

NSE IFSC LIMITED**BYE LAWS****ARRANGEMENT OF CHAPTERS**

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DEFINITIONS

- (1) "Board" means Board of Directors of the Exchange.
- (2) "Exchange Securities" means the securities which have been admitted to the Official List(s) of securities to trade on the Exchange.
- (3) "Exchange" means the Stock Exchange(s) operated by NSE IFSC Limited.
- (4) "Committee" means the Committee of the Exchange formed in accordance with Chapter I.
- (5) IFSC means International Financial Services Centre as defined by SEBI under the Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015.
- (6) "Issuer" includes a Government, a body corporate or other entity, whether incorporated or not, which issues any security or other instrument, or draws or accepts a negotiable instrument which is admitted to dealings on the Exchange.
- (7) "Market-Maker" means a trading member registered under Chapter VII.
- (8) "Official List of Exchange Securities" means the list of securities which are listed or permitted to trade on the Exchange.
- (9) "Participant" means a constituent who is registered by the relevant authority from time to time under Chapter V of the Bye Laws.
- (10) "Regulations", unless the context indicates otherwise, includes business rules, code of conduct and such other regulations prescribed by the relevant authority from time to time for the operations of the Exchange and these shall be subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules and Regulations thereunder, Securities and Exchange Board of India Act, 1992 and Rules, Regulations or directions or guidelines thereunder
- (11) "Relevant Authority" means the Board or such other authority as specified by the Board from time to time as relevant for a specified purpose.
- (12) "Rules", unless the context indicates otherwise, means rules as mentioned hereunder for regulating the activities and responsibilities of trading members of the Exchange and as prescribed by the relevant authority from time to time for the constitution, organisation and functioning of the Exchange and these rules shall be subject to the provisions of the Securities Law.
- (13) "SEBI" means the Securities and Exchange Board of India.
- (14) "Securities" shall mean securities as permitted by SEBI from time to time to be traded on a stock exchange in IFSC.
- (15) "Securities Laws" shall include Securities Contracts (Regulation) Act, 1956 and Rules and Regulations thereunder, Securities and Exchange Board of India Act, 1992 and

Rules, Regulations, directions or guidelines thereunder including Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015

- (16) "Security admitted to dealings" includes a security which is listed or permitted to trade on Exchange.
- (17) "Trading Member" means a Stock broker and the member of the Exchange registered in accordance with Chapter IV of the Bye-Laws.
- (18) "Trading system of the Exchange" means a system which makes available to trading members and the investing public, by whatever method, quotations in Exchange Securities and disseminates information regarding trades effected, volumes, etc. and such other notifications as may be placed thereon by the Committee.

CHAPTER I**COMMITTEE**

- (1) Committee(s) shall be appointed by the Board for the purposes of managing the day to day affairs of the Exchange in such manner as laid down in the Rules.
- (2) The Committee(s) of the Exchange shall have such responsibilities and powers as maybe delegated to it by the Board as provided for in the Rules.

CHAPTER II
REGULATIONS

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

- (k) prescription, from time to time, and administration of penalties, fines and other consequences, including suspension /expulsion for defaults or violation of any requirements of the Bye Laws and Regulations and the Rules and Codes of Conduct and criteria for readmission, if any, promulgated thereunder;
- (l) disciplinary action/procedures against any trading member;
- (m) settlement of disputes, complaints, claims arising between trading members inter-se as well as between trading members and persons who are not trading members relating to any transaction in securities made on the Exchange including settlement by arbitration;
- (n) norms and procedures for arbitration;
- (o) administration, maintenance and investment of the corpus of the Fund(s) set up by the Exchange including Investor Protection Fund;
- (p) norms and procedures for settlement and clearing of deals, including establishment and functioning of clearing house or other arrangements for clearing and settlement;
- (q) norms, procedures, terms and conditions for registration and continuance of registration of Participants;
- (r) norms and procedures in respect of, incidental or consequential to closing out of contracts, deals or transactions;
- (s) dissemination of information, announcements to be placed on the trading system;
- (t) any other matter as maybe decided by the Board.

CHAPTER III

DEALINGS IN SECURITIES

Dealings Allowed

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

Admission of Securities to Dealings

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

Dealings in Securities Dealt on other Stock Exchanges

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

Application for Admission to Listing

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

Conditions and Requirements of Dealings

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

Refusal of Admission to Listing

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

Fees

- (7)
 - (a) Issuers whose securities are granted admission to dealings on the Exchange shall pay such listing and such other fees and such other deposits as the relevant authority may from time to time determine.
 - (b) Every Issuer shall comply with the conditions of the Listing Agreement as prescribed by Exchange and/or SEBI from time to time and shall be liable to

pay such fine(s) as may be prescribed by Exchange and/or SEBI from time to time for non-compliance of provisions of the Listing Agreement or any of the SEBI Regulations dealing with listing as may be applicable to Issuers listed on Exchange.

Specific Deals

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

Prohibited Dealings

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

Suspension of Admission to Dealings on the Exchange

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

Withdrawal of Admission to Dealings on Redemption or Conversion

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

Withdrawal of Admission to Dealings on Liquidation or Merger

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

Withdrawal of Admission to Dealings on the Exchange

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

Readmission to Dealings on the Exchange

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

CHAPTER IV**TRADING MEMBERS**

Appointment and Fees

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

Conditions

- (2) (a) Trading members shall adhere to the Bye Laws, Rules and Regulations of the Exchange and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the relevant authority as may be applicable.
- (b) All contracts issued for deals on the Exchange shall be in accordance with the Bye Laws, Rules and Regulations of the Exchange.
- (c) Trading members shall comply with such Exchange requirements as may be prescribed by the relevant authority from time to time with regard to advertisements and issue of circulars in connection with their activities as trading members.

- (d) Trading members shall furnish declarations relating to such matters and in such forms as may be prescribed by the relevant authority from time to time.
- (e) Trading members shall furnish to the Exchange an annual Auditors' Certificate certifying that specified Exchange requirements as may be prescribed from time to time by the relevant authority pertaining to their operations have been complied with.
- (f) Trading members shall furnish such information and periodic returns pertaining to their operations as may be required by the relevant authority from time to time.
- (g) Trading members shall furnish to the extent such audited and/or unaudited financial or quantitative information and statements as may be required by the relevant authority from time to time.
- (h) Trading members shall extend full co-operation and furnish such information and explanation as may be required for the purpose of any inspection or audit authorised by the relevant authority or other authorised official of the Exchange into or in regard to any trades, dealings, their settlement, accounting and/or other related matters.
- (i) A trading member shall not deal with sub-brokers who are not registered with SEBI nor allow operation of its trading terminal at any office other than its registered office, branch offices and the offices of its registered sub-brokers.

CHAPTER V

PARTICIPANTS

Registration of Participants on application

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

Suo Moto Registration of Participant

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

Rights and Liabilities of Participants

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

(b) Save as otherwise provided in these Bye Laws and Regulations, recognition of the Participant by the Exchange as a party to the deal or trade made, firmed up or contracted by the Participant through the trading member, shall not in any way affect the jurisdiction of the Exchange on the concerned trading member in regard thereto and such trading member shall continue to remain responsible, accountable and liable to the Exchange in this behalf.
- (4) The relevant authority may prescribe from time to time such guidelines governing the functioning and operation of the Participants on the Exchange and conditions for continuance of their registration or recognition. Without prejudice to the generality of the foregoing, such norms, requirements and conditions may include prescription of, inter alia, deposits, margins, fees, system usage charges, system maintenance/propriety, etc.
- (5) Rights and liabilities of the Participants as mentioned in this Byelaw are in addition to their rights and liabilities under these Bye Laws as Constituents, save where a specific provision of these Bye Laws or Regulations prescribed from time to time regarding any right or liability of a Participant is at variance with that applicable to a Constituent. In the event of such a variance, the specific provision by virtue of the terms and conditions of their registration with the Exchange, regarding any right or liability of a Participant shall prevail.
- (6) Rights and liabilities of the Participants shall be subject to these Bye Laws and Regulations as maybe prescribed by the relevant authority from time to time.
- (7) Subject to the regulations prescribed from time to time, the relevant authority shall at any time be entitled to cancel the registration or recognition of a Participant on such

terms and conditions as the relevant authority may specify. Save as otherwise expressly provided in the regulation or in the decision of the relevant authority, all rights and privileges available to the Participant shall accordingly stand terminated on such cancellation.

- (8) At the discretion of the Exchange, and subject to such regulations as may be prescribed or other terms and conditions as may be stipulated by the relevant authority, the Participant may be permitted conditional and / or limited access to the trading system or any part thereof, as may be decided by the relevant authority from time to time.

CHAPTER VI**DEALINGS BY TRADING MEMBERS**

Jurisdiction

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

Indemnity

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

Trading Members Only Parties to Trades

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

All Dealings Subject to Bye Laws, Rules and Regulations

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

Inviolability of Trade

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

Deals by Representative trading members

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

Restriction on the trading members

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

CHAPTER VII**TRADING SYSTEM AND MARKET MAKERS**

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

Registration of Market Makers

- (2) (a) Trading members may apply to be market makers in any security eligible for market making.
- (b) No trading member shall act as a market maker unless such Member is approved in accordance with this Bye Law and the approval has not been suspended or cancelled. Application for registration shall be in such and with such particulars as maybe prescribed from time to time.
- (c) A market maker shall apply to be registered to the relevant authority before commencing market making operations in each relevant security. If the relevant authority is satisfied, it shall within fifteen business days of receipt of such notification, designate the market maker as a registered market maker for that security. A registered market maker shall not commence to make a market in any relevant security until one business day after notice of its registration has been disseminated through the Trading system.
- (d) A registered market maker in any Exchange security must :
- (i) undertake to make bid and offer quotations in the trading system with respect to that security and to effect transactions in a minimum quantity of such other number of securities as may be prescribed from time to time at its quoted price per business day;
- (ii) undertake to make market for the security for as long as prescribed from time to time from the date the security becomes available for trading by public in the case of a registered market makers approved under Byelaw2(b) above.
- (iii) undertake to execute orders for the purchase or sale of relevant securities at its quoted prices with trading members or clients.
- (e) A registered market maker may cease making a market in a particular Exchange security any time after a minimum period as prescribed from time to time from commencement of making market in that security, after having given the required notice of intention to the relevant authority. The required period of notice in this case shall be fifteen business days or such other period as maybe prescribed from time to time.
- (f) A registered market maker may cease making a market in that security provided formal approval has been obtained from the relevant authority. Such approval will normally be granted in situations where, in the opinion of the relevant authority, it is either impractical or undesirable for the registered market maker to continue to operate on account of events beyond its control.

- (3) An obligation may be imposed on a trading member taking up market making operations in certain securities to take up additional market making operations in certain other securities as determined by the relevant authority from time to time.

Suspension and Prohibition of Market Makers

- (4) (a) The relevant authority may limit or prohibit the authority of a registered market maker to display on or enter quotations into the trading system or deal in the securities in which he is registered as a market maker if:
- (i) such market maker has been or is expelled or suspended from membership of the Exchange, or is unable to comply with the Exchange's Bye Laws, Rules and Regulations or whose registration is cancelled by the Securities and Exchange Board of India;
 - (ii) such market maker has defaulted on any transaction effected in respect of Exchange securities;
 - (iii) such market maker is in such financial or operating difficulty that the relevant authority determines that such market maker cannot be permitted to display on or enter quotation into the trading system with safety to investors, creditors, other trading members of the Exchange;
 - (iv) where such market maker in the view of the relevant authority, ceases to meet qualification requirements for registration as market maker.
- (b) Any market maker which the relevant authority takes action against pursuant to Byelaw 4 (a) above shall be notified in writing of such action. Such a market maker shall forthwith cease to make market.
- (c) Any market maker against which the relevant authority takes action may request an opportunity for a hearing within ten days of the date of notification pursuant to Byelaw 4 (b) above. A request for hearing shall not operate as a stay of action.
- (d) A written decision shall be issued within one week of the date of hearing and a copy shall be sent to the market maker.
- (e) On revocation of suspension or prohibition, the market maker can display on or enter quotations into the trading system.

Operational Parameters for Market Makers

- (5) The relevant authority may determine and announce from time to time operational parameters for market makers which registered market makers shall adhere to.
- (6) The operational parameters may, inter alia, include :
- (a) limit of spread between bid and offer rates for different securities, if found necessary;
 - (b) fixation of market lots, and/or minimum number of securities to be offered to be bought or sold;

- (c) limit of variation within a day or between days in bid and offer prices;
- (d) the minimum stock of scrips which the trading member must maintain, below which he must intimate the relevant authority;
- (e) in the event of stock of scrips with a market maker being sold out, allowing the market maker to quote only purchase price offers till such time as marketable lot of securities is built up to re-commence selling operations; and
- (f) other matters which may affect smooth operation of trading in securities in which he acts as a market maker, keeping in view larger interest of the public.

CHAPTER VIII**TRANSACTIONS AND SETTLEMENTS**

Transactions

Business Hours

- (1) The business hours for dealing in the Exchange Securities on the Exchange shall be during such time as may be decided by the relevant authority from time to time. The relevant authority may, from time to time, specify business hours for different types of deals.
- (2) The relevant authority may declare a list of holidays in a calendar year. The relevant authority may from time to time alter or cancel any of the Exchange holidays fixed in accordance with these provisions. It may, for reasons to be recorded, close the market on days other than or in addition to holidays.

Trading System

- (3)
 - (a) Deals may be effected through order driven, quote driven (market makers) or such other system as the Exchange may put in place from time to time.
 - (b) Deals between trading members may be effected by electronic media or computer network or such other media as specified by the relevant authority from time to time.
 - (c) Deals may be effected on such basis as may be specified by the relevant authority from time to time, subject to the Securities Laws.

Transaction at Best Quotation

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

Operational Parameters for Trading

- (5) The relevant authority may determine and announce from time to time operational parameters regarding dealing of securities on the Exchange which trading members shall adhere to.
- (6) The operational parameters may, inter alia, include :
 - (a) trading limits allowed which may include trading limits with reference to net worth and capital adequacy norms;
 - (b) trading volumes and limits at which it will be incumbent for trading members to intimate the Exchange;
 - (c) limit of spread between bid and offer rates for different securities, if found necessary;
 - (d) fixation of market lots, and/or minimum number of securities to be offered to be bought or sold;
 - (e) limit of variation within a day or between days in bid and offer prices;

- (f) other matters which may affect smooth operation of trading in securities keeping in view larger interest of the public;
- (g) determine the types of trades permitted for a member and a security;
- (h) determining functional details of the trading system including the system design, users infrastructure, system operation.

Suspension on Failure to meet Trading Limits

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

Contract Notes

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

Delivery of securities

- (11) Delivery of all securities, documents and papers and payments in respect of all deals shall be in such manner and such place(s) as may be prescribed by the relevant authority from time to time.
- (12) The relevant authority shall specify from time to time, the securities, documents and papers which, when delivered in prescribed manner, shall constitute good delivery. Where circumstances so warrant, the relevant authority may determine, for reasons to be recorded, whether or not a delivery constitutes a good delivery and such finding shall be binding on the parties concerned. Where the relevant authority determines that a delivery does not constitute a good delivery, the delivering party shall be required to substitute good delivery instead within such time period as maybe specified.
- (13) The norms and procedures for delivery with respect to market lot, minimum lot, part delivery, etc. shall be as prescribed by the relevant authority from time to time.
- (14) The requirements and procedures for determining disputed deliveries or defective deliveries, and measures, procedures and system of resolving the dispute or defect in deliveries or of consequences of such deliveries or the resolution shall, subject to these Bye Laws, be as prescribed by the relevant authority from time to time.

Clearing and Settlement

- (15) Clearing and Settlement of deals shall be effected by the parties concerned by adopting and using such arrangements, systems, agencies or procedures as may be

prescribed or specified by the relevant authority from time to time. Without prejudice to the generality of the foregoing, the relevant authority may prescribe or specify, for adoption and use by the trading members, participants, and other specified constituents, such custodial and depository services from time to time to facilitate smooth operation of the clearing and settlement arrangement or system.

- (16) The function of the clearing house may be performed by the Exchange or any agency identified by the relevant authority for this purpose. The role of the clearing house shall be to act as a facilitator for processing of deliveries and payments between trading members/participants for trades effected by them on the Exchange. Settlement in the Exchange shall be either on netted basis, gross basis, trade for trade basis or any other basis as may be specified by the relevant authority from time to time. Save as otherwise expressly provided in the regulations, when funds and securities are, under a prescribed arrangement, routed through the clearing house, the settlement responsibility shall rest wholly and solely upon the counter parties to the trade and /or the concerned trading members as the case may be and the clearing house shall act as the common agent of the trading members / Participants for receiving or giving delivery of securities and for receiving and paying funds, without incurring any liability or obligation as a principal.

Clearing and Settlement through a recognized Clearing Corporation

- (17) The trades executed on the Exchange, as specified by the relevant authority, may be cleared and settled through a recognized Clearing Corporation in IFSC. In such an eventuality, the clearing and settlement of such trades shall be subject to the Rules, Byelaws and Regulations of the recognized Clearing Corporation. In case of a conflict between the Rules, Byelaws, Regulations and Circulars issued thereunder by the Exchange and the Rules, Byelaws, Regulations and Circulars issued thereunder by the Clearing Corporation in so far as the clearing and settlement is concerned, the Rules, Byelaws, Regulations and Circulars issued thereunder of the Clearing Corporation shall prevail.

Closing out

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

Member to another Trading Member under such circumstances and of the Exchange as may be specified by the relevant authority from time to time.

Interest, Dividends, Rights and Calls

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

Brokerage on Dealings

Brokerage

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

Brokerage on Calls

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

Underwriting Commission and Brokerage

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

Sharing of Brokerage

- (27) (a) A trading member may not share brokerage with a person who -
- (i) is one for or with whom trading members are forbidden to do business under the Bye Laws, Rules and Regulations of the Exchange;

- (ii) is a trading member or employee in the employment of another trading member;
- (b) Irrespective of any arrangement for the sharing of brokerage with any person, the trading member shall be directly and wholly liable to every other member with whom such trading member effects any deal on the Exchange.

CHAPTER IX

RIGHTS AND LIABILITIES OF MEMBERS AND CONSTITUENTS

All Contracts subject to Bye Laws, Rules and Regulations

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

Trading members not bound to accept Instructions and Orders

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

Margin

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

Closing-out of Constituent's Account

- (4)
 - (a) The Exchange may close-out open positions of a constituent or transfer his open positions to another trading member under such circumstances and in respect of the Exchange as may be specified by the relevant authority from time to time.
 - (b) When closing-out the account of a constituent a trading member may assume or take over such transactions to its own account as a principal at prices which are fair and justified by the condition of the market or he may close-out in the manner specified by the relevant authority and any expense incurred or any loss arising therefrom shall be borne by the constituent. The contract note in respect of such closing-out shall disclose whether the trading member is acting as a principal or on account of another constituent.
 - (c) Notwithstanding anything contained in clause (a) above closing out of Participants' account shall be in such manner and subject to such stipulations as maybe prescribed from time to time.

- Trading member not Liable to attend to Registration of Transfer
- (5) A trading member shall not be deemed to be under any obligation to attend to the transfer of securities and the registration thereof in the name of the constituent. If it attends to such work in the ordinary course or at the request or desire or by the consent of the constituent it shall be deemed to be the agent of the constituent in the matter and shall not be responsible for loss in transit or for the issuer's refusal to transfer nor be under any other liability or obligation other than that specifically imposed by these Bye Laws, Rules and Regulations. The stamp duty, the transfer fees and other charges payable to the issuer, the fee for attending to the registration of securities and all incidental expenses such as postage incurred by the trading member shall be borne by the constituent
- Closing-out/ transfer by Constituent on Failure to perform a Contract
- (6) If a trading member fails to complete the performance of a contract by delivery or payment in accordance with the provisions of these Bye Laws, Rules and Regulations the constituent shall, after giving notice in writing to the trading member and Exchange, close-out such contract through any other trading member of the Exchange or make an application to the Exchange for transfer of contracts to another trading member as soon as possible and any loss or damages sustained as a result of such closing-out or transfer, as the case may be, shall be immediately payable by the defaulting trading member to the constituent. If closing-out or transfer be not effected as provided herein, the damages between the parties shall be determined on such basis as specified by the relevant authority from time to time and the constituent and the trading member shall forfeit all further right of recourse against each other.
- No Lien on Constituent's Securities
- (7) If a trading member is declared a defaulter after delivering securities on account of its constituent, the constituent shall be entitled to claim and on offering proof considered satisfactory by the relevant authority, and in the absolute discretion of the relevant authority, receive from the Exchange accordingly as the relevant authority directs either such securities or the value thereof subject to payment or deduction of the amount if any due by him to the defaulter.
- Complaint by Constituent
- (8) When a complaint has been lodged by a constituent with the relevant authority that any trading member has failed to implement his dealings, the relevant authority shall investigate the complaint and if it is satisfied that the complaint is justified it may take such disciplinary action as it deems fit.
- Relationship between trading member and Constituents
- (9) Without prejudice to any other law for the time being in force and subject to these Bye Laws, the mutual rights and obligations inter se between the trading member and its constituent shall be such as may be prescribed by the relevant authority from time to time.
- (10) The Relevant Authority shall constitute an Investors' Services Committee to supervise the working of the Investors' Services Cell of the Exchange and in suitable cases attend to grievances of the Investors personally. The composition of Investors' Services Committee shall be such as may be prescribed by SEBI.

CHAPTER X**ARBITRATION**

All claims, differences or disputes between the Trading Members inter se and between Trading Members and Constituents or between such other parties as specified by the relevant authority from time to time, arising out of or in relation to dealings, contracts and transactions made subject to the Bye-Laws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into shall be referred to and decided by arbitration, mediation and other dispute resolution mechanisms offered by such International Arbitration Centres in IFSC as specified by the relevant authority from time to time.

CHAPTER XI**DEFAULT**

Declaration of Default

- (1) A trading member may be declared a defaulter by direction / circular / notification of the relevant authority if-
- (a) it is unable to fulfill its obligations; or
 - (b) it admits or discloses its inability to fulfill or discharge its duties, obligations and liabilities; or
 - (c) it fails or is unable to pay within the specified time the damages and the money difference due on a closing-out effected against it under these Bye Laws, Rules and Regulations; or
 - (d) it fails to pay any sum due to the Exchange or to submit or deliver to the Exchange on the due date, delivery and receive orders, statement of differences and securities, balance sheet and such other clearing forms and other statements as the relevant authority may from time to time prescribe; or
 - (e) if it fails to pay or deliver to the Defaulters' Committee all monies, securities and other assets due to a trading member who has been declared a defaulter within such time of the declaration of default of such trading member as the relevant authority may direct; or
 - (f) if it fails to abide by the arbitration proceedings as laid down under the Bye Laws, Rules and Regulations; or
 - (g) if it, being a company incorporated under the Companies Act, files a petition before a Court of Law for adjudication of itself as insolvent or for its winding up, as the case may be.
- (2) Without prejudice to the foregoing, if a trading member is either expelled or declared a defaulter by any other recognised stock exchange on which it is a member or if the registration certificate is cancelled by SEBI, the said Trading Member may be expelled from the Exchange after providing an opportunity of being heard to such Trading Member.

Notwithstanding anything contained in this Byelaw, the trading facility of the member shall be withdrawn immediately after the receipt of information of expulsion /default by any other stock exchange or cancellation of registration certificate by SEBI.

Failure to fulfill Obligations

- (3) The relevant authority may order a trading member to be declared a defaulter if it fails to meet an obligation to a trading member or constituent arising out of Exchange transactions.

Insolvent a Defaulter

- (4) A trading member, being a company incorporated under the Companies Act, has been ordered to be wound up by a Court of Law in the petition filed by any of its creditors,

shall be declared a defaulter although it may not have at the same time defaulted on any of its obligations on the Exchange provided however the time for preferring an appeal against such order under the applicable Acts, if any, has expired.

Trading member's Duty to Inform

- (5) A trading member shall be bound to notify the Exchange immediately if there be a failure by any trading member to discharge its liabilities in full.

Compromise Forbidden

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

Notice of Declaration of Default

- (7) On a trading member being declared a defaulter a notice to that effect shall be placed forthwith on the trading system.

Defaulter's Book and Documents

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

List of Debtors and Creditors

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

Defaulter to give Information

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

Inquiry

- (11) The Defaulters' Committee shall enter into a strict inquiry into the accounts and dealings of the defaulter in the market and shall report to the relevant authority anything improper, unbusiness like or unbecoming a trading member in connection there with which may come to its knowledge.

Vesting of assets in the Exchange

- (12) The Defaulters' Committee shall call in and realise the security deposits in any form, other amounts lying to the credit of and securities deposited by the defaulter and recover all moneys, securities and other assets due, payable or deliverable to the defaulter by any other Trading Member in respect of any transaction or dealing made subject to the Bye-laws, Rules and Regulations of the Exchange and such assets shall vest ipso facto, on declaration of any trading member as a defaulter, in the Exchange for the benefit of and on account of any dues of the Exchange, NSE IFSC Clearing Corporation Limited, Securities and Exchange Board of India, other trading members, Constituents and registered sub-brokers of the defaulter, approved banks and any

other persons as may be approved by the Defaulters' Committee and other recognised stock exchanges.

Payment to Defaulters' Committee

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

Distribution

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

Closing-out

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

Accounts of Defaulters' Committee

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

Report

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

Inspection of Accounts

- (18) All accounts kept by the Defaulters' Committee in accordance with these Bye Laws, Rules and Regulations shall be open to inspection by any creditor trading member.

Scale of Charges

- (19) The charges to be paid to the Exchange on the amounts transferred to the Defaulters' Committee account shall be such sum as the relevant authority may from time to time prescribe.

Application of Assets

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

- (a) Dues to the Exchange, NSE IFSC Clearing Corporation Limited, Securities and Exchange Board of India

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

- (b) Dues to other Trading Members and to Constituents and registered sub-brokers of the defaulter

The payments as may be admitted by the Defaulters' Committee, as being due to other Trading Members and Constituents and registered sub-brokers of the defaulter for debts, liabilities, obligations and claims arising out of any contracts made by the defaulter subject to the Rules, Bye-laws and Regulations of the Exchange, shall, if the amount is insufficient, be distributed pro rata amongst other Trading Members, all the Constituents and registered sub-brokers of the defaulter. The other Trading members in turn share the amounts so received with their Constituents on pro rata basis.

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

After making payments under Clause (b) above, the amounts remaining, if any, shall be utilised to meet the claims of the approved banks and of any other person as may be admitted by the Defaulters' Committee. The claims of

the approved banks should have arisen by virtue of the Exchange or NSE IFSC Clearing Corporation Limited invoking any bank guarantee issued by the bank concerned to the Exchange or NSE IFSC Clearing Corporation Limited as the case may be on behalf of the defaulter to fulfill its obligation of submitting bank guarantee, guaranteeing discharge of obligations under the Byelaws, Rules and Regulations of NSE IFSC Limited / NSE IFSC Clearing Corporation Limited. The claims of other persons should have arisen out of or incidental to the transaction done on the Exchange or requirements laid down by the Exchange, provided that if the amount available be insufficient to pay all such claims in full, they shall be paid pro rata, and

- (d) Dues to any other recognised stock exchange:

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

- (e) Surplus assets:

Surplus assets, if any, may be released to the defaulter after a period of at least one year from the date of declaration of the trading member as defaulter or after satisfying the claims falling under Bye-law 20, whichever is later.

Certain claims not to be entertained

- (21) The Defaulters' Committee shall not entertain any claim against a defaulter:

- (a) which arises out of a contract in securities dealings in which are not permitted or which are not made subject to Bye Laws, Rules and Regulations of the Exchange or in which the claimant has either not paid himself or colluded with the defaulter in evasion of margin payable on bargains in any security;
- (b) which arises from any arrangement for settlement of claims in lieu of bona fide money payment in full on the day when such claims become due;
- (c) which is in respect of a loan with or without security;
- (d) which is not filed with the Defaulters' Committee within such time of date of declaration of default as may be prescribed by the relevant authority.

Claims against Defaulting Representative trading member

- (22) The Defaulters' Committee shall entertain the claim of a trading member against a defaulter in respect of loss incurred by it by reason of the failure of the constituents introduced by such defaulter to fulfill their obligations arising out of dealings which are permitted on the Exchange and made subject to the Bye Laws, Rules and Regulations of the Exchange provided the defaulter was duly registered as a representative trading member working with such creditor member.

Claims of Defaulters' Committee

- (23) A claim of a defaulter whose estate is represented by the Defaulters' Committee against another defaulter shall not have any priority over the claims of other creditor members but shall rank with other claims as provided in Byelaw 20 (b) above.

Assignment of Claims on Defaulter's Estate

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

Proceedings in the Name of or against the defaulter

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

Payment of Defaulters' Committee

- (26) If any trading member takes any proceedings in a court of law against a defaulter whether during the period of its default or subsequent to its re-admission to enforce any claim against the defaulter's estate arising out of any transaction or dealing in the market made subject to the Bye Laws, Rules and Regulations of the Exchange before it was declared a defaulter and obtains a decree and recovers any sum of money thereon it shall pay such amount or any portion thereof as may be fixed by the relevant authority to the Defaulters' Committee for the benefit and on account of the creditor members having claims against such defaulter.
- (27) The Defaulters' Committee for the purpose of this Chapter shall be a Committee as may be constituted by the Board of Directors from time to time. The composition of Defaulters' Committee shall be such as may be prescribed by SEBI.
- (28) Notwithstanding anything to the contrary contained in this Chapter, where any securities are lodged for rectification of company objection arising out of signature difference or otherwise against a defaulter, the Exchange or NSE IFSC Clearing Corporation Limited (Clearing Corporation) shall, after satisfying itself about the bonafides of the receiving members/ client of the receiving member, acquire the securities in its own name for the benefit of or in trust for the receiving member/ client of the receiving member. The Exchange/ Clearing Corporation may upon payment of such charges as it may prescribe, sell or otherwise dispose of the securities so acquired or transfer the securities to the receiving member/ client of the receiving member, in full and final satisfaction of the claim; Provided that the Exchange/ Clearing Corporation shall be free to require such receiving member/ client of the receiving member to indemnify the Exchange and Clearing Corporation in such form and manner as it may prescribe, as a condition precedent; Provided further that such payment of sale proceeds or transfer of securities to the receiving member/ client of the receiving member shall discharge the claim completely and no further claim shall lie against the defaulter on any ground whatsoever.

CHAPTER XII**INVESTOR PROTECTION FUND**

- (1) In respect of the Exchange as may be prescribed by the Exchange, an Investor Protection Fund (IPF) to be held in trust by NSE IFSC Limited Investor Protection Fund Trust (Trust) shall be maintained to make good claims for compensation which may be submitted by a trading member's Constituent who suffers loss arising from the said trading member being declared as a defaulter by the Exchange under Chapter XI. No claim of a claimant, who is a Trading Member of the Exchange or an associate of a Trading Member, shall be eligible for compensation from the IPF unless he has acted as a Constituent of the said trading member to the extent permitted by the Exchange.
- (2) Subject to this Part, the amount which any claimant shall be entitled to claim as compensation shall be the amount of the actual loss suffered by him less the amount or value of all monies or other benefits received or receivable by him from any source in reduction of the loss.
- (3) The amount that may be paid under this Part to a claimant shall not exceed such amount as may be decided by the Trust from time to time. The Trust shall disburse the compensation to the claimants as and when claims have been crystallised against the defaulter and admitted for payment by the Trust based on the recommendations, if any, of the Defaulters' Committee and such compensation shall not be more than the maximum amount fixed for a single claim.
- (4) The Trust shall have the power to utilise corpus and interest earned on the corpus of the IPF for meeting expenses or claims relating to services provided to investors as stipulated by SEBI or Board from time to time.
- (5) Notwithstanding anything contained in any other Byelaw, the Trust shall have the power to utilise the interest income earned on the investments made out of IPF, either in part or whole, for educating investors, creating awareness among the investor community at large and for any research connected therewith or incidental thereto.
- (6) The Exchange shall publish in all editions of at least one English national daily with wide circulation and in at least one regional language daily with wide circulation, a notice specifying a date not being less than 3 months after the said publication, on or before which claims for compensation shall be made in relation to the defaulter specified in the notice. The notice shall contain the specified period, the maximum compensation limit for a single claim of a claimant, etc. The said notice shall also be displayed on the premises of the Exchange as well as on the web-site of the Exchange for the entire specified period.
- (7) A claim for compensation in respect of a default shall be made in writing to the Exchange on or before the date specified in the said notice and any claim which is not so made shall be barred unless the Trust otherwise determines. The Exchange shall process the claims in accordance with procedures as may be laid down by Defaulters' Committee and if the assets of the defaulter are insufficient to meet the approved claims, it shall forward the claims along with the recommendations of the Defaulters'

Committee to the Trust. However, the Trust need not wait for the realization of the assets of the defaulter before the disbursement towards claims.

- (8) A claimant under this Chapter must sign an undertaking to be bound by the decision of the Trust whose decision shall be final and binding.
- (9) The Trust in disallowing (whether wholly or partly) a claim for compensation shall serve notice of such disallowance on the claimant.
- (10) The Trust, if satisfied that the default on which the claim is founded was actually committed, may allow the claim and act accordingly.
- (11) The Trust may at any time and from time to time require the claimant to produce and deliver any securities, documents or statements of evidence necessary to support any claim made or necessary for the purpose of establishing his claims and in default of delivery of any such securities, documents or statements of evidence by such claimant, the Trust may disallow any claim by him under this Chapter.
- (12) Contributions shall be made to the IPF from the sources as may be specified by the relevant authority from time to time.
- (13) The IPF to be held in trust as aforesaid shall vest with the Trust which shall administer the same. The IPF shall be well segregated and shall be immune from any liabilities of the Exchange.
- (14) The Exchange, in consultation with the Trust, shall review and progressively increase the amount of compensation available against a single claim from an investor every three years. The Exchange shall disseminate the compensation limit fixed and any change thereof, to the public through a Press Release and also through web site of the Exchange.
- (15) The Trust may seek the advice of the Defaulters' Committee as to the eligibility or otherwise of individual claims of investors.
- (16) The Exchange shall arrange to provide administrative assistance to the Trust to facilitate the processing and settlement of investor claims.
- (17) The claims of the claimants arising out of speculative transactions or which are sham or collusive shall not be eligible for compensation from the IPF.
- (18) The balance of the IPF lying unutilised with the Trust shall continue to be utilised only for such purposes as prescribed by SEBI. In the event of winding up of the Exchange, the balance lying unutilised with the Trust shall be transferred to SEBI. The funds will be maintained in a separate account and SEBI would act as Trustee of these funds to be utilised for purposes of investor education, awareness and research.

CHAPTER XIII**MISCELLANEOUS**

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