitan Stock Exchange of India Limited along with the prescribed form;
- (8) If the Respondent fails to submit his/her/its reply in the prescribed form within the prescribed time, then the arbitrator may proceed with the arbitral proceedings and make the award ex-parte.
- (9) Upon receiving the reply from the Respondent the Stock Exchange shall forward one copy of the same to the Applicant. The Applicant shall within ten days from the date of receipt of copy of reply of Respondent, 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 such reply of the Applicant to the Respondent.
- (10) 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.

22. Time for appointment of Arbitrator and completion of proceedings

- (1) Time for appointment of Arbitrator - Where an arbitration application is made, the appointment of arbitrator or panel of arbitrators, shall be completed within thirty days of receipt of the application.
- (2) Adjournment - Adjournment, if any, shall be granted by the arbitrator only in exceptional cases, for bonafide reasons to be recorded in writing
- (3) Time for Completion of Arbitration - The arbitrator(s) shall conclude the arbitration reference within four months from the date of their appointment, by issuance of an arbitral award.

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

23. Requirement for Hearings

- (1) 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.
- (2) 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.

24. 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.

25. 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.

26. Appearance through Authorised Representative

- (1) In the arbitral or appellate arbitration 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 Bye-law, 'authorised representative' shall mean as under-

- (i) If the trading member is an individual, an employee or authorised person of the trading member.
- (ii) If the trading member is a partnership firm, any partner or employee or authorised person of the trading member.

- (iii) If the trading member is a Company, any director or employee or authorized person of the trading member.

27. 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.

28. Arbitral Award under certain Circumstances

- (1) 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:
 - (i) Copy of member-constituent agreement.
 - (ii) Contract notes and bills.
 - (iii) Statement of accounts given by the trading member to the constituent on periodic basis;
 - (iv) Bank statements supported by confirmation from the bank regarding payments/receipts
 - (v) Transaction cum Holding statements of the demat account(s) of the applicants and respondents with the depository.
 - (vi) Unique id upload, if any, from the members to Exchange with regard to the client.
 - (vii) 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.

29. Making of Arbitral Award

- (1) 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.
- (2) 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.

30. Interest

- (1) 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.

- (2) 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.

31. Arbitration Fees and Charges, Costs, etc.

- (1) The fees and expenses payable to arbitrator shall be as determined by the Relevant Authority from time to time.
- (2) 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.
- (3) 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.
- (4) Unless the arbitrator directs otherwise each party shall bear their own expenses of traveling and other incidental expenses incurred.

32. Administrative Assistance

For the purpose of section 6 of the Act, in all claims, differences or disputes which are required to be submitted to arbitration as per the provisions of these Bye-laws, the parties shall be deemed to have arranged for administrative assistance of the Relevant Authority in order to facilitate the conduct of the arbitral proceedings.

33. Administrative Assistance which may be provided by the Stock Exchange

- (1) 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.

34. Mode of Communication

- (1) 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) by speed post/courier services,
 - (iv) by telegram,
 - (v) by affixing it on the door at the last known business or residential address,
 - (vi) 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,
 - (vii) by sending a message through the Trading System,
 - (viii) by electronic mail or fax
 - (ix) by hand delivery
- (2) 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 fax
 - (iii) by hand delivery
 - (iv) by electronic mail

35. Implementation of Arbitral Award

Notwithstanding anything contained in the Bye-laws, in cases where the arbitral award or appellate arbitral award is passed against the Trading Member and in favour of a Constituent, the Stock Exchange shall debit from the deposits or other monies of the Trading Member lying with the Stock Exchange, the amount of award payable to the awardee together with interest payable, if any, till the date of debit after setting off the counter claim of the Trading Member allowed under the award, if any, and keep aside the said amount in a separate account to be dealt with in such manner as mentioned in Bye-laws (36) and (37) herein below.

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

Provided further that in case of an arbitration referred by a member aggrieved by decision of Relevant Committee under Bye-law 2(4) where the award is in favour of the Constituent and the Member has indicated his intention to

challenge the award by filing an appeal under Bye-law 44 or by taking recourse under section 34 of the Act in the manner and within the time specified by the relevant authority, there shall be an interim release of moneys from the IPF Trust as specified by the relevant authority, without prejudice to the implementation mechanism specified in this Chapter.

Provided further that in case of an arbitration referred by a member aggrieved by decision of Relevant Committee under Bye-law 2(4) where the appellate award is in favour of the Constituent and the Member has indicated his intention to challenge the appellate award by taking recourse under section 34 of the Act in the manner and within the time specified by the relevant authority, there shall be an interim release of moneys from the IPF Trust as specified by the relevant authority, without prejudice to the implementation mechanism specified in this Bye-law.

36. Payment of Debited Amount to Clients

- (1) **Arbitral Award:-** Where the Trading Member
 - a) chooses not to prefer an appeal under Bye-law 44 within the time permissible there under or to indicate his intention to challenge the same by filing an appeal under Bye-law 44 or by taking recourse under section 34 of the Act in the manner and within the time specified by the relevant authority, in case of an arbitration referred under Bye-law 2(4); or
 - b) chooses not to prefer an appeal under Bye-law 44 within the time permissible there under, in any other case – the amount debited under Bye-law 35 shall be paid, together with the interest earned thereon, to the awardee.

- (2) **Appellate Arbitral Award:-** Where an appeal is preferred by the Trading Member/ under Bye-law 44 and the appellate arbitral tribunal makes an appellate arbitral award against the Trading Member the Stock Exchange shall pay the awarded amount to the awardee from the amount debited under Bye-law 35:-
 - (i) where no application is made by the Trading Member under Section 34 of the Arbitration and Conciliation Act, 1996 to challenge such arbitral award within the limitation period for making such application, upon expiry of such limitation period;
 - (ii) where such an application is made by the Trading Member, and no stay is granted by the court within three months from the date of receipt of appellate arbitral award by him, upon completion of such three months;
 - (iii) in any other case, upon dismissal of the application by the court;
 - (iv) in a case referred under Bye-law 2(4), where the Member chooses not to take recourse under Section 34 of the Act within the time permissible there under or to indicate his intention to take recourse in the manner and within the time specified by the relevant authority.

37. Reversal of Debit in Certain Cases

Where the arbitral award or the appellate arbitral award against the trading member has been set aside or has been modified by reduction of awarded amount, and such setting aside or modification has attained finality, the stock exchange may reverse the debit, in full or in part, as the case may be, and pay the reduced amount, if any, to the awardee.

38. Arbitration proceedings subject to the provisions of the Act

The arbitration proceedings as provided for by the provisions of these Bye-laws shall be subject to the provisions of the Act to the extent not provided for in these Bye-laws.

39. Preservation of Records

- (1) The following documents shall be preserved by the Stock Exchange for the time periods as mentioned hereunder
 - (i) The original arbitration award along with acknowledgements shall be preserved permanently.
 - (ii) 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.
 - (iii) 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.

40. 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.

41. Construction of references

For the purposes of Section 2(6) of the Act, in all claims, differences or disputes which are required to be submitted to arbitration as per the provisions of these Bye-laws, wherever Part 1 of the Act leaves the parties free to determine a certain issue, the parties shall be deemed to have authorised the Relevant Authority to determine that issue.

42. Jurisdiction

All parties to a reference to arbitration under these Bye-laws and the persons claiming under them, shall be deemed to have submitted to the exclusive

jurisdiction of the competent court nearest to the regional arbitration centre where appellate arbitral proceedings were conducted.

43. Exclusion

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

44. Appeal against Arbitration Award

Any party aggrieved by an arbitral award made in terms of the provisions of this Chapter shall have a right of appeal against such award to the appellate panel of arbitrators in terms of provisions of Chapter XIVA of these Bye-laws.

CHAPTER XIV-A

APPELLATE ARBITRATION

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.

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), the next level of proceedings may take place at the nearest metro city, if desired by any of the party involved. The additional statutory cost for arbitration, if any, to be borne by party desirous of shifting the place of arbitration.

3. Time for Preferring Appeal

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

4. Procedure for Appointment of Arbitrators

- (1) 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 the prescribed form by the Appellant along with Memorandum of Appeal. The Respondent shall submit the names in the prescribed form within seven days of the receipt of Memorandum of Appeal from the Stock Exchange. Upon receiving the prescribed form, from the Appellant 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.
- (2) 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.

- (3) The panel of arbitrators so appointed shall select one among themselves to act as a presiding arbitrator within 7 days of receipt of intimation of their appointment 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.
- (4) The appellate panel consisting of three arbitrators shall be different from the ones who passed the arbitral award appealed against.
- (5) Such constitution of appellate panel of arbitrators shall be completed within thirty days from the date of receipt of the appeal.

5. Appellate Arbitration Fees

A party filing an appeal before the appellate panel shall pay a fee not exceeding Rs. 30,000/-, as may be prescribed by the Stock Exchange, in addition to the statutory dues (stamp duty, service tax, etc.) along with the appeal. 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. Procedure for Appellate Arbitration

- (1) 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.
- (2) If any deficiency/defect in the Memorandum of Appeal 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 Memorandum of Appeal to the Appellant. However, the Appellant shall have the right to file a revised Memorandum of Appeal which shall be considered as a fresh Memorandum of Appeal for all purposes including limitation and dealt with accordingly.
- (3) Upon receipt of Memorandum of Appeal, the Stock Exchange shall forward a copy of the same and related documents to the Respondent.

- (4) The Respondent shall submit Form B to the Exchange, within 7 days from the date of receipt of Form A from the Exchange, in five copies along with the following:
 - (i) The statement of reply (containing all available defenses to the claim)
 - (ii) The statement of accounts.
 - (iii) Copies of the Member Constituent Agreement, if any;
 - (iv) Copies of the relevant Contract Notes and Bills;
 - (v) Statement of the set-off or counter claim along with the statement of accounts and copies of relevant contract notes and bills;
 - (vi) Copies of any other documents(s) relied upon by the Respondent.
- (5) Upon receiving the reply from the Respondent(s), the arbitrator shall be appointed as per the procedure prescribed in Bye-law (3) of this Chapter. In the event there is more than one Respondent, being legal heirs of a deceased Constituent or family members, then such legal heirs shall authorize one of them to represent the deceased Constituent in the appellate arbitration proceedings including signing of the reply and such other documents as may be required.
- (6) 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 pass an award ex-parte.
- (7) Upon receiving Statement of Reply as prescribed in the prescribed form, from the Respondent the Stock Exchange shall forward one copy to the Appellant.
- (8) 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.
- (9) The appeal shall be disposed of within three months from the date of appointment of appellate panel of arbitrators, through issuance of an appellate arbitral award.
- (10) The Managing Director or an Executive Director of the Exchange may, on an application by either party or the appellate panel of arbitrators and for sufficient cause to be recorded in writing, extend the time for making of appellate arbitral award by not more than two months, on a case to case basis.

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 Bye-law (3) of this Chapter and fill up the vacancy caused in the office arbitrator(s).

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.

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.

10. 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.

11. Making of Appellate Arbitral Award

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.

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.

12. Interest

- (1) 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.
- (2) 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.

13. Arbitration Fees and Charges, Costs, etc.

- (1) The fees and expenses payable to arbitrators shall be as determined by the Relevant Authority from time to time.
- (2) 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.

- (3) Unless the arbitrator directs otherwise, each party shall bear their own expenses of traveling and other incidental expenses incurred.

14. Recourse against Appellate Arbitration Award

A party aggrieved by an appellate arbitral award may file an application before the competent, which is nearest to the address provided by the client in the KYC form, challenging it under Section 34 of the Arbitration and Conciliation Act, 1996.

15. Applicability of Chapter XIV

Except where specific provision is made in this Chapter, the provisions of Chapter XIV shall apply *mutatis mutandis* to appellate arbitrators, appellate arbitration proceedings and appellate arbitral award.

CHAPTER XV

DEFAULT

Declaration of Default

- (1) A trading member may be declared a defaulter by direction / circular / notification of the relevant authority of the trading segment if-
- (a) he is unable to fulfill his obligations; or
 - (b) he admits or discloses his inability to fulfill or discharge his duties, obligations and liabilities; or
 - (c) he fails or is unable to pay within the specified time the damages and the money difference due on a closing-out effected against him under these Bye Laws, Rules and Regulations; or
 - (d) he fails to pay any sum due to the Stock Exchange or to submit or deliver to the Stock Exchange on the due date, delivery and receive orders, statement of differences and securities, balance sheet and such other statements as the relevant authority may from time to time prescribe; or
 - (e) if he fails to pay or deliver to the Relevant Committee all monies, securities and other assets due to a trading member who has been declared a defaulter within such time of the declaration of default of such trading member as the relevant authority may direct; or
 - (f) if he fails to abide by the arbitration proceedings as laid down under the Bye Laws, Rules and Regulations; or
 - (g) if he, being an individual and /or partnership firm, /it, being a company incorporated under the Companies Act, files a petition before a Court of Law for adjudication of himself as an insolvent or for its winding up, as the case may be.
 - (h) they fall in the criteria specified by SEBI from time to time or as per the conditions specified in the SOP prescribed by SEBI related to cases leading to default as amended from time to time

Expulsion in Certain Cases

- (2) Without prejudice to the foregoing, if a Trading Member is expelled by any other recognised stock exchange on which he is a Trading Member or if the registration certificate is cancelled by SEBI, the said Trading Member would automatically stand expelled from membership of the Stock Exchange.

The trading facility of the Trading Member shall be withdrawn immediately after the receipt of information of expulsion by any other stock exchange or cancellation of registration certificate by SEBI.

Declaration of Default in all Segments

- (2A) Where the Trading Member is declared defaulter on any trading segment of the Stock Exchange, he shall also be immediately declared defaulter on all other trading segments of the Stock Exchange in which he may hold membership and the trading facility of the Trading Member shall be withdrawn immediately.

Declaration of Default by another Stock Exchanges

- (2B) A trading member shall immediately be liable to be declared defaulter on all trading segments of the Stock Exchange if he was declared defaulter on any trading segment of any other recognised stock exchange, immediately on receipt of information from that stock exchange.

Action against Associate in cases Leading to Default / Declaration of Default

- (2C) Actions to be initiated against Associates of Trading members if they fall in the criteria specified by SEBI from time to time or as per the conditions specified in the SOP prescribed by SEBI related to cases leading to default as amended from time to time

Definition of “Associate

- (2D) For the purpose of Bye-law 2C, the term “associate” shall include a person
- a. who, directly or indirectly, by itself, or in combination with other persons, exercises control over the member, whether individual, body corporate or firm or holds substantial share of not less than 15% in the capital of such member; or
 - b. in respect of whom the member, individual or body corporate or firm, directly or indirectly, by itself or in combination with other persons, exercises control; or
 - c. whose director or partner is also a director or partner of the member, body corporate or the firm, as the case may be.

Explanation: The expression “control” shall have the same meaning as defined in clause (c) of sub-regulation (1) of regulation 2 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.]

Failure to fulfill Obligations

- (3) The relevant authority may order a Trading Member to be declared a defaulter if he fails to meet an obligation to a Trading Member or constituent arising out of Stock Exchange transactions.

- (3A) **Actions by Exchange against Trading Members likely to Default and their associates**

The Exchange may initiate actions against Trading Members likely to default and / or their associates as per the criteria specified by SEBI from time to time or as per the conditions specified in the SOP prescribed by SEBI as amended from time to time.

Insolvent a Defaulter

- (4) A trading member, being an individual and/or partnership firm, has been adjudicated as an insolvent or it, being a company incorporated under the Companies Act, has been ordered to be wound up by a Court of Law in the petition filed by any of his/its creditors, shall be declared a defaulter although he/it may not have at the same time defaulted on any of his / its obligations on the Stock Exchange provided however the time for preferring an appeal against such order under the applicable Acts, if any, has expired.

Trading member's Duty to Inform

- (5) A Trading Member shall be bound to notify the Stock Exchange immediately if there be a failure by any Trading Member to discharge his liabilities in full.

Compromise Forbidden

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

Notice of Declaration of Default

- (7) On a Trading Member being declared a defaulter a notice to that effect shall be placed forthwith on the trading system of the relevant trading segment

Defaulter's Book and Documents

- (8) When a Trading Member has been declared a defaulter, the Relevant Committee shall take charge of all his books of accounts, documents, papers and vouchers to ascertain the state of his affairs and the defaulter shall hand over such books, documents, papers and vouchers to the Defaulters' Committee.

List of Debtors and Creditors

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

Defaulter to give Information

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

Inquiry

- (11) The Relevant Committee shall enter into a strict inquiry into the accounts and dealings of the defaulter in the market and shall report to the relevant authority anything improper, unbusiness like or unbecoming a Trading Member in connection therewith which may come to its knowledge.

Vesting of assets in the Stock Exchange

- (12) The Relevant Committee shall call in and realise the security deposits in any form, margin money, other amounts lying to the credit of and securities deposited by the defaulter and recover all moneys, securities and other assets due, payable or deliverable to the defaulter by any other Trading Member in respect of any transaction or dealing made subject to the Bye- laws, Rules and Regulations of the Stock Exchange and such assets shall vest ipso facto, on declaration of any Trading Member as a defaulter, in the Stock Exchange for the benefit of and on account of any dues of the Stock Exchange, Clearing House, Clearing Corporation, Securities and Exchange Board of India, other Trading Members, Constituents of the defaulter, approved banks and any other persons as may be approved by the Relevant Committee and other recognised stock exchanges The Relevant Committee shall initiate suitable actions for liquidating the assets (movable and immovable) of defaulter member including that of debit balance clients (to the extent of debit balance), as per the Guidelines prescribed by SEBI and as per the relevant SOP defined by the Stock Exchange in this regard from time to time.

Payment to Relevant Committee

- (13) (a) All monies, securities and other assets due, payable or deliverable to the defaulter must be paid or delivered to the Relevant Committee within such time of the declaration of default as the relevant authority may direct. A Trading Member violating this provision shall be declared a defaulter.
- (b) A Trading Member who shall have received a difference on account or shall have received any consideration in any transaction prior to the date fixed for settling such account or transaction shall, in the event of the Trading Member from whom he received such difference or consideration being declared a defaulter, refund the same to the Relevant Committee for the benefit and on account of the creditor Trading Members. Any Trading Member who shall have paid or given such difference or consideration to any other Trading Member prior to such settlement day shall again pay or give the same to the Relevant Committee for the benefit and on account of the creditor Trading Member in the event of the default of such other Trading Member.
- (c) A Trading Member who receives from another Trading Member during any clearing a claim note or credit note representing a sum other than a difference due to him or due to his constituent which amount is to be received by him on behalf and for the account of that constituent shall refund such sum if such other Trading Member be declared a defaulter within such number of days as prescribed by the relevant authority after the settling day. Such refunds shall be made to the Relevant Committee for the benefit and on account of the creditor Trading Members and it shall be applied in liquidation of the claims of such creditor Trading Members whose claims are admitted in accordance with these Bye Laws, Rules and Regulations.

Admissibility of claim for making payment out of IPF:

- 13(A) In the event of default by the member, all transactions executed on exchange platform shall be eligible for settlement from IPF (subject to maximum limit), subject to the appropriate norms laid down by the Relevant Committee.

Distribution

- (14) The Relevant Committee shall at the risk and cost of the creditor Trading Members pay all assets received in the course of realization into such bank and/or keep them with the Stock Exchange in such names as the relevant authority may from time to time direct and shall distribute the same as soon as possible pro rata but without interest among creditor Trading Members whose claims are admitted in accordance with these Bye Laws, Rules and Regulations.

Closing-out

- (15) (a) Trading members having open transactions with the defaulter shall close out such transactions on the Stock Exchange after declaration of default. Such closing out shall be in such manner as may be prescribed by the relevant authority from time to time. Subject to the regulations in this regard prescribed by the relevant authority, when in the opinion of the relevant authority, circumstances so warrant, such closing out shall be deemed to have taken place in such manner as may be determined by the relevant authority or other authorised persons of the Stock Exchange.
- (b) Differences arising from the above adjustments of closing out shall be claimed from the defaulter or paid to the Defaulters' Committee for the benefit of creditor trading members of the defaulter.

(16) **[Deleted]**

(17) **[Deleted]**

(18) **[Deleted]**

(19) **[Deleted]**

Accounts of Relevant' Committee

- (20) The Relevant Committee shall keep a separate account in respect of all monies, securities and other assets payable to a defaulter which are received by him and shall defray therefrom all costs, charges and expenses incurred in or about the collection of such assets or in or about any proceedings it takes in connection with the default.

Report

- (21) The Relevant Committee shall every six months present a report to the relevant authority relating to the affairs of a defaulter and shall show the assets realised, the liabilities discharged and dividends given.

Inspection of Accounts

- (22) All accounts kept by the Relevant Committee in accordance with these Bye Laws, Rules and Regulations shall be open to inspection by any creditor Trading Member.

Scale of Charges

- (23) The charges to be paid to the Stock Exchange on the amounts transferred to the account of the Relevant Committee shall be such sum as the relevant authority may from time to time prescribe.

Application of Assets

- (24) The Relevant Committee shall apply the net assets remaining in its hands after defraying all such costs, charges and expenses as are allowed under the Rules, Bye- laws and Regulations to be incurred by the Stock Exchange, in satisfying the claims in the order of priority provided hereunder:-

- a) Dues to the Stock Exchange, Clearing House/ Clearing Corporation, Securities and Exchange Board of India

The payment of such subscriptions, debts, fines, fees, charges and other moneys due to the Stock Exchange, Clearing House/Clearing Corporation, Securities and Exchange Board of India, in the order in which their names appear herein;

- b) Dues to other Trading Members and to Constituents of the defaulter
The payments as may be admitted by the Relevant Committee, as being due to other Trading Members and Constituents of the defaulter member regarding debts, liabilities, obligations and claims arising out of any trading done by the other trading member and constituents through respective defaulter member shall be subject to the Rules, Bye-laws and Regulations of the Stock Exchange, provided that if the amount is insufficient then the amounts shall be distributed pro rata amongst other Trading Members and all the Constituents of the defaulter member. Further, the other Trading Members shall in turn share the amounts so received with their Constituents on pro rata basis.

- c) Dues to the Approved Banks and claims of any other persons as approved by the Relevant Committee

After making payments under Clause (b) above, the amounts remaining, if any, shall be utilised to meet the claims of the approved banks and of any other person as may be admitted by the Relevant Committee. The claims of the approved banks should have arisen by virtue of the Stock Exchange or Clearing House/Clearing Corporation invoking any bank guarantee issued by the bank concerned to the Stock Exchange or Clearing House/Clearing Corporation as the case may be on behalf of the defaulter to fulfill his obligation of submitting bank guarantee, guaranteeing discharge of obligations under the Byelaws, Rules and Regulations of MSE/Clearing Corporation The claims of other persons should have arisen out of or incidental to the transaction done on the Stock Exchange or requirements laid down by the Stock

Exchange, provided that if the amount available be insufficient to pay all such claims in full, they shall be paid pro rata, and

d) Dues to any other recognised stock exchange:

After meeting the claims under (c) above, the remaining amounts, if any, shall be disbursed to any other recognised Stock Exchange for the purpose of meeting the obligations of the defaulter as a Trading Member of that Stock Exchange. If the defaulter is a Trading Member of more than one recognised stock exchange, then the remaining amounts shall be distributed amongst all such recognised stock exchanges and if the remaining amount is insufficient to meet the claims of all such stock exchanges, then the remaining amount shall be distributed pro rata among all such stock exchanges.

e) Surplus assets:

Surplus assets, if any, may be released to the defaulter after a period of at least one year from the date of declaration of the Trading Member as defaulter or after satisfying the claims falling under Bye-law 23, whichever is later.

Certain claims not to be entertained

- (25) The Relevant Committee shall not entertain any claim against a defaulter:
- (a) which arises out of a contract in securities dealings in which are not permitted or which are not made subject to Bye Laws, Rules and Regulations of the Stock Exchange or in which the claimant has either not paid himself or colluded with the defaulter in evasion of margin payable on bargains in any security;
 - (b) which arises out of a contract in respect of which comparison of accounts has not been made in the manner prescribed in these Bye Laws, Rules and Regulations or when there has been no comparison if a contract note in respect of such contract has not been rendered as provided in these Bye Laws, Rules and Regulations;
 - (c) which arises from any arrangement for settlement of claims in lieu of bona fide money payment in full on the day when such claims become due;
 - (d) which is in respect of a loan with or without security;
 - (e) which is not filed with the Relevant Committee within such time of date of declaration of default as may be prescribed by the relevant authority.

Claims against Defaulting Representative Trading Member

- (26) The Relevant Committee shall entertain the claim of a Trading Member against a defaulter in respect of loss incurred by it by reason of the failure of the constituents introduced by such defaulter to fulfill their obligations arising out of dealings which are permitted on the Stock Exchange and made subject

to the Bye Laws, Rules and Regulations of the Stock Exchange provided the defaulter was duly registered as a representative Trading Member working with such creditor Trading Member.

Claims of Relevant Committee

- (27) A claim of a defaulter whose estate is represented by the Relevant Committee against another defaulter shall not have any priority over the claims of other creditor Trading Members but shall rank with other claims.

Assignment of Claims on Defaulter's Estate

- (28) A Trading Member being a creditor of a defaulter shall not sell, assign or pledge its claim on the estate of such defaulter without the consent of the relevant authority.

Proceedings in the Name of or against the defaulter

- (29) The Relevant Committee shall be empowered to (a) initiate any proceedings in a court of law either in the name of the Stock Exchange or in the name of the defaulter against any person for the purpose of recovering any amounts due to the defaulter (b) to initiate any proceedings in a court of law either in the name of the Stock Exchange or in the name of the creditors (who have become creditors of the defaulter as a result of transactions executed subject to Byelaws, Rules and Regulations of the Stock Exchange) of the defaulter against the defaulter for the purpose of recovering any amounts due from the defaulter. The defaulter as well as the creditors of the defaulter shall be deemed to have appointed the Stock Exchange as their constituted attorney for the purpose of taking such proceedings.

Payment of Relevant Committee

- (30) If any Trading Member takes any proceedings in a court of law against a defaulter whether during the period of its default or subsequent to its re-admission to enforce any claim against the defaulter's estate arising out of any transaction or dealing in the market made subject to the Bye Laws, Rules and Regulations of the Stock Exchange before it was declared a defaulter and obtains a decree and recovers any sum of money thereon it shall pay such amount or any portion thereof as may be fixed by the relevant authority to the Defaulters' Committee for the benefit and on account of the creditor Trading Members having claims against such defaulter.
- (31) The Relevant Committee for the purpose of this Chapter shall be a Committee as may be constituted by the Board of Directors from time to time. The composition of the Relevant Committee shall be such as may be prescribed by SEBI.
- (32) Notwithstanding anything to the contrary contained in this Chapter, where any securities are lodged for rectification of company objection arising out of signature difference or otherwise against a defaulter, the Stock Exchange or Clearing House/Clearing Corporation shall, after satisfying itself about the bonafides of the receiving Trading Members/ client of the receiving Trading Member, acquire the securities in its own name for the benefit of or in trust for the receiving Trading Member/ client of the receiving Trading Member. The Stock Exchange/ Clearing Corporation may upon payment of such charges as

it may prescribe, sell or otherwise dispose of the securities so acquired or transfer the securities to the receiving Trading Member/ client of the receiving Trading Member, in full and final satisfaction of the claim; Provided that the Stock Exchange/ Clearing Corporation shall be free to require such receiving Trading Member/ client of the receiving Trading Member to indemnify the Stock Exchange and Clearing Corporation in such form and manner as it may prescribe, as a condition precedent; Provided further that such payment of sale proceeds or transfer of securities to the receiving Trading Member/ client of the receiving Trading Member shall discharge the claim completely and no further claim shall lie against the defaulter on any ground whatsoever.

CHAPTER XVI

INVESTOR PROTECTION FUND

- (1) In respect of such market segment of the Stock Exchange as may be prescribed by the Stock Exchange, an Investor Protection Fund (IPF) to be held in trust by Metropolitan Stock Exchange Investor Protection Fund Trust (Trust) shall be maintained to make good claims for compensation which may be submitted by a Trading Member's Constituent who suffers loss arising from the said Trading Member being declared as a defaulter by the Stock Exchange under Chapter XV. No claim of a claimant, who is a Trading Member of the Stock Exchange or an associate of a Trading Member, shall be eligible for compensation from the IPF unless he has acted as a Constituent of the said Trading Member to the extent permitted by the Stock Exchange.
- (2) Subject to this Part, the amount which any claimant shall be entitled to claim as compensation shall be the amount of the actual loss suffered by him less the amount or value of all monies or other benefits received or receivable by him from any source in reduction of the loss.
- (3) The amount that may be paid under this Part to a claimant shall not exceed such amount as may be decided by the Trust from time to time. The Trust shall disburse the compensation to the claimants immediately as and when claims are sent to the trust as determined and ratified by Relevant Committee however, such compensation shall not be more than the maximum amount fixed for a single claim.
- (4) Notwithstanding anything contained in any other Byelaw, the Trust shall have the power to utilise the interest income earned on the investments made out of IPF for educating investors, creating awareness among the investor community at large and for any research connected therewith or incidental thereto as prescribed by SEBI from time to time.
- (5) The Stock Exchange shall publish in all editions of at least one English national daily with wide circulation and in at least one regional language daily with wide circulation, a notice specifying a date not being less than 3 months after the said publication, on or before which claims for compensation shall be made in relation to the defaulter specified in the notice. The notice shall contain the specified period, the maximum compensation limit for a single claim of a claimant, etc. The said notice shall also be displayed on the premises of the Stock Exchange as well as on the web-site of the Stock Exchange for the entire specified period.
- (6) A claim for compensation in respect of a default shall be made in writing to the Stock Exchange on or before the date specified in the said notice and any claim which is not so made shall be barred unless the Trust otherwise

determines. The Stock Exchange shall process the claims in accordance with procedures as may be laid down by Relevant Committee and if the assets of the defaulter are insufficient to meet the approved claims, it shall forward the claims along with the recommendations of the Relevant Committee to the Trust. However, the Trust need not wait for the realization of the assets of the defaulter before the disbursement towards claims.

- (7) A claimant under this Chapter must sign an undertaking to be bound by the decision of the Trust whose decision shall be final and binding.
- (8) The Trust in disallowing (whether wholly or partly) a claim for compensation shall serve notice of such disallowance on the claimant.
- (9) The Trust, if satisfied that the default on which the claim is founded was actually committed, may allow the claim and act accordingly.
- (10) The Trust may at any time and from time to time require the claimant to produce and deliver any securities, documents or statements of evidence necessary to support any claim made or necessary for the purpose of establishing his claims and in default of delivery of any such securities, documents or statements of evidence by such claimant, the Trust may disallow any claim by him under this Chapter.
- (10-A) The Trust shall release such interim sums of moneys to the Constituent as may be prescribed by SEBI or the Exchange, to cover whole or part of the admissible claim amount determined or amount awarded by the Relevant Committee under Chapter XIII-A or by the arbitrator under Chapter XIV or by the appellate arbitrator under Chapter XIV-A, pending final determination of their complaint.
- (10-B) The Trust shall receive or recover the moneys thus released to the Constituent, either singly or jointly with the Exchange, where the Constituent eventually loses in the arbitration proceedings or other legal proceedings emanating therefrom.
- (10-C) The relevant authority may specify from time to time, the procedure for interim release of funds under Bye-law (10-A) and for the recovery thereof under Bye-law (10-B).
- (11) Contributions shall be made to the IPF from the following sources:-
 - (a) 1 % of the listing fees received, on a quarterly basis
 - (b) 100 % of the interest earned on the 1 % security deposit kept by the issuer companies at the time of the offering of securities for subscription to the public, immediately on refund of the deposit

- (c) The difference of amount of auctions / closeout price
 - (d) The amount received from the proceeds of the sale of the securities written off as per para 4 & 5 of SEBI circular No. FITTC/FII/02/2002 dated May 15, 2002
 - (e) The amounts specified in pursuance of Regulation 28 (12) (e) (ii), Regulation 28 (13) and Regulation 29(2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997.
 - (f) Such contribution by Trading Members of the Stock Exchange as may be decided by the Stock Exchange from time to time based on the transaction value. The Stock Exchange shall further be empowered to call for such additional contributions as may be required from time to time to make up for the shortfall, if any, in the IPF, at the discretion of the Stock Exchange.
 - (g) Penalties levied by the Exchange on its members.
 - (h) Excess of filing fee over fee payable to the arbitrator, if any, to be deposited in the IPF.
 - (i) Penalties/ fines realized from the listed entities by the Exchange owing to their default under the applicable standard operating procedure as specified by SEBI from time to time.
- (12) The IPF to be held in trust as aforesaid shall vest with the Trust which shall administer the same. The IPF shall be well segregated and shall be immune from any liabilities of the Stock Exchange.
- (13) The Stock Exchange, in consultation with the Trust, shall periodically review the sources of the fund and progressively increase the amount of compensation available against a single claim from an investor every three years. The Stock Exchange shall disseminate the compensation limit fixed and any change thereof, to the public through a Press Release and also through web site of the Stock Exchange.
- (14) The Trust may seek the advice of the Relevant Committee as to the eligibility or otherwise of individual claims of investors.
- (15) The Stock Exchange shall arrange to provide administrative assistance to the Trust to facilitate the processing and settlement of investor claims.
- (16) The claims of the claimants arising out of speculative transactions or which are sham or collusive shall not be eligible for compensation from the IPF.
- (17) The balance of the IPF lying unutilised with the Trust shall continue to be utilised only for such purposes as prescribed by SEBI. In the event of winding up of the Stock Exchange, the balance lying unutilised with the Trust shall be transferred to SEBI. The funds will be maintained in a separate account and

SEBI would act as Trustee of these funds to be utilised for purposes of investor education, awareness and research

(18) Investor Service Fund

The Exchange shall set up an Investor Services Fund in accordance with the terms and conditions and shall use the funds as clarified and prescribed by SEBI from time to time.

CHAPTER XVII

SETTLEMENT GUARANTEE FUND

1. Stock Exchange to Maintain Settlement Guarantee Fund

- (1) The Stock Exchange shall maintain separate Settlement Guarantee Fund (SGF) for each segment of the Stock Exchange for such purposes as may be prescribed by the relevant authority from time to time.
- (2) The relevant authority may prescribe from time to time the norms, procedures, terms and conditions governing each SGF which may inter-alia specify the amount of deposit or contribution to be made by each member to the relevant fund, the terms, manner and mode of deposit or contributions, conditions of repayment of deposit or withdrawal of contribution from the fund, charges for utilization, penalties and disciplinary actions for non-performance thereof.

2. Contribution towards SGF

- (1) Each member shall be required to contribute to and provide a deposit as may be determined from time to time by the relevant authority to the relevant SGF which shall be held by the Stock Exchange to be applied as provided in these Bye Laws and Regulations.
- (2) The relevant authority may specify the amount of contribution or deposit to be made by each member and/or category of members which may include inter alia the minimum amount to be provided by each member.
- (3) The relevant authority may also specify such additional contribution or deposit that shall have to be provided towards the SGF from time to time to form part of the SGF.

3. Form of Contribution/Deposit

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

4. Replacement of Deposit

By giving a suitable notice to the Stock Exchange and subject to such conditions as may be specified by the relevant authority from time to time, a member may withdraw qualifying securities from pledge, or may cause the

Stock Exchange to revoke an acceptable letter of credit or bank guarantee, which secured the member's contribution or deposit towards the SGF, provided that the member has, effective simultaneously with such withdrawal or revocation, deposited cash with, or pledged qualifying securities to the Stock Exchange or through such other mode as may be approved by the Stock Exchange from time to time to satisfy his required contribution or deposit.

5. Administration and Utilisation of SGF

- (1) The SGF shall be utilised for such purposes as may be provided in the Bye Laws and Regulations and subject to such conditions as the relevant authority may prescribe from time to time which shall include:
 - a) to defray the expenses of creation, maintenance and repayment of the SGF;
 - b) investment in such approved securities and other avenues subject to such terms and conditions as may be decided by the relevant authority from time to time;
 - c) the application of SGF to meet premia on insurance cover(s) which the relevant authority may take from time to time;
 - d) the application of SGF to meet shortfalls and deficiencies arising out of the clearing and settlement of such deals as provided in the Bye Laws and Regulations;
 - e) the application of the SGF to satisfy any loss or liability of the Stock Exchange arising out of clearing and settlement operations of such deals as provided in the Bye Laws and Regulations;
 - f) repayment of the balance after meeting all obligations under the Rules, Bye Laws and Regulations to the member when he ceases to be a member pursuant to the provisions regarding the repayment of deposit;
 - g) any other purpose as may be specified by the Board from time to time.
- (2) Save as otherwise expressly provided in the Bye Laws and Regulations, the SGF shall not be utilised for any other purpose.
- (3) The Stock Exchange shall have full power and authority to pledge, repledge, hypothecate, transfer, create a security interest in, or assign any or all of the-
 - (i) SGF cash, (ii) securities or other instruments in which SGF cash is invested and (iii) qualifying securities pledged by a member or letters of credit or any other instrument issued on behalf of a member in favour of the Stock Exchange towards deposit to the SGF.

6. Utilisation for Failure to Meet Obligations

In the event a member fails to meet obligations to the Stock Exchange arising out of clearing and settlement operations of such deals as provided in the Bye Laws and Regulations, the relevant authority may utilise the SGF and other monies to the extent necessary to fulfill the obligation under such terms and conditions as the relevant authority may specify from time to time.

7. Utilisation in Case of Default

In the event a member is declared a defaulter and the member fails to meet the clearing and settlement obligations to the Stock Exchange arising out of clearing and settlement operations of such deals as provided in the Bye Laws and Regulations, the relevant authority may utilise the SGF and other monies to the extent necessary to eliminate the obligation in the following order:

- (1) any amount that may be paid in the form of margin or any other payment of the defaulting member retained by the Stock Exchange for the purpose of the clearing and settlement; if this amount is not sufficient to settle the obligation,
- (2) any contribution or deposit made by or bank guarantee arranged by the defaulting member to the SGF, whether in the form of cash or securities or bank guarantee; if this amount is not sufficient to settle the obligation,
- (3) the amount of security deposit, if any, made by the defaulting member to the Specified Stock Exchange to the extent not appropriated by the Specified Stock Exchange towards the obligations of the defaulting member to it; if this amount is not sufficient to settle the obligation,
- (4) the proceeds, if any, recovered from auctioning or transferring the membership of the defaulting member in the Specified Stock Exchange, subject to deduction of the expenses relating or incidental to the auction; if this amount is not sufficient to settle the obligation,
- (5) the fines, penalties, penal charges, auction difference, interest on delayed payments, interest or other income, if any, earned by investment or disinvestment of SGF or interest earned on margin monies that form part of the SGF to the extent as may be decided by the Stock Exchange; if the amount is not sufficient to settle the obligation,
- (6) the retained earnings of the Stock Exchange to the extent available; if this amount is not sufficient to settle the obligation,
- (7) the profits available for appropriation in the respective year in which the default took place; if this amount is not sufficient to settle the obligation,
- (8) the amount of contribution and deposit made by all categories of members to the SGF in proportion to the total contribution and deposit made by each member.

- (9) If the above amount is not sufficient, the balance obligation remaining after application of the above funds shall be assessed against the members in the same proportion as their total contribution and deposit and members shall be required to contribute or deposit in the SGF, within such time as the relevant authority shall require, the deficient amount.

8. Obligation to Bring in Additional Contribution or Deposit

- (1) If a pro-rata charge is made as mentioned in the above provision against a member's actual contribution or deposit, and as a consequence the member's remaining contribution and deposit towards the SGF is less than his required contribution and deposit, the member shall contribute or deposit in the SGF, within such time as the relevant authority shall require the deficient amount.
- (2) If the member shall fail to do so, the relevant authority may charge such interest, impose penalties and fines and take such disciplinary action against the member as it may determine from time to time. Any disciplinary action which the relevant authority takes pursuant to the above provisions or involuntary cessation of membership by the member shall not affect the obligations of the member to the Clearing House/Clearing Corporation of the Stock Exchange or any remedy to which the Stock Exchange may be entitled under applicable law.

9. Allocation of the Contribution or Deposit

Each member's contribution and deposit towards SGF shall be allocated by the Stock Exchange among the various segments which are designated as such by the Stock Exchange and in which the member participates, in such proportion as it may decide from time to time. The Clearing House/Clearing Corporation shall retain the right to utilise the fund allocated to a particular segment to the satisfaction of losses or liabilities of the Stock Exchange incident to the operation of that segment or for any other segment as may be decided by the Stock Exchange at its discretion.

10. Cessation of the Member

- 1) A member shall be entitled to the repayment of deposit made by him to the SGF after –
 - (a) the member ceases to be a member, and
 - (b) all pending deals, at the time the member ceases to be a member which could result in a charge to the SGF, have been closed and settled, and
 - (c) all obligations to the Stock Exchange for which the member was responsible while he was a member have been satisfied or, at the discretion of the relevant authority, have been deducted by the Clearing House/Clearing Corporation from the member's actual deposit; provided, however, that the member has presented to the Clearing House/Clearing

Corporation such indemnities or guarantees as the relevant authority deems satisfactory or another member has been substituted on all deals and obligations of the member, and

- (d) a suitable amount as may be determined by the relevant authority at its discretion has been set aside for taking care of any loss arising from any document defects that may be reported in the future, and
 - (e) a suitable amount as may be determined by the relevant authority at its discretion towards such other obligations as may be perceived by the Stock Exchange to exist or may be perceived to arise in future.
- 2) The relevant authority may specify rules for the repayment of deposit including the manner, amount and period within which it will be paid but at no point of time will the repayment exceed the actual deposit available to the credit of the member after deducting the necessary charges from the same.
 - 3) Any obligation of a member to the Stock Exchange unsatisfied at the time he ceases to be a member shall not be affected by such cessation of membership.

11. Recovery of Loss and Re-Distribution

If a loss charged pro rata is afterwards recovered by the Corporation, in whole or in part, through insurance or otherwise, the net amount of the recovery shall be credited to the persons against whom the loss was charged in proportion to the amounts actually charged against them.

12. Limitation of Liability

The liability of the Stock Exchange resulting from the deemed contracts of members with the Stock Exchange and to losses in connection therefrom be limited to the extent of contributions available to the SGF. The Stock Exchange shall not be liable for obligations of a non-member, obligations of a member to a non-member, obligations of a member to another member of the Stock Exchange towards deals to which the Stock Exchange is not a counter party or obligations to a constituent by a member, and to losses in connection therefrom.

CHAPTER XVIII

MISCELLANEOUS

- (1) The relevant authority shall be empowered to impose such restrictions on transactions in one or more Stock Exchange securities as the relevant authority in its judgment deems advisable in the interest of maintaining a fair and orderly market in the securities or if it otherwise deems advisable in the public interest or for the protection of investors. During the effectiveness of such restrictions, no trading member shall, for any account in which it has an interest or for the account of any client, engage in any transaction in contravention of such restrictions.
- (2) Any failure to observe or comply with any requirement of this Bye Law, or any Bye Laws, Rules or Regulations, where applicable, may be dealt with by the relevant authority as a violation of such Bye Laws, Rules or Regulations.
- (3) Trading members have an obligation as the trading members of the Stock Exchange to inform the relevant authority of the Stock Exchange and the Securities Exchange Board of India about insider trading, information on takeover and other such information/practices as may be construed as being detrimental to the efficient operations of the Stock Exchange and as may be required under SEBI Act and Rules and Regulations.
- (4) Save as otherwise specifically provided in the regulations prescribed by the relevant authority regarding clearing and settlement arrangement, in promoting, facilitating, assisting, regulating, managing and operating the Stock Exchange, the Stock Exchange should not be deemed to have incurred any liability, and accordingly no claim or recourse, in respect of, in relation to, any dealing in securities or any matter connected therewith shall lie against the Stock Exchange or any authorised person(s) acting for the Stock Exchange.
- (5) No claim, suit, prosecution or other legal proceedings shall lie against the Stock Exchange or any authorised person(s) acting for the Stock Exchange, in respect of anything which is in good faith done or intended to be done in pursuance of any order or other binding directive issued to the Stock Exchange under any law or delegated legislation for the time being in force.