

NSE IFSC LIMITEDRULESARRANGEMENT OF CHAPTERS

<u>Chapter</u>	<u>Description</u>
I.	Board
II.	Committee
III.	Trading Membership
IV.	Disciplinary Proceeding, Penalties Suspension and Expulsion

I. BOARD

- (1) The Board of Directors (herein referred to as Board) of NSE IFSC Limited, constituted in accordance with the provisions of the Articles of Association of the Company, may organise, maintain, control, manage, regulate and facilitate the operations of the Exchange and of securities transactions by trading members of the Exchange, 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 and the regulations or directives which RBI may prescribe from time to time.
- (2) Directors of the NSE IFSC Limited shall be appointed in accordance with the provisions of the Articles of Association of the Company as amended from time to time and in particular, provisions of Articles 116, 116A, 117, 118(A), 118(AA), 118(B), 119, 120 thereof. Any such appointment of Directors shall be considered as one being made under the provisions of these rules.
- (3) Subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules and Regulations thereunder, the Securities and Exchange Board of India Act, 1992 and Rules, Regulations or directions or guidelines thereunder and the regulations or directives which RBI may prescribe from time to time, the Board is empowered to make Bye Laws, Rules and Regulations from time to time, for all or any matters relating to the conduct of business of the Exchange, the business and transactions of trading members between trading members inter-se as well as the business and transactions between trading members and persons who are not trading members, and to control, define and regulate all such transactions and dealings and to do such acts and things which are necessary for the purposes of the Exchange.
- (4) Directors of NSE IFSC Limited shall be appointed in accordance with the provisions of the Articles of Association of the Company as amended from time to time. Any such appointment of Directors shall be considered as one being made under the provisions of these rules.
- (5) Without prejudice to the generality of the foregoing, the Board is empowered to make Regulations, subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules and Regulations thereunder, the Securities and Exchange Board of India Act, 1992 and Rules, Regulations or directions or

guidelines thereunder and the regulations or directives which RBI may prescribe from time to time, for all or any of the following matters:

- (a) Conditions for admission to membership of the Exchange;
 - (b) Conduct of business of the Exchange;
 - (c) Conduct of trading members with regard to the business of the Exchange;
 - (d) Penalties for disobedience or contravention of the Rules, Bye Laws and Regulations of the Exchange or of general discipline of the Exchange, including expulsion or suspension of the trading members;
 - (e) Declaration of any trading member as a defaulter or suspension or expulsion from trading membership of the Exchange and consequences thereof;
 - (f) Conditions, levy for admission or subscription for admission or continuance of trading membership of the Exchange;
 - (g) Charges payable by trading members for transactions in such securities as may be laid down from time to time;
 - (h) Investigation of the financial condition, business conduct and dealings of the trading members;
 - (i) Appointment of Committee or Committees for any purpose of the Exchange;
 - (j) Such other matters in relation to the Exchange as may be prescribed under the provisions of the Articles of Association, Bye Laws or these Rules or as may be necessary or expedient for the organisation, maintenance, control, management, regulation and facilitation of the operations of the Exchange.
- (6) The Board is empowered to delegate, from time to time, to such Committee(s) or to the Managing Director or to any person, such of the powers vested in it and upon such terms as they may think fit, to manage all or any of the affairs of the Exchange and from time to time, to revoke, withdraw, alter or vary all or any of such powers.
- (7) The Board may, from time to time, constitute one or more committees comprising of members of the Board or such others as the Board may in its discretion deem fit or necessary and delegate to such committees such powers as the Board may deem fit and the Board may from time to time revoke such delegation. The Committees constituted by the Board may inter alia include :

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- (a) Admissions Committee for admission of trading members of the Exchange;
 - (b) Infrastructure Committee to recommend appropriate infrastructure and implement the same;
 - (c) Systems Committee to recommend setting up of systems for carrying on the functioning of the Exchange and to implement and monitor the same;
 - (d) Any other matter which the Board may think fit.
- (8) The Board shall have the authority to issue directives from time to time to the any Committee(s) or any other person or persons to whom any powers have been delegated by the Board. Such directives issued in exercise of this power, which may be of policy nature or may include directives to dispose off a particular matter or issue, shall be binding on the concerned Committee(s) or person(s).
- (9) Subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules and Regulations thereunder, the Securities and Exchange Board of India Act, 1992 and Rules, Regulations or directions or guidelines thereunder and the regulations or directives which RBI may prescribe from time to time, the Board is empowered to vary, amend, repeal or add to Bye Laws, Rules and Regulations framed by it.
- (10) The Members of the Board and of such committees as may be identified by the Ethics Committee shall adhere to the Code of Conduct as may be prescribed by the Board or Ethics Committee from time to time.

II. COMMITTEE

(1) CONSTITUTION

One or more Committee(s) may be appointed by the Board for the purposes of managing the day to day affairs of the Stock Exchange. The Board may decide on the constitution, duration and powers of the Committee(s), nomination and vacation of the nominees from the Committee(s) and appointment of office bearers and rules and procedures for the functioning of the Committee(s).

(2) POWERS OF COMMITTEE(S)

- (1) The Board may delegate from time to time to the Committee(s) such of the powers vested in them and upon such terms as they may think fit, to manage all or any of the affairs of the Stock Exchange and from time to time, to revoke, withdraw, alter or vary all or any of such powers.
- (2) The Committee(s) shall be bound and obliged to carry out and implement any directives issued by the Board from time to time and shall be bound to comply with all conditions of delegation and limitations on the powers of the Committee(s) as may be prescribed.

III. TRADING MEMBERSHIP

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

Eligibility

- (3) The following persons shall be eligible to become trading members of the Exchange:
 - (a) companies as defined in the Companies Act, 2013 and
 - (b) any other entity as may be permitted by Securities and Exchange Board of India

No person shall be eligible to be admitted to the trading membership of the Exchange unless the person satisfies:

- (a) the requirements prescribed in that behalf under the Securities Contracts (Regulation) Act, 1956, and the Rules framed thereunder and under the Securities and Exchange Board of India Act, 1992, and
- (b) such additional eligibility criteria as SEBI or relevant authority may prescribe from time to time.

- (4) Certification

No company or any other entity shall be eligible to be admitted to the trading membership of the Exchange unless two of the designated directors have passed the Certification Programme conducted by the Exchange or such other institution as determined by the Exchange from time to time

Admission

- (5) Any company or entity desirous of becoming a trading member shall apply to the Exchange for admission to the trading membership of the Exchange. Every application shall be dealt with by the relevant authority who shall be entitled to admit or reject such applications at its discretion.

- (6) The application shall be made in such formats as may be specified by the relevant authority from time to time for application for admission of trading members.
- (7) The application shall have to be submitted along with such fees, security deposit and other monies in such form and in such manner as may be specified by the relevant authority from time to time.
- (8) The applicant shall have to furnish such declarations as may be specified from time to time by the relevant authority.
- (9) The relevant authority shall have the right to call upon the applicant to pay such fees or deposit such additional security in cash or kind, to furnish any additional guarantee or to require the deposit of any building fund, computerisation fund, training fund or fee as the relevant authority may prescribe from time to time.
- (10) The relevant authority may admit the applicant to the trading membership of the Exchange provided that the applicant satisfies the eligibility conditions and other procedures and requirements of admission. The relevant authority may at its absolute discretion reject any application for admission without communicating the reason thereof.
- (11) If for any reason the application is rejected, the admission fee shall be refunded to the applicant, without any interest.
- (12) The relevant authority may at any time from the date of admission to the trading membership of the Exchange cancel the admission and expel a trading member if it has in or at the time of his application for admission to membership or during the course of the inquiry made by the relevant authority preceding his admission :
 - (a) made any willful misrepresentation; or
 - (b) suppressed any material information required of him as to his character and antecedents; or
 - (c) has directly or indirectly given false particulars or information or made a false declaration.

- (13) When an applicant is admitted to the trading membership of the Exchange, intimation of the applicant's admission shall be sent to the applicant and to the Securities and Exchange Board of India. If the applicant admitted to the membership of the Exchange and after intimation of its admission is duly sent, does not become a member by complying with acts and procedures for exercising the privileges of membership as may be prescribed by the relevant authority within a specified time period from the date of despatch of the intimation of admission, the admission fee paid by applicant shall be forfeited by the Exchange.
- (14) (a) Every trading member of the Exchange shall, upon being admitted as a trading member of the Exchange be issued a certificate or entitlement slip as proof of having been admitted to the benefits and privileges of the trading membership of the Exchange. Such a certificate or entitlement slip shall not be transferable or transmittable except as herein mentioned.
- (b) Subject to such terms and conditions as the relevant authority may prescribe from time to time and to the prior written approval of the relevant authority, transfer of the certificate / entitlement slip, may be effected as follows:
- (i) by an amalgamation or merger of a trading member company;
 - (ii) by takeover of a trading member company;
- (c) The relevant authority may permit the transfer of the certificate / entitlement slip in the following circumstances:
- (i) Upon amalgamation or merger of a trading member company;
 - (ii) Upon takeover of a trading member company;
- (d) The relevant authority may, while permitting the transfer, prescribe from time to time such transfer fee as it deems fit in the following circumstances viz.,
- (i) amalgamation or merger of a trading member company with a non trading member company resulting in the loss of majority shareholding and/ or control of management by the majority shareholders of the trading member company;
 - (ii) takeover of the trading member company by non trading member(s) company resulting in the loss of majority shareholding and/ or control of management by the majority shareholders of the trading member company;

Explanation I

For the purpose of sub-clauses (i) and (ii) above, the term “loss of majority shareholding” means a shareholder or a group of shareholders holding 51% or more shares / interest in the trading member company ceases to hold 51% of shares / interest in the trading member company or in the amalgamated company which shall take up trading membership upon amalgamation of the trading member company with a non trading member company.

Explanation II

For the purpose of sub-clauses (i) and (ii) above, the term “loss of control in management” means the loss of the right to appoint majority of the directors or to control the management or policy decision exercisable by person or persons acting individually or in concert, directly or indirectly including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

(e) Without prejudice to any other provision of the Rules, the trading membership may be suspended, for such period as the relevant authority may deem fit, in the following circumstances:

- (i) Upon any deadlock in the management of a trading member company, which, in the opinion of the relevant authority will affect the ability of such trading member company to carry on its business. The trading member shall be entitled for an opportunity for representation before the relevant authority, before being suspended under this sub-clause, but the decision of the relevant authority shall be final.

Explanation I

For the purposes of this sub-clause, the term “Deadlock in the Management” means a situation wherein there is a loss of confidence or disagreement among the directors/shareholders of a trading member company, which, in the opinion of the relevant authority, will affect or is likely to affect the conduct of business by the trading member company, as the case may be or an equality of vote at a meeting of the directors or shareholders of a trading member company.

- (15) The entitlement slip does not confer any ownership right as a member of the Company. The original of the entitlement slip shall stand deposited with the relevant authority. An authenticated photocopy or duplicate of such entitlement slip shall remain in the possession of the trading member as a proof of the trading membership of the Exchange.

- (16) A trading member shall not assign, mortgage, pledge, hypothecate or charge his right of membership or any rights or privileges attached thereto and no such attempted assignment mortgage, pledge, hypothecation or charge shall be effective as against the Exchange for any purpose, nor shall any right or interest in any trading membership other than the personal right or interest of the trading member therein be recognised by the Exchange. The relevant authority shall expel any trading member of the Exchange who acts or attempts to act in violation of the provisions of this Rule.

Termination of membership

- (17) Any trading member may cease to be a member, if one or more apply:
- (a) expulsion in accordance with the provisions contained in the Bye Laws, Rules and Regulations;
 - (b) declared a defaulter in accordance with the Bye Laws, Rules and Regulations of the Exchange;
 - (c) winding up of such trading member;
 - (d) Surrender of the trading membership of the Exchange.

Failure to pay Charges

- (18) Save as otherwise provided in the Bye Laws, Rules and Regulations of the Exchange if a member fails to pay his annual subscription, fees, charges or other monies which may be due by him to the Exchange within such time as the relevant authority may prescribe from time to time after notice in writing has been served upon him by the Exchange, he may be suspended by the relevant authority until he makes payment and if within a further period of fifteen days he fails to make such payment, he may be expelled by the relevant authority.

Continued Admittance

- (19) The relevant authority shall from time to time prescribe conditions and requirements for continued admittance to trading membership which may, inter alia, include maintenance of minimum networth and capital adequacy, renewal of certification, if any, etc. The trading membership of any person who fails to meet these requirements shall be liable to be terminated.

Readmission of Defaulters

- (20) A trading member's right of membership shall lapse and vest with the Exchange immediately he is declared a defaulter. The member who is declared a defaulter shall forfeit all his rights and privileges as a member of the Exchange, including any right to use of or any claim upon or any interest in any property or funds of the Exchange, if any.

(21) The relevant authority may readmit a defaulter as a trading member subject to the provisions as may be prescribed by the relevant authority from time to time.

(22) The relevant authority may readmit only such defaulter which in its opinion:

- (a) has paid up all dues to the Exchange, other trading members and constituents;
- (b) has no winding up proceedings against him in a Court or has not been wound up by any Court;
- (c) has defaulted owing to the default of principals or constituents whom he might have reasonably expected to be good for their commitments;
- (d) has not been guilty of bad faith or breach of the Bye Laws, Rules and Regulations of the Exchange;
- (e) has been irreproachable in his general conduct.

IV. DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND EXPULSION

Disciplinary Jurisdiction

(1) The relevant authority may expel or suspend and/or fine under censure and/or warn and/or withdraw any of the membership rights of a trading member if it be guilty of contravention, non-compliance, disobedience, disregard or evasion of any of the Bye Laws, Rules and Regulations of the Exchange or of any resolutions, orders, notices, directions or decisions or rulings of the Exchange or the relevant authority or of any other Committee or officer of the Exchange authorised in that behalf or of any conduct, proceeding or method of business which the relevant authority in its absolute discretion deems dishonourable, disgraceful or unbecoming a trading member of the Exchange or inconsistent with just and equitable principles of trade or detrimental to the interests, good name or welfare of the Exchange or prejudicial or subversive to its objects and purposes.

Penalty for Misconduct, Unbusiness like Conduct and Unprofessional Conduct

(2) In particular and without in any way limiting or prejudicing the generality of the provisions in Rule (1) above, a trading member shall be liable to expulsion or suspension or withdrawal of all or any of its membership rights and/or to payment of a fine and/or to be censured, reprimanded or warned for any misconduct, unbusiness like conduct or unprofessional conduct in the sense of the provision in that behalf contained herein.

Misconduct

(3) A trading member shall be deemed guilty of misconduct for any of the following or similar acts or omissions namely:

(a) Fraud: If it is convicted of a criminal offence or commits fraud or a fraudulent act which in the opinion of the relevant authority renders it unfit to be a trading member;

(b) Violation: If it has violated provisions of any statute governing the activities, business and operations of the Exchange, trading members and securities business in general;

(c) Improper Conduct: If in the opinion of the relevant authority it is guilty of dishonourable or disgraceful or disorderly or improper conduct on the Exchange or of willfully obstructing the business of the Exchange;

(d) Breach of Rules, Bye Laws and Regulations: If it shields or assists or omits to report any trading member whom it has known to have committed a breach or evasion of any Rule, Bye-law and Regulation of the Exchange or of any resolution, order, notice or direction thereunder of the relevant authority or of any Committee or officer of the Exchange authorised in that behalf;

(e) Failure to comply with Resolutions : If it contravenes or refuses or fails to comply with or abide by any resolution, order, notice, direction, decision or ruling of the relevant authority or of any Committee or officer of the Exchange

or other person authorised in that behalf under the Bye Laws, Rules and Regulations of the Exchange;

(f) Failure to submit to or abide by Arbitration : If it neglects or fails or refuses to submit to arbitration or to abide by or carry out any award of the arbitrators made in connection with a reference under the Bye Laws, Rules and Regulations of the Exchange;

(g) Failure to testify or give information : If it neglects or fails or refuses to submit to the relevant authority or to a Committee or an officer of the Exchange authorised in that behalf, such books, correspondence, documents and papers or any part thereof as may be required to be produced or to appeal and testify before or cause any of its attorneys, agents, authorised representatives or employees to appear and testify before the relevant authority or such Committee or officer of the Exchange or other person authorised in that behalf;

(h) Failure to submit Special Returns : If it neglects or fails or refuses to submit to the relevant authority within the time notified in that behalf special returns in such form as the relevant authority may from time to time prescribe together with such other information as the relevant authority may require whenever circumstances arise which in the opinion of the relevant authority make it desirable that such special returns or information should be furnished by any or all the trading members;

(i) Failure to submit Audited Accounts: If it neglects or fails or refuses to submit its audited accounts to the Exchange within such time as may be prescribed by the relevant authority from time to time.

(j) Failure to compare or submit accounts with Defaulter : If it neglects or fails to compare its accounts with the Defaulters' Committee or to submit to it a statement of its accounts with a defaulter or a certificate that it has no such account or if it makes a false or misleading statement therein;

(k) False or misleading Returns : If it neglects or fails or refuses to submit or makes any false or misleading statement in its clearing forms or returns required to be submitted to the Exchange under the Bye Laws, Rules and Regulations;

(l) Vexatious complaints: If it or its agent brings before the relevant authority or a Committee or an officer of the Exchange or other person authorised in that behalf a charge or complaint, complaint which in the opinion of the relevant authority is frivolous, vexatious or malicious;

(m) Failure to pay dues and fees: If it fails to pay its subscription, fees, arbitration charges or any other money which may be due by it or any fine or penalty imposed on it.

Unbusiness like Conduct

(4) A trading member shall be deemed guilty of unbusiness like conduct for any of the following or similar acts or omissions namely :

(a) Fictitious Names: If it transacts its own business or the business of its constituent in fictitious names;

- (b) Fictitious Dealings: If it makes a fictitious transaction or gives an order for the purchase or sale of securities the execution of which would involve no change of ownership or executes such an order with knowledge of its character;
- (c) Circulation of rumours: If it, in any manner, circulates or causes to be circulated, any rumours;
- (d) Prejudicial Business: If it makes or assists in making or with such knowledge is a party to or assists in carrying out any plan or scheme for the making of any purchases or sales or offers of purchase or sale of securities for the purpose of upsetting the equilibrium of the market or bringing about a condition in which prices will not fairly reflect market values;
- (e) Market Manipulation and Rigging: If it, directly or indirectly, alone or with other persons, effects series of transactions in any security to create actual or apparent active trading in such security or raising or depressing the prices of such security for the purpose of inducing purchase or sale of such security by others;
- (f) Unwarrantable Business: If it engages in reckless or unwarrantable or unbusiness like dealings in the market or effects purchases or sales for its constituent's account or for any account in which it is directly or indirectly interested which purchases or sales are excessive in view of its constituent's or his own means and financial resources or in view of the market for such security;
- (g) Compromise: If it connives at a private failure of a trading member or accepts less than a full and bona fide money payment in settlement of a debt due by a trading member arising out of a transaction in securities;
- (h) Dishonoured Cheque: If it issues to any other trading member or to its constituents a cheque which is dishonoured on presentation for whatever reasons;
- (i) Failure to carry out transactions with Constituents: If it fails in the opinion of the relevant authority to carry out its committed transactions with its constituents;

Unprofessional Conduct

- (5) A trading member shall be deemed guilty of unprofessional conduct for any of the following or similar acts or omissions namely :
- (a) Business in Securities in which dealings not permitted: If it enters into dealings in securities in which dealings are not permitted;
- (b) Business for Defaulting Constituent: If it deals or transacts business directly or indirectly or executes an order for a constituent who has within its knowledge failed to carry out engagements relating to securities and is in default to another trading member unless such constituent shall have made a satisfactory arrangement with the trading member who is its creditor;
- (c) Business for Insolvent: If without first obtaining the consent of the relevant authority it directly or indirectly is interested in or associated in business with or transacts any business with or for any individual who has been insolvent

even though such individual shall have obtained his final discharge from an Insolvency Court;

(d) Business without permission when under suspension : If without the permission of the relevant authority it does business on its own account or on account of a principal with or through a trading member during the period it is required by the relevant authority to suspend business on the Exchange;

(e) Business for or with suspended, expelled and defaulter trading members: If without the special permission of the relevant authority it shares brokerage with or carries on business or makes any deal for or with any trading member who has been suspended, expelled or declared a defaulter;

(f) Business for Employees of other trading members: If it transacts business directly or indirectly for or with or executes an order for an authorised representative or employee of another trading member without the written consent of such employing trading member;

(g) Business for Exchange Employees: If it makes a speculative transaction in which an employee of the Exchange is directly or indirectly interested;

(h) Advertisement: If it advertises for business purposes or issues regularly circular or other business communications to persons other than its own constituents, trading members of the Exchange, Banks and Joint Stock Companies or publishes pamphlets, circular or any other literature or report or information relating to the stock markets without the prior written permission of the Exchange or in contravention of the advertisement code prescribed by the Exchange;

(i) Evasion of Margin Requirements: If it willfully evades or attempts to evade or assists in evading the margin requirements prescribed in these Bye Laws and Regulations;

(j) Brokerage Charge: If it willfully deviates from or evades or attempts to evade the Bye Laws and Regulations relating to charging and sharing of brokerage.

(k) Dealings with entities prohibited to buy or sell or deal in securities market: If it deals, directly or indirectly, in the course of its business with or transacts any business with or for any entity, which has been prohibited by SEBI to buy or sell or deal in the securities market.

Trading member's responsibility for Agents and Employees

(6) A trading member shall be fully responsible for the acts and omissions of its authorised officials, attorneys, agents, authorised representatives and employees and if any such act or omission be held by the relevant authority to be one which if committed or omitted by the trading member would subject it to any of the penalties as provided in the Bye Laws, Rules and Regulations of the Exchange then such trading member shall be liable therefore to the same penalty to the same extent as if such act or omission had been done or omitted by itself.

Suspension on failure to provide deposit and/or Capital Adequacy requirements

(7) The relevant authority shall require a trading member to suspend its business when it fails to provide the deposit and/or meet capital adequacy norms as

provided in these Bye Laws, Rules and Regulations and the suspension of business shall continue until it furnishes the necessary deposit or meet capital adequacy requirements. The relevant authority may expel a trading member acting in contravention of this provision.

Suspension of Business:

(8) The relevant authority may require a trading member to suspend its business in part or in whole :

(a) Prejudicial Business: When in the opinion of the relevant authority, the trading member conducts business in a manner prejudicial to the Exchange by making purchases or sales of securities or offers to purchase or sell securities for the purpose of upsetting equilibrium of the market or bringing about a condition of demoralisation in which prices will not fairly reflect market values, or

(b) Unwarrantable Business: When in the opinion of the relevant authority it engages in unwarrantable business or effects purchases or sales for its constituent's account or for any account in which it is directly or indirectly interested which purchases or sales are excessive in view of its constituent's or its own means and financial resources or in view of the market for such security, or

(c) Unsatisfactory Financial Condition: When in the opinion of the relevant authority it is in such financial condition that it cannot be permitted to do business with safety to its creditors or the Exchange.

Removal of Suspension

(9) The suspension of business under clause (8) above shall continue until the trading member has been allowed by the relevant authority to resume business on its paying such deposit or on its doing such act or providing such thing as the relevant authority may require.

Penalty for Contravention

(10) A trading member who is required to suspend its business shall be expelled by the relevant authority if he acts in contravention of this provision.

Trading members and others to testify and give information

(11) A trading member shall appear and testify before and cause its attorneys, agents, authorised representatives and employees to appear and testify before the relevant authority or before other Committee(s) or an officer of the Exchange authorised in that behalf and shall produce before the relevant authority or before other Committee(s) or an officer of the Exchange authorised in that behalf, such books, correspondence, documents, papers and records or any part thereof which may be in its possession and which may be deemed relevant or material to any matter under inquiry or investigation.

Permission necessary for Legal Representation

(12) No person shall have the right to be represented by professional counsel, attorney, advocate or other representative in any investigation or hearing before the relevant authority or any other Committee unless the relevant authority or other Committee so permits.

Explanation before suspension or expulsion

(13) A trading member shall be entitled to be summoned before the relevant authority and afforded an opportunity for explanation before being suspended or expelled but in all cases the findings of the relevant authority shall be final and conclusive.

Temporary Suspension

- (14) (a) Notwithstanding what is contained in clause (13) herein above if in the opinion of the Managing Director it is necessary to do so, he may, for reasons to be recorded in writing, temporarily suspend a trading member, pending completion of the proceedings for suspension under this chapter by the relevant authority, and no notice of hearing shall be required for such temporary suspension and such temporary suspension shall have the same consequences of suspension under this chapter.
- (b) A notice to show cause shall be issued to the trading member within five working days of such temporary suspension.
- (c) Any such temporary suspension may be revoked at the discretion of the Managing Director, for reasons to be recorded in writing, if the Managing Director is satisfied that the circumstances leading to the formations of opinion of the Managing Director to effect temporary suspension, have ceased to exist or are satisfactorily resolved.
- (d) A trading member aggrieved by the temporary suspension may appeal to the relevant authority, provided that such appeal shall not automatically suspend the temporary suspension unless otherwise directed by the relevant authority.

Effect of suspension of registration by SEBI

(15) Notwithstanding anything contained in any of the Byelaws and Rules of the Exchange, if the registration of a Trading Member is suspended by SEBI, such Trading Member shall ipso facto stand suspended from the trading membership of the Exchange for the period of suspension, so imposed by SEBI or till such suspension is in force.

Imposition of Penalties

(16) The penalty of suspension, withdrawal of all or any of the membership rights, fine, censure or warning may be inflicted singly or conjointly by the relevant authority. The penalty of expulsion may be inflicted by the relevant authority.

Pre-determination of Penalties

(17) The relevant authority shall have the power to pre-determine the penalties, the period of any suspension, the withdrawal of particular membership rights and the amount of any fine that would be imposed on contravention, non-compliance, disobedience, disregard or evasion of any Bye Law, Rules or Regulation of the Exchange or of any resolution, order, notice, direction, decision or ruling thereunder of the Exchange, the relevant authority or of any other Committee or officer of the Exchange authorised in that behalf.

Commutation

(18) Subject to the provision of the Securities Contracts (Regulation) Rules, 1957 the relevant authority in its discretion may in any case suspend a trading member in lieu of the penalty of expulsion or may withdraw all or any of the membership rights or impose a fine in lieu of the penalty of suspension or expulsion and may direct that the guilty trading member be censured or warned or may reduce or remit any such penalty on such terms and conditions as it deems fair and equitable.

Reconsideration/Review

(19) Subject to the provisions of the Securities Contracts (Regulation) Rules, 1957 the relevant authority may of its own motion or on appeal by the trading member concerned within 90 days from the date of communication of decision of the relevant authority to the member reconsider and may rescind, revoke or modify its resolution withdrawing all or any of the membership rights or fining, censuring or warning any trading member. In a like manner the relevant authority may rescind, revoke or modify its resolution expelling or suspending any trading member.

Failure to pay fines and penalties

(20) If a trading member fails to pay any fine or penalty imposed on it within such period as prescribed from time to time by the relevant authority after notice in writing has been served on it by the Exchange it may be suspended by the relevant authority until it makes payment and if within a further period as prescribed from time to time it fails to make such payment it may be expelled by the relevant authority.

Consequence of Suspension

(21) The suspension of a trading member shall have the following consequences namely:

(a) Suspension of Membership Rights: The suspended trading member shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of membership, but it may be proceeded against by the relevant authority for any offence committed by it either before or after its suspension and the relevant authority shall not be debarred from taking

cognisance of and adjudicating on or dealing with any claim made against it by other trading members;

(b) Rights of creditors unimpaired: The suspension shall not affect the rights of the trading members who are creditors of the suspended trading member;

(c) Fulfillment of Contracts: The suspended trading member shall be bound to fulfill contracts outstanding at the time of its suspension;

(d) Further business prohibited : The suspended trading member shall not during the terms of its suspension make any trade or transact any business with or through a trading member provided that it may with the permission of the relevant authority close with or through a trading member the transactions outstanding at the time of its suspension;

(e) Trading members not to deal: No trading member shall transact business for or with or share brokerage with a suspended trading member during the terms of its suspension except with the previous permission of the relevant authority.

Consequences of Expulsion

(22) The expulsion of a trading member shall have the following consequences namely:

(a) Trading membership Rights forfeited: The expelled trading member shall forfeit to the Exchange its right of trading membership and all rights and privileges as a trading member of the Exchange including any right to the use of or any claim upon or any interest in any property or funds of the Exchange but any liability of any such trading member to the Exchange or to any trading member of the Exchange shall continue and remain unaffected by its expulsion;

(b) Office vacated: The expulsion shall create a vacancy in any office or position held by the expelled trading member;

(c) Rights of Creditors unimpaired: The expulsion shall not affect the rights of the trading members who are creditors of the expelled trading member;

(d) Fulfillment of Contracts: The expelled trading member shall be bound to fulfill transactions outstanding at the time of his expulsion and it may with the permission of the relevant authority close such outstanding transactions with or through a trading member;

(e) Trading members not to deal: No trading member shall transact business for or with or share brokerage with the expelled trading member except with the previous permission of the relevant authority.

(f) Consequences of declaration of defaulter to follow: The provisions of Chapter XI and Chapter XII of the Byelaws pertaining to default and Protection Fund respectively shall become applicable to the Trading Member expelled from the Exchange as if such Trading Member has been declared a defaulter.

Expulsion Rules to Apply

(23) When a trading member ceases to be such under the provisions of these Bye Laws otherwise than by default or surrender of membership it shall be as if such trading member has been expelled by the relevant authority and in that event all the provisions relating to expulsion contained in these Rules shall apply to such trading member in all respects.

Suspension of Business

(24) (a) The relevant authority shall require a trading member to suspend its business when it fails to maintain or provide further security as prescribed in the Bye Laws and Regulations and the suspension shall continue until it pays the necessary amount by way of security.

(b) Penalty for Contravention: A trading member who is required to suspend its business under clause (a) shall be expelled by the relevant authority if it acts in contravention of the provisions of the Bye Laws.

Notice of Penalty and suspension of Business

(25) Notice shall be given to the trading member concerned and to the trading members in general by a notice on the trading system of the Exchange of the expulsion or suspension or default of or of the suspension of business by a trading member or of any other penalty imposed on it or on its attorneys, agents, authorised representatives or other employees. The relevant authority may in its absolute discretion and in such manner as it thinks fit notify or cause to be notified to the trading members of the Exchange or to the public that any person who is named in such notification has been expelled, suspended, penalised or declared a defaulter or has suspended its business or ceased to be a trading member. No action or other proceedings shall in any circumstances be maintainable by such person against the Exchange or the relevant authority or any officer or employee of the Exchange for the publication or circulation of such notification and the application for trading membership or the application for registration as the constituted attorney or authorised representative or by the person concerned shall operate as license and the Bye Laws, Rules and Regulations shall operate as leave to print, publish or circulate such advertisement or notification and be pleadable accordingly.

(26) The Relevant authority for the purpose of this Chapter shall be the Disciplinary Action Committee as may be constituted by the Board of Directors from time to time. The Composition of Disciplinary Action Committee shall be such as may be prescribed by SEBI
