

PART A - TRADING REGULATIONS

CONTENTS

INTRODUCTION
APPLICABILITY
1. DEFINITIONS
1.3 DEFINITIONS.....	
1.3.1 APPROVED OFFICE.....	
1.3.2 APPROVED WORKSTATION	
1.3.3 AUTHORISED PERSON.....	
1.3.4 BOOKS OF ACCOUNTS, RECORDS AND DOCUMENTS	
1.3.5 BRANCH OFFICE	
1.3.6 CLEARING DELIVERY	
1.3.7 CONSTITUENT.....	
1.3.8 HAND DELIVERY.....	
1.3.9 MARKET TYPE.....	
1.3.10 MEMBER-CONSTITUENT AGREEMENT.....	
1.3.10A MEMBER-SUB BROKER AGREEMENT.....	
1.3.10B MEMBER-SUB BROKER-CONSTITUENT AGREEMENT	
1.3.11 NOTIFICATION, NOTICE OR COMMUNICATION	
1.3.12 NSE.....	
1.3.13 PARTICIPANT.....	
1.3.13 A RISK DISCLOSURE DOCUMENT	
1.3.14 SPECIAL DELIVERY CONTRACT.....	
1.3.15 SPOT DELIVERY CONTRACT	
1.3.15 ASUB-BROKER.....	
1.3.16 TRADING MEMBER	
1.3.17 TRADING SYSTEM.....	
1.3.18 TRADE TYPE	
1.3.19 TRANSACTION TYPE	
1.3.20 USER.....	
2. DEALINGS ON THE EXCHANGE.....	
2.1. TRADING SYSTEM.....	
2.2. TRADING MEMBERS AND USERS.....	
2.3. TRADING DAYS.....	
2.4. TRADING HOURS.....	

2.5.	TRADING PARAMETERS
2.6.	TRADE TYPES/SETTLEMENT PERIODS/TRANSACTION TYPES
2.7.	FAILURE OF TRADING MEMBER'S TERMINAL.....
3.	DEALINGS IN SECURITIES
3.1.	DEALINGS IN SECURITIES.....
3.2.	TRADE OPERATIONS.....
3.3.	MARGIN REQUIREMENTS.....
3.3A.	COMPOSITION OF ADDITIONAL CAPITAL AND MARGINS
3.4.	ORDER MANAGEMENT
3.4.1	ORDER TYPE.....
3.4.2	ORDER ATTRIBUTES.....
3.4.3	MODIFICATION AND CANCELLATION OF ORDERS.....
3.4.4	ORDER VALIDATION
3.4.5	MATCHING RULES
3.5.	CONTRACT NOTE
3.5A
3.6.	BROKERAGE
3.7.	TURNOVER LIMITS.....
3.8.	INTEREST, DIVIDEND, RIGHTS/BONUS AND CALLS.....
3.9.	MARGIN FROM THE CONSTITUENTS
3.10	TRADING MEMBER IN DEFAULT
3.11	CONSTITUENT IN DEFAULT.....
3.12	MARGIN TRADING FACILITY.....
3.13	COLLECTION OF SECURITIES TRANSACTION TAX.....
3.14
4.	CONDUCT OF BUSINESS BY TRADING MEMBERS
4.1	OFFICE RELATED PROCEDURE.....
4.2	SUPERVISION.....
4.2.1	PROCEDURES TO BE FOLLOWED
4.2.2	INTERNAL INSPECTIONS
4.2.3	WRITTEN APPROVAL
4.2.4	QUALIFICATIONS INVESTIGATED.....
4.3	RELATION WITH THE CONSTITUENTS.....
4.4	GUIDELINES GOVERNING RELATIONSHIP BETWEEN TRADING MEMBERS AND CONSTITUENT.....
4.5	CODE OF CONDUCT FOR TRADING MEMBERS.....

4.5.1	ADHERENCE TO SEBI CODE OF CONDUCT
4.5.2	GENERAL PRINCIPLES
4.5.3	TRADING PRINCIPLES
4.5.4	GENERAL GUIDELINES
4.6	UNFAIR TRADING PRACTICES.....
4.7
5.	ARBITRATION.....
5.1	DEFINITIONS.....
5.2	SEAT OF ARBITRATION
5.3	JURISDICTION OF COURTS
5.4	REFERENCE OF THE CLAIM, DIFFERENCE OR DISPUTE.....
5.5	CRITERIA AND PROCEDURE FOR SELECTION OF PERSONS ELIGIBLE TO ACT AS ARBITRATORS.....
5.6	PROCEDURE FOR APPOINTMENT OF ARBITRATORS.....
5.7	VACANCY IN THE OFFICE OF THE ARBITRATOR.....
5.8	COST OF ARBITRATION
5.9	PROCEDURE FOR ARBITRATION.....
5.10	REQUIREMENT FOR HEARINGS.....
5.11	NOTICE OF HEARING.....
5.12	ADJOURNMENT OF HEARING
5.12 A
5.13	ARBITRAL AWARD ON AGREED TERMS
5.13 A	ARBITRAL AWARD UNDER CERTAIN CIRCUMSTANCES...
5.14	MAKING OF ARBITRAL AWARD.....
5.15	INTEREST.....
5.15 A	LIABILITY OF THE TRADING MEMBER.....
5.16	ARBITRATION FEES AND CHARGES, COSTS, ETC.....
5.17	ADMINISTRATIVE ASSISTANCE WHICH MAY BE PROVIDED BY THE EXCHANGE
5.18	MODE OF COMMUNICATION.....
5.19
5.20
5.21	APPELLATE ARBITRATION
6.	RECORDS, ANNUAL ACCOUNTS AND AUDIT.....
6.1	RECORDS
6.2	ANNUAL ACCOUNTS AND AUDIT

- 7. **INSPECTION.....**
 - 7.1 INSPECTION AUTHORITY
 - 7.2 NOTICE
 - 7.3 OBLIGATIONS OF A TRADING MEMBER ON INSPECTION .
 - 7.4 SUBMISSION OF REPORT.....
 - 7.5 COLLECTION AND DISSEMINATION OF INFORMATION
- 8. **TRI-PARTY REPOS.....**
 - 8.1 DEALINGS IN TRI-PARTY REPOS.....
 - 8.2 MARGIN REQUIREMENT.....
 - 8.3 ORDER MATCHING RULES.....
 - 8.4 TRADE PROCESS FLOW.....

ANNEXURES

- 1. APPLICATION FOR APPROVAL AS USER
- 2. CONTRACT NOTE
 - A. AS BROKERS & AGENTS
 - B. AS PRINCIPALS
- 3. MEMBER AND CLIENT AGREEMENT

INTRODUCTION

The Regulations framed hereunder shall be known as National Stock Exchange (Capital Market) Trading Regulations, 1994.

These Regulations shall be in addition to the provisions of the Securities Contracts (Regulation) Act, 1956, the Securities Contracts (Regulation) Rules, 1957, Securities and Exchange Board of India Act, 1992 and Rules and Byelaws of National Stock Exchange of India Limited (NSEIL), as may be applicable to Trading Members and Participants.

APPLICABILITY

These Regulations (read in conjunction with USER Manual) shall be applicable to all Trading Members and Participants to the extent specified herein, in the Capital Market Segment of National Stock Exchange. They shall be subject to jurisdiction of the Courts of Mumbai irrespective of the place of business of Trading Members in India. These Regulations shall also be applicable mutatis mutandis to all the Trading Members and Participants in the Debt segment of National Stock Exchange unless the context requires otherwise or unless otherwise specified by the relevant authority from time to time.

These Regulations shall also be applicable mutatis mutandis to all Trading Members in the Tri Party Repo Market (“TRM”) segment, under the Debt segment of National Stock Exchange unless the context requires otherwise or unless otherwise specified by the relevant authority from time to time including under Chapter 8 of these Regulations.

1. DEFINITIONS

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

1. Securities Contracts (Regulation) Act, 1956 and Rules thereunder.
2. Securities and Exchange Board of India Act, 1992 and Rules thereunder.
3. Rules and Byelaws of National Stock Exchange of India Limited.
4. The Companies Act, 1956.

1.2 In case a term is defined in more than one Acts then its meaning as defined in that Act or statute which precedes in the above order shall prevail, unless in the context it is explicitly stated otherwise.

1.3 DEFINITIONS:

1.3.1 APPROVED OFFICE

Approved office means the registered office of a Trading Member including such premises or offices from which the Trading Member is allowed by the Exchange to trade on the Trading system and carry out back office works.

1.3.2 APPROVED WORKSTATION

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

1.3.3 AUTHORISED PERSON

Authorised Person means a person being an individual, registered partnership firm or a body corporate or company as defined under the Companies Act, 1956 who is approved as such by the Exchange and who is employed whether through a contract of employment or otherwise by a Trading member / Participant for remuneration (whether by way of salary, commission, allowance or otherwise) expressed in terms of money or capable of being so expressed and gets such remuneration directly or indirectly from the trading member or a Participant for any activity relating to the trades done and executed on the Exchange.

1.3.4 BOOKS OF ACCOUNTS, RECORDS AND DOCUMENTS

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

1.3.5 BRANCH OFFICE

Branch office in relation to a Trading Member means:-

- (a) any establishment described as a branch
- (b) any establishment carrying on either the same or substantially the same activity as that carried on by the head office
- (c) any other place which the Exchange may notify

1.3.6 CLEARING DELIVERY

"Clearing delivery" means clearing and settlement through the Clearing House in the manner prescribed in the relevant regulations of the Exchange.

1.3.7 CONSTITUENT

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

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

1.3.8 HAND DELIVERY

"Hand delivery" means delivery and payment within the time or on the date stipulated when entering into the contract which time or date shall not be more than fourteen days following the date of the contract.

1.3.9 MARKET TYPE

Market type refers to the different markets in which trading is permitted on the Trading system and includes Regular Markets, Auction Markets, Negotiated Markets.

1.3.10 MEMBER-CONSTITUENT AGREEMENT

Member-Constituent agreement is an agreement which is executed between a Trading Member and its constituent as per the Exchange requirements.

1.3.10A MEMBER-SUB BROKER AGREEMENT

Member-Sub broker agreement is an agreement which is executed between a Trading Member and his Sub-broker as per the Exchange requirements.

1.3.10 B MEMBER-SUB BROKER-CONSTITUENT AGREEMENT

Member-Sub broker-Constituent agreement is a tripartite agreement which is executed among the Trading Member, Sub-broker and its Constituent as per the Exchange/SEBI requirements.

1.3.11 NOTIFICATION, NOTICE OR COMMUNICATION

- (1) It refers to any such intimation that can be served at 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:-
 - (a) by post
 - (b) by registered post
 - (c) under certificate of posting
 - (d) by speed post / courier services.
 - (e) by telegram
 - (f) by affixing it on the door at the last known business or residential address
 - (g) by oral communication to the party in the presence of a third person
 - (h) 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
 - (i) by sending a message through the Trading System
 - (j) by electronic mail or fax
 - (k) by hand delivery
- (2) Any communication sent by the Exchange to any party shall be deemed to have been properly delivered or served, even if such communication is returned to the 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 ways mentioned in clause (1) above.

1.3.12 NSE

NSE means the National Stock Exchange of India Limited. The terms NSE and Exchange are used interchangeably.

1.3.13 PARTICIPANT

Participant refers to an entity as defined under Chapter VI of the Byelaws of National Stock Exchange of India Limited.

1.3.13 A RISK DISCLOSURE DOCUMENT

Risk Disclosure Document refers to the document, to be issued by all trading members to all potential investors before registration, detailing the basic risks involved in trading on the Capital Market segment of the Exchange, the rights and obligations of the constituents, etc.

1.3.14 SPECIAL DELIVERY CONTRACT

"Special delivery contract" means delivery and payment within any time exceeding fourteen days but not exceeding two months following the date of the contract unless extended by the relevant authority as provided in the relevant Regulations of the Exchange.

1.3.15 SPOT DELIVERY CONTRACT

"Spot delivery contract" means delivery and payment on the same day as the date of the contract or on the next day.

1.3.15 A SUB-BROKER

Sub-broker means any person affiliated to a Trading Member, being an individual, registered partnership firm or a body corporate or company as defined under the Companies Act, who is recognised as such by the Exchange subject to such terms and conditions as it may deem fit.

1.3.16 TRADING MEMBER

Trading Member refers to an entity as defined under Chapter III of the Rules and Chapter V of the Byelaws of National Stock Exchange of India Limited.

1.3.17 TRADING SYSTEM

Trading System refers to NEAT Trading System of the Exchange. NEAT stands for National Exchange for Automated Trading.

1.3.18 TRADE TYPE

Trade Type means the types of trades in any security admitted to the official list of the Exchange and includes Normal market trades, Negotiated trades and Odd lot trades.

1.3.19 TRANSACTION TYPE

Transaction type refers to the different transaction types which are permitted on the Trading System and includes spot delivery, hand delivery, special delivery and clearing delivery transactions.

1.3.20 USER

An User is a person as approved by the Exchange under Regulation 2.2.8 of the National Stock Exchange (Capital Market) Trading Regulations, 1994.

2. DEALINGS ON THE EXCHANGE

2. DEALINGS ON THE EXCHANGE

2.1 TRADING SYSTEM

- 2.1.1** The Exchange shall provide an Automated Trading facility in all the Securities admitted for dealings on the Capital Market and such a system shall herein after be referred to as **NEAT** (National Exchange for Automated Trading) system.
- 2.1.2** Trading on the Exchange shall be allowed only through approved Workstation(s) located at approved locations for the office(s) of a Trading Member. If an approved workstation of a Trading Member is connected by LAN or any other way to other workstations at any place it shall require an approval of the Exchange.
- 2.1.3** Each Trading Member/Participant shall have a unique identification number which shall be provided by the Exchange and which shall be used to log on (sign on) to the system.
- 2.1.4** A Trading Member/Participant shall have a non-exclusive permission to use the Trading system as provided by the Exchange in the ordinary course of business as Trading Member/Participant.
- 2.1.5** A Trading Member/Participant shall not have any title, rights or interest with respect to Trading System, its facilities, software and the information provided by the NEAT.
- 2.1.6** The permission to use the Trading System shall be subject to payment of such charges as the Exchange may from time to time prescribe in this regard.
- 2.1.7** A Trading Member/Participant shall not, permit itself or any other person(s) to:
- (a) use the software provided by the Exchange for any purpose other than the purpose as approved and specified by the Exchange
 - (b) use the software provided by the Exchange on any equipment other than the workstation approved by the Exchange
 - (c) copy, alter, modify or make available to any other person the software provided by the Exchange
 - (d) use the software in any manner other than the manner as specified by the Exchange
 - (e) attempt directly or indirectly to decompile, disassemble or reverse engineer the same.
- 2.1.8** A Trading Member/Participant shall not, by itself or through any other persons on his behalf, publish, supply, show or make available to any other person or reprocess, retransmit, store or use the facilities of the Trading System or the information provided by the Trading System except with the explicit approval of

the Exchange and in the ordinary course of business to complete the transactions on the Exchange.

2.1.9 The Exchange shall provide its services on a best effort basis. However the Exchange shall not be liable for failure of the system or for any loss, damage, or other costs arising in any way out of:

- (a) telecom network or system failures including failure of ancillary or associated systems, or fluctuation of power, or other environmental conditions; or
- (b) accident, transportation, neglect, misuse, errors, frauds of the Trading Member/Participant or its Authorised Persons or the agents or any third party; or
- (c) any fault in any attachments or associated equipment (either supplied by the Exchange or approved by the Exchange) which forms or does not form part of the trading workstation installation; or
- (d) act of God, fire, flood, war, act of violence, or any other similar occurrence; or
- (e) any incidental, special or consequential damages including without limitation of loss of profit.

2.1.10 Without prejudice to anything contained in 2.1.9, such failure shall not reduce, alter or affect the liability of the Trading Member/Participant in respect of any trades to which it is a party.

2.1.11 No Trading Member shall deal on or access the NEAT system or related facilities through another Trading Member or on behalf of another Trading Member, unless the prior approval of the Exchange in writing is obtained in this regard.

2.1.12 (a) A Trading Member/Sub-broker shall not deal with another Trading Member/Sub-broker for proprietary trading or for trading on behalf of Constituents, unless the prior permission of the Exchange in writing is obtained in this regard. The Exchange while granting such permission shall consider the reasons stated by the Trading Member/Sub-broker and after carrying out due diligence may allow such Trading Member/Sub-broker to deal with only one Trading Member/Sub-broker of the Exchange.

(b) A Trading Member/Sub-broker can deal with only one broker/sub-broker of another stock exchange for proprietary trading after intimating the name of such broker /sub-broker to the Exchange.

(c) A Trading Member can deal with only one broker of another stock exchange on behalf of Constituents after necessary registration as a sub-broker.

(d) A Sub-broker shall not be affiliated to more than one Trading Member of the Exchange.

2.2 TRADING MEMBERS AND USERS

2.2.1 Trading Members and participants shall be entitled to appoint, subject to such terms and conditions as may be specified by the Relevant Authority from time to time-

- (a) Authorised Persons;
- (b) Approved Users.

2.2.1.1 No person shall be approved as an Authorised Person if

- (a) he is an individual under 18 years of age;
- (b) he is already an authorised person of any other trading member;
- (c) any disciplinary action has been taken against him by the Exchange or any other Stock Exchange;
- (d) he is in the employment of any other trading member;

Provided however, sub-clauses (b), (c) & (d) are applicable to partnership firms and companies seeking approval as Authorised Person.

2.2.1.2 The Exchange shall have a right at any time to withdraw approval granted to an authorised person or suspend approval of an authorised person temporarily. However, the Relevant Authority, at its discretion, may afford an opportunity of being heard to such authorised person before or after such suspension; provided however, where no such opportunity of being heard is afforded, the relevant authority shall record the reasons for the same. Such suspension may be conditional and may be revoked on fulfillment of condition(s) specified, if any, to the satisfaction of the Exchange.

2.2.1.3 Without prejudice to the generality of the above, the Capital Market segment of the Exchange may withdraw any approval granted to such authorised person after giving an opportunity, if

- (a) he fails to abide by the Byelaws, Rules, Regulations and the guidelines or circulars thereunder,
- (b) he violates / contravenes any statute or the Rules or Regulations made thereunder,
- (c) on receipt of a request from the Trading Member or the Authorised Person through the Trading Member, subject to compliance with the requirements as may be prescribed by the Exchange.

- 2.2.1.4 Notwithstanding anything contained in Regulations 2.2.1.2 and 2.2.1.3, an authorised person shall cease to be so, ipso facto, on
- (a) the Trading Member to whom he is attached ceases to be a Trading Member: or
 - (b) On the expiry/cessation of this contract of employment with such Trading Member.
- 2.2.2** Each Trading Member/Participant shall be permitted to appoint such number of Users as may be notified from time to time by the Exchange.
- 2.2.3** The appointment of Users shall be subject to such terms and conditions as the Exchange may from time to time prescribe.
- 2.2.4** Each User shall be given an unique identification number through which he shall have access to the system.
- 2.2.5** A User can access the system through a password and can change such password from time to time.
- 2.2.6** A Trading Member/Participant or its Users thereof shall maintain complete secrecy of its password.
- 2.2.7** A User shall be required to change his password at the end of the password expiry period. The password expiry period shall be prescribed by the Exchange from time to time.
- 2.2.8** (a) Only persons who are registered as Trading Members and Participants in accordance with provisions of the Bye-Laws, Rules and Regulations of the Exchange or are agents of Trading Members for whom an application has been made to the Exchange by the Trading Members in accordance with the format specified by the Managing Director from time to time may be approved as Users.
- (b) [Deleted].
 - (c) No person shall be admitted as a User against whom any disciplinary action has been taken by the Exchange or any other Stock Exchange.
 - (d) No Trading Member/Participant shall without permission of the Exchange take into his employment a former Trading Member or User of such Trading Member as a User, if such Trading Member or User is one against whom any disciplinary action has been taken by the Exchange or any other Stock Exchange.
- 2.2.9** The Exchange shall have a right to reject any application made under 2.2.8 (a) or at any time withdraw any approval previously granted, or suspend a User temporarily from access to the system. Such suspension may be conditional and may be revoked on the fulfillment of condition specified, if any, to the satisfaction of the Exchange.

- 2.2.10** A Trading Member/Participant desiring to change the User Id or cancel the authority given to its User to operate the trading system on its behalf shall intimate the Exchange in writing, in such form and manner as the Exchange may specify, immediately on taking such action and obtain confirmation from the Exchange of having received such intimation, and of the disabling of the particular User by the Exchange. However the Trading Member/Participant will continue to be liable for all the activities reported on the basis of such or previous User Id undertaken upto a period of 24 hours after his obtaining a confirmation as mentioned above from the Exchange. The Trading Member shall cancel all his outstanding orders in respect of such User.
- 2.2.11** Whenever a User of the Trading Member/Participant ceases to act in such or any capacity with the Trading Member then each such Trading Member shall inform the Exchange, within 24 hours, the name and other particulars of such User.
- 2.2.12** No application shall be made by any Trading Member/Participant under 2.2.8(a), if such a person for whom such an application is made, is already an approved User of any other Trading Member/Participant.
- 2.2.13** The Exchange shall notify different level of the Users for each workstation provided. These levels shall define the access to the system by the Users and shall include a provision for inquiry only on the terminal, provision for order entry and trading, or such others as may be specified by the Exchange.
- 2.2.14** The Exchange may change the status of the User of the Trading Member from Trader to Inquiry only where circumstances warrant and intimate to such Trading Member any reasons thereof.
- 2.2.15** A Trading Member/Participant, shall not access the trading system using a different Trading Member/Participant or User Id other than the one allotted to him.
- 2.2.16** A User shall not attempt to aid in or access the trading system using the Trading Member code from a location other than the Trading Member's location, unless he has the express prior approval of the Trading Member for whom he is an approved User.
- 2.2.17** A Trading Member/Participant who wants the Exchange to reset his password, has to make a request in writing signed by the Trading Member/Participant indicating his Broker Id and User Id. A Trading Member/Participant shall not make a request for resetting the password of any other Trading Member/Participant.

2.3 TRADING DAYS

- 2.3.1** The Exchange shall operate on all days except Sundays and on such Exchange holidays as the Exchange may declare from time to time.
- 2.3.2** The Exchange may close the market on days other than or in addition to scheduled holidays or open the market on days originally declared to be holidays

under 2.3.1 to be called unscheduled opening or closing of the markets or segments and the decision of the Exchange in this matter shall be final and binding.

2.4 TRADING HOURS

2.4.1 The Exchange shall announce the normal trading hours for every calendar year in advance.

2.4.2 The Exchange may extend, advance or reduce trading hours by notifying Trading Members as and when it deems fit and necessary in this regard.

2.5 TRADING PARAMETERS

2.5.1 The Exchange shall from time to time specify various trading parameters relating to the Trading System.

2.5.2 The Exchange shall from time to time prescribe different order books that shall be maintained on the Trading System and shall specify such various conditions on the order that will make it eligible to place it in those books. Such conditions may include '**MINIMUM FILL**' and '**ALL OR NONE**' and other order attributes such as '**DISCLOSED QUANTITY**', '**IMMEDIATE OR CANCEL**' and '**ON STOP**'

2.5.3 The Exchange shall specify the minimum disclosed quantity for orders that will be allowed.

2.5.4 The Exchange shall specify the number of days after which Good Till Cancelled orders will be cancelled by the system.

2.5.5 The Exchange shall specify from time to time the lot size in which orders can be placed for any or all securities traded on the Exchange.

2.5.6 The Exchange shall specify from time to time price steps in which orders shall be entered on the trading system of the Exchange.

2.6 TRADE TYPES/SETTLEMENT PERIODS/TRANSACTION TYPES

2.6.1 The Exchange shall permit and notify different kinds of trades in the securities included in the official list of NSE securities which shall include:

- (a) Regular market trades
- (b) Odd lot trades
- (c) Negotiated trades.

2.6.2 The Exchange shall prescribe from time to time different trade types, market types, that will be permitted to Trading Members or Participants for dealings in securities.

2.6.3 The Exchange shall prescribe from time to time the different settlement periods that will be permitted for Trading Members or securities and will be in conformity with the settlement Regulations of the Exchange.

2.6.4 The Exchange shall allow from time to time different transactions types which shall include transaction for clearing, hand, special and spot delivery.

2.7 FAILURE OF TRADING MEMBERS' TERMINAL

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

3. DEALINGS IN SECURITIES

3.1 DEALINGS IN SECURITIES

- 3.1.1** Dealings shall be permitted on the Exchange in securities as provided in these Regulations and Byelaws of the Exchange and for such categories of Trading Members/Participants, trade types, market types, settlement periods and for such trading hours as the Exchange may specify from time to time.
- 3.1.2** The Exchange may at its discretion at any time suspend trading in particular securities as it deems fit. Such suspension shall take effect, on such conditions and in such time and manner as the Exchange may prescribe in this regard.
- 3.1.3** The Exchange may also revoke suspension of trading in securities at any time.
- 3.1.4** Trading Members may trade on the Trading System in securities that are admitted for dealing on the Exchange, either on behalf of their constituents or on their own account unless otherwise specified by the relevant authority and trading shall be subject to such conditions as the Exchange may prescribe from time to time.
- 3.1.4 A** When a Trading Member enters an order on behalf of a Mutual Fund or any of its Schemes, Foreign Institutional Investor or any of its sub-account holders, then such a Trading Member shall at the time of entering orders on behalf of such clients, enter the unique code in respect of such Mutual Fund or its Scheme, Foreign Institutional Investor or any of its sub-accounts in such format and with effect from such date as may be notified by the Exchange.
- 3.1.5** The Exchange may, at any time restrict conditionally or unconditionally a Trading Member/Participant from dealing in a specified security.
- 3.1.6** The Trading Member/Participant shall continue to be liable for all trades executed on the system for orders entered into the system on his behalf. Trading Member/Participant shall be responsible for all the actions of their authorised persons.
- 3.1.7** Without prejudice to Regulation 4.5.3 (c) and (d), a Trading Member shall be responsible for all the actions including trades originating through or with the use of all following variables - Trading Member Id, User Id, valid User password at that point of time. However if the Trading Member satisfies the Exchange that the action(s) and /or trade(s) took place due to fraud or misrepresentation by any other person other than his authorised person(s) and that the action(s) and/or trades did not originate from any of his approved workstations, the Exchange may issue such directions as it considers just and reasonable. The directions may include referring the matter to arbitration and /or annulment of trade(s) so effected.

3.1.8 Particulars of Unique Client Code

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

3.1.9 The Trading Member shall, in respect of all transactions in a scrip, where total quantity of shares bought/sold under proprietary or any single client code is more than 0.5 % of the number of equity shares of the company listed on the Exchange, disclose to the Exchange immediately upon execution of the trade, the name of the scrip, name of the Constituent, quantity of shares bought / sold and the traded price. The Exchange shall disseminate such information on the same day after market hours to the general public. The information is to be furnished to the Exchange in such format and within such time as may be prescribed by the Exchange from time to time.

3.1.10 Every Trading Member and the Sub-broker shall comply with the SEBI (Central Database of Market Participants) Regulations, 2003. The Trading Member shall ensure that his Constituents comply with the SEBI (Central Database of Market Participants) Regulations, 2003.

3.2 TRADE OPERATIONS

3.2.1 Trading Members shall ensure that appropriate confirmed order instructions are obtained from the constituents before placement of an order on the system and shall keep relevant records or documents of the same and of the completion or otherwise of these orders thereof.

Notwithstanding the above, wherever the order instructions are received from clients through the telephone, Members shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.

3.2.2 The Trading Member shall make available to his constituent the NEAT order number and copies of the order confirmation slip / modification slip be despatched to the constituent.

3.2.3 However where the Trading Member has accumulated the orders of several constituents to meet the requirement of the Regular lot quantity he may give his own order number referred to as the Reference Number, together with a reference to the NEAT Order Number, to the constituent.

3.2.4 The procedures and conditions for amendment or cancellation of orders would be subject to such conditions and as specified by the Exchange from time to time.

- 3.2.5** Trading Members shall be solely responsible for the accuracy of details of orders entered into the trading system including orders entered on behalf of his constituents.
- 3.2.6** A potential trade match shall be subject to validation for turnover limits. A turnover limit refers to the maximum value of trades that a Trading Member/Participant will be permitted to execute on the trading system. Subject to the provisions relating to capital adequacy norms and turnover limits as may be specified by SEBI or other regulatory authorities from time to time, turnover limits shall be prescribed by the Exchange, Trading Memberwise, for all transactions done by him on the Exchange. The Exchange may specify from time to time the manner in which all regulations relating to turnover limits shall apply.
- 3.2.7** Trades generated on the system are irrevocable and 'locked in'. The Exchange may specify from time to time the markets in which trade cancellation can be effected.
- 3.2.8** Where a trade cancellation is permitted and Trading Member wishes to cancel a trade, it may be done only with the approval of the Exchange and in the following manner:
- (a) The Trading Member wishing to cancel the trade shall initiate a cancellation request to the Exchange. The counter Trading Member to the trade too will have to put in his cancellation request separately.
 - (b) Where a Trading Member initiates such request the onus shall be on the Trading Member to ensure that he receives a written request from the constituent.
 - (c) Where a trade cancellation request(s) comes to Exchange from only one party to trade and is/are pending with the Exchange as a result of it being not confirmed by the counterparty to such trade till such time as may be notified by the Exchange, such request may be cancelled at the discretion of the Exchange.
 - (d) The Exchange shall not consider any request for a Trade Cancellation after such period after the market close on a trading day as may be notified from time to time.
 - (e) The Exchange shall not give the reasons for rejection or approval of any such trade cancellation request.
 - (f) The Exchange may cancel a trade suo-motu without any request by either of the parties to the trade at any time without giving any reason thereof which cancellation shall be final and binding upon the parties to the trade. In the event of such cancellation, Trading Member shall be entitled to cancel relative contract(s) with his constituents.

3.3 MARGIN REQUIREMENTS

- 3.3.1** Subject to the provisions as contained in the Exchange Bye-laws and such other regulations as may be in force, every Trading Member/Participant shall in respect of trades in which he is a party, deposit a margin with Exchange authorities, in the

manner and to the extent and from such date as may be specified by the Exchange. Whenever a margin is payable by a Participant, it shall pay such margins directly to the Exchange, unless otherwise directed by the Exchange including VaR margins on an upfront basis.

3.3.2 The Exchange shall prescribe from time to time the securities, the settlement periods and trade types for which margin would be attracted.

3.3.3 The margin shall be deposited with the Exchange within such time as may be notified by the Exchange from time to time.

3.3A COMPOSITION OF ADDITIONAL CAPITAL AND MARGINS

3.3A.1 The relevant authority may specify the requirements of additional capital and margins for the Trading Members. The minimum cash component of such additional capital and margins shall be 50% and the cash component may be in the form of cash or cash equivalents. Cash equivalents are as follows:-

- (a) Cash equivalent shall include FDRs, bank guarantees (as specified in Regulation 3.3A.1d), government securities and units of the schemes of liquid mutual funds or government securities mutual funds (by whatever name called which invest in government securities).
- (b) The margin for government securities shall be such as may be prescribed from time to time by the relevant authority but not less than 10%.
- (c) The margin for units of the schemes of liquid mutual funds or government securities mutual funds (by whatever name called which invest in government securities) shall be such as may be prescribed from time to time by the relevant authority but not less than 10% of Net Asset Value (NAV).
- (d) The bank guarantees shall be considered as cash equivalent only if the guarantees have been provided by the banks whose networth is more than Rs. 500 crores; Provided further
 - (i) the relevant authority may lay down the exposure limits either in rupee terms or otherwise subject to limits set by SEBI.
 - (ii) the exposure as mentioned above would include guarantees provided by the bank for itself or for others as well as debt or equity securities of the bank which have been deposited by members for additional capital or margins.

3.3A.2 The relevant authority specifies the following securities, including equity shares, units of mutual funds which could be considered as eligible securities and margin for the purpose of non-cash component of base minimum capital, additional capital and margin.

- (a) Equity shares classified in Group I at the Exchange in accordance with the parameters of volatility and liquidity as stipulated by SEBI and specified by relevant authority shall be eligible as security for the non-cash component of the additional capital and margin, subject to margin equivalent to the respective VaR of the equity shares.
 - (b) Units of all mutual funds shall also be eligible security for the purpose of non-cash component of additional capital and margin subject to a margin equivalent to the VaR of the unit's NAV plus any exit load charged by the mutual fund.
 - (c) The valuation of the equity shares and units of mutual funds above shall be done on a daily basis.
 - (d) The eligible shares for the purpose of the securities portion of the base minimum capital shall only be those which are classified as Group I, in terms of the parameters of volatility and liquidity as stipulated by SEBI and specified by the relevant authority subject to a standard margin of 15%. The valuation for these shares would be done atleast once a week.
- 3.3.4** The Exchange shall prescribe from time to time such categories of securities that would be eligible for a margin deposit as also the method of valuation and amount of securities that would be required to be so deposited against the margin amount.
- 3.3.5** The Exchange shall at any time, exempt any Trading Member/Participant or category of Trading Members/Participants from all or any of the margin requirements stipulated or modify the specific requirements for a Trading Member/Participant.
- 3.3.6** The procedure for refund/adjustment of margins will be such as may be notified by the Exchange from time to time.
- 3.3.7** The Exchange shall from time to time, impose upon any particular Trading Member/Participant or category of Trading Member/Participant any special or other margin requirement.

3.4 ORDERMANAGEMENT

3.4.1 ORDER TYPE

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

3.4.2 ORDER ATTRIBUTES

- (a) The Exchange shall from time to time allow various order attributes subject to restrictions as prescribed in the trading parameters, which will include
 - (i) ON STOP

- (ii) DISCLOSED QUANTITY
- (iii) IMMEDIATE OR CANCEL
- (iv) GOOD TILL DAY
- (v) GOOD TILL CANCELED
- (vi) GOOD TILL DATE
- (b) The attributes of special term order shall be specified by the Exchange from time to time and shall include
 - (i) MINIMUM FILL
 - (ii) ALL OR NONE
- (c) The Exchange shall specify the order types and order attributes permitted for different market types, trade types, etc.

3.4.3 MODIFICATION AND CANCELLATION OF ORDERS

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

3.4.4 ORDER VALIDATION

Orders entered into the Trading System by Trading Members shall be subject to various validation requirements as prescribed by the Exchange from time to time including trading parameters, turnover limits and/or other restrictions placed on traded securities. Orders that do not meet the validation checks will not be accepted by the Trading System.

3.4.5 MATCHING RULES

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

- (e) The trading system shall store orders for the purpose of matching in different order books including:
 - (i) Regular lot book.
 - (ii) Special Term order book.
 - (iii) On Stop order book.

3.5 CONTRACT NOTE

- 3.5.1** Every Trading Member shall issue a contract note to his constituents for trades executed in such format as may be prescribed by the Exchange from time to time with all relevant details as required therein to be filled in and issued in such manner and within such time as prescribed by the Exchange.
- 3.5.2** A contract note shall be signed by a Trading Member or his Authorised signatory or constituted Attorney.
- 3.5.3** The Contract Notes shall be numbered with unique running serial number commencing from one which shall be reset only at the beginning of every financial year. In case separate series are maintained in respect of different dealing offices of the trading member, then the dealing office name or code shall be prefixed to the serial number.
- 3.5A** Notwithstanding anything contained in Regulation 3.5, a contract note may also be issued by a Trading Member in electronic form in such format as may be prescribed by the Exchange from time to time duly authenticated by means of a digital signature as specified in the Information Technology Act, 2000 and the Rules made thereunder.

3.6 BROKERAGE

- 3.6.1** All the orders entered on the Trading System shall be at prices exclusive of brokerage.
- 3.6.2** Trading Members shall charge brokerage at rates not exceeding such scale as the Exchange may from time to time prescribe.
- 3.6.3** A Trading Member shall charge brokerage separately to their constituents and this shall be indicated separately from the price, in the contract note.

3.7 TURNOVER LIMITS

The Exchange has a right to impose limits with or without reasons on turnover position of Trading Members.

- (a) The Exchange shall set turnover limits for each Trading Member.
- (b) The Exchange shall use the total consideration for the trade to maintain this limit.
- (c) The turnover figure for each member would include the next possible potential match (i.e. the next trade to be executed)

3.8 INTEREST, DIVIDEND, RIGHTS/BONUS AND CALLS

The buyer shall be entitled to receive all coupons, dividends, bonus, rights and other privileges which may appertain to securities cum coupon, cum dividend, cum bonus, cum rights, etc. and the seller shall be entitled to receive all coupons, dividends, bonus issues, rights and other privileges which may appertain to securities sold ex coupon, ex dividend, ex bonus, ex rights, etc.

3.9 MARGIN FROM THE CONSTITUENTS

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

The Trading Members shall buy securities on behalf of the constituent only on the receipt of margin of minimum such percentage as the relevant authority may decide from time to time, on the price of the securities proposed to be purchased, unless the constituent already has an equivalent credit with the broker. The Trading Member may not, if so desire, collect such a margin from Financial Institutions, Mutual funds and Foreign Institutional Investors.

The Trading Members shall buy securities on behalf of the constituent only on the receipt of margin of minimum of such percentage as the relevant authority may decide from time to time, on the price of the securities proposed to be sold, unless the Trading Member has received the securities to be sold with valid transfer documents to his satisfaction prior to such sale. The Trading Member may not, if so desire, collect such a margin from Financial Institutions, Mutual funds, and Foreign Institutional Investors.

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

The Trading Member may keep the unutilised margin deposits of his client in bank deposits and pay interest on the same at such rate as may be mutually agreed in writing between the Trading Member and his constituent out of the interest accrued on the said deposits.

3.10 TRADING MEMBER IN DEFAULT

For the purpose of Byelaw 8 of Chapter X of the Byelaws of the Exchange, the period within which a constituent shall close out his contract shall be seven trading days from the date of pay out of securities due to him; Provided however, if the constituent has not effected the close out as stated above, he shall be deemed to have closed out at the highest price of the said security deliverable to

him from the date of trading till the 7th trading day from the date of pay out and loss or damage referred in the said Byelaw shall be ascertained accordingly.

3.11 CONSTITUENT IN DEFAULT

If a Constituent fails to make payment of consideration to the trading member in respect of any one or more securities purchased by him before the pay-in date notified by the Exchange from time to time, the Trading Member shall be at liberty to sell the securities received in pay-out, in proportion to the amount not received, after taking into account any amount lying to the credit of the Constituent, by selling equivalent securities at any time on the Exchange not later than the fifth trading day reckoned from the date of pay-in. If the trading member has not sold the securities for any reason whatsoever, such securities shall be deemed to have been closed out at the close out price declared by the Exchange for the fifth trading day. The loss, if any, on account of the close out shall be to the account of the Constituent.

If a Constituent fails to deliver any one or more securities to the pool account of the trading member in respect of the securities sold by him before the pay-in date notified by the Exchange from time to time, such undischarged obligation in relation to delivering any one or more securities shall be deemed to have been closed out at the auction price or close-out price, as may be debited to the Trading Member in respect of the security for the respective settlement, to the extent traceable to the Constituent who has failed to deliver; otherwise the close out price on the date of pay-out in respect of the relevant securities, declared by the Exchange. The loss, if any, on account of the close out shall be to the account of the Constituent.

Subject to what is stated above, no further claims shall lie between the Constituent and Trading Member.

Explanation: If for any reason, schedule of pay-in and pay-out is modified the above provision shall be made applicable reckoning the actual date of pay-in and/or pay-out, as the case may be.

3.12 MARGIN TRADING FACILITY

Every Trading Member of the Exchange who desires to provide Margin Trading facility to his Constituents may be permitted by the Exchange to do so subject to such norms, guidelines, eligibility criteria as may be prescribed by SEBI or the Exchange from time to time.

For the purpose of this Regulation ‘Margin Trading facility’ means and refers to the facility pursuant to which part of the transaction value due to the Exchange, at the time of purchase of securities, shall be paid by the Trading Member on behalf of the Constituent on Constituent’s request, subject to norms, guidelines

prescribed by SEBI or the Exchange from time to time and on such terms as may be mutually agreed between the Trading Member and the Constituent.

3.13 COLLECTION OF SECURITIES TRANSACTION TAX

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

3.14 The trading members shall –

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

4. CONDUCT OF BUSINESS BY TRADING MEMBERS

4.1 OFFICE RELATED PROCEDURE

- 4.1.1** No Trading Member shall carry on in any office or premises any activity connected with or pertaining to its operations as a Trading Member of the Exchange unless it has intimated to the Exchange the full address of such office or premises with details of the activity proposed to be so carried on therein and the person in whose supervision and control it is to be so carried on.
- 4.1.2** Each office, department for trading on the NSE, shall be under the supervision and control of the Trading Member establishing it and of the personnel delegated with such authority and responsibility in this regard.
- 4.1.3** Every Trading Member shall ensure that all persons acting in his behalf on the Trading System shall subscribe at all times to high standards of professional expertise and integrity.
- 4.1.4** Each Trading Member shall at all times maintain such infrastructure, staff, communication facilities and records so as to be able to service his constituents satisfactorily and as per the requirements enumerated in the Exchange Bye-laws, Rules and Regulations or any other relevant Act(s) in force for the time being.
- 4.1.5** Where the Exchange feels it necessary, in the public interest to do so, it may at its own instance or on a complaint from another Trading Member or client, seek explanation from the Trading Member regarding the level of service or professional conduct of the Trading Member or any of his staff where such service or conduct has been found unsatisfactory or contrary to principles enumerated in the Exchange Bye-laws, Rules and Regulations, or notifications, directions or circulars issued thereunder.

4.2 SUPERVISION

4.2.1 PROCEDURES TO BE FOLLOWED

- (a) Each Trading Member shall establish, maintain, and enforce procedures to supervise its business and to supervise the activities of its employees that are reasonably designed to achieve compliance with the NSE Bye-laws, Rules and Regulations and any notifications, directions etc. issued thereunder as well as the relevant statutory Acts.
- (b) The Trading Member for the purpose of better control may, if it so desires, maintain an internal record of the names of all persons who are designated as supervisory personnel and the dates for which such designation is or was effective.
- (c) Every Trading Member shall specifically authorise in writing person or persons, who may be authorised to transact on behalf of the Trading Member and to do such acts which Trading Member may wish to delegate to such person and make available a copy of such power of attorney to the Exchange before such person transacts any business on the Exchange.

- (d) A Trading Member shall maintain such records and make available to inspection by any person authorised in this behalf by the Exchange, the information related to such Trading Member's financial condition as prescribed by the Exchange for this purpose.
- (e) The Trading Member shall pay such fees, charges and other sum as the Exchange may notify from time to time, in such time and manner as required by the Exchange.
- (f) No Trading Member shall permit or effect or cause to be permitted or effected any change in the status or constitution, or enlargement, modification or restriction of its activities or operations, or commencement, modification or termination of any arrangement or understanding (not being an agreement executed with a constituent in terms of the Regulations) with any entity with respect to its operations as a Trading Member, unless the prior approval of the Exchange in writing is obtained in respect thereof.

4.2.2 INTERNAL INSPECTIONS

Each Trading Member shall conduct a review, at least annually, of the business in which it engages, which shall be reasonably designed to assist in detecting and preventing violations of and achieving compliance with Bye Laws, Rules and Regulations.

4.2.3 WRITTEN APPROVAL

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

4.2.4 QUALIFICATIONS INVESTIGATED

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

4.3 RELATION WITH THE CONSTITUENTS

- 4.3.1** Every Trading Member shall enter into an agreement with each of his constituents, i.e. clients, before accepting or placing orders on the constituent's behalf. Such agreement, shall include provisions specified by the Exchange in this behalf and shall be in such format as may be prescribed by the Exchange from time to time. The term constituent herein shall not include a Participant. The Exchange may categorise constituents into such types as may be necessary for the above purpose and specify the clauses to be included in agreements to be entered into by the Trading Member depending on the category of such constituent. However the Trading Member's responsibility shall not in any way be reduced due to non-execution of agreement with the constituent;

Provided however, a Trading Member and a Constituent, who is a SEBI registered Foreign Institutional Investor, Mutual Fund, Venture Capital Fund and Foreign Venture Capital Investor, Scheduled Commercial Bank, Multilateral and Bilateral Development Financial Institution, State Industrial Development Corporation, Insurance Company registered with IRDA and Public Financial Institution as defined under Section 4A of the Companies Act, 1956, may, at their discretion, decide about the requirement of entering into such agreement.

4.3.1 A Every Trading Member shall enter into an agreement with each of his Sub-brokers, before accepting or placing orders on behalf of the Constituents of the Sub-broker. Such agreement shall include provisions specified by the Exchange in this behalf and shall be in such format as may be prescribed by the Exchange from time to time. However the Trading Member's responsibility shall not in any way be reduced due to non-execution of agreement with the Sub-broker.

4.3.1 B Every Trading Member and each of his recognised Sub-brokers affiliated to him shall enter into a tripartite agreement from such date as may be specified by SEBI / the Exchange, with each of the Sub-broker's Constituents, i.e. clients, before accepting or placing orders on the Constituent's behalf. Such agreement shall include provisions specified by the Exchange in this behalf and shall be in such format as may be prescribed by the Exchange from time to time. However the Trading Member's and Sub-broker's responsibility shall not in any way be reduced due to non-execution of agreement with the Constituent.

4.3.2 When establishing a relationship with a new client, Trading Members must take reasonable steps to assess the background, genuineness, financial soundness of such person and his investment objectives by obtaining from the new client/constituent a Constituent Registration Form in such format as may be prescribed by the Exchange from time to time;

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

4.3.2 A Prior to registering Constituents, every Trading Member is required to identify his Constituents and to ensure 'in-person' verification of the Constituents as per guidelines as may be prescribed by the Exchange from time to time.

4.3.2 B The trading members shall give, free of charge, a copy of all the documents executed by his Constituent with him within such time, from the date of such execution, as may be prescribed by the Exchange from time to time and shall obtain Constituent's acknowledgement on receipt of the same.

- 4.3.3** Trading Member shall make the Constituent aware of trading segment to which Trading Member is admitted, particulars of SEBI registration number, employee primarily responsible for the Constituents affairs, the precise nature of the Trading Member's liability for business to be conducted, basic risks involved in trading on the Exchange (equity and other instruments) including any limitations on the liability and the capacity in which the Trading Member acts and the Constituent's liability thereon, investors' rights and obligations, etc. by issuing to the Constituent a Risk Disclosure Document in such format, as may be prescribed by the Exchange from time to time and shall obtain the same from his Constituents duly signed, from such date as may be specified by the Exchange. Signing of the Risk Disclosure Document is optional in case of institutional clients
- 4.3.4** The Trading Member shall provide extracts of relevant provisions governing the rights and obligations of constituents as constituents of Trading Members including Participants as prescribed in the Bye-laws, Rules and Regulations, relevant manuals, notifications, circulars, any additions or amendments thereto etc. of the Exchange, or of any regulatory authority, to the extent it governs the relationship between Trading Members and constituents, to the constituents at no extra cost. The Trading Member shall also bring to the notice of his constituents, including Participants any indictments, penalties etc. imposed on him by the Exchange or anyother regulatory authority.
- 4.3.5** Recommendations to the constituents:
- (a) A Trading Member shall make adequate disclosures of relevant material information in its dealing with his constituents.
 - (b) No Trading Member or person associated with the Trading Member shall guarantee a constituent against a loss in any securities transactions effected by the Trading Member with or for such constituent.

4.4 GUIDELINES GOVERNING RELATIONSHIP BETWEEN TRADING MEMBER AND CONSTITUENT

- 4.4.1** The Trading Member shall not recommend to the constituent a sale or purchase of securities traded on the Trading System, unless he has reasonable grounds to believe that such recommendation is suitable for the constituent on the basis of the facts, if any, disclosed by the constituent, whether in writing or orally, regarding the constituent's security holdings, financial soundness and investment objectives.
- 4.4.2** The Trading Member shall make adequate disclosures of relevant material information in dealing with the constituent including the current best price of trade and trade or order quantities on the Trading System, as also any allocation policy inter se constituents, any relevant announcement from the Exchange relating to margin, trading restrictions as to price, quantity or where the Trading Member is the counter party to a trade executed on the NEAT with the constituent.

- 4.4.3** Where the Trading Member manages a discretionary account for or on behalf of the constituent, he should abide by the Securities and Exchange Board of India (Portfolio Managers) Rules and Regulations, 1993.
- 4.4.4** The Trading Member shall not furnish any false or misleading information or advice with a view to inducing the constituent to do business in particular securities and which will enable the Trading Member to earn a gain thereby.
- 4.4.5** The Trading Member shall explain the NEAT Trading System and order matching process to the constituent before accepting any orders from him.
- 4.4.5 A** Trading Members shall inform their Constituents whether they do client based trading or Pro-account trading. Trading Members shall disclose the aforesaid information-
- (a) to their existing Constituents within such period as specified by the Exchange;
 - (b) to their new Constituents upfront at the time of entering into Member-Client Agreement;
 - (c) to their Constituents before carrying out any Pro-account trading, in case they presently do not do Pro-account trading, but choose to do so at a later date.
- 4.4.6** Where the constituent requires an order to be placed or any of his order to be modified after the order has entered the system but has not been traded, the Trading Member may, if it so desires, obtain order placement/modification details in writing from the constituent. The Trading Member shall accordingly provide the constituent with the relevant order confirmation/modification slip or copy thereof, forthwith, if so required by the constituent.
- 4.4.7** Where the constituent requires any of his orders to be cancelled after the order has been entered in the system but has not been executed, the Trading Member may, if it so desires, obtain the order cancellation details in writing from the constituent. The Trading Member shall accordingly provide the constituent with the relevant order cancellation details, forthwith, if so required by the constituent.
- 4.4.8** The Trading Member may, if it so desires, obtain in writing, the delivery and payment requirement in any instructions of an order that it receives from the constituent. Where a Trading Member receives a request for order modification or order cancellation from the constituent, it shall duly bring it to their notice that if the order results in a trade in the meantime, the requests for modification or cancellation cannot be executed.
- 4.4.9** The Trading Member shall not accumulate constituent's order / unexecuted balances of order where such aggregate orders / aggregate of unexecuted balance is greater than the Regular lot size, specified for that security by the Exchange. The Trading Member shall place forthwith all the accumulated orders where they exceed the Regular lot size.
- 4.4.10** The Trading Member agrees to act promptly in accordance with instructions provided by the constituent unless it has a discretion as to timing, in which case it must exercise its judgment as to the best moment.

- 4.4.11** The Trading Member shall provide constituent with a copy of the trade confirmation slip as generated on the Trading System forthwith on execution of the trade, if so desired by the constituent.
- 4.4.12** In addition to the guidelines issued by SEBI relating to the regulation of transactions between clients and brokers, member shall at all times keep the moneys of the constituent in a separate bank account.
- 4.4.13** Where the member is required to pay margin money on transaction executed on behalf of the constituent, it shall collect the same from the constituent in such form and manner as may be prescribed by NSEIL.
- 4.4.14** Where the constituent requires an executed trade to be cancelled, the Trading Member shall obtain a written request for trade cancellation from the constituent. In all instances of trade cancellation requests, the member shall explain to the constituent that the right to approve or reject such trade cancellation requests rests with the Exchange.
- 4.4.15** The Trading Member shall make pay out of funds or delivery of securities, as the case may be, to the Constituent within one (1) working day of receipt of the payout from the Exchange.
Provided, however, that in case the Constituent has given specific authorisation for retaining funds and securities, payout of such funds or delivery of such securities, as the case may be, may not be made within one working day from the receipt of payout from the Exchange, subject to such terms and conditions as may be prescribed by the Exchange from time to time.
- 4.4.16** (a) Trading Members should not accept cash from the Constituents whether against obligations or as margin for purchase of securities and/or give cash against sale of securities to the Constituents.
- (b) All payments shall be received / made by the Trading Members from / to the Constituents strictly by account payee crossed cheques / demand drafts or by way of direct credit into the bank account through EFT, or any other mode allowed by RBI. The Trading Members shall accept cheques drawn only, for their transactions.
- (c) Similarly in the case of securities also, giving / taking delivery of securities in 'demat mode' should be directly to / from the 'beneficiary accounts' of the Constituents except delivery of securities to a recognised entity under the approved scheme of the Exchange and /or SEBI.
- 4.4.17** Where a Power of Attorney is executed by the Constituent in favour of the trading member, authorising the trading member to operate Constituent's bank

and demat accounts, such Power of Attorney shall be subject to such terms and conditions as may be prescribed by the Exchange from time to time.

4.5 CODE OF CONDUCT FOR TRADING MEMBERS

4.5.1 ADHERENCE TO SEBI CODE OF CONDUCT

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

4.5.2 GENERAL PRINCIPLES

- (a) **Professionalism** : A Trading Member in the conduct of his business, shall observe high standards of commercial honour of just and equitable principles of trade.
- (b) **Adherence to Trading Practices** : Trading Members shall adhere to the Rules, Regulations and Byelaws of the Exchange and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the relevant authority as may be applicable from time to time.
- (c) **Honesty and Fairness**: In conducting his business activities, a Trading Member shall act honestly and fairly, in the best interests of his constituents.
- (d) **Capabilities** : A Trading Member shall have and employ effectively the resources and procedures which are needed for the proper performance of his business activities.

4.5.3 TRADING PRINCIPLES

- (a) Trading Members/Participants shall ensure that the fiduciary and other obligations imposed on them and their staff by the various statutory Acts, Rules and Regulations are complied with.
- (b) Trading Members/Participants shall ensure -
 - (i) that any employee who commits the Trading Members or Participants to a transaction has the necessary authority to do so
 - (ii) that employees are adequately trained in operating in the relevant market segment in which they deal, are aware of their own, and their organisation's responsibilities as well as the relevant Statutory Acts governing the Trading Member, the Rules, Regulations and Bye-laws of the Exchange including any additions or amendments thereof.
- (c) Without prejudice to regulation 3.1.6 and 3.1.7, a Trading Member shall be responsible for all the actions including trades originating through or with the use of all following variables - Trading Member Id, User Id, valid User password at that point of time. However if the Trading Member satisfies the Exchange that the action(s) and /or trade(s) took place due to fraud or misrepresentation by any other person other than his authorised person(s) and that the action(s) and/or trades did not originate from any of his approved workstations, the Exchange may issue such directions as it

- considers just and reasonable. The directions may include referring the matter to arbitration and/or annulment of trade(s) so effected.
- (d) When entering into transactions on behalf of constituents, the Trading Members shall ensure that they abide by the Code of Conduct and regulations as enumerated in the current chapter of these regulations.
 - (e) No Trading Member or person associated with a Trading Member shall make improper use of constituent's securities or funds.
 - (f) No Trading Member shall publish and circulate or cause to be published or circulated, any notice, circular, advertisement, newspaper article, investment service or communication of any kind which purports to report any transaction as a purchase or sale of any security unless such Trading Member can establish if called for that such transaction was a bonafide purchase or sale of such security or which purports to quote the purchase/sale price for any security unless such Trading Member can establish if called for that such quotation represents a bonafide order of such security.
 - (g) When entering into or arranging transactions, Trading Members must ensure that at all times great care is taken not to misrepresent in any way the nature of transaction.
 - (h) No Trading Member shall exercise any discretionary power in a client's account unless such client has given prior written authorization to a stated individual or individuals and the account has been accepted by the Trading Member, as evidenced in writing by the Trading Member.
 - (i) A Trading Member shall not act as a principal or enter into any agreement or arrangement with a client or client's agents, employees or any other person connected to the client, employee or agency, whereby special or unusual rates are given with intent to give special or unusual advantage to such client for the purpose of securing his business.
 - (j) The facility of placing orders on 'Pro-account' through trading terminals shall be availed by the Trading Members only at one location of the Trading Members as specified / required by the Trading Members. Any trading terminal located at a place other than the above location shall have a facility to place order only for and on behalf of a Constituent by entering client code details as required by the Exchange / SEBI. In case any trading member requires the facility of using 'Pro-account' through trading terminals from more than one location, such trading member shall request the Exchange stating the reason for using the 'Pro-account' at multiple locations and the Exchange may, on a case to case basis after due diligence, consider extending the facility of allowing use of 'Pro-account' from more than one location.

5.4 GENERAL GUIDELINES

A Trading Member shall desist from the following trading practices while conducting business on the Exchange.

(a) **Shielding or Assisting:**

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

(b) **Suspended Securities**

Except with the permission of the Exchange, business shall not be transacted by the Trading Member in securities which have been suspended from official quotation.

(c) **Misleading Transactions**

A Trading Member shall not-

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

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

A Trading Member who in the capacity of paying agent, transfer agent, trustee, or in any other similar capacity, has received information as to the ownership of securities, shall under no circumstances make use of such information for the purpose of soliciting purchases, sales except at the request and on behalf of the issuer.

4.6 UNFAIR TRADING PRACTICES

4.6.1 No Trading Member shall execute or cause to be executed or participate in an account for which there are executed purchases of any eligible security at successively higher prices, or executed sales of any such security at successively lower prices, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

4.6.2 No Trading Member shall, for the purpose of creating or inducing a false or misleading appearance of activity in an eligible security or creating or inducing a false or misleading appearance with respect to the market in such security,

- (a) enter any order or orders for the purchase of such security with knowledge that an order or orders of substantially the same size, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties, or
- (b) enter any order or orders for the sale of such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price for the purchase of such security has been or will be entered by or for the same or different parties.

4.7 Every Sub-broker shall comply with all relevant statutory Acts, including Securities Contracts (Regulation) Act, 1956 and Rules thereunder of 1957, and Securities Exchange Board of India Act, 1992 and Rules, Regulations and guidelines thereunder, Byelaws, Rules and Regulations of the Exchange and the requirements of and under any notifications, directives, guidelines and circulars issued by SEBI and/or the Exchange.

5. ARBITRATION

5.1 DEFINITIONS

- (a) '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.
- (b) 'arbitrator' means a sole arbitrator or a panel of arbitrators.
- (c) 'Appellate Arbitrator' shall mean a panel of arbitrators who hear the appeal filed against the arbitral award.
- (d) 'arbitral award' shall mean an award passed by the Arbitrator.
- (e) 'Appellate Arbitral Award' shall mean an award passed by the Appellate Arbitrator
- (f) 'Applicant' means the person who makes the application for initiating arbitral proceedings.
- (g) 'Respondent' means the person against whom the Applicant lodges an arbitration application, whether or not there is a claim against such person.

5.2 SEAT OF ARBITRATION

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

5.3 JURISDICTION OF COURTS

For the purpose of Byelaw 17 of Chapter XI of the Byelaws of the Exchange, the application under section 34 of the Act, if any, against the decision of the Appellate Arbitrator shall be filed in the competent court nearest to such regional centre where the Appellate Arbitral proceedings have been conducted.

5.4 REFERENCE OF THE CLAIM, DIFFERENCE OR DISPUTE

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

Provided further that in any claim difference or dispute which is less than Rupees Twenty Five Lakhs, if there is a counter claim in excess of Rupees

Twenty Five Lakhs, then the arbitration panel shall be expanded to three arbitrators from a sole arbitrator.

- (b) Where any claim, difference or dispute arises between Sub-broker and Client of the Sub-broker, in such claim, difference or dispute, the trading member, to whom such Sub-broker is affiliated, shall be impleaded as a party.

5.5 CRITERIA AND PROCEDURE FOR SELECTION OF PERSONS ELIGIBLE TO ACT AS ARBITRATORS

For facilitating arbitration, the Relevant Authority from time to time may specify as the following:

- (i) Eligibility criteria for arbitrators
- (ii) The declarations/disclosures/ undertakings to be given by arbitrators
- (iii) Code of conduct for arbitrators.
- (iv) List of arbitrators for each Regional Arbitration Centre.

5.6 PROCEDURE FOR APPOINTMENT OF ARBITRATORS

- (a) The Applicant shall submit the arbitration application to the Exchange in Form No.I/IA alongwith preferred choice of arbitrators in the descending order of preference.
- (b) Form No.I/IA received from the Applicant shall be forwarded by the Exchange to the Respondent.
- (c) The Respondent may choose his preference from the list submitted by the Applicant or submit his preferred choice of arbitrators in the descending order of preference in Form No.II /IIA within seven days of the receipt of Form No. I/IA from the Exchange.
- (d) On receipt of Form No. I/IA and II/IIA, the Relevant Authority shall identify and appoint an arbitrator(s) in the first instance from amongst the preferred choices indicated by the Constituent.
- (e) If the Constituent fails to provide the preferred choice of arbitrators, then the Relevant Authority shall identify and appoint an arbitrator(s) from amongst the preferred choices indicated by the other party to the arbitration application.
- (f) If both the parties to the arbitration fail to provide the preferred choice of arbitrators, then the Relevant Authority shall identify and appoint an arbitrator(s) from amongst the list of arbitrators.
- (g) In the case of arbitration matters which are to be decided by a panel of arbitrators, the appointed arbitrators shall select from amongst themselves

an arbitrator who shall act as a presiding 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.

- (h) The process of appointment of arbitrator shall be completed within 30 days from the date of receipt of application from the Applicant, subject to further period of extension by the Relevant Authority in case of hardships for the reasons to be recorded in writing. For the purpose of this clause, where deficiency in the application is found, the date of receipt of application shall be date on which the rectified application is received by the Exchange.

5.7 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 Relevant Authority shall appoint the arbitrator preferably from the list of arbitrators in Form No. I/IA and II/IIA already submitted by the Applicant and by the Respondent.

5.8 COST OF ARBITRATION

- (a) The parties to the claim, difference or dispute shall bear cost of arbitration. For this purpose, both the parties to arbitration shall make a deposit with the Exchange along with Form No. I/IA or Form No. II/IIA as the case may be, for defraying the costs that may be incurred for conducting the arbitration proceeding provided when there is failure, neglect or refusal by Respondent, being a constituent, to make a deposit accordingly, the Applicant shall be responsible for making such deposit. The Exchange shall have the right to recover the deposit from the trading member from the moneys due to it if the trading member fails to make the deposit.
- (b) Without prejudice to provisions of clause (a) above, in any claim, difference or dispute referred to arbitration pursuant to Byelaw 1(A) if the Sub-broker fails to make the deposit with the Exchange in accordance with the provisions of clause (a) above, then the trading member to whom such Sub-broker is affiliated shall be liable to make the deposit with the Exchange.
- (c) The amount of deposit, which has to be deposited is determined by the amount of the claim initially and thereafter determined based on a higher counter claim, if any, and is as specified below. The deposits (exclusive of statutory dues – stamp duty, service tax, etc.) shall not exceed the amount as indicated under

Amount of Claim /Counter Claim, whichever is higher (Rs.)	If claim is filed within six months	If claim is filed after six months
≤ 10,00,000	1.3% subject to a minimum of Rs.10,000/-	3.9% subject to a minimum of Rs.30,000/-
> 10,00,000 - ≤ 25,00,000	Rs. 13,000 plus 0.3% amount above Rs. 10 lakh	Rs. 39,000 plus 0.9% amount above Rs. 10 lakh
> 25,00,000	Rs. 17,500/- plus 0.2 % amount above Rs. 25 lakh subject to maximum of Rs. 30,000/-	Rs. 52,500/- plus 0.6 % amount above Rs. 25 lakh subject to maximum of Rs. 90,000/-

Six months shall be computed from the end of the quarter during which the disputed transaction(s) were executed/ settled, whichever is relevant for the dispute. The deposits shall be rounded off to nearest to Rs.10/-.

- (d) Notwithstanding anything contained above, if the amount of claim is less than or equal to Rs. 20 lakhs, then the cost of arbitration with respect to the Constituent, whether Applicant or Respondent, shall be borne by the Exchange provided the arbitration application has been filed within six months from the end of the quarter during which the disputed transaction(s) were executed/settled.
- (e) In all arbitration applications on issue of the arbitral award, the deposit shall be refunded by the Exchange to the party in whose favor the arbitral award has been passed.
- (f) In all arbitration cases where claim was filed within six months from the date of dispute, the full deposit made by the party against whom the arbitral award has been passed shall be appropriated towards arbitration fees.
- (g) In all arbitration applications where claim was filed after six months from the date of dispute, one-third of the deposit collected from the party against whom the arbitral award has been passed, shall be appropriated towards arbitration fees and balance two-third amount shall be credited to the Investor Protection Fund of the Exchange.

Explanation :

The six months period as referred in clauses (c), (d), (f) and (g) 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 Investors Services Cell of the Exchange (the time taken from the date of receipt of dispute till the decision by the Investor Services Cell) to resolve the dispute , and
 - (ii) the time taken by the Trading Member to attempt the resolution of the dispute (the time from the date of receipt of dispute by the Trading Member to the date of receipt of the Trading Member's last communication by the Constituent) or one month from the date of receipt of the dispute by the Trading Member, whichever is earlier.
- (h) With regard to issue of limitation, in all arbitration applications where three years have not yet elapsed from the date of dispute and the parties have not filed for arbitration with the Exchange, the cost of arbitration will be subject to the fee amount as mentioned in this Regulation or where the arbitration application was filed but was rejected solely on the ground of delay in filing within earlier limitation period of six months as prescribed under Bye-law (3) of Chapter XI as was in effect prior to September 1, 2010; and three years have not yet elapsed; the amount of fee already paid would be deducted from the amount of fee mentioned in this Regulation and the balance shall be borne by the parties to the arbitration in the manner specified under this Regulation.

5.9 PROCEDURE FOR ARBITRATION

- (a) The Applicant shall submit to the Exchange application for arbitration in Form No. I/IA, (three copies in case of sole arbitrator and five copies in case of panel of arbitrators) alongwith the following enclosures:
 - (i) The Statement of Case (containing all the relevant facts about the dispute and relief sought)
 - (ii) The Statement of Accounts
 - (iii) Copies of Member - Constituent Agreement
 - (iv) Copies of the relevant Contract Notes and Bills
 - (v) A cheque/pay order/demand draft for the deposit payable at the seat of arbitration in favour of National Stock Exchange of India Limited
 - (vi) List of names of the persons eligible to act as arbitrators
- (b) If any deficiency/defect in the application is found, the Exchange shall call upon the Applicant to rectify the deficiency/defect either by return of the arbitration application or otherwise and the Applicant shall rectify the deficiency/defect within 15 days of receipt of intimation from the Exchange. If the Applicant fails to rectify the deficiency/defect within the prescribed period, the Exchange shall return the deficient/defective

application to the Applicant in case the arbitration application has not already been returned. 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.

- (c) Upon receipt of Form No. I/IA, the Exchange shall forward a copy of the statement of case and related documents to the Respondent. Upon receiving Form No. I/IA, the Respondent shall submit Form II/IIA 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 defences to the claim)
 - ii. The Statement of Accounts
 - iii. Copies of the Member Constituent Agreement,
 - iv. Copies of the relevant Contract Notes and Bills
 - v. Statement of the set-off or counter claim alongwith statements of accounts and copies of relevant contract notes and bills
 - vi. Cheque/pay order/demand draft for the deposit payable at the seat of arbitration in favour of National Stock Exchange of India Limited along with Form No. II/IIA
- (d) Upon receiving Form No.II/IIA from the Respondent(s), the arbitrator shall be appointed as per the procedure prescribed in Regulation 5.6.
- (e) In the event there is more than one Respondent, being legal heirs of a deceased Constituent, then such legal heirs shall authorise one of them to represent the deceased Constituent in the arbitration proceedings including signing of Form II and such other documents as may be required.
- (f) Upon receiving Form No. II/IIA from the Respondent, the Exchange shall forward one copy to the Applicant. The Applicant shall within seven days from the date of receipt of copy of Form II/IIA, submit to the Exchange, a reply to any counterclaim, if any, which may have been raised by the Respondent in its reply to the Applicant. The Exchange shall forward the reply to the Respondent.
- (g) 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.
- (h) Formats of Form No. I, IA, II, IIA and Form No. III and IIIA, IV and IVA in case of appeals will be as prescribed by the Relevant Authority from time to time.

5.10 REQUIREMENT FOR HEARINGS

- (a) No hearing shall be required to be given to the parties to the dispute if the value of the claim, difference or dispute is Rs.25,000/- or less. In such a case the arbitrator shall proceed to decide the matter on the basis of documents submitted by both the parties provided however the arbitrator for reasons to be recorded in writing may hear both the parties to the dispute.
- (b) If the value of claim, difference or dispute is more than Rs.25,000/-, the arbitrator shall offer to hear the parties to the dispute unless both parties waive their right for such hearing in writing.

5.11 NOTICE OF HEARING

Unless otherwise specified, the 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 Exchange to the parties concerned.

5.12 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 Exchange sufficiently in advance to enable the Exchange to forward such request to the arbitrator. The arbitrator at his discretion may grant the adjournment subject to such conditions as deemed fit by him.

5.12 A Any person representing the constituent in the arbitral proceedings shall be permitted to do so on production of a power of attorney duly executed and notarised by the Constituent in his favour, provided however in case of a Trading Member, he shall appear in the hearings on his own or through his authorised representative. For the purpose of this Regulation, an authorised representative in case of a Trading Member who/which is

- (a) an individual - an employee or authorised person, as defined in these Regulations, of such Trading Member; or
- (b) a partnership firm - any partner or employee or authorised person, as defined in these Regulations, of such Trading Member; or

- (c) a company - any director or employee or authorised person, as defined in these Regulations, of such Trading Member.

5.13 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.

5.13A ARBITRAL AWARD UNDER CERTAIN CIRCUMSTANCES

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

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

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

5.14 MAKING OF ARBITRAL AWARD

- (a) The arbitral award shall be in writing and made in three originals duly dated and signed by the sole arbitrator or in case of a panel of arbitrators by all the three arbitrators.
- (b) The arbitrator shall file all the three original awards with the 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 Exchange.

- (c) The award *inter alia* shall be in such form as may be prescribed by the Relevant Authority from time to time.

5.15 INTEREST

- (a) The arbitrator may include in the sum for which the award is made interest at such rate on such sum and for such period as the arbitrator deems reasonable.
- (b) A sum directed to be paid by an award shall, unless the award otherwise directs, carry interest at the rate of eighteen per centum per annum from the date of the award to the date of payment.

5.15 A LIABILITY OF THE TRADING MEMBER

In case of claims, differences and disputes to which a Sub-broker is a party, if the arbitral award is made against such a Sub-broker then the Sub-broker shall be liable to comply with such arbitral award. If the Sub-broker fails to comply with such arbitral award, then the trading member to whom the Sub-broker is affiliated shall be liable to comply with such arbitral award as if such arbitral award has been made against such trading member within such time period as may be specified by the Exchange.

5.16 ARBITRATION FEES AND CHARGES, COSTS, ETC.

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

5.17 ADMINISTRATIVE ASSISTANCE WHICH MAY BE PROVIDED BY THE EXCHANGE

The Exchange shall-

- (a) maintain a register of references;
- (b) receive all applications for arbitration and communications addressed by the parties before or during the course of arbitration proceedings or otherwise in relation thereto;
- (c) receive payment of all costs, charges, fees and other expenses;

- (d) give notices of hearing and all other notices to be given to the parties before or during the course of the arbitration proceedings or otherwise in relation thereto;
- (e) communicate to the parties all orders and directions of the arbitrator;
- (f) receive and record all documents and papers relating to the reference and keep in custody all such documents and papers except such as the parties are allowed to retain;
- (g) communicate the award on behalf of the arbitrator;
- (h) generally do such things and take all such steps as may be necessary to assist the arbitrator in the execution of their function.

5.18 MODE OF COMMUNICATION

- (a) Any communication sent by the Exchange to either of the parties shall be deemed to have been properly delivered or served, even if such communication is returned to the Exchange as unclaimed/refused/undelivered, if the same is sent to the ordinary business address and/or ordinary place of residence and/or last known address of the party, in any one or more of the following ways: -
 - (i) by post,
 - (ii) by registered post,
 - (iii) under certificate of posting
 - (iv) by speed post/courier services,
 - (v) by telegram,
 - (vi) by affixing it on the door at the last known business or residential address,
 - (vii) by oral communication to the party in the presence of a third person,
 - (viii) 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,
 - (ix) by sending a message through the Trading System,
 - (x) by electronic mail or fax
 - (xi) by hand delivery
- (b) Any communication sent by either of the parties to the Exchange shall be made in any one or more of the following ways:
 - (i) by post (ordinary or registered or speed) or Courier service
 - (ii) by telegram
 - (iii) by fax
 - (iv) by hand delivery

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

- (a) The original arbitration award along with acknowledgements shall be preserved permanently.

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

5.20 The destruction of records by the 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. The registry of destruction shall be maintained by the Exchange permanently.

5.21 APPELLATE ARBITRATION

- (a) A party filing an appeal before the Appellate Arbitrator shall pay such fees as prescribed by the Relevant Authority from time to time in addition to statutory dues (stamp duty, service tax, etc) along with the appeal.
- (b) The above provisions of Regulations 5.5 to 5.20 shall be applicable to Appellate Arbitration.

6. RECORDS, ANNUAL ACCOUNTS & AUDIT

6.1 RECORDS

6.1.1 Every Trading Member shall comply with all relevant statutory Acts, including Securities Contracts (Regulation) Act, 1956 and Rules thereunder of 1957, and Securities Exchange Board of India Act, 1992 and Rules, Regulations and guidelines thereunder, and the requirements of and under any notifications, directives and guidelines issued by the Central Government and any statutory body or local authority or any body or authority acting under the authority or direction of the Central Government relating to maintenance of accounts and records.

6.1.2 In addition to the requirements as per Regulation 6.1.1 above, every Trading Member of the Exchange shall comply with the following requirements and such other requirements as the Exchange may from time to time notify in this behalf relating to books of accounts, records and documents in respect of his membership and trading on the CM segment of the Exchange.

6.1.3A Every Trading Member of the Exchange shall maintain the following records relating to its business for a period of five years either in hard form or non-tamperable soft form.

- (a) Statements of fund and securities obligations received from the clearing house.
- (b) Records in respect of dividend/ interest received on securities of constituents, monies borrowed and loaned including monies received.
- (c) Records in respect of brokerage collected separately from constituents.
- (d) Register of transaction (or other records of original entry) containing an itemised daily record of all purchases and sales of securities, showing for each such transaction effected, the name of securities, value of securities, rates both gross and net of brokerage and name of constituents.
- (e) Register or Ledger Account of Securities client wise and security wise, giving, inter alia, the details as prescribed by Exchange from time to time.
- (f) Client-wise and scrip-wise securities holding statement for all accounts where client securities are held.

6.1.3 B Every Trading Member of the Exchange may for the purpose of better internal control and management, if it so desires, also maintain the following records relating to its business

- (a) Order confirmation slips, Order modification slips as obtained from the trading system of the Exchange

- (b) Trade confirmation slips as obtained from the trading system of the Exchange
- (c) Record of all statements received from the settling agencies and record of all correspondence with them.
- (d) Order Book reflecting the following:
 - (i) identity of person receiving the order
 - (ii) date and time of order received
 - (iii) name of person placing the order
 - (iv) name of constituent, description and value of securities to be bought and sold
 - (v) terms and conditions of the order stating particularly price/rate limit or price/rate related instructions and time limit on the order (if any)
 - (vi) the NEAT order number as per the trading system of the Exchange or Trading Member order number as the case may be.
 - (vii) any modification or cancellation thereof including cases when it is cancelled by the system or cancelled due to maturity of an instrument.
 - (viii) if executed, the price/rate at which executed and to the extent feasible, the time of execution or cancellation and trade number as per the trading system of the Exchange.
 - (ix) reference number of the contract issued in case of executed orders.
 - (x) orders entered pursuant to the exercise of discretionary power shall be so designated.
 - (xi) entries of orders shall be serially numbered.
- (e) Reports produced from the trading system like Order log and Trades Done Today
- (f) Copies of all instructions obtained in writing from constituents including Participants for an order placement, order modification, order cancellation, trade cancellation, etc.

6.1.3 C Notwithstanding anything contained in Regulation 6.1.3 A and 6.1.3B hereinabove, every Trading Member of the Exchange shall preserve the originals of the documents, both in electronic and physical form, copies of which have been taken by CBI, Police or any other enforcement agency during the course of any investigation till the trial is completed.

6.1.3 D Every Trading Member of the Exchange shall maintain the evidence of order placement for a minimum period as may be specified by SEBI/Exchange from time to time

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

6.1.5 (a) Every Trading Member shall keep such books of accounts, as will be necessary, to show and distinguish, in connection with his business as a Trading Member:

- (i) The moneys received from or on account of and moneys paid to or on account of each of his clients and,

- (ii) The moneys received and the moneys paid on Trading Member's own account.
- (b) It shall be compulsory for all Trading Members to keep the money of the clients in a separate account and their own money in a separate account. *Bank account(s) holding clients funds shall be named as "Name of Stock Broker - Client Account"*. No payment for transaction in which the Trading Member is taking a position as a principal will be allowed to be made from the client's account.
- (c) The transfer from client's account to Trading Member's account shall be allowed under circumstances enumerated below :
 - (i) **Obligation to pay money into "Clients account"** : Every Trading Member who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the Member in the title of which the word "Clients" shall appear (hereinafter referred to as "Clients Account"). Trading Member may keep one consolidated clients account for all the clients or accounts in the name of each client, as he thinks fit; provided that when a Trading Member receives a cheque or draft representing in part money belonging to the client and in part money due to the Trading Member, he shall pay the whole of such cheque or draft into the clients account and effect subsequent transfer as laid down below in para (iii.B).
 - (ii) **Moneys to be paid into "clients account"**: No money shall be paid into clients account other than
 - A. money held or received on account of clients;
 - B. such moneys belonging to the Trading Member as may be necessary for the purpose of opening or maintaining the account;
 - C. money for replacement of any sum which may by mistake or accident have been drawn from the account;
 - D. a cheque or draft received by the Trading Member representing in part money belonging to the client and in part money due to the Trading Member.
 - (iii) **Moneys to be withdrawn from "clients account"**: No money shall be drawn from clients account other than -
 - A. money properly required for payment to or on behalf of clients for or towards payment of a debt due to the Member from clients or money drawn on client's authority, or money in respect of which there is a liability of clients to the Trading Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for such each client;
 - B. such money belonging to the Trading Member as may have been paid into the client account under para (ii.B) and (ii.D) above. money which may by mistake or accident have been paid into such account.

- (iv) **Right to lien, set-off etc., not affected:** Nothing in this para 1 shall deprive a Trading Member of any recourse or right, whether by way of lien, set-off, counter-claim charge(s) or otherwise against moneys standing to the credit of clients account.
- (d) Every Trading Member shall send a complete 'Statement of Accounts' for both funds and securities in respect of each of its clients in such periodicity not exceeding three months (calendar quarter) within a month of the expiry of the said period. The Statement shall also state that the client shall report errors, if any, in the Statement within 30 days of receipt thereof to the Trading Member.
- (e) The Trading Members shall keep a separate ledger account for each client in respect of the transactions on the Exchange and shall not mingle such account with the account of the client in respect of transactions of any other stock exchange or any other transaction which the trading member may enter into with such client.
- (f) (i) The Trading Members shall keep the dematerialised securities of Constituents in a separate beneficiary account distinct from the beneficiary account maintained for holding their own dematerialised securities. No delivery towards the own transactions of the Trading Members shall be allowed to be made from the account meant for Constituents. For this purpose, every Trading Member is required to open a beneficiary account in the name of the Trading Member exclusively for the securities of the Constituents (hereinafter to be referred to as "Constituents beneficiary account"). A Trading Member may keep one consolidated Constituents' beneficiary account for all its Constituents or different accounts for each of its Constituents as it may deem fit.
- (ii) Securities to be delivered into Constituents beneficiary account: No security shall be delivered into Constituents beneficiary account, other than
 - A. securities held or received on account of Constituents towards margin or security deposit
 - B. securities for replacement of those which may by mistake or accident have been drawn from the account.
- (iii) Securities to be withdrawn from Constituents beneficiary account: No security shall be drawn from Constituents beneficiary account other than
 - A. when they are properly required, for delivery to or on behalf of Constituents, for or towards meeting the Constituents' margin or pay-in obligations;
 - B. what are drawn under Constituents' authority in respect of which there is a liability of Constituents to the Trading Member;

- C. securities which by mistake or accident have been deposited into the account;

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

- 6.1.6** Every Trading Member shall maintain permanently copies of agreements executed with each of its constituent in accordance with the Exchange requirements.
- 6.1.7** Every Trading Member shall maintain permanently copies of agreements executed with each of the settling agencies or banks.
- 6.1.8** Every Trading Member shall maintain record of all relevant particulars of persons which are approved as Users by the Exchange.
- 6.1.9** Every Trading Member shall maintain originals of all communications received and copies of all communications sent by such Trading Member (including inter-office memo and communications) relating to its business as such.
- 6.1.10** Every Trading Member shall maintain all guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account and copies of resolutions empowering an agent to act on behalf of a Trading Member.
- 6.1.11** Every Trading Member shall maintain all written agreements (or copies thereof) entered into by that Trading Member relating to its business as such, including agreements with respect to any account.
- 6.1.12** Every Trading Member shall preserve for a period of not less than six years after the closing of any constituent's account any records which relate to the terms and conditions with respect to the opening and maintenance of such account, date of entering into agreement with the constituent, date of modification thereof, date of termination and representatives of such constituent who signed in each case.
- 6.1.13** A Trading Member shall intimate to the Exchange the place where these records are kept and available for audit/inspection.
- 6.1.14** The above requirements relating to maintenance of records shall apply not only to records of the member's principal office but also to those of any branch office and to any nominee company owned or controlled by a Trading Member for the purpose of conducting the business of the Trading Member.
- 6.1.15** Each Trading Member shall keep and preserve a record of all written complaints of its constituents showing the reference number of constituent, date, constituent's name, particulars of the complaints, action taken by the Trading Member, if the matter is referred to arbitration to the Exchange then the particulars thereof.

- 6.1.16** Every Trading Member shall maintain details of securities which are the property of a Trading Member showing with whom they are deposited and if held otherwise than by the member, whether they have been lodged as collateral security for loans or advances.
- 6.1.17** Every Trading Member shall keep copies/duplicates of Contract Notes issued by the Member and details of any statements which are required by these Rules to appear on Contract Notes.
- 6.1.18** The Trading Member shall maintain records of collateral so as to ensure proper audit trail of use of Constituent's collateral and such other records relating to his business as may be prescribed by the Exchange from time to time.
- 6.1.19** All Trading Members shall maintain the register of Securities, securities holding statements, client ledger & Bank books in format as may be prescribed by the Exchange from time to time

6.2 ANNUAL ACCOUNTS AND AUDIT

1. Each Trading Member shall prepare annual accounts for each financial year ending on 31st March or such other date as advised to the Exchange.
2. The Assets and Liabilities of the Trading Member's business shall be brought into account in the balance sheet at such amounts and shall be classified and described therein in such manner that the balance sheet gives a true and fair view of the state of affairs of such business as at the date to which it is made up.
3. Each Trading Member shall furnish to the Exchange, its audited financial statement and such report shall be furnished not later than six months after the end of the Trading Member's financial year, provided that when the Exchange is satisfied that circumstances warrant an extension of time is necessary to furnish such report, it may grant an extension of such time as it may deem fit.
- 4 Each Trading Member shall get the complete internal audit done on a half yearly basis by an independent qualified Chartered Accountant, Company Secretary or Cost and Management Accountant, who is in practice and does not have any conflict of interest and submit the report within such time and in such format as may be prescribed by the Exchange from time to time.

7. INSPECTION

7.1 INSPECTION AUTHORITY

7.1.1 Where it appears to the Exchange so to do, it may appoint one or more persons as inspecting authority to undertake inspection of books of accounts, other records and documents of the Trading Members for any of the purposes specified in regulation. 7.1.2.

- (a) The Inspecting authority appointed by the Exchange under Regulation 7.1.1. may be either its own officials or outside professionals.
- (b) When the Exchange appoints outside professionals as an inspecting authority, it shall notify the Trading Member the names and addresses of the professionals or firms so appointed as an inspecting authority at the time of inspection.
- (c) When outside professionals are appointed as an inspecting authority in respect of a Trading Member and such professionals are already related in any other capacity with the Trading Member then such member shall forthwith inform the Exchange of such relationship.
- (d) Where after appointment of any outside professional as an inspecting authority in respect of a Trading Member, the Trading Member or any of its associates engages the inspecting authority for its services in any other capacity, the inspecting authority shall not engage itself in such other professional capacity with the Trading Member or any of its associates without prior consent of the Exchange.

7.1.2 The purposes referred to in regulation 7.1.1. shall be as follows, namely :

- (a) to ensure that the books of accounts and other books are being maintained in the manner required;
- (b) to ensure that the provisions of SEBI Act, Rules and Regulations thereunder are being complied with;
- (c) to ensure that provisions of the Securities Contracts (Regulation) Act and the Rules made thereunder are being complied with;
- (d) to ensure that various provisions of NSE Bye-laws, Rules and Regulations and any directions or instructions issued thereunder are being complied with;
- (e) to investigate into the complaints received from investors, other members of the Exchange or any other person on any matter having a bearing on the activities of the Trading Member;
- (f) to investigate suo-motu, for any reason where circumstances so warrant an inspection into the affairs of the Trading Member in public interest;
- (g) to examine whether any notices, circulars, instructions or orders issued by the Exchange from time to time relating to trading and other activities of Trading Members are being complied with;

- (h) to comply with any of the directives issued in this behalf by any regulating authority including Government of India.

7.2 NOTICE

- 7.2.1** Before undertaking any inspection under regulation 7.1.1, the Exchange shall give a reasonable notice to the Trading Member for that purpose.
- 7.2.2** Notwithstanding anything contained in sub regulation 7.2.1, where the Exchange is of the opinion that no such notice should be given, it may direct in writing that the inspection of the affairs of the Trading Member be taken up without such notice.
- 7.2.3** Exchange officials or the inspecting authority who is directed by the Exchange to undertake the inspection, shall undertake the inspection and the Trading Member against whom an inspection is being carried out shall be bound to discharge his obligations as provided under regulation 7.3.

7.3 OBLIGATIONS OF A TRADING MEMBER ON INSPECTION

- 7.3.1** It shall be the duty of every director, officer and employee of the Trading Member, who is being inspected, to produce to the inspecting authority such books, accounts and other documents in his custody or control or arrange to produce where such books, accounts and other documents when they are in any other person's custody or control and furnish him such statements and information within such time as the said inspection authority may require.
- 7.3.2** The Trading Member shall allow the inspecting authority to have reasonable access to the premises occupied by him or by any other person on his behalf and also extend reasonable facilities for examining any books, records, documents and computerised data in his possession or any other person and also provide copies of documents or other materials which in the opinion of the inspecting authority are relevant.
- 7.3.3** The inspecting authority, in the course of inspection shall be entitled to examine or record statements of any member, director, officer and employee of the Trading Member or of any associate of such Trading Member.
- 7.3.4** It shall be the duty of every director, officer and employee of the Trading Member or where an associate is examined, such associate to give to the inspecting authority all assistance in connection with the inspection which the Trading Member may be reasonably expected to give.
- 7.3.5** The inspecting authority shall be entitled to examine the records relating to the Trading Member's financial affairs held with its bankers or any other agency which the inspecting authority may find it relevant.
- 7.3.6** The inspecting authority shall have access to accounts and other records relating to the Trading Member or such access as authorised by the Exchange to accounts

and other records relating to any associate of the Trading Member as are within the power of the Trading Member to provide.

7.4 SUBMISSION OF REPORT

7.4.1 The inspecting authority shall, as soon as possible submit an inspection report to the Exchange.

7.4.2 All documents, papers, returns or their copies submitted to the inspecting authority may be retained by it on behalf of the Exchange. It shall maintain complete confidentiality thereof and no disclosure of any information contained therein shall be made to any person, firm, company or authority unless required by any law for the time being in force and without approval of the Exchange in this regard.

7.4.3 (a) The Exchange shall after consideration of the inspection report communicate the findings to the Trading Member to give him an opportunity of being heard before any action is taken by the Exchange on the findings of the inspecting authority.

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

(c) Notwithstanding anything contained in sub regulation 7.4.3 (a), where the Exchange is of the opinion that no such hearing should be provided in certain circumstances, it may take action forthwith without giving an opportunity of being heard.

7.5 COLLECTION AND DISSEMINATION OF INFORMATION

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

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

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

8. TRI-PARTY REPOS

8.1 DEALINGS IN TRI-PARTY REPOS

8.1.1 REPO

"Repo" means an instrument for borrowing funds by selling securities with an agreement to repurchase the securities on a mutually agreed future date at an agreed price which includes interest for the funds borrowed and will also include all such types of repos which may be prescribed by the relevant authority from time to time.

8.1.2 TRI-PARTY REPOS

Tri-party Repo is a type of repo contract where a third entity (apart from the borrower and lender) acts as an intermediary between the two parties to the repo to facilitate services like collateral selection, payment and settlement, custody and management during the life of the transaction. Any reference to trades under the Bye-Laws, Rules and Regulations of the Exchange shall also include reference to the Tri-party Repos.

8.1.3 TRI-PARTY REPO AGENT

Tri-party Repo Agent is the third party entity (apart from the borrower and lender) to the Tri-party Repo transaction, which acts as the intermediary between the parties for the purpose of such transaction. For the purpose of these Regulations, NSE will be the Tri-party Repo Agent for the Tri-party Repo transactions between the Trading Members of the TRM segment.

8.1.4 TRI-PARTY REPO MARKET / TRM

Tri-party Repo Market ("TRM") is the sub segment under the Debt Segment of NSE, which facilitates trading in Tri-party Repos.

8.1.5 REPO TYPE

The type of Repo permitted to be transacted on the TRM segment will be Basket Repo or such other type of Repo as may be prescribed by the relevant authority from time to time. Basket Repos shall facilitate borrowing and lending of funds against various baskets of securities. The baskets and the securities eligible to be included in respective baskets shall be as notified by the Exchange / National Securities Clearing Corporation Limited (NSCCL) from time to time.

Additional facility for special repos and any other type of Repo may also be provided, as may be prescribed by the relevant authority from time to time.

8.1.6 PERMITTED REPO TRADES

The Exchange shall prescribe from time to time permitted trades based on basket type/ any other type of repo, repo tenor and settlement type. The Exchange shall make available a combination of these repo parameters on the TRM segment.

8.1.7 BASKET TYPE

The baskets would comprise either one or more securities that have been grouped together based on criteria such as tenor, instrument category, instrument type, number of securities or any other attribute as prescribed by the Exchange /

NSCCL from time to time. The Exchange / NSCCL shall also provide details in relation to the number of baskets to be made available for trading from time to time.

NSCCL will define baskets and securities available in each basket. The securities in each basket will be mutually exclusive.

8.1.8 COLLATERAL

(a) The permitted collateral for the Tri-party Repos, i.e. the permissible 'Securities' for the purpose of Tri-party Repos would mean:

(i) Listed corporate debt securities of original maturity of more than one year which are rated 'AA' or above by the rating agencies registered with SEBI, that are held in the security account of the Repo seller, in the dematerialised form.

(ii) Commercial Papers (CPs) and Certificates of Deposit (CDs) of original maturity upto one year which are rated A2 or above by the rating agencies registered with SEBI.

(iii) Such other securities as may be prescribed by the relevant authority from time to time.

(b) The Trading Member of the TRM segment will be provided the facilities of intra-day substitution of collateral, early pay-in of funds, intraday release of securities etc.

(c) In case of cancellation of the order before matching (as stated under the Trade Process Flow below), the collateral will be released to that extent.

8.2 MARGIN REQUIREMENTS

8.2.1 Subject to the provisions as contained in the Exchange Bye-laws and such other regulations as may be in force or prescribed by the relevant authority from time to time, every Trading Member of the TRM segment shall in respect of trades in which he is a lender, deposit a margin with NSCCL, in the form of cash margin.

8.2.2 Such margin will be required to be deposited in the manner and to the extent and from such date as may be specified by the Exchange / NSCCL. Whenever margin is payable by a Trading Member in the TRM segment, it shall pay such margins directly to NSCCL, unless otherwise directed by the Exchange / NSCCL.

8.2.3 The Exchange / NSCCL shall permit placing of the order on behalf of the lender only on the receipt of margin of minimum such percentage as the relevant authority may decide from time to time. In case of margin being insufficient at the time of validation of the order, the order will get cancelled. The lender in such a scenario, will be intimated in case of such cancellation by means of a message.

8.3 ORDER MATCHING RULES

8.3.1 Orders in the Basket Repo will be matched on Repo rate - time priority basis.

8.3.2 The best borrow order shall match with the best lend order. The best borrow order in the Basket Repo shall be the one which seeks to borrow at the highest Repo rate.

The best lend order in the Basket Repo shall be the one which seeks to lend at the lowest Repo rate.

8.3.3 The best Repo rate for a lend order shall be the borrow Repo rate equal to or more than the lend Repo rate. The best Repo rate for a borrow order shall be the lend Repo rate equal to or lesser than the borrow repo rate.

8.3.4 Without prejudice to the generality of the above, the relevant authority may prescribe additional order matching rules/ modify the existing order matching rules by way of circulars, for various types of repos as may be introduced from time to time.

8.4 TRADE PROCESS FLOW

8.4.1 On the day of the trade, the borrower under the Tri-party Repo will enter borrow order (i.e. selling of security) and the lender will enter lend order (i.e. buying of security) on TRM segment. The borrower and lender will specify the value and rate for the trade.

8.4.2 Before confirmation of order by the Trading Member in the TRM segment, the Exchange will display the first leg consideration and second leg consideration to the Trading Member in the TRM segment.

- Both borrowing and lending orders would be validated against the security and margin availability before accepting those orders for matching;
- Security value would be blocked for the forward leg consideration (i.e. the first leg consideration plus repo interest for the repo tenor) for the borrowing orders.

8.4.3 The first leg consideration would be the transaction value of borrowing and lending.

8.4.4 The settlement obligation for forward leg shall be based on the repo rate at which trade has been executed. The settlement value shall be computed as under:

- Forward leg obligation = Ready leg obligation + Repo Interest
- The repo interest shall be computed based on Actual/365 day count convention

8.4.5 The order will be matched on order matching logic defined by the Exchange. The partial value of matching will be allowed.

8.4.6 Once the trade is executed, the confirmation slip will be generated and also the appropriate message will be broadcast on the TRM segment.

8.4.7 Without prejudice to the generality of the above, the relevant authority may prescribe additional rules/modify the existing rules relating to trade process flow in the TRM segment by way of Circulars, Bye Laws, Rules and Regulations from time to time.