

**BYE-LAWS
OF
INTER-CONNECTED
STOCK EXCHANGE
OF INDIA LTD.**

ARRANGEMENT OF CHAPTERS

Chapter	Description	Page Number	
		From	To
1.	Definitions	2	3
2.	Trading Segments	4	4
3.	Executive Committee	5	5
4.	Regulations	6	7
5.	Dealings in Securities	8	10
6.	Trading Members	11	14
7.	Participants	15	16
8.	Dealings by Trading Members	17	19
9.	Trading System and Market Makers	20	22
10.	Transactions and Settlements	23	25
11.	Clearing and Settlements	26	26
12.	Clearing House Applicability	27	31
13.	Closing-out	32	32
14.	Margins	33	34
15.	Interest, Dividend, Rights and Calls	35	35
16.	Brokerage on Dealings	36	36
17.	Rights & Liabilities of Members and Constituents	37	44
18.	Arbitration	45	54
19.	Default	55	64
20.	Settlement Guarantee Fund	65	86
21.	Investor Protection Fund	87	89
22.	Investor Services Fund	90	90
23.	Code of Ethics	91	94
24.	Subsidiary	95	95
25.	Miscellaneous	96	96

1. DEFINITIONS AND INTERPRETATIONS

- 1.1 "Board", "Board of Directors" or "the Directors" mean the Board of Directors of the Inter-connected Stock Exchange of India Limited (ISE).
- 1.2 "Exchange Securities" means securities which have been admitted to the Official List(s) of ISE.
- 1.3 "Exchange" means the Stock Exchange(s) operated by ISE.
- 1.4 "Executive Committee" or "EC" means the Committee of the ISE formed in accordance with the Rules of ISE.
- 1.5 "Issuer" includes a Government, a Body Corporate or other entity, whether incorporated or not, which issues any security or other instrument, or draws or accepts a negotiable instrument which is admitted to the dealings on ISE.
- 1.6 "Market Maker" means a trading member of ISE.
- 1.7 "Official List of ISE" means the list of securities which are listed or permitted to trade on ISE.
- 1.8 "Participant" means a constituent who is registered by the relevant authority from time to time under Chapter 7 of the Bye Laws.
- 1.9 "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 & Rules made thereunder and the SEBI Act.
- 1.10 "Relevant Authority" means the Board of ISE, Securities and Exchange Board of India or such other authority as specified by the Board of ISE from time to time as relevant for a specified purpose.
- 1.11 "Relevant ISE Securities" or "Relevant Securities" means those securities pertaining to the relevant trading segment of ISE.
- 1.12 "Rules", unless the context indicates otherwise, means rules as mentioned hereunder for regulating the activities and responsibilities of trading members of ISE 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 Contracts (Regulation) Act, 1956 & Rules made thereunder and the SEBI Act.

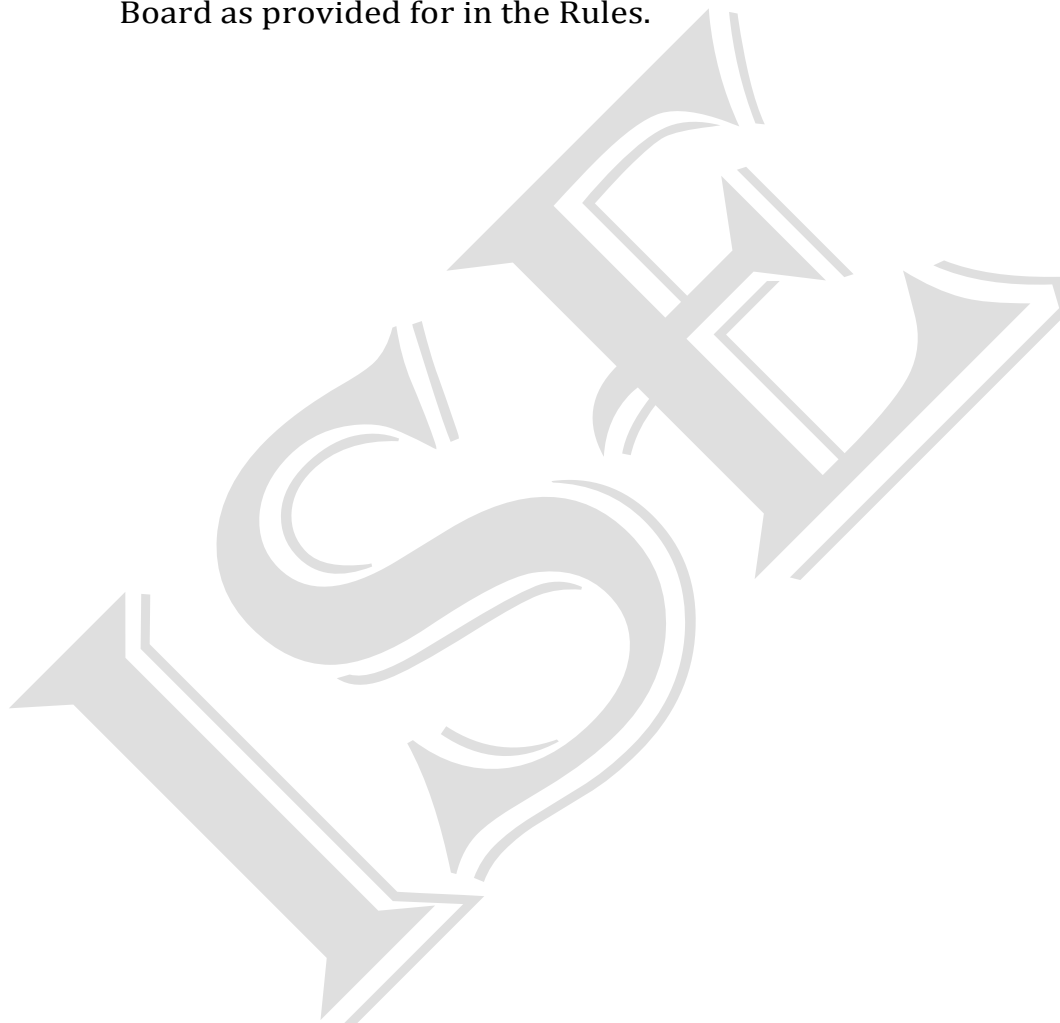
- 1.13 "SEBI" means the Securities and Exchange Board of India.
- 1.14 "Security" shall have the meaning assigned to it in the Securities Contract (Regulation) Act, 1956 and shall also include such other class of monetary transactions or instruments, scripless or otherwise, as may be admitted to dealings on Exchange.
- 1.15 "Security admitted to dealings" includes a security which is listed or permitted to trade on Exchange.
- 1.16 "Trading Member" means a Stock broker and the member of ISE registered in accordance with Chapter 6 of the Bye-Laws.
- 1.17 "Trading Segments" or "Segments" mean the different segments or divisions comprising ISE securities as may be classified and specified by the Board or relevant authority from time to time.
- 1.18 "Trading system of the ISE" means a system which makes available to trading members and the investing public, by whatever method, quotations in ISE securities and disseminates information regarding trades effected, volumes, etc. and such other notifications as may be placed thereon by the Executive Committee .

2. TRADING SEGMENTS

- 2.1 There may be more than one Trading Segment as may be specified by the relevant authority from time to time. The Exchange shall seek approval of SEBI before introducing any new trading segment.
- 2.2 The Securities, which will be eligible for admission to the trading in different segments, will be specified by the relevant authority from time to time.
- 2.3 **Capital Market Trading Segment:** Securities eligible for trading as per Securities Contract (Regulation) Act, 1956 may be admitted to dealings on the Capital Market Trading Segment of ISE.
- 2.4 **SME Trading Segment:** The specified securities issued by the Small & Medium Enterprises in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 may be admitted to the dealings on the SME Trading segment
- 2.5 **Futures & Options Trading Segment:** Derivatives contracts approved by SEBI may be admitted to dealings on the Futures & Options Trading Segment.
- 2.6 **Wholesale Debt Market Segment:** Instruments used for Wholesale Debt Market transactions may be admitted to dealings on the Wholesale Debt Market Trading Segment subject to trading regulations which the relevant authority may prescribe from time to time.
- 2.7 **Currency derivatives segment:** Derivatives contracts based on currency or any other underlying approved by SEBI may be admitted to dealings on the currency derivatives segment
- 2.8 Further trading segments such as for debt instruments or equity instruments or any other segment may be specified by the relevant authority from time to time.
- 2.9 The Exchange, subject to prior approval of SEBI, may enter into such arrangement pursuant to proviso to Section 13 of the Securities Contracts (Regulation) Act, 1956 with one or more recognised stock exchanges. In such an event, the provisions of these Byelaws and Regulations shall apply subject to such modifications as may be specified by Relevant Authority from time to time.

3. Executive Committee

- 3.1 Executive Committee(s) shall be appointed by the Board for the purposes of managing the day to day affairs of the different trading segment(s) in such manner as laid down in the Rules.
- 3.2 The Executive Committee of each trading segment shall have such responsibilities and powers as may be delegated to it by the Board as provided for in the Rules.



4. REGULATIONS

- 4.1 The Board or 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.
- 4.2 Without prejudice to the generality of bye-law 4.1 above, the Board or relevant authority may prescribe regulations from time to time, inter alia, with respect to:
- (a) norms, procedures, terms and conditions to be complied with for inclusion of securities in the Official List of ISE securities;
 - (b) fees payable by an Issuer for inclusion and continued inclusion of securities in the Official List of ISE Securities;
 - (c) norms and procedures for admission of trading members in accordance with Chapter - 6;
 - (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 moneys 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 Contracts (Regulation) Act and Rules and SEBI Act;

- (j) inspection and audit of records and books of accounts;
- (k) prescription, from time to time, and administration of penalties, fines and other consequences, including suspension/expulsion for defaults or violation of any requirements of the Bye Laws and Regulations and the Rules and Codes of Conduct and criteria for readmission, if any, promulgated 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 may be decided by the Board.

5. DEALINGS IN SECURITIES

5.1 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.

5.2 Admission of Securities to Dealings

- (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 trading segments 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.
- (c) The relevant authority may admit from time to time securities which are permitted to trade on the Exchange.

5.3 Government Securities

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

5.4 Dealings in Securities Dealt on other Stock Exchanges

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.

5.5 Application for Admission to Listing

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.

5.6 Conditions and Requirements of Dealings

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.

5.7 Refusal of Admission to Listing

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.

5.8 Fees

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.

5.9 Dealings in Provisional Documents

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

5.10 Issuers Registered Outside India

Admission to dealings on the Exchange shall not be granted to securities issued by a body corporate, fund or other entity registered or formed outside India unless:

- (a) there is adequate public interest in such securities in India;
- (b) the body corporate, fund or other entity agrees to maintain a register of members or other similar record in India and agrees to abide by such other criteria as prescribed by the relevant authority are satisfied.

5.11 Specific Deals

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.

- 5.12 **Prohibited Dealings**
The relevant authority may prohibit dealings on the Exchange in any security or securities for any cause.
- 5.13 **Suspension of Admission to Dealings on the Exchange**
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 reinstate such security subject to such conditions as it deems fit.
- 5.14 **Withdrawal of Admission to Dealings on Redemption or Conversion**
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.
- 5.15 **Withdrawal of Admission to Dealings on Liquidation or Merger**
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.
- 5.16 **Withdrawal of Admission to Dealings on the Exchange**
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.
- 5.17 **Readmission to Dealings on the Exchange**
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.

6. Trading Members

6.1 Eligibility Conditions.

The Board may, from time to time, prescribe the categories of persons who shall be eligible to become Trading Members of ISE. The following are the eligibility criteria:

- 6.1.1 The Trading Members shall follow the operational guidelines applicable to Trading Members and meet the entry requirements as specified by the relevant authority from time to time.
- 6.1.2 It shall meet the requirements specified by SC(R) Act and the Rules framed thereunder, SEBI Act and the Rules and Regulations framed there under and it shall be registered with SEBI.
- 6.1.3 It shall fulfill capital adequacy and other eligibility conditions as specified by ISE from time to time.
- 6.1.4 The relevant authority may modify, add, delete and/or alter the above conditions from time to time to suit the requirements of ISE.
- 6.1.5 Foreign Institutional Investors, unless registered with SEBI as stock brokers, will not be allowed to act as Trading Members.
- 6.1.6 ISE may specify different categories of Trading Members subject to approval of SEBI.

6.2 REGISTRATION

- 6.2.1 The Board or the relevant authority is empowered to admit or register Trading Members as per the provisions contained in the Rules, Bye-laws and Regulations as may be framed from time to time in accordance with the SC(R) Act & the Rules framed thereunder, and the SEBI Act & the Rules and Regulations framed there under.
- 6.2.2 The Board or the relevant authority may specify formats and procedures for registration, termination, re-registration, etc. of Trading Members to each trading segment. The Board of Directors or the relevant authority may, at its absolute discretion, refuse permission to any applicant to be registered as a Trading Members.

- 6.2.3 A person shall pay such fees, security deposit and other moneys as may be prescribed by the Board or the relevant authority from time to time on registration as a Trading Members and for continuance of Trading Membership.
- 6.2.4 A Trading Members of any Trading Segment may trade in ISE securities applicable to that segment.
- 6.2.5 A Trading Members may trade in the relevant securities either on his own account as a principal or on behalf of his clients, unless otherwise allowed by the relevant authority and subject to such conditions, which the relevant authority may prescribe from time to time. It may also act as market maker in such securities if he is so authorized and subject to such conditions as may be prescribed by the relevant authority.

6.3 Appointment and Fees

- 6.3.1 The relevant authority is empowered to admit trading members in accordance with the Articles of Association, Rules, Bye-laws and Regulations, as it may frame from time to time, in accordance with the Securities Contract (Regulation) Act, 1956, & the Rules made thereunder and the Securities and Exchange Board of India Act, 1992.
- 6.3.2 The relevant authority may specify formats, pre-requisites, conditions and procedures for applications for admission, termination, re-admission etc. of trading Member. The relevant authority may, at its absolute discretion, refuse permission to any applicant to be appointed as trading member.
- 6.3.3 The trading member shall pay such fees, security deposit and other moneys as are specified by the Board or relevant authority from time to time on admission as a trading member and for continued Admission. The fees, security deposits, other moneys 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 Bye-laws, Rules and Regulations of the Exchange. The Exchange

shall be entitled to adjust or appropriate such fees, deposits and other moneys for such dues and claims, to the exclusion of the other claims against the trading member, without any reference to the trading member.

6.3.4 Trading member of any trading segment may trade on the Exchange in the ISE securities applicable to that segment.

6.3.5 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 Trading System and Market Makers.

6.4 **CONDITIONS**

6.4.1 Trading member shall adhere to the Rules, Bye-laws and Regulations of ISE and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the Board or the relevant authority as may be applicable

6.4.2 All contracts issued for deals on the Exchange shall be in accordance with the Bye-laws, Rules and Regulations of the Exchange.

6.4.3 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.

6.4.4 Trading Member shall furnish declarations, relating to such matters and in such forms as may be prescribed by the relevant authority from time to time.

6.4.5 Trading Member shall furnish to ISE every year an Auditors' Certificate certifying that the requirements as may be prescribed from time to time by the relevant authority pertaining to its operations have been complied with.

6.4.6 Trading Member shall furnish to ISE such information and periodic returns pertaining to its operations as may be required by the relevant authority from time to time.

- 6.4.7 Trading Member shall furnish to ISE such audited and/or un - audited financial statements and quantitative information as may be required by the relevant authority from time to time.
- 6.4.8 A trading Member shall extend full co-operation and furnish such information and explanation as may be required for the purpose of inspection or audit authorised by the relevant authority or other authorized official of the Exchange into or in regard to any trades, transactions, statements, accounting policies and/or other related matters.
- 6.4.9 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.

7. PARTICIPANTS

7.1 Registration of Participants on application

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.

7.2 Suo Motu Registration of Participant

Notwithstanding anything contained in Byelaw (1) above, the relevant authority may *suo motu* 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.

7.3 Rights and Liabilities of Participants

- (a) Notwithstanding any provisions to the contrary as may be contained in any other part of the Bye Laws especially VII(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 on any segment 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.

7.4 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.

- 7.5 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.
- 7.6 Rights and liabilities of the Participants shall be subject to these Bye Laws and Regulations as may be prescribed by the relevant authority from time to time.
- 7.7 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.
- 7.8 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.

8. DEALINGS BY TRADING MEMBERS

8.1 Jurisdiction

8.1.1 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 Mumbai and the place of contracting as between the trading members shall be at Mumbai. 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 Mumbai in relation to any dispute arising out of or in connection with or in relation to the contract notes, and that only the Civil Courts at Mumbai have exclusive jurisdiction in claims arising out of such dispute. The provisions of this Byelaw shall not object the jurisdiction of any court deciding any dispute as between trading members and their constituents to which the Exchange is not a party.

8.1.2 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 units, optical storage units or computer storage units or in any other manner shall constitute the agreed and authentic record in relation to any transaction entered into through automated trading system. For the purposes of any dispute the record as maintained by the computer processing units by the 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.

8.2 Indemnity

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

8.3 Trading Members Only Parties to Trades

8.3.1 The Exchange does not recognise as parties to any deal any persons other than its own trading members, and

8.3.2 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.

8.4 **All Dealings Subject to Bye Laws, Rules and Regulations**
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.

8.5 **Inviolability of Trade**

8.5.1 All the dealings in securities on the Exchange made subject to the Bye Laws, Rules and Regulations of the Exchange shall be inviolable 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.

8.5.2 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.

8.5.3 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.

8.6 Deals by Representative Trading Members

8.6.1 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.

8.6.2 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.

8.7 Restriction on the Trading Members

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

9. TRADING SYSTEM AND MARKET MAKERS

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

9.2 Registration of Market Makers

9.2.1 Trading members may apply to be market makers in any security eligible for market making.

9.2.2 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 forms and with such particulars as may be prescribed from time to time.

9.2.3 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.

9.2.4 A registered market maker in any Exchange security must:

9.2.4.1 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;

9.2.4.2 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 maker approved under Bye-law 6.2.2 above.

9.2.4.3 undertake to execute orders for the purchase or sale of relevant securities at its quoted prices with trading members or clients.

9.2.5 A registered market maker may cease making a market in a particular Exchanges' securities any time after a minimum period as prescribed from time to time from commencement of making market in that security, after having given the required notice of

intention to the relevant authority. The required period of notice in this case shall be fifteen business days or such other period as may be prescribed from time to time.

9.2.6 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.

9.3 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.

9.4 **Suspension and Prohibition of Market Makers**

9.4.1 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:

9.4.1.1 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;

9.4.1.2 such market maker has defaulted on any transaction effected in respect of Exchange securities;

9.4.1.3 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;

9.4.1.4 where such market maker in the view of the relevant authority, ceases to meet qualification requirements for registration as market maker.

9.4.2 Any market maker which the relevant authority takes action against pursuant to Byelaw 9.4.1 above shall be notified in writing of such action. Such a market maker shall forthwith cease to make market.

9.4.3 Any market maker against whom the relevant authority takes action may request for an opportunity for a hearing within ten days of the date of notification pursuant to Byelaw 9.4.2 above. A request for hearing shall not operate as a stay of action.

9.4.4 A written decision shall be issued within one week of the date of hearing and a copy shall be sent to the market maker.

9.4.5 On revocation of suspension or prohibition, the market maker can display on or enter quotations into the trading system.

9.5 **Operational Parameters for Market Makers**

The relevant authority may determine and announce from time to time operational parameters for market makers which registered market makers shall adhere to.

9.6 The operational parameters may, inter alia, include:

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

10. TRANSACTIONS AND SETTLEMENTS

10.1 Business Hours for dealing in ISE securities in the different segments of Trading Platform of ISE shall be during such time as may be decided by the relevant authority from time to time.

10.2 The relevant authority may from time to time, specify business hours for different types of deals such as for ready and odd lots.

10.3 The relevant authority may declare a list of Trading Holidays for a calendar year. The relevant authority may from time to time alter or cancel any of the Trading 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.

10.4 Trading System

10.4.1 Deals may be effected through an order driven, quote driven (market makers), hybrid or such other system as ISE may put in place for the different Trading Segments from time to time.

10.4.2 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.

10.5 TRANSACTIONS AT BEST QUOTATION

10.5.1 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.

10.6 OPERATIONAL PARAMETERS FOR TRADING

10.6.1 The relevant authority may determine and announce from time to time operational parameters regarding dealing in securities on Trading Platform of ISE which Trading Members, shall adhere to.

10.7 The operational parameters may, inter-alia, include:

10.7.1 any trading limits allowed which may include limits with reference to net worth and / or capital adequacy;

10.7.2 trading volumes and limits at which it will be incumbent for trading members to intimate to ISE;

- 10.7.3 limit of spread between bid and offers rates for different securities, if found necessary;
- 10.7.4 fixation of market lots and/or minimum and maximum number of securities to be offered to be bought or sold
- 10.7.5 limit of variation within a day or between days in the bid, and offer prices;
- 10.7.6 other matters, which may affect smooth operation of trading in securities keeping in view the larger interest of the public.
- 10.7.7 determine the types of trades permitted for a member and a security
- 10.7.8 determining functional details of the Trading Platform of ISE including the system design, user infrastructure, system and operations.
- 10.8 **Suspension on Failure to meet Trading Limits**
- 10.8.1 A trading member failing to restrict dealings on Trading Platform of ISE to his trading limits as provided in these Bye-Laws and Regulations shall be required by the relevant authority to reduce dealings to within trading limits forthwith. The relevant authority may at its discretion suspend a trading member for violation of trading limits and the suspension shall continue until the relevant authority withdraws such suspension.
- 10.9 **Contract Notes**
- 10.9.1 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 subject to the Rules, Bye-Laws and Regulations of ISE and subject to arbitration as provided therein.
- 10.9.2 unless otherwise provided in these Bye-laws, All dealings carried out in respect of ISE Securities shall be subject to the Rules, Bye-laws and Regulations of ISE.

10.10 Delivery of Securities

- 10.10.1 Delivery of all securities, documents and papers and payment in respect of all deals shall be in such manner and at such place(s) as may be prescribed by the relevant authority from time to time.
- 10.10.2 The relevant authority shall specify from time to time the securities, documents and papers which, when delivered in the 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 the good delivery instead such time period as may be specified.
- 10.10.3 The norms and procedures for delivery with respect to market lot, odd lot minimum lot, part delivery, delivery of partly paid securities etc. shall be as prescribed by the relevant authority from time to time.
- 10.10.4 The requirements and procedures for determining disputed deliveries or defective deliveries and measures, procedures and system of resolving the disputes or defects in deliveries or of the consequences of such deliveries or their resolution shall be subject to these Bye-laws be as prescribed by the relevant authority from time to time.

11. CLEARING AND SETTLEMENT

- 11.1 Clearing and settlement of deals shall be effected by the parties concerned by adopting and using such arrangements, systems, agencies or procedures as the relevant authority may prescribe from time to time. Without prejudice to the generality of the foregoing, the relevant authority may prescribe or specify, for adoption and use of trading members, participants and other specified constituents such custodial and depository services from time to time to facilitate smooth and safe operation of the clearing and settlement arrangement or system
- 11.2 The function of the Clearing House / clearing corporation may be performed by ISE or any agency identified by the relevant authority for this purpose. The role of the Clearing House / clearing corporation shall be to act as a facilitator for processing of deliveries and payments between trading member/ Participants for trades effected by them on Trading Platform of ISE. Settlement in each market segment of Trading Platform of ISE 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 / clearing corporation, the settlement responsibility shall rest wholly and solely upon the counter-parties to the trade and/or the concerned the trading members, as the case may be, and the clearing house / clearing corporation shall only act as common agent of the trading Members/Participants for receiving and giving delivery of securities and for receiving and paying funds and shall not incur any liability or obligation as a principal.

12. CLEARING HOUSE APPLICABILITY

- 12.1 The provisions of this chapter shall apply to the clearing house established by ISE and also to the clearing houses of the Participating Exchanges or to the clearing house/clearing corporation of an agent of ISE to the extent these clearing houses are entrusted with the responsibility of clearing and settlement of Trading Platform of ISE transactions and matters connected therewith.
- 12.1.1 The relevant authority shall make Bye-laws, Rules and Regulations and shall also issue circulars, notifications, guidelines, etc. for the operation, regulation, control and settlements of transactions done on Trading Platform of ISE, which will be cleared and settled through the Clearing House of ISE.
- 12.1.2 Without prejudice to generality of the provisions contained in Bye-law 12.1.1 above, the Board/relevant authority shall make Rules, Bye-laws and Regulations for:
- 12.1.2.1 operations of the Clearing House for the periodic settlement of transactions and differences there under, the delivery of and payment for securities/ funds, the passing on of delivery orders and the regulation and maintenance of such Clearing House;
- 12.1.2.2 submission to Securities and Exchange Board of India, as soon as may be, after each periodic settlement, all or any of the following particulars as the Securities and Exchange Board of India may, from time to time, require for each category of securities, namely:
- 12.1.2.2.1 the total quantity of each category of securities carried over from one settlement to another,
- 12.1.2.2.2 the total quantity of each category of securities in respect of which have been squared up during the course of each settlement,
- 12.1.2.2.3 the total number of each category of securities actually delivered at each settlement;
- 12.1.2.3 the publication by the Clearing House of all or any of the particulars submitted to Securities and Exchange Board of India under Bye-law 12.1.2.2 above in accordance with the directions issued by Securities and Exchange Board of India in this behalf.

- 12.1.2.4 The number and classes of transactions in respect of which settlements shall be made or differences paid through the Clearing House.

12.2 Functions of Clearing House

- 12.2.1 ISE shall maintain a Clearing House/Clearing Corporation, which shall be under the control of ISE. The Clearing House/Clearing Corporation shall act as the common agent of the Trading Members for clearing and settlement of transactions among Trading Members and for delivering securities/funds to and receiving securities from Trading Members and for receiving and paying any amount payable to or payable by such Trading Members in connection with any of the transactions and to do all things necessary or proper for carrying out the foregoing functions.

- 12.2.2 ISE may establish and maintain one or more Clearing Houses for the above purpose.

12.3 LIABILITY OF THE CLEARING HOUSE

The Clearing House shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any security, transfer deed or any other document passing through the Clearing House and the only obligation of the Clearing House in this matter shall be to facilitate the delivery and payment in respect of securities/funds, transfer deeds and any other documents between Trading Members.

12.4 LIABILITY OF ISE

No liability shall attach either to ISE or the Board or any member of the Board or any member of a committee appointed by the Board or any employee of ISE by reason of anything done or omitted to be done by the Clearing House in the course of its operations nor shall the Board or any member of the Board or any member of a committee appointed by the Board or employee of ISE be liable to answer in any way for the title, ownership, genuineness, regularity or validity of any securities, transfer deed or any other documents passing through the Clearing House nor shall any liability attach to them in any way in respect of such securities, transfer deeds and other documents.

- 12.6 **CLEARING HOUSE TO DELIVER SECURITIES AT DISCRETION**
The Clearing House is entitled, at its discretion to deliver securities which it has received from a Trader, Dealer or Participant (or to instruct a Trader, Dealer or Participant to give direct delivery of securities which he has to deliver) under these Bye-laws and Regulations to another Trader who is entitled under these Bye-laws and Regulations to receive delivery of securities of a like kind, based on the procedure decided by the relevant authority from time to time.
- 12.7 **PRIVITY OF CONTRACTS:**
Trading Members giving and receiving delivery as provided in Bye-law above shall be deemed to have made a contract with each other as seller and buyer, notwithstanding that no direct contract exists between them. However, the rights and liabilities of such Trading Member in relation to their immediate contracting parties shall not be deemed to be affected thereby except that the selling Trading Member who is the immediate contracting party of the receiving Trading Member shall be (unless he be himself the delivering Trading Member) released from all responsibility in regard to the title, ownership, genuineness, regularity and validity of the documents received by the receiving Trading Member and in regard to the loss and damages arising there from which shall be dealt with in accordance with the Rules, Bye-laws and Regulations of ISE.
- 12.8 **RELEASE OF INTERMEDIATES**
In respect of transactions on the Trading Platform of ISE, if a Trading Member delivers securities outside the Clearing House, except when so provided in these Bye-laws and Regulations or so directed by the relevant authority, Trading Member making and accepting such deliveries shall release all intermediate parties from all liabilities. The respective deliverers shall alone remain responsible to the respective receivers.
- 12.9 **BOARDS AS TRUSTEES**
All sums of money paid into the Clearing House and all credits appearing in the books of the Clearing House on account of any Trading Member and Participant entitled thereto shall be held by the Board on behalf of ISE as an agent and in trust for such Trading Member and Participant. No Trading Member, Participant or any other person shall be entitled to levy any attachment or execution thereon and no person or authority shall have any right, title or interest in or to any such money or credit.

- 12.10 **DELIVERY AND PAYMENT THROUGH PARTICIPANTS**
The Clearing House shall maintain a list of Banks, Trust, Custodians, Depositories, Depository Participants, Companies and other firms approved by the Board (hereinafter called Participants), which may act for Trading Member and their clients in giving and taking delivery of securities/funds, transfer deeds and other documents and in making and accepting payment for the same in the manner prescribed in these Bye-laws and Regulations.
- 12.11 **PARTICIPANTS TO OBSERVE RULES, BYE-LAWS AND REGULATIONS**
Participants shall agree to abide by the Rules, Bye-laws and Regulations relating to delivery, payment, clearing and settlement of transactions through or as directed by the Clearing House and the resolutions, orders, notices, directions and decisions of the relevant authority.
- 12.12 **INCLUSION IN OR REMOVAL FROM APPROVED LIST**
The Board or relevant authority may at its sole discretion from time to time add names to the list of Participants and remove names there from.
- 12.13 **NOTICES AND DIRECTIONS**
All Trading Members and Participants shall comply with the instructions, orders, notices, directions and decisions of the relevant authority in all matters connected with the operations of the Clearing House.
- 12.14 **CLEARING HOUSE PROCEDURE TO BE PRESCRIBED BY THE RELEVANT AUTHORITY**
The procedure to be followed by the Trading Members and Participants for transaction of all business necessary to be transacted in all matters connected with the operations of the Clearing House and the fees, fines and penalties to be paid shall be in accordance with the provisions prescribed in the relative Regulations or such other provisions as the relevant authority from time to time prescribe in addition thereto or in modification or substitution thereof.
- 12.15 **PRESCRIBED BANKS**
The Board or relevant authority may from time to time prescribe the Bank or Banks with whom all Trading Members and Participants shall maintain account(s) for the purpose of clearing operation.

- 12.16 **CLEARING FORMS TO BE PRESCRIBED**
All clearing forms (which term shall include Daily Margin Statement, Clearing Statement, Auction Statement, CH Delivery Statement, CH Delivery Receipt Issue and Receipt Register, Auction CH Delivery Register, Voucher and other forms and documents) used for the purpose of the Clearing House shall be in the form prescribed in the relative Regulation or in such other form or forms as the relevant authority may from time to time prescribe in addition thereto or in modification or substitution thereof.
- 12.17 **PENALTY**
The relevant authority may from time to time prescribe the penalty to be imposed in every case of failure by any Trading Member to comply with the Bye-laws and Regulations relating to the Clearing House and the clearing and settlement of transactions through the Clearing House and the resolutions, orders, notices, directions and decisions of the relevant authority or for any error or omission or illegible entry, filling up of any forms or other document required by the Clearing House in the course of its operations or for any delay in submitting any such forms or documents to the Clearing House.
- 12.18 **CHARGES FOR CLEARING**
The relevant authority shall from time to time prescribe the scale of clearing charges for the clearing and settlement of transactions through the Clearing House.
- 12.19 **FALSE OR MISLEADING STATEMENTS**
The relevant authority may fine, suspend or expel a Trading Member who makes false or misleading statement in the Clearing Forms required to be submitted in conformity with these Bye-laws and Regulations or any resolutions, orders, notices, directions and decisions of the relevant authority.
- 12.20 **CLEARING HOUSE BILLS**
The Clearing House shall periodically render bills for the charges, fees, fines, penalties and other dues payable by Trading Members to ISE (which will also include the charges for the use of the property) as well as the charges, fines and other dues payable on account of the business cleared and settled through the Clearing House and debit the amount payable by the Trading Members to their accounts. All such bills shall be paid by the Trading Members within the period as may be prescribed by the relevant authority.

13. CLOSING OUT

- 13.1 subject to the Regulations prescribed by relevant authority from time to time any dealing in securities made on the Exchange may be closed out by buying-in or selling-out, on Exchange against trading member and/or participant as follows:
- 13.1.1 (a) In case of selling trading member/Participant on failure to complete delivery on due date; and
(b) In case of buying trading members/Participant on failure to pay the amount on 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 who failed to give due delivery or to pay amount due.
- 13.1.2 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.
- 13.1.2. 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 in respect of such trading segment of the Exchange as may be specified by the relevant authority from time to time.

14. MARGINS

14.1 MARGIN REQUIREMENT

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

14.2 FORMS OF MARGIN DEPOSIT

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

14.3 VALUE OF MARGIN DEPOSIT TO BE MAINTAINED

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

14.4 MARGIN DEPOSIT TO BE HELD BY ISE

The margin deposits shall be held by ISE and when they are in the form of Bank Deposit Receipts and securities, such Receipts and securities may at the discretion of the relevant authority be transferred to such persons or to the name of Banks, as approved by ISE. All margin deposits shall be held by ISE and/or by the approved persons and/or by the approved Banks solely for and on account of ISE, without any right or recourse whatsoever on the part of the depositing trading member or those in its right to call in question the exercise of such discretion.

14.5 LETTER OF DECLARATION

A trading member depositing margin under the provisions of the Rules, Bye-laws and Regulations shall, when required to do so, sign a Letter of Declaration in respect of such matters and in such form or forms, as the relevant authority may from time to time prescribe.

14.6 LIEN ON MARGINS

The moneys, Bank Deposit Receipts and other securities and assets deposited by a trading member by way of margin under the provisions of the Rules, Bye-laws and Regulations shall be subject to a first and

paramount lien for any sum due to ISE. Subject to the above the margin shall be available in preference to all other claims of the trading member for the due fulfillment of its engagements, obligations and liabilities arising out of or incidental to any bargains, dealings, transactions and contracts made subject to the Rules, Bye-laws and Regulations of ISE or anything done in pursuance thereof.

14.7 EVASION OF MARGIN FORBIDDEN

A trading member shall not directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the margin requirements prescribed under these Rules, Bye-laws and Regulations.

14.8 SUSPENSION ON FAILURE TO DEPOSIT MARGIN

If a trading member fails to provide the required margin at the time and in the manner prescribed by the relevant authority, the relevant authority shall, in accordance with the Rules, Bye-laws and Regulations of ISE require the trading member to suspend its business forthwith. A notice of such suspension shall be immediately placed on the trading system and the suspension shall continue until the margin required is duly deposited.

15. INTEREST, DIVIDEND, RIGHTS AND CALLS

- 15.1 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-coupon, cum-dividends, cum-cash-bonus, cum-bonus issues, cum-rights etc. and the selling constituent shall be entitled to receive all vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges and which may relate to securities sold ex-voucher, ex-coupons, ex-dividends, ex-cash bonus, ex-bonus issues, ex-rights, etc.
- 15.2 The manner, mode, information requirements, alterations, date and timing etc. of adjustment with respect to vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges, between the buying trading member and selling trading member shall be as prescribed by the relevant authority from time to time. The Trading Member shall be responsible between themselves and to their constituents for effecting such adjustments.
- 15.3 In respect of a contract in a securities which shall become or are exchangeable for new or other securities under a scheme of reconstruction or reorganization, 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 reorganization

16. BROKERAGE ON DEALINGS

16.1 BROKERAGE

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.

16.2 BROKERAGE ON CALLS

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.

16.3 UNDERWRITING COMMISSION AND BROKERAGE

Unless otherwise determined and restricted by the relevant authority, a trading member may, in his 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 issue 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 statutory provisions, as may be prescribed from time to time.

16.4 SHARING OF BROKERAGE

16.4.1 The trading member may not share brokerage with a person

- (i) is one for or with whom trading members are forbidden to do business under the Rules, Bye Laws and Regulations of ISE
- (ii) is a trading member or employee in the employment of another trading member.

16.4.2 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 exchange.

17. RIGHTS, LIABILITIES AND RESPONSIBILITIES OF TRADING MEMBERS AND CONSTITUENTS

17.1 All Contracts subject to Rules, Bye-laws and Regulations

All contracts relating to dealings permitted on the Exchange made by a trading member shall in all cases be deemed made subject to the Rules, Bye-laws and Regulations of ISE. 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 Rules, Bye-laws and Regulations of ISE.

17.2 Trading members not bound to accept Instructions and Orders

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.

17.3 Margin

A trading member shall have the right to demand from its constituent the margin deposit he has to provide under these Rules, Bye-laws 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 Rules, Bye-laws and Regulations in respect of the business done for him by and/or as agreed upon by him with the trading member concerned.

17.4 Constituent in Default

- (a) A trading member shall not transact business directly or indirectly or execute an order for a constituent who to his knowledge is in default to another trading member unless such constituent shall have made a satisfactory arrangement with the trading member who is his creditor.
- (b) On the application of a creditor trading member who refers or has referred to arbitration its claim against the defaulting constituent as provided in these Rules, Bye-laws and Regulations,

the relevant authority shall issue orders against any trading members restraining them from paying or delivering to the defaulting constituent any moneys or securities up to an amount or value not exceeding the creditor member's claim payable or deliverable by him to the defaulting constituent in respect of transactions entered into subject to the Rules, Bye-laws and Regulations of ISE, which moneys and securities shall be deposited with ISE. The moneys and securities deposited shall be disposed of in terms of the award in arbitration and pending a decree shall be deposited with the concerned Court when filing the award unless the creditor member and the defaulting constituent mutually agree otherwise.

17.5 Closing-out of Constituent's Account

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

17.6 Trading member not Liable to attend to Registration of Transfer

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 it be under any 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

17.7 Registration of Securities when in the Name of trading member or Nominee

- (a) When the time available to the constituents of a trading member is less than thirty days to complete transfers and lodge the securities for registration before the closing of the transfer books and where the security is purchased cum interest, dividend, bonus or rights which the issuer may have announced or declared the trading member may register the securities in its or its nominee's name and recover the transfer fee, stamp duty and other charges from the buying constituent.
- (b) The trading member shall give immediate intimation to the Exchange of the names of such constituents and details of the transactions as may be specified by the relevant authority from time to time. The trading member shall also give immediate intimation thereof to the buying constituent and shall stand indemnified for the consequences of any delay in delivery caused by such action.
- (c) The trading member shall be obliged to retransfer the security in the name of the original constituent as soon as it has become ex interest, dividend, bonus or rights.

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

If a trading member fails to complete the performance of a contract by delivery or payment in accordance with the provisions of these Rules, Bye-laws 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.

17.9 No Lien on Constituent's Securities

If a trading member is declared a defaulter after delivering securities on account of his constituent, the constituent shall be entitled to claim and on offering proof considered satisfactory by the relevant authority, and in the absolute discretion of the relevant authority, receive from the 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.

17.10 Complaint by Constituent

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.

17.11 Relationship between trading member and Constituents

Without prejudice to any other law for the time being in force and subject to these Bye Laws, the mutual rights and obligations inter se between the trading member and his/its constituent shall be such as may be prescribed by the relevant authority from time to time.

17.12 BROKER'S LIEN

Whenever a client is indebted to a Trading Member in whatever manner all securities and other assets from time to time lodged with the Trading Member by such client or held by the Trading Member for and on behalf of such client and any cash lying to the credit of such client with the Trading Member shall be subject to the lien of such Trading Member for any general balance of account or margin or other moneys that may be due at any time by such client singly or jointly with any other person to such Trading Member in respect of any business done subject to the Rules, Bye-laws and Regulations of ISE and all such securities, assets and cash from time to time lodged shall be deemed as collateral security against payment to such Trading Member of all such moneys (including interest, commission, brokerage and other expenses) as may be due by such client in any manner.

17.13 BROKERS' RIGHT TO SELL

A Trading Member entitled to lien on securities as provided in Bye-law 17.12 shall be at liberty to sell, pledge or borrow money against such securities and assets in such manner and on such terms and at such time as he may deem desirable and may pay to himself or to ISE or to any other person such money due by him on behalf of such client in respect of business done subject to the Rules, Bye-laws and Regulations of ISE.

17.14 CLIENT TO INDEMNIFY

Every Trader or Dealer entering into any transaction for the purchase or sale of any security or doing any act in relation thereto on the instructions of any client and on such client's account shall be entitled to be indemnified by such client as an agent acting on behalf of his principal.

17.15 CONTRACTS BY TRADING MEMBER AS PRINCIPAL

A Trading Member shall be free to enter into any contact for the purchase or sale of securities as a principal with any client and for closing-out any such outstanding transaction entered into by such client in accordance with these Bye-laws and Regulations if the Trading Member discloses in the note, memorandum or agreement or purchase or sale note in respect of such closing-out that he has acted as a principal.

17.16 DEPOSIT OF DEFAULTING CLIENTS' MONEYS AND SECURITIES PENDING ARBITRATION

On the application of a creditor Trading Member who refers or has referred to arbitration his claim against any defaulting client as provided in these Bye-laws and Regulations the relevant authority shall issue instructions to any Trading Member restraining him from paying or delivering to the defaulting client any Moneys or securities upto an amount or value, not exceeding the creditor Trading Members' claim against such client in respect of transactions entered into subject to the Rules, Bye-laws and Regulations of ISE; on receipt of such instructions the Trading Member concerned shall forthwith deposit such amount with ISE and the defaulting client shall be deemed to have authorized the Trading Member concerned so to deposit with ISE such moneys and securities for adjustment against his dues, if any, arising out of transactions made subject to the Rules, Bye-laws and Regulations of ISE as may be decided in Arbitration or by the relevant authority. Such deposit shall exonerate the depositing Trading Member from all further liabilities and obligations to the defaulting client in respect of the moneys and securities deposited by him. The application of the creditor Trading Member pursuant to which the moneys and securities are deposited with ISE shall be deemed to form a part of the aforesaid reference to arbitration against the defaulting client. The moneys and securities deposited shall be disposed of in terms of the award in arbitration unless the creditor Trading Member and the defaulting client mutually agree otherwise.

17.17 REGULATION OF TRANSACTION BETWEEN CLIENTS AND BROKER

17.17.1 Without prejudice to the generality of Bye-laws and notwithstanding anything to the contrary contained in these Bye-laws; the following provisions shall apply in respect of transactions between clients and Trading Member:

17.17.1.1 It shall be compulsory for all Trading Members to keep the money of the clients in a separate account and their own money in a separate account. No payment for transaction in which the Trading Member is taking a position as a principal will be allowed to be made from the client accounts. The above principle and the circumstances under which transfer from clients account to Trading Members' account will be allowed are enumerated below:

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

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

B) **Obligation to pay money into "Clients accounts":** Every Trading Member who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the Trading Member in the title of which the word "Clients" shall appear (hereinafter referred to as "Clients accounts"). Trading Member may keep one consolidated client account for all the clients or accounts in the name of each client separately, as he thinks fit. Provided that when a Trading Member receives a cheque or draft representing in part money belonging to the client and in part money due to the Trading Member, he shall pay the whole of such cheque or draft into the clients account and effect subsequent transfer as laid down in para D (II).

C) **What moneys to be paid into "clients account":** No money shall be paid into client's account other than-

- (i) money held or received on account of clients;

- (ii) such money belonging to the Trading Member as may be necessary for the purpose of opening or maintaining the account;
- (iii) money for replacement of any sum which may by mistake or accident have been drawn from the account in contravention of para D given below;
- (iv) a cheque or draft received by the Trading Member representing in part money belonging to the client and in part money due to the Trading Member.

(D) **What moneys to be withdrawn from “clients account”:** No money shall be drawn from clients account other than –

- (i) money required for payment to or on behalf of clients or for or towards payment of a debt due to the Trading Member from client or money drawn on clients authority, or money in respect of which there is a liability of clients to the Trading Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for such each client.
- (ii) such money belonging to the Trading Member as may have been paid into the client account under para 1C (ii) or 1C (iv) given above :
- (iii) money, which may be mistake or accident, has been paid into such account in contravention of para C above.

(E) **Right to lien, set-off etc. not affected:** Nothings in these Bye-laws shall deprive a Trading Member of any recourse or right, whether by way of lien, set-off, counter claim charge or otherwise against money standing to the credit of clients account.

17.17.1.2 It shall be compulsory for the Trading Member to keep separate account for clients’ securities and to keep such books of accounts as may be necessary, to distinguish such securities from his/her own securities. Such accounts for client’ securities shall inter -alia provide for the following: -

- (a) securities received for sale or kept pending delivery in the market;
- (b) securities fully paid for pending delivery to client;
- (c) securities received for transfer or sent for transfer by the Trading Member in the name of client or his nominee (s);

- (d) securities that are fully paid for and are held in custody by the Trading Member as security/margin etc. Proper authorization from client for the same shall be obtained by the Trading Member;
- (e) fully paid for clients securities registered in the name of Trading Member if any, towards margin requirements etc., and
- (f) securities given on Vyaj-badla. Trading Member shall obtain authorization from clients for the same.

- 17.17.1.3 The Trading Member shall make payment to their clients or deliver the securities purchased within two working days of pay-out unless the client has requested otherwise.
- 17.17.1.4 The Trading Member shall issue the contract note for purchase/sale of securities to a client within 24 hours of the execution of the contract.
- 17.17.1.5 In case of purchases on behalf of client, the Trading Member shall be at a liberty to close out the transaction by selling the Securities in case the client fails to make the full payment to the Trading Member for the execution of the contract within two days of contract note having been delivered or before pay-in day (as fixed by the relevant authority for the concerned settlement period for the concerned Trading Segment), whichever is earlier, unless the client already has an equivalent credit with the Trading Member. The loss incurred in this regard, if any, will be met from the margin money of that client.
- 17.17.1.5 In case of sales on behalf of clients, the Trading Member shall be at liberty to close out the contract by effecting purchases if the client fails to deliver the securities sold with valid transfer documents within 48 hours of the contract note having been delivered or before delivery day (as fixed by the relevant authority for the concerned settlement period) whichever is earlier. Loss on the transaction if any will be deductible from the margin money of that client.

18. ARBITRATION

18.1 Definitions

18.1.1 'Arbitrator' shall mean a sole arbitrator or a panel of arbitrators.

18.1.2 'Act' shall mean the Arbitration and Conciliation Act, 1996 and includes any statutory modification, replacement or re-enactment thereof, for the time being in force.

18.2 Reference to Arbitration

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

(1A) All claims, differences or disputes between the Trading Members and Sub-brokers and between Sub-brokers and Clients of Sub-brokers arising out of or in relation to dealings, contracts and transactions made subject to the Byelaws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfilment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into or not shall be submitted to arbitration in accordance with the provisions of these Byelaws and Regulations.

Explanation: For the purpose of these Byelaws, Sub-broker and Clients will have the respective meanings assigned by SEBI (Stock-Brokers and Sub-Brokers) Regulations, 1992, provided the Sub-brokers have obtained SEBI registration under the Trading Member of the Exchange.

(1B) All claims, differences or disputes between the Trading Members inter se, Trading Members and Constituents, whether or not

registered as Participants, Constituents inter se, whether or not registered as Participants, arising out of or in relation to dealings, contracts and transactions executed or reported on the Wholesale Debt Market Trading Segment of the Exchange and made subject to the Byelaws, 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 or not shall be submitted to arbitration in accordance with the provisions of these Byelaws and Regulations.

Provided this Byelaw shall not in any way affect the jurisdiction of the Exchange on the Trading Member, through whom such a Participant has dealt with or traded, in regard thereto and such Trading Member shall continue to remain responsible, accountable and liable to the Exchange in this behalf.

(1C) The provisions of Bye laws (1), (1A) and (1B) shall become applicable to all claims, differences, disputes between the parties mentioned therein for all dealings, contracts and transactions made subject to the Bye-laws, Rules and Regulations of the Exchange provided such dealings, contracts and transactions had been entered into between the parties mentioned therein prior or to the date on which the Trading Member was either declared a defaulter or expelled or has surrendered his trading membership.

(1D) All claims, differences or disputes arising between an Issuer and a Constituent in respect of such matters as may be specifically provided from time to time in the Listing Agreement as entered into by an Issuer with the Exchange shall be submitted to arbitration in accordance with the provisions of these Bye-laws and Regulations.

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

(1E) The Exchange shall be entitled to facilitate arbitration for such disputes and parties other than those mentioned in the provisions of Byelaws 1, (1A), (1B), (1C) and (1D) of this Chapter by adopting such procedures as may be prescribed by it under this Chapter.

18.3 Provisions of these Byelaws and Regulations deemed to form part of all dealings, contracts and transactions.

In all dealings, contracts and transactions, which are made or deemed to be made subject to the Bye-laws, Rules and Regulations of the Exchange, the provisions relating to arbitration as provided in these Byelaws and Regulations shall form and shall be deemed to form part of the dealings, contracts and transactions and the parties shall be deemed to have entered into an arbitration agreement in writing by which all claims, differences or disputes of the nature referred to in Bye laws (1), (1A), (1B) and (1D) above shall be submitted to arbitration as per the provisions of these Byelaws and Regulations.

18.4 Limitation period for reference of claims, differences or disputes for arbitration

All claims, differences or disputes referred to in Bye laws (1), (1A), (1B) and (1D) above shall be governed by the Limitation Act, 1963.

In cases where the date of claim, difference or dispute is not ascertainable, it shall be deemed to have arisen on the date of end of quarter during which disputed transaction(s) were executed/settled.

18.5 Power of the Relevant Authority to prescribe Regulations

The Relevant Authority may, from time to time prescribe Regulations for the following:

18.5.1 The procedure to be followed by the parties in arbitral proceedings. In particular, and without prejudice to the generality of the foregoing power, such procedure may, inter alia, provide for the following:

- (a) the forms to be used;
- (b) the fees to be paid;
- (c) the mode, manner and time period for submission of all pleadings by both the parties;
- (d) matters relating to requests from the parties for amending or supplementing the pleadings; and
- (e) the consequences upon failure to submit such pleadings by the parties.

18.5.2 The procedure to be followed by the arbitrator in conducting the arbitral proceedings. In particular, and without prejudice to the generality of the foregoing power, such procedure may, inter alia, provide for

- (a) adjournment of hearings; and
- (b) terms and conditions subject to which the arbitrator may

appoint experts to report on specific issues and the procedure to be followed in arbitral proceedings upon such an appointment.

- 18.5.3 Different set of arbitration procedures for different claims, differences or disputes after taking into consideration such circumstances and facts as the Relevant Authority may deem fit, which circumstances and facts may include the value of the subject matter and the persons who are involved as parties to such claims, differences or disputes.
- 18.5.4 Creation of seats of arbitration for different regions or prescribing geographical locations for conducting arbitrations and prescribing the courts which shall have jurisdiction for the purpose of the Act.
- 18.5.5 The claims, differences or disputes which may be referred to a sole arbitrator and the claims, differences or disputes which may be referred to a panel of arbitrators.
- 18.5.6 The procedure for selection of persons eligible to act as arbitrators.
- 18.5.7 The procedure for appointment of arbitrator.
- 18.5.8 The terms, conditions and qualifications subject to which any arbitrator may be appointed.
- 18.5.9 Determination of the number of arbitrators in the case of a panel of arbitrators, subject to the condition that where any claim, difference or dispute is heard and determined by Panel of Arbitrators, the number of arbitrators of such a panel shall not be an even number and not more 20% shall be drawn from the Trading Members.
- 18.5.10 The time period within which a substitute arbitrator has to be appointed in case the office of the arbitrator falls vacant for any reason whatsoever.
- 18.5.11 The matters to be disclosed by any person who is approached in connection with his possible appointment as an arbitrator.
- 18.5.12 The procedure to be adopted by the parties for challenging an arbitrator.
- 18.5.13
- (a) The claims, differences or disputes which, may be decided by the arbitrator without a hearing unless either party in writing requests the Relevant Authority for a hearing and the time period within which such a request shall be made.
 - (b) The claims, differences or disputes which, may be decided by the arbitrator only by hearing the parties unless both the parties

jointly waive the right to such hearing and the time period within which such a waiver shall be made.

- 18.5.14 The place of arbitration for each reference and the places where the arbitrator can meet for consultation, for hearing witnesses, experts, or the parties, or for inspection of documents, goods or other property.
- 18.5.15 The making of the arbitral award including the manner in which a decision is to be taken in the case of panel of arbitrators and the form and contents of the arbitral award. The term arbitral award shall also include an arbitral award on agreed terms. Prescriptions as to the contents of the arbitral award may include provisions for costs and where the arbitral award is for the payment of money, may include interest payable on principal sum due.
- 18.5.16 The amount of deposit or supplementary deposit, as the case may be, as an advance for the costs which it expects will be incurred in respect of the claim, difference or dispute; Provided where a counter-claim is submitted to the arbitrator, a separate amount of deposit for the counter-claim may also be prescribed.
- 18.5.17 The administrative assistance which the Exchange may render in order to facilitate the conduct of arbitral proceedings.
- 18.5.18 All matters regarding the mode and the manner of service of notices and communications by the parties including communication addressed to arbitrator.
- 18.5.19 Any other matter which in the opinion of the Relevant Authority is required to be dealt with in the Regulations to facilitate arbitration.
- 18.5.20 The Relevant Authority from time to time may amend, modify, alter, repeal, or add to the provisions of the Regulations.
- 18.6 **Disclosure by persons to be appointed as Arbitrators**
Every person who is approached in connection with his possible appointment as an arbitrator, shall disclose to the Relevant Authority in writing any circumstances likely to give rise to justifiable doubts as to his independence and impartiality. If the person discloses any circumstances which in the opinion of the Relevant Authority are likely to give rise to justifiable doubts as to his independence and impartiality, then he shall not be appointed as an arbitrator.

18.7 Disclosure by persons appointed as Arbitrators

An arbitrator, from the time of his appointment and throughout the arbitral proceedings, shall, without delay, disclose to the Relevant Authority in writing any circumstances referred to in Bye-law 18.6 above which have come to his knowledge after his appointment as an arbitrator.

18.8 Termination of mandate of the Arbitrator

The mandate of the arbitrator shall terminate if

- (a) the arbitrator withdraws from office for any reason; or
- (b) in the opinion of the Relevant Authority, the arbitrator becomes de jure or de facto unable to perform his functions or for other reasons fails to act without undue delay including failure to make the arbitral award within the time period prescribed by the Relevant Authority. Such a decision of the Relevant Authority shall be final and binding on the parties; or
- (c) the mandate of the arbitrator is terminated by the Relevant Authority upon receipt of written request for the termination of the mandate of the arbitrator from both the parties to arbitration; or
- (d) the arbitrator discloses any circumstances referred to in Byelaws 18.6 and 18.7 which in the opinion of the Relevant Authority are likely to give rise to justifiable doubts as to his independence and impartiality.
- (e) the arbitral proceedings are terminated as provided for herein.

18.9 Supplying of vacancy to the office of the arbitrator

At any time before the making of the arbitral award should the office of the arbitrator fall vacant for any reason whatsoever including any vacancy due to the illness or death of the arbitrator or termination of the mandate of the arbitrator by the Relevant Authority or otherwise, the vacancy shall be supplied by the Relevant Authority by following the same procedure as specified by it for appointment of the arbitrator.

18.10 Consideration of recorded proceedings and evidence

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

- 18.11 **Order or ruling of previous arbitrator not invalid.**
An order or ruling of the arbitrator made prior to the termination of his mandate shall not be invalid solely because his mandate has been terminated; Provided that when the termination has been effected pursuant to Bye-law 18.8(d), the order or ruling of the arbitrator made prior to termination of his mandate shall become invalid unless otherwise agreed upon by the parties.
- 18.12 **Interim arbitral award and interim measures ordered by the arbitrator**
The arbitrator may be empowered to make an interim arbitral award as well as to provide interim measures of protection. An arbitrator may require a party to provide appropriate security in connection with an interim measure.
- 18.13 **Appearance in arbitral proceedings by counsel, attorney or advocate**
In arbitral proceedings where both the parties are Trading Members, the parties shall not be permitted to appear by counsel, attorney or advocate but where one of the parties is a Constituent, then the Constituent shall be permitted to appear by counsel, attorney or advocate. If the Constituent chooses to appear by counsel, attorney or advocate, then the Trading Member and Issuer shall be granted a similar privilege.
- 18.14 (a) **Adjournment:**
Adjournment, if any, shall be granted by the arbitrator only in exceptional cases, for bonafide reasons to be recorded in writing.
- (b) **Time for completion of Arbitration:**
The arbitrator shall make the arbitral award normally within 3 months from the date of entering upon the reference.
- (c) **Extension of time for completion of Arbitration:**
Managing Director of stock exchange may for sufficient cause extend the time for issue of arbitral award by not more than two months on the case to case basis after recording reasons for the same.
- (d) **Date of entering reference**
For the purposes of these bye-laws, the arbitrator shall be deemed to have entered upon a reference on the date on which

the arbitrator has held the first hearing. However, if no hearing is required or the parties waive their right of hearing and the arbitrator proceeds to decide the matter without a hearing, then the arbitrator shall be deemed to have entered upon a reference on the date of acceptance of arbitration by the arbitrator.

- 18.14.1 Notwithstanding anything contained in the Bye-laws, in cases where the arbitration award is passed against the Trading Member and/or its sub-brokers and in favour of a Constituent, the Exchange may debit from the deposits or other moneys of the Trading Member lying with the Exchange, the amount of award payable to the awardee together with interest payable, if any, till the date of debit after setting off the counter claim of the Trading Member and /or its sub-brokers allowed under the award, if any, and keep aside the said amount in a separate account to be dealt with in such manner as mentioned in Bye-law 18.14.2 below;

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

- 18.14.2 The Exchange may make the payment of said amount so kept aside in a separate account, to the awardee only after a confirmation was obtained from the member to the effect that no appeal has been filed by him and whereas if the award is set aside partially or fully, then the Exchange may reverse the debit to that extent and restore the same to the credit of the Trading Member and make the payment of the reduced award amount to the awardee.

- 18.15 **Arbitration proceedings subject to the provisions of the Act**
The arbitration proceedings as provided for by the provisions of these Bye-laws and Regulations shall be subject to the provisions of the Act to the extent not provided for in these Bye-laws or the Regulations.

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

18.17 Administrative Assistance

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

18.18 Jurisdiction

All parties to a reference to arbitration under these Byelaws and Regulations and the persons, if any, claiming under them, shall be deemed to have submitted to the exclusive jurisdiction of the courts in Mumbai or any other court as may be prescribed by the Relevant Authority for the purpose of giving effect to the provisions of the Act.

18.19 Arbitration Fees

18.19.1 The deposits (exclusive of statutory dues - stamp duty, service tax, etc.) shall not exceed the amount as indicated in:

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

18.19.2 A client, who has a claim / counter claim upto Rs. 10 lakh and files arbitration reference for the same within six months, shall be exempt from the deposit.

18.19.3 In all cases, on issue of the arbitral award, the stock exchange shall refund the deposit to the party in whose favour the award has been passed.

18.19.4 In cases where claim was filed within six months period, the full deposit made by the party against whom the award has been passed, shall be appropriated towards arbitration fees.

- 18.19.5 In cases where claim was filed after six months, one third of the deposit collected from the party against whom the award has been passed, shall be appropriated towards arbitration fees and balance two third amount shall be credited to the Investor Protection Fund of the respective stock exchange.
- 18.19.6 The time taken by the Investors Services Committee of the Stock Exchange (the time taken from the date of receipt of dispute till the decision by the committee) to resolve the dispute under its Rules/Byelaws/ Regulations, and the time taken by the member to attempt the resolution of the dispute (the time from the date of receipt of dispute by the member to the date of receipt of the member's last communication by the client) or one month from the date of receipt of the dispute by the member, whichever is earlier, shall be excluded from computation of the duration of six months from the end of the quarter during which the disputed transaction(s) were executed/ settled, whichever is relevant for the dispute.
- 18.20 **Exclusion**
For removal of doubts, it is hereby clarified that the Exchange shall not be construed to be a party to the dealings, contracts and transactions referred to under these Byelaws; and the provisions of this Chapter shall not apply in case of claims, differences or disputes between the Exchange and a Trading Member and no arbitration shall lie between the Exchange and a Trading Member.

19 DEFAULT

19.1 DECLARATION OF DEFAULT

A trading member may be declared a defaulter by direction/circular/notification of the relevant authority if:

- (a) he is unable to fulfill his obligations, or
- (b) he admits or discloses his inability to fulfill or discharge his duties, obligations and liabilities, or
- (c) he fails or is unable to pay within the specified time, damages and the money difference due on a closing-out effected against him under these Rules, Bye Laws and Regulations, or
- (d) he fails to pay any sum due to ISE or to submit or deliver to ISE 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 he fails to pay or deliver to the Defaults Committee all moneys, securities and other assets due to a trading member who has been declared a defaulter within such time of the declaration of default of such trading member as the relevant authority may direct, or
- (f) if he fails to abide by the arbitration proceedings as laid down under the Rules, Bye-laws and Regulations, or
- (g) if he, being an individual and/or partnership firm, it being a company incorporated under the Companies Act, files a petition before a Court of Law for adjudication of himself as an insolvent or for its winding up, as the case may be.
- (h) Without prejudice to the foregoing, if a trading member is either expelled or declared a defaulter by any other recognized stock exchange of which he is a member, or if the registration certificate is cancelled by the SEBI, the said Trading Member may be expelled from the Exchange after providing an opportunity of being heard to such Trading Member.
- (i) Notwithstanding anything contained in this Bye-law, 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.

19.2 Failure to fulfill Obligations

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

19.3 INSOLVENT DEFAULTER

A trading member, who has been adjudicated an insolvent or it, being a company incorporated under the Companies Act, has been ordered to be wound up by a Court of Law in the petition filed by any of his/its creditors, shall be *ipso facto* declared a defaulter although he may not be at the same time a defaulter on any of his / its obligations on the Exchange provided however the time for preferring an appeal against such order under the applicable Acts, if any, has expired.

19.4 TRADING MEMBER'S DUTY TO INFORM

A Trading Member shall be bound to notify the Exchange immediately if there be a failure by any trading member to discharge his liabilities towards him in full.

19.5 COMPROMISE FORBIDDEN

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.

19.6 NOTICE OF DECLARATION OF DEFAULT

On a trading member being declared a defaulter a notice to that effect shall be placed forthwith on the trading system of the relevant trading segment.

19.7 DEFAULTER'S BOOK AND DOCUMENTS

When a trading member has been declared as defaulter, the Defaults Committee shall take charge of all of his books of accounts, documents, papers and vouchers to ascertain the state of his affairs and the defaulter shall hand over such books, documents, papers and vouchers to the Defaults Committee.

19.8 LIST OF DEBTORS AND CREDITORS

The defaulter shall file with the Defaults Committee, within such time of the declaration of his default as the relevant authority may direct, a written statement containing a complete list of his debtors and creditors and the sum owed by and to each of them.

19.9 DEFAULTER TO GIVE INFORMATION

The defaulter shall submit to the Defaults Committee such statement of accounts; information and particulars of his affairs as the Defaults Committee may from time to time require and if so desired shall appear before the Committee at its meetings held in connection with his default.

19.10 INQUIRY

The Defaults Committee shall conduct detailed and strict inquiry into the accounts and dealings of the defaulter in the market and shall report to the relevant authority anything improper, un-businesslike or unbecoming of a trading member in connection therewith which may come to its knowledge.

19.11 Vesting of Assets in the Exchange

19.11.1 The Defaults Committee shall call in and realize the security deposits in any form, margin money other amounts lying to the credit of and securities deposited by the defaulter and recover all moneys, securities and other assets due, payable or deliverable to the defaulter by any other trading member in respect of any transaction or dealing made subject to the Rules, Bye Laws, 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, Clearing House of ISE, 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 Defaults Committee and other recognised stock exchanges.

19.11.2 Notwithstanding anything stated in Bye-law 19.11.1, where a Trading Member is declared a Defaulter on or subsequent to the date on which the Settlement Guarantee Fund becomes operational, the Defaults Committee shall call in and realise the security and margin money and securities deposited by the Defaulter and recover all money, securities and other assets due, payable or deliverable to the Defaulter by any other Trading Member in respect of any transaction made subject to the Rules, Bye-laws and Regulations of ISE and such assets shall vest in the Defaults Committee and shall be dealt with by the Defaults Committee in accordance with the relevant Regulations made under Bye-law 19.23.”

19.12 PAYMENT TO DEFAULTS COMMITTEE

19.12.1 All moneys securities and other assets due, payable or deliverable to the defaulter must be paid or delivered to the Defaults 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.

19.12.2 A trading member who shall have received a difference on account or shall have received any consideration in any transaction prior to the

date fixed for settling such account or transaction shall, in the event of the trading member from whom he received such difference or consideration being declared a defaulter, refund the same to the Defaults Committee for the benefit on account of creditor trading members. Any trading member who shall have paid or given such difference or consideration to any other trading member prior to such settlement day shall again pay or give the same to the Defaults Committee for the benefit and on account of the creditor trading member in the event of the default of such other trading member.

- 19.12.3 A trading member who receives from another trading member during any clearing a claim note or credit note representing a sum other than a difference due to him or due to his constituent which amount is to be received by him on behalf and for the account of that constituent, shall refund such sum if such other trading member be declared a defaulter within such number of days as prescribed by the relevant authority after the settling day. Such refunds shall be made to the Defaults Committee for the benefit and on account of the creditor trading members and it shall be applied in liquidation of the claims of such creditor trading members whose claims are admitted in accordance with these Rules, Bye-laws and Regulations.

19.13 DISTRIBUTION

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

- 19.13.1 Notwithstanding anything stated in Bye-law 19.13, where a Trading Member has been declared a Defaulter on or subsequent to the date on which the Settlement Guarantee Fund becomes operational, the provisions of Bye-law 19.13 shall be inapplicable and in such case the Defaults Committee shall at the risk and cost of the creditors of the Defaulter pay all assets received in the course of realisation into such bank and / or keep them with the Clearing House in such names as the Defaults Committee may from time to time determine and shall apply the same as soon as possible in accordance with the relevant Regulations made under Bye-law 19.23.

19.14 CLOSING-OUT

19.14.1 Trading members having open transactions with the defaulter shall close out such transactions on ISE 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 authorized persons of ISE.

19.14.2 Differences arising from the above adjustments of closing out shall be claimed from the defaulter or paid to the Defaults Committee for the benefit of creditor trading member of the defaulter.

Provided that the provisions of this Bye- law shall not apply to a Trading Member who has been declared as Defaulter on or after the date on which the Settlement Guarantee Fund becomes operational.

19.15 CLAIMS AGAINST DEFAULTER

Within such time of the declaration of default as the relevant authority may direct every trading member carrying on business on ISE shall, as it may be required to do, either compare with the Defaults Committee his accounts with the defaulter duly adjusted and made up as provided in these Rules, Bye-laws and Regulations or furnish a statement of such accounts with the defaulter in such form or forms as the relevant authority may prescribe or render a certificate that he has no such account.

19.16 Delay in comparison or submission of Accounts

Any trading member failing to compare his accounts or send a statement or certificate relating to a defaulter within the time prescribed shall be called upon to compare his accounts or send such statement or certificate within such further time as may be specified.

19.17 Penalty for Failure to compare or submit Accounts

The relevant authority may fine, suspend or expel any trading member who fails to compare his accounts or submit a statement of its account with the defaulter or a certificate that he has no such account within the prescribed time.

19.18 Misleading Statement

The relevant authority may fine, suspend or expel a member if it is satisfied that any comparison statement or certificate relating to a defaulter sent by such trading member was false or misleading.

19.19 Accounts of Defaults Committee

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

19.20 REPORT

The Defaults 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.

19.21 INSPECTION OF ACCOUNTS

All accounts kept by the Defaults Committee in accordance with these Rules, Bye-laws and Regulations shall be open to inspection by any creditor Trading Members.

Provided that no creditor Trading Member shall be entitled to inspection of any accounts relating to the Settlement Guarantee Fund.

19.22 SCALE OF CHARGES

The charges to be paid to ISE on the assets collected shall be such sum as the relevant authority may from time to time prescribe.

19.23 APPLICATION OF ASSETS

The Defaults Committee shall apply the net assets remaining in its hands after defraying all such costs, charges and expenses as are allowed under these 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, Clearing House of ISE, Securities and Exchange Board of India

The payment of such subscriptions, debts, fines, fees, charges and other moneys due to the Exchange, Clearing House of ISE, 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 Defaults 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, provided that if the amount is insufficient then the amounts shall be distributed pro rata amongst other Trading Members, all the Constituents and registered sub-brokers of the defaulter. The other Trading members shall in turn share the amounts so received with their Constituents on pro rata basis.

(c) Dues to the Approved Banks and claims of any other persons as approved by the Defaults 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 Clearing House of ISE invoking any bank guarantee issued by the bank concerned to the Exchange or Clearing House of ISE as the case may be on behalf of the defaulter to fulfil his obligation of submitting bank guarantee, guaranteeing discharge of obligations under the Bye-laws, Rules and Regulations of ISE. 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 trading member of that Exchange. If the defaulter is a trading member of more than one recognised stock exchange, then the remaining amounts shall be distributed amongst all such recognised stock exchanges and if the remaining amount is insufficient to meet the claims of all such stock exchanges, then the remaining amount shall be distributed pro-rata among all such stock exchanges.

(e) **Surplus assets**

Surplus assets, if any, may be released to the defaulter after a period of atleast one year from the date of declaration of the trading member as defaulter or after satisfying the claims falling under Bye-law 19.23, whichever is later.

19.24

CERTAIN CLAIMS NOT TO BE ENTERTAINED

The Defaults 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 the Rules, Bye-laws and Regulations of ISE or in which the claimant has either not paid himself or colluded with the defaulter in evasion of margin payable on bargains in any security;
- (b) which arises out of a transaction in respect of which comparison of accounts has not been made in the manner prescribed in the Rules, Bye-laws and Regulations or when there has been no comparison if a contract note in respect of such contract has not been rendered as provided in these Bye-laws, Rules and Regulations;
- (c) which arises from transactions not settled by delivery and payment within the time, prescribed by these Bye-laws and Regulations;
- (d) 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;
- (e) which arises from any outstanding balance or any outstanding difference upon previous transactions which has not been claimed at the proper time and in the manner prescribed in these Bye-laws and Regulations;
- (f) which is in respect of a loan with or without security;
- (g) which is not filed with the Defaults Committee within such time of the date of declaration of default as may be prescribed by the relevant authority.

19.25 CLAIMS AGAINST DEFAULTING REPRESENTATIVE TRADING MEMBERS

The Defaults Committee shall entertain the claim of trading members against a defaulter in respect of loss incurred by him by reason of the failure of the constituents introduced by such defaulter to fulfill their obligations arising out of transactions which are permitted on ISE and made subject to the Rules, Bye-laws and Regulations of ISE provided the defaulter was duly registered as a representative trading member working with such creditor trading member.

19.26 CLAIMS OF DEFAULTS COMMITTEE

A claim of a defaulter whose estate is represented by the Defaults Committee against another defaulter shall not have any priority over the claims of other creditor trading members but shall rank with other claims.

19.27 ASSIGNMENT OF CLAIMS ON DEFAULTERS' ESTATE

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.

19.28 PROCEEDINGS IN THE NAME OF OR AGAINST THE DEFAULTER

The Defaults Committee shall be empowered to (a) initiate any proceedings in a court of law either in the name of ISE or in the name of the defaulter against any person for recovering any amounts due to the defaulter. (b) to initiate any proceedings in a court of law either in the name of ISE 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 ISE) 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.

19.29 PAYMENT OF DEFAULTS COMMITTEE

19.29.1 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 Rules, Bye Laws and Regulations of ISE 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 Defaults Committee for the benefit and on account of the creditor trading members having claims against such defaulter.

- 19.29.2 The Board shall constitute every year a Defaults Committee consisting of five persons, out of which not more than one person may be a Trading Member and the remaining members shall be from the public who shall be persons of eminence from the legal, judicial and accountancy fields, who shall not be stock brokers of any stock exchange. Further, the Managing Director would be an ex-officio member of this Committee.
- 19.29.3 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, ISE or the Clearing House of ISE shall, after satisfying itself about the bonafides of the receiving trading members/constituents of the receiving trading member, acquire the securities in its own name for the benefit of or in trust for the receiving trading members/constituents of the receiving trading member. ISE /Clearing House of ISE may upon payment of such charges as it may prescribe, sell or otherwise dispose of the securities so acquired or transfer the securities to the receiving trading members/constituents of the receiving trading member, in full and final satisfaction of the claim; Provided that ISE/Clearing House of ISE shall be free to require such receiving trading members/constituents of the receiving trading member to indemnify ISE and Clearing House of ISE in such form and manner as it may prescribe, as a condition precedent; Provided further that such payment of sale proceeds or transfer of securities to the receiving trading members/constituents of the receiving trading member shall discharge the claim completely and no further claim shall lie against the defaulter on any ground whatsoever.

20. SETTLEMENT GUARANTEE FUND

20.1 ISE will maintain a Settlement Guarantee Fund (SGF) for the purpose of extending trade guarantee for all settlement liabilities. The purpose of the SGF will be to ensure that the counter -party risk in an executed trade arising out of eligible transactions is guaranteed by the SGF. Thus, failure of a Trading Member will not cause its counter -party to sustain any loss in the settlement, provided the transaction has been validly executed in the system subject to the Rules, Bye-laws and Regulations of ISE. The sources of SGF, charges disbursement and other regulations will be decided by the relevant authority from time to time and shall be binding on the Trading Member, clients, etc. The SGF shall not cover defaults arising from illegal trading, unauthorised trading, bad delivery, circular trading, negotiated deals, crossed deals, insider trading and shall be subject to such terms and conditions imposed by the relevant authority from time to time.

20.2 In the Rules, Bye-laws and Regulations, unless there is anything repugnant to the subject or context:

"Date on which the Settlement Guarantee Fund becomes operational" means the date specified by the Board as the date on which the Settlement Guarantee Fund shall become operational."

20.3

- (i) ISE shall establish a fund, which shall be known as the "Settlement Guarantee Fund".
- (ii) Subject to the other provisions of the Rules, Bye-laws and Regulations of ISE, the objects of the SGF shall be to guarantee, in accordance with the Rules, Bye-laws and Regulations of ISE, the settlement of bonafide transactions of Trading Member of ISE inter-se which form part of ISE's settlement system so as to endeavor to ensure timely completion of settlements on ISE and thereby to protect the interest of investors and the Trading Member of ISE and also inculcate confidence in the minds of investors regarding the expeditious and timely completion of settlements on ISE and to support the development of the stock market.
- (iii) The Board shall be entitled to make such Regulations, as it thinks fit and proper in connection with the manner, norms and procedures for the operation and coverage of the SGF

for the defaults declared subsequent to the commencement of the operation of the SGF. The Regulations made by the Board shall not be inconsistent with the Bye -laws.

- (iv) Without prejudice to the generality of Bye -law 20.3. (iii) above, the Board shall be entitled to make Regulations relating to norms, procedures and manner in respect of-
- (a) the management and administration of the SGF,
 - (b) the structure and composition of the SGF,
 - (c) the contributions to be made to the SGF by ISE, Trading Member of ISE and others,
 - (d) investment of the SGF, (e) application of the SGF,
 - (f) meetings of the Defaults Committee or any other relevant authority prescribed for this purpose by the Board,
 - (g) persons who will not be entitled to receive benefit from the SGF and the causes for the dis-entitlement,
 - (h) minimum corpus of the SGF and maximum limits on disbursements from the SGF,
 - (i) the rights and powers of the Defaults Committee or the relevant authority,
 - (j) the money and property to be paid to or received by the Defaults Committee or the relevant authority,
 - (k) the application of the money and property paid to or received by the Defaults Committee or the relevant authority including the order of priority in which they shall be applied, and
 - (l) the closing-out, adjustment, settlement and / or cancellation of transactions entered into by a Trading Member with the Defaulter.

20.4

Management of SGF –

- (i) Subject to the Rules, Bye-laws and Regulations of ISE and any directions and instructions, which the Board may from time to time issue, the Defaults Committee shall have complete control over the management and administration of SGF. In addition to the powers conferred by the other provisions of the Articles, Rules, Bye-laws and Regulations of ISE, the Defaults Committee shall be vested with all powers and authorities and it may exercise its discretion necessary or expedient for or incidental to the management and administration of SGF or for achieving the objects and purpose of SGF.

- (ii) Without prejudice to the generality of the foregoing, the Defaults Committee shall have for the purposes of SGF, the power to–
- (a) summon and question the Trading Member, Partners of Trading Member, Associates of Trading Member, clients of the Trading Member and any Directors of Trading Member which are companies or other corporate bodies to appear before the Defaults Committee;
 - (b) call upon Trading Member, partners of Trading Member and any directors of Trading Member being a company or other corporate bodies, to furnish to the Defaults Committee such information, documents, books of account and papers as the Defaults Committee may require and within the period specified by the Defaults Committee;
 - (c) prescribe forms, agreements, affidavits, undertakings and other writings to be signed by Trading Member, partners of Trading Member or Associates of Trading Member, clients of Trading Member, Directors of Trading Member which are companies or other corporate bodies or by other persons and specify the period within which the same will be signed and submitted;
 - (d) invest or otherwise deal with the money of SGF;
 - (e) realise or otherwise deal with any security or other property offered to SGF;
 - (f) borrow money without security or against the security of SGF or any property of or available to or accessible by SGF or otherwise;
 - (g) enter into financial arrangements with banks, institutions, companies and other persons;
 - (h) issue guarantees and indemnities;
 - (i) delegate any of the powers and functions of the Defaults Committee to one or more sub –Committees comprising of one or more member(s) of the Defaults Committee or to a specific Committee constituted by the Defaults Committee for the purpose of Risk Management in ISE and/or delegate any of the administrative powers and functions of the Defaults Committee to one or more employees of ISE subject to such terms and conditions as the Defaults Committee may think fit to impose, and subject to overall ratification by the Defaults Committee;
 - (j) do all such acts as the Defaults Committee considers necessary to protect or advance the interests of SGF or to achieve the purposes and objects of SGF;
 - (k) institute and conduct legal proceedings to recover assets of a Defaulter or a Trading Member.

20.5 **Accounts and Audit of SGF:** Unless the Board otherwise directs, the accounts of SGF shall be prepared and maintained as a part of the accounts of ISE and shall be audited as a part of the accounts of ISE.

20.6 **Documents to be executed by the Trading Member and their Partners/Associates –**

- (i) Within such period as may be specified by the Defaults Committee, every Trading Member and every Partner of a Trading Member or Associate of every Trading Member who is carrying on business on ISE in partnership shall sign and deliver to the Defaults Committee agreements and other writings, in such form as may be prescribed by the Defaults Committee from time to time and such other documents prescribed by the Defaults Committee with the approval of the Board;
- (ii) In the event of any change in the form of any agreements or writings (which change shall be made by the Defaults Committee with the approval of the Board), the Defaults Committee may require every Trading Member, and every Partner of a Trading Member being a partnership firm, Directors of Trading Member being companies or other corporate bodies carrying on business on ISE to sign and deliver to the Defaults Committee supplementary agreements or writings or fresh agreements or writings within such period as may be specified by the Defaults Committee.

20.7 **Composition of Fund –**

- (a) SGF shall consist of –
 - (i) non-refundable contributions from Trading Member of ISE as hereinafter provided,
 - (ii) non-refundable contributions from ISE as hereinafter provided,
 - (iii) interest, dividend or other income arising from investments of SGF,
 - (iv) accretions arising from investments of SGF or by levy of charges on transactions, deliveries and on other accounts for Settlement Guarantee,
 - (v) accretion arising from imposition of fines and penalties on the Trading Member, to the extent of such percentage, as may be specified by the Board from time to time, provided that such percentage may be different in respect of different types of fines and penalties.

- (v) accretions arising by way of interest on deposits made out of cash component of Base Minimum Capital.
 - (vi) any money or property which the Defaults Committee is entitled to appropriate to SGF,
 - (vii) interest accruals on the balance available in the Settlement Stabilisation Fund set up by ISE.
 - (viii) any other money or property forming part of SGF, as may be specified by the Board from time to time.
- (b) Unless otherwise provided by the Articles, Rules, Bye-laws and Regulations of ISE, the Defaults Committee and SGF shall also have access to –
- (i) refundable contributions from Trading Member of ISE as hereinafter provided,
 - (ii) money and assets given to SGF as security and money arising from realisation thereof,
 - (iii) money and property received or recovered by the Defaults Committee or ISE from any Trading Member, partner of a Trading Member, guarantor or other person liable to pay money to ISE, SGF or the Defaults Committee in connection with or pursuant to a default.
 - (iv) money and property received or recovered by the Defaults Committee or ISE from any Trading Member, partner of a Trading Member, guarantor or other person other than the Trading Member, who has wrongfully received credit from the Defaulter Trading Member or otherwise where the Defaults Committee resolves that such money is recoverable from such other Trading Member on account of default of another Trading Member.
 - (v) any money available to SGF upon invocation of a guarantee, and
 - (vi) any other money or property available to SGF.
- (c) The amounts mentioned in Bye-law 20.7(b) above shall not be reflected in the balance sheet of SGF unless such amounts are also mentioned in Bye-law 20.7(a) above.

20.8

Exchange's Contribution to SGF

ISE may, from time to time, contribute such amounts to SGF as the Board may in its absolute discretion determine.

20.9

Trading Member Contributions to SGF

Trading Member's Initial Contribution– Every present and future Trading Member of ISE shall contribute to SGF such amount as may be specified by the Board from time to time as Initial

Contribution (hereinafter referred to as "Trading Member's Initial Contribution"). The Trading Member's Initial Contribution shall be paid by each Trading Member at the time of his registration as a Trading Member. A Trading Member's Initial Contribution shall be non-refundable and may be collected at the time of registering the Trading Member or through bills raised by the Clearing Bank or Clearing House or by debiting the concerned Trading Member's Pay-in account.

- 20.10 In addition to the Trading Member's Initial Contributions referred to at Bye-law (20.9) above, all money, securities, fixed deposits, and other property and things which are now or which may from time to time be furnished by a Trading Member towards Base Minimum Capital as specified by the Securities and Exchange Board of India shall be treated as the Trading Member's contribution to SGF (hereinafter referred to as "Trading Member's Base Minimum Capital Contribution"). A Trading Member's Base Minimum Capital Contribution shall be refundable to the Trading Member in the circumstances provided in the Articles, Rules, Bye-laws and Regulations of ISE. The Trading Member shall be entitled to receive all dividend, interest (on debenture bonds), rights entitlements, rights shares, bonus shares and other incomes and accretions in respect of securities lodged with ISE towards his Base Capital Contribution except interest and other accruals on the cash component of Base Capital.

20.11 **Trading Member's Continuous Contributions**

At the end of every settlement, every Trader / Dealer shall forthwith contribute to SGF such amount of his turnover during the concerned settlement or such other amount as the Board may from time to time decide (hereinafter referred to as "Trading Members' Continuous Contribution"). The Trading Members' Continuous Contribution as determined by the Board may be determined on the basis of the turnover of the Trading Member or it may be determined as a lump sum or otherwise as may be decided by the Board. A Trading Member's Continuous Contribution shall be non-refundable and may be collected through bills raised by the Clearing House and/or by debiting the Trading Member's Pay-in account. A Trading Member shall not be allowed to recover the same from his clients separately.

Explanation-For the purpose of this Bye-law, "turnover" as regards any Trading Member shall mean (i) the aggregate value at the transaction price of all sale and purchase transactions entered

into by the Trading Member during a settlement through ISE's computerized trading system (except negotiated deals, crossed transactions and other transactions not covered under the SGF) or (ii) shall have such other meaning as the Board may from time to time determine.

20.12 Trading Member's Additional Contributions

Each Trading Member shall provide to SGF such additional contributions as the Board may from time to time determine (hereinafter referred to as "Trading Members' Additional Contributions"). A Trading Members' Additional Contribution may be in such form as the Board may determine (which may include cash, securities, bank guarantees or fixed deposit receipts). The Trading Members' Additional Contributions may be refundable or non -refundable, as may be specified by the Board and shall be in such form as the Board may specify. Unless the Board otherwise specifies, SGF shall be entitled to receive all dividend, interest, rights, entitlements, rights shares, bonus shares and other income and accretions in respect of the Trading Member's non-refundable Additional Contributions. The Board may specify the manner in which the Trading Member's Additional Contributions shall be utilised. However, dividend, interest, rights, entitlements, rights shares, bonus shares and other income and accretions in respect of the Trading Member 's refundable Additional Contributions shall be passed on to the respective Trading Member.

Explanation: For the purpose of this Bye-law, Additional Capital deposited by a Trading Member shall be construed as Refundable Additional Contribution.

20.13 General and Specific Access to Contributions –

- (i) Upon any Trading Member being declared a Defaulter, all non-refundable contributions and Base Minimum Capital Contribution of every Trading Member shall be available to the Defaults Committee and SGF for application in accordance with the Articles, Rules, Bye-laws and Regulations of ISE (hereinafter referred to as "General Access Funds").

Provided that in the event a Trading Member fails to meet obligations to the clearing house of the Exchange arising out of clearing and settlement operations of such deals as provided in the Bye-laws and Regulations, the Relevant Authority may apply all non-refundable contributions and Base Minimum Capital contribution of

every Trading Member to the extent necessary to fulfill the obligation under such terms and conditions as the relevant authority may specify from time to time.

Provided further that the Relevant Authority may prescribe detailed norms and conditions for utilization of the corpus of SGF.

- (ii) If a Trading Member margin or Additional Capital (as required by ISE or the Securities and Exchange Board of India) or any bank guarantee furnished at the instance of a Trading Member is treated as his Additional contribution to SGF pursuant to Bye-law 20.12 or otherwise, the Defaults Committee or SGF shall have access to the same only in the event of default of the concerned Trading Member and not in case of default of any other Trading Member and only for paying the creditors of that Trading Member and not for paying the creditors of any other Trading Member (hereinafter referred to as "Specific Access Funds").
- (iii) Subject to the provisions of Bye-law 20.13 (i) and 20.13 (ii) above, the Board shall determine whether any Trading Member's Additional Contributions are General Access Funds or Specific Access Funds.

20.14 Liability of Trading Member Unaffected by Cessation of Trading Members' trading rights

Any unsatisfied obligation of a Trading Member to SGF shall not be discharged or otherwise prejudicially affected by the cessation of the Trading Members' registration with ISE.

20.15 Action for Failure to Pay to Fund

The Board may take such action as it thinks fit and proper against a Trading Member who fails to pay any amount to the Settlement Guarantee Fund including action by way of suspension of business of the Trading Member, expulsion / termination of registration of the Trading Member, fining him or declaring him as a Defaulter.

20.16 Replacement of Refundable Contribution

Unless otherwise provided by the Articles, Rules, Bye-laws and Regulations of ISE, the Defaults Committee may permit a Trading Member to replace/substitute a refundable contribution after he has furnished to SGF other refundable contribution of the same or greater value and of a nature acceptable to the Board or Defaults Committee.

20.17 **Non-refundable Contribution**

A Trading Member shall not be entitled to receive back any non – refundable contribution on cessation of his registration as a Trading Member or otherwise under any circumstances.

20.18 **Refund of Refundable Contributions**

The Defaults Committee may refund a Trading Members' refundable contribution to him, after he/it ceases to be a Trading Member provided that each of the following conditions are complied with to the satisfaction of the Defaults Committee:

- (i) All obligations and transactions of the Trading Member which are outstanding at the time of his /its ceasing to be a Trading Member, which could result in SGF being required to pay any amount shall have been finally settled.
- (ii) All obligations of the Trading Member to ISE and the Clearing Bank or Clearing House shall have been satisfied in full.
- (iii) All non-disputed amounts payable by the Trading Member in respect of transactions in securities made subject to the Articles, Rules, Bye-laws and Regulations of ISE shall have been satisfied in full.
- (iv) All amounts disputed by the Trading Member as payable by him in respect of transactions in securities made subject to the Articles, Rules, Bye-laws and Regulations of ISE shall have been satisfied in full or shall have been secured by the Trading Member to the satisfaction of the Board or the Defaults Committee.
- (v) A suitable amount as may be determined by the Board or the Defaults Committee at its discretion shall have been set aside for providing for–
 - a) any payment which may arise from any bad delivery or defective documents that may be reported in future, and
 - b) such other obligations as may be perceived by the Board or the Defaults Committee to arise in future,
- (vi) Another Trading Member of ISE (hereinafter referred to as 'the other Trading Member'), who in the opinion of the Defaults Committee is a person of sufficient means, executes such documents and Undertakings as may be required by the Board or Defaults Committee.

Provided that the refund of refundable contribution to the Trading Members shall be subject to a minimum retention period of 18 (Eighteen) months or such other period, as may be decided by the Board from time to time.

Provided further that notwithstanding anything stated hereinabove, the refund of refundable contribution to the Trading Members shall be dealt with on case to case basis by the Board or Defaults Committee taking into consideration the risk profile and historical record of the respective Trading Members.

20.19 Discharge of Trading Member's Obligations

In the event of a Trading Member ceasing to be a Trading Member of ISE otherwise than by being declared as Defaulter, the Board or the Defaults Committee may retain and/or apply any unutilized refundable contribution of the Trading Member towards discharging any of his obligations specified in Bye-law (20.18) or paying any of the amounts payable by him as specified in Bye-law (20.18) in such manner and in such order or priority as the Board or the Defaults Committee thinks fit.

20.20 Non-refund of Refundable Contributions

Notwithstanding anything stated above, a Trading Member shall not be entitled to receive back any refundable contribution: -

- (i) after it has been applied for the purposes of SGF; or
- (ii) in the event of the Trading Member being declared as a Defaulter.

20.21 Limit on Refund of Refundable Contributions

The amount of a refundable contribution refunded to a Trading Member shall not exceed the actual refundable contribution available to the credit of such Trading Member after deducting there from all sums which may be deducted or retained there from.

20.22 Contribution Part of Fund -

- (i) A non-refundable contribution by a Trading Member to SGF shall form part of SGF and the Trading Member shall not be entitled to any rights whatsoever over the contribution in any manner.
- (ii) A Trading Member shall not be entitled to transfer, assign or otherwise deal with a refundable or non-refundable contribution made by him in any manner and, notwithstanding anything provided in any other Law for the time being in force, the contribution shall not be liable to be attached or otherwise

prejudicially affected by any attachment, injunction or other order at the instance of the Trading Member or in respect of any obligation of the Trading Member or otherwise.

20.23 Minimum Value of Fund –

- (a) The relevant authority shall endeavor to ensure that the value of SGF at any point of time should not fall below minimum prescribed limit.
- (b) The value of SGF shall include the value of all money, assets and property mentioned in Bye-law 20.7(a) and 20.7(b) but shall not include any Specific Access Funds.
- (c) The operation of SGF shall not be suspended by reason of the value of SGF becoming less than the minimum value specified under this Bye-law.
- (d) If the value of SGF decreases below the limit prescribed by Relevant Authority then: -
 - (A) ISE shall, within three Business Days, place a communication on the trading network or issue communication in any other manner prescribed by the Board notifying the Trading Members of ISE of the same and
 - (B) the Securities and Exchange Board of India may suspend any benefit or feature for which Securities and Exchange Board of India has prescribed introduction of the Settlement Guarantee Fund as a pre-condition.

20.24 Further Contributions to SGF

- (i) In the event of the value of SGF becoming less than the minimum prescribed limit, the Board will forthwith, and in any event within two weeks of SGF becoming less than such minimum value, take such steps, as it thinks fit, to ensure that the value of SGF is increased to a value which is not less than the minimum value by way of: -
 - (a) contributions from all the Trading Members, equally or otherwise,
 - (b) contributions from ISE and/or
 - (c) in such manner as the Board may decide from time to time.
- (ii) The provision of Bye-law 20.24 shall not prejudice the Board's or the Defaults' Committee's right to call from time to time for additional contributions from the

Trading Members when the value of SGF is above the minimum value.

- (iii) The operation of SGF shall not be suspended by reason of SGF becoming less than the minimum value under Bye-law (20.24).

20.25 Investment of Fund –

- (a) Subject to the instructions and directions of the Board, the Defaults Committee may: -
 - (i) open, maintain, operate and close one or more bank accounts and
 - (ii) invest the money of SGF in such investments as are permissible for investing SGF and money of ISE and sell, transfer, vary, transpose and otherwise deal with such investments.
- (b) All investments and bank accounts of SGF may be held in the name of ISE, and all bank accounts of SGF may be operated jointly by any two Directors of ISE, as may be decided by the Board.
- (c) The Defaults Committee shall be entitled to utilise the money of SGF only for the purposes of SGF.

20.26 Loss to Fund Investments

Any loss or diminution in value of the investments of SGF from whatever cause, not being due to the willful default or fraud by any member of the Defaults Committee, by any Director of ISE or any sub-committee or any Trustee(s), shall be borne by SGF and the member(s) of the Defaults Committee or the sub-committee or the Trustee(s) or Directors of ISE shall incur no responsibility or liability by reason of or on account thereof. In case of any such loss or diminution by reason of willful default or fraud by any member or members of the Defaults Committee or any member(s) of any sub-committee or any Trustee(s) or Directors of ISE, the persons committing the willful default or fraud shall be personally liable for the loss or diminution and other persons, who are not parties to the willful default or fraud, shall not be liable for the loss or diminution.

20.27 Intimation of Trading Member's apprehended Failure

A Trading Member who has reason to apprehend that he may commit any of the acts or omissions referred to in Bye-law 19 shall immediately notify to the Defaults Committee, -

- (i) the details of such acts or omissions;
- (ii) the details or value of all his commitments, obligations and liabilities to other Trading Members arising out of transactions made subject to

- the Articles, Rules, Bye-laws and Regulations of ISE;
- (iii) the extent to which he will be able to discharge and meet such commitments and obligations out of his own funds and/or out of funds obtained by him from others, and
- (iv) all the facts and circumstances which have caused or contributed to the apprehended failure to meet such commitments and obligations.

Provided that such intimation shall not in any manner reduce responsibility of the Trading Member to comply with all his settlement and other obligations strictly on schedule.

20.28 Trading Member Failure to Pay Amount to Clearing Bank or Clearing House -

- (i) If a Trading Member fails to pay any amount payable by him to the Clearing Bank or Clearing House or fails to maintain adequate funds in his Pay-in Account to meet his settlement obligations in respect of any transaction entered into by him then, within 24 hours of such failure, the Trading Member, Clearing Bank or the Clearing House shall inform the relevant authority in writing of such failure and the extent of unfulfilled obligations and commitments of the Trading Member.
- (ii) On receipt of any of the above -mentioned intimations from the Clearing Bank or Clearing House or from the Trading Member, the relevant authority of ISE shall, by not less than two hours, written or oral notice, summon the Trading Member to appear before the relevant authority or before the Managing Director
- (iii) If the Trading Member fails to pay before the scheduled Pay-in of the relevant Settlement, any amount payable by him to the Clearing Bank or Clearing House in respect of that Settlement or fails to maintain adequate funds in his Pay-in Account to meet his settlement obligations, then the matter shall be referred to the Executive Committee for initiating further actions against such Trading Members including realisation of all his margins, bank guarantees, other deposits, etc. and also for taking the decision to declare him a defaulter.

20.29 Payment under Settlement Guarantee

On failure of a Trading Member in meeting his settlement obligation at the time of scheduled pay-in, then the following procedure shall be followed:

- (i) In order to declare the Pay-out strictly on schedule, the Settlement Stabilisation Fund set up under Byelaw 21, shall be

utilised forthwith to the extent of default irrespective of the amount of default.

- (ii) If subsequently the amount payable by such defaulting Trading Member is realised from sale proceeds of his assets, liquidation of his additional capital deposits and/or through subsequent payment by the Trading Member, the Settlement Stabilisation Fund shall be replenished out of amount received in this process.
- (iii) If the amount payable by the defaulting Trading Member cannot be recovered in full, the Executive Committee will declare the Trading Member as Defaulter under Bye law 19 and in that case the Settlement Stabilisation Fund shall be replenished out of Settlement Guarantee Fund forthwith.
- (iv) In respect of all open transactions entered in to by the Trading Member in the settlement subsequent to the settlement in which he has defaulted in meeting his obligations, ISE will attempt to square off all such open positions and the difference or loss or other obligations originating from such open positions shall be dealt within the same manner, so far as utilisation, replenishment and refund of funds from or to the Settlement Stabilisation Fund and Settlement Guarantee Fund is concerned, as applicable to the Pay-in default of earlier settlement.

Provided that if, in spite of reasonable efforts by ISE, such open transactions could not be squared off, ISE shall be free to settle such residual transactions in any other manner, including delivery or payment or closing out at hammer price or otherwise, as may be decided by ISE.

20.30

Notwithstanding anything stated in Bye-law 20.29

- (i) under Bye-law 20.29, the Defaults Committee shall pay only such amounts as are payable by the Defaulter to the Clearing Bank or Clearing House in respect of sale and purchase of transactions entered into by the Defaulter in respect of the settlement in which he has been declared a Defaulter.
- (ii) in case of the Defaulter having failed to deliver any security into the Clearing House in respect of the settlement in which he has been declared a Defaulter, the Defaults Committee may settle such transactions by way of payment of difference arising out of auction or closing out of such short delivery on account of the defaulting Trading Member or by delivering the security in to the Clearing House or directly to the concerned Trading Member, within two weeks, by acquiring the same from the market or

otherwise, as it may deem fit and proper.

20.31

(i) Notwithstanding anything stated elsewhere in the Articles, Rules, Bye-laws and Regulations, if the Defaults Committee has reason to believe that any transaction–

- (a) is not bona fide;
- (b) is disallowed under any Bye-law relating to the default of a Trading Member and, in particular, under Bye-law 19.21; or
- (c) is connected with payment or repayment of a deposit or loan,

then the Defaults Committee, shall record the reasons for its belief, and shall not make payment or deliver securities out of SGF in respect of any transaction which is of a nature referred to in Bye-law 20.31 (i) (a) (b) and (c) (in this Bye-law referred to as "disallowed transactions") unless and until the Defaults Committee has finally determined that the transaction is not disallowed but, shall make payment and deliver securities in respect of other transactions in accordance with Bye-law 20.30 and other applicable Articles, Rules, Bye-laws and Regulations. If for any reason any payment is wrongfully made or securities are delivered in respect of any such transaction, the concerned receiving Trading Member shall repay such amount or redeliver such securities to the Defaults Committee within 48 hours of being required to do so in accordance with the provisions of Bye-law 20.34.

(ii) If the Defaults Committee has prima facie reason to believe that a transaction is liable to be disallowed under Bye-law 20.31(i) above or subsequently it has withheld or received back payment of any amount or any securities under Bye-law 20.31(i) above, the Defaults Committee shall provide an opportunity to the concerned Trading Member(s) to be heard by giving him / them not less than 24 hours' written notice before finally determining whether the transaction is to be disallowed.

(iii) For the purpose of determining whether or not a transaction is liable to be disallowed, the Defaults Committee shall be entitled to consider, inter-alia, the surrounding circumstances, the usual course of transactions on ISE, the relationship between the defaulter and the claimant, the quantity and prices of the securities involved in the transaction, other trades in the same scrip and such other matters or direct or circumstantial evidence as the Defaults Committee thinks fit.

- (iv) The Defaults Committee shall determine whether or not a transaction is a disallowed transaction within one month from the date of the relevant Pay-Out.
- (v) A Trading Member whose transaction has been finally determined by the Defaults Committee to be a transaction of the nature referred to in Bye-law 20.31 clause (i) of this Bye-law may file an appeal to the Board against the decision of the Defaults Committee within seventy two hours of the Defaults Committee's decision and the reasons there for being communicated to him or such other extended period (not exceeding 15 days of the Defaults Committee's decision and the reasons there for being communicated to him) as the Board may permit.

Provided that if the concerned Trading Member has received any amount or delivery of securities for the disallowed transaction/s, then he shall not be entitled to file an appeal unless he has re-deposited the payment or securities received by him, in respect of the disallowed transactions, with the Defaults Committee.

20.32

Outstanding transactions in Other Settlement

- (1) In respect of any settlement or settlements which is or are incomplete at the time when a Trading Member is declared a defaulter, the Defaults Committee may at the risk and cost of the defaulter, square up all or any of the Defaulters' outstanding sales and purchase positions by entering into corresponding purchase and sale transactions in the market. The profit or loss on such squaring up shall, in the first place, be paid to or by SGF and credited or debited by SGF to the defaulter Trading Member's account with SGF.

Provided that if, in spite of reasonable efforts by ISE, such open transactions could not be squared off, ISE shall be free to settle such residual transactions in any other manner, including delivery or payment or closing out at hammer price or otherwise, as may be decided by ISE.

- (2) Upon a Trading Member being declared a defaulter, in respect of loss or difference originating from outstanding transactions in other settlements pursuant to Bye-law 20.32, the provisions of Bye-law 20.29, 20.30, 20.31 and

other applicable Bye-laws shall apply mutatis mutandis to any settlement or settlements other than the settlement in which the defaulter has been declared a Defaulter unless the Board, for reasons to be recorded, passes a resolution determining otherwise, in which case no payment shall be made from SGF in respect of such settlement or settlements (other than the settlement in which the defaulter has been declared a Defaulter) as the Board may specify.

20.33 Shortfall in Fund

In the event of SGF being insufficient to make full settlements of the payments to be made from SGF under Bye-law 20.29, the transactions of Trading Member with the defaulter in the settlement in which he has been declared a defaulter and in subsequent settlements shall be closed out, adjusted, settled and/or cancelled in accordance with the provisions of Bye-law 20.56, and the Defaults Committee shall pay the amounts payable to the Trading Member by the defaulter on such closing out, adjustment, settlement and/or cancellation on a pro -rata basis to the extent possible out of SGF, and the balance unfulfilled obligations, if any, remaining after such application of funds may be dealt with by the Board in any manner, as it may, in its absolute discretion, thinks fit and equitable.

20.34 Repayment by Payee Disentitled to Receive

If the Defaults Committee or the Clearing Bank or Clearing House has paid any sum under these Bye-laws and it is subsequently found that the payee was for any reason not entitled to receive such amount then the payee shall forthwith repay the same to the Defaults Committee, Clearing Bank or the Clearing House, as the case may be, together with interest thereon at the rate of 2% per month (or such other rate as the Defaults Committee may specify) for the period commencing on the date on which the payment was received by the payee upto the date on which such amount is repaid by the payee.

20.35 Money and Property of Defaulter

All money (including margin money and Additional Capital), securities and other property whatsoever of the defaulter lying with ISE or with the Clearing House (save and except those which may be at any time excluded by the Board from the provisions of this Bye-law) and all securities and money delivered or paid by the Trading Member to the Clearing Bank or Clearing House or to ISE to the credit of the defaulter shall be

handed over to the Defaults Committee or held by ISE or the Clearing House subject to these Bye -laws and the directions of the Defaults Committee.

20.36

Utilisation of Money and Property for Payment and Order of Priority

For the purpose of making any payment referred to in Bye - laws 20.29 and 20.32, the Defaults Committee shall be entitled to utilise such of the money of SGF and/or other money and assets available to the Defaults Committee, as the Defaults Committee thinks fit and, so far as may be possible, convenient and expedient, the Defaults Committee shall utilise the money of SGF and/or other money and assets available to the Defaults Committee in the following order of priority: -

- (i) Firstly, any security and / or the proceeds of the realisation of any security created by the defaulter in favour of the Defaults Committee or ISE; and
- (ii) In the event of further funds being required, the refundable contribution of the defaulter and any Specific Access Funds deposited by the defaulter Trading Member with ISE; and
- (iii) In the event of further funds being required, the money, property and securities referred to in Bye-law 20.17 and/or the proceeds from the realisation of such property and securities; and
- (iv) In the event of further funds being required, any other assets and/or the proceeds of the realisation of any assets of the Defaulter available to the Defaults Committee, including fifty percent of the sale proceeds of membership rights of such Trader in the Participating Exchange as received from the Participating Exchange. and
- (v) In the event of further funds being required, the accumulated interest, accretions and other earnings of SGF; and
- (vi) In the event of further funds being required, the corpus of SGF; and
- (vii) In the event of further funds being required, the refundable contributions of other Trading Members to the extent the same are available for such application.

20.37

Repayment and Payment of interest by Defaulter

The Defaulter shall be liable to forthwith repay the amount of his settlement obligation to ISE or to the Defaults Committee or

to the credit of SGF together with interest on such amount at the rate of 2% per cent per month (or such other rate as the Board may determine) for the period of default, as may be determined by the Defaults Committee in addition to other fines and penalties, Additional Deposits, etc. as may be decided by ISE and, for the purposes of the Articles, Rules, Bye-laws and Regulations of ISE, such interest, fines, penalties and Additional Deposits shall be deemed to be an amount due to ISE and/or SGF, as may be decided by the Board.

20.38 Charge on Defaulters' Assets

Upon payment of any money by the Defaults Committee out of Settlement Guarantee Fund, ISE and the Defaults Committee shall each have a first charge on all assets and property of the defaulter where-so-ever situated and of whatsoever nature as security for the repayment of such money and the payment of interest thereon.

20.39 Proceedings by Defaults Committee and Exchange

For the purpose of recovering any amount payable by the Defaulter to ISE, the Defaults Committee, the Investors' Protection Fund, ISE and/or the Managing Director shall be entitled to take such steps and proceedings, both civil and criminal (including but not limited to sale of any property or a portion thereof), as ISE and / or the Defaults Committee may think fit, against the defaulter, the defaulter's property and any person by whom any amount is payable to the defaulter.

20.40 Borrowings

For the purpose of making any payments referred to in Bye-law 20.29 and/or Bye-law 20.32, the Defaults Committee may borrow money without security and/or against the security of any property of SGF and/or any property offered to it as security by the defaulter or any Trading Member.

20.41 Expenses of SGF

The members of the Defaults Committee shall not be entitled to any remuneration but shall be entitled to charge to SGF all expenses of creation, administration and management of SGF including fees of auditors, lawyers, legal advisors, Chartered Accountants, valuers and other professional advisers and salaries, wages and all related costs, charges and expenses in connection with the creation, administration or management of SGF and to exercise their powers and responsibilities under SGF.

- 20.42 **Protection for actions taken in good faith and indemnity**
Save and except in the case of willful default and fraud, the Defaults Committee, any sub-committee or a member of the Defaults Committee or any sub-committee shall not be liable for any act or omission on its or his part in the exercise of its or his duties and functions.
- 20.43 **Legal recourse**
A Trading Member cannot take any legal recourse against the function or operation of the Settlement Guarantee Fund, actions of the Defaults Committee or Board or the relevant authority or officers of ISE, without satisfying all the recourses available to him/it within ISE through the process of Arbitration and Conciliation as provided under Chapter 18 of the Bye-laws and after meeting, all claims raised on him/it or liabilities outstanding in the market against him/it.
- 20.44 Without prejudice to the Bye-law 20.42 above, SGF shall bear all costs, charges and expenses for all suits, actions, proceedings and claims filed or made against the Defaults Committee or any member of the Defaults Committee or officers of ISE, except those arising out of its/their willful default or fraud, and the members of the Defaults Committee shall be indemnified by SGF from and against all actions, proceedings, losses, damages, claims, liabilities, costs, charges and expenses in connection with SGF or the creation, management and administration thereof or any transactions therewith except those arising by reason of their willful default or fraud.
- 20.45 **Limited payment from SGF**
The payment from SGF shall be limited to the extent of the money and assets available with SGF; and in the event of any shortfall, ISE, and/or the Defaults Committee or any authority of ISE shall not be liable.
- 20.46 **Meetings of Defaults Committee**
The Defaults Committee shall meet as when need arises.
- 20.47 **Meetings of Defaults Committee**
A Defaults Committee meeting may be convened by giving not less than forty-eight hours, written notice of the same to the members of the Defaults Committee. Provided however that in case of urgency, Defaults Committee meeting may be convened

by giving not less than one hour's oral or written notice of the same to the members of the Defaults Committee and the decision of the Chairman of the Defaults Committee as to whether a case of urgency exists and as to whether proper notice has been given, shall be final and conclusive. A meeting of the Defaults Committee may be held on working days, holidays, within business hours and also outside business hours.

20.48 Confidentiality

All minutes and proceedings of and all information obtained by ISE, Board, Defaults Committee, the Chairman of the Defaults Committee, the Managing Director or any Officer of ISE shall be deemed confidential.

20.49 Minutes

Minutes of the proceedings of the Defaults Committee shall be maintained under the authority of the Company Secretary of ISE. Such minutes shall be deemed to be confidential.

20.50 Correspondence

The Defaults Committee shall not be obliged to recognize or act upon any communication unless it is in writing, it discloses the identity and address of person addressing the communication and is signed by the person addressing the communication.

20.51 Arbitration

Any claim, dispute or difference between ISE or the Defaults Committee and a Trading Member or a defaulter in connection with any amount payable or alleged by ISE or the Defaults Committee as being payable by the Trading Member or the defaulter to ISE, the Defaults Committee or the Settlement Guarantee Fund, shall be referred to the arbitration of the Managing Director of ISE or to the arbitration of such person as the Managing Director may nominate in this behalf or shall be subject to such other procedure of Arbitration, as may be decided by the Board from time to time.

20.52 Date on which SGF becomes Operational –

- (1) Upon the Board being satisfied that the value of SGF is sufficient for SGF to become operational [which value shall not be less than the value mentioned in Bye-law 20.23(a)] the Board shall specify a date as the date on which SGF becomes operational.
- (2) The provisions of Bye-law 20.29 to 20.40 shall come into

force only on and from the date on which SGF becomes operational and shall apply only to defaults declared after such date.

20.53

Applicability of Hammer Price Provisions

Notwithstanding anything stated elsewhere in the Articles, Rules, Bye-laws and Regulations of ISE, when a Trading Member is declared as defaulter, in the following circumstances the sale and purchase transactions entered into by the defaulter with other Trading Member in the settlement in which a Trading Member was declared as defaulter and in any other settlement which is open or incomplete at the time of declaration of default shall be adjusted, closed out and settled in accordance with the provisions of the Articles, Rules, Bye-laws and Regulations relating to hammer prices and closing out and adjustment of open transactions with a defaulter or in any other manner as may be decided by the Board or Defaults Committee: -

- (i) where a Trading Member is declared a defaulter prior to the date on which SGF becomes operational;
- (ii) when the payment is not made from SGF by reason of SGF being insufficient to make full payment as envisaged under Bye-law 20.33.
- (iii) when the Board passes a resolution to the effect that the provisions of this Bye-law shall apply under special circumstances of the case.

20.54

Settlement Stabilization Fund (SSF) is non refundable and is part of Settlement Guarantee Fund (SGF).

21. INVESTOR PROTECTION FUND

- 21.1 In respect of such market segment of the Exchange as may be prescribed by the Exchange, an Investor Protection Fund (IPF) to be held in trust by Inter-connected Stock Exchange Investor Protection Fund Trust (ISE-IPF 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 this Chapter. 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.
- 21.2 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 moneys or other benefits received or receivable by him from any source in reduction of the loss.
- 21.33 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 Defaults' Committee and such compensation shall not be more than the maximum amount fixed for a single claim.
- 21.4 Notwithstanding anything contained in any other Bye-law, 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.
- 21.5 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.

- 21.6 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 Defaults' Committee and if the assets of the defaulter are insufficient to meet the approved claims, it shall forward the claims alongwith the recommendations of the Defaults' Committee to the Trust. However, the Trust need not wait for the realisation of the assets of the defaulter before the disbursement towards claims.
- 21.7 A claimant under this Chapter must sign an undertaking to be bound by the decision of the Trust whose decision shall be final and binding.
- 21.8 The Trust in disallowing (whether wholly or partly) a claim for compensation shall serve notice of such disallowance on the claimant.
- 21.9 The Trust, if satisfied that the default on which the claim is founded was actually committed, may allow the claim and act accordingly.
- 21.10 The Trust may at any time and from time to time require the claimant to produce and deliver any securities, documents or statements of evidence necessary to support any claim made or necessary for the purpose of establishing his claims and in default of delivery of any such securities, documents or statements of evidence by such claimant, the Trust may disallow any claim by him under this Chapter.
- 21.11 Contributions shall be made to the IPF from the following sources:-
- (a) 1 % of the listing fees received, on a quarterly basis
 - (b) 100 % of the interest earned on the 1 % security deposit kept by the issuer companies at the time of the offering of securities for subscription to the public, immediately on refund of the deposit
 - (c) The difference of amount of auctions / closeout price

- (d) The amount received from the proceeds of the sale of the securities written off as per para 4 & 5 of SEBI circular No. FITTC/FII/02/2002 dated May 15, 2002
- (e) The amounts specified in pursuance of Regulation 28 (12) (e) (ii), Regulation 28 (13) and Regulation 29(2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997.
- (f) Such contribution by trading members of the Exchange as may be decided by the Exchange from time to time based on the transaction value. The Exchange shall further be empowered to call for such additional contributions as may be required from time to time to make up for the shortfall, if any, in the IPF, at the discretion of the Exchange.

- 21.12 The IPF to be held in trust as aforesaid shall vest with the Trust which shall administer the same. The IPF shall be well segregated and shall be immune from any liabilities of the Exchange.
- 21.13 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.
- 21.14 The Trust may seek the advice of the Defaults' Committee as to the eligibility or otherwise of individual claims of investors.
- 21.15 The Exchange shall arrange to provide administrative assistance to the Trust to facilitate the processing and settlement of investor claims.
- 21.16 The claims of the claimants arising out of speculative transactions or which are sham or collusive shall not be eligible for compensation from the IPF.
- 21.17 The balance of the IPF lying unutilised with the Trust shall continue to be utilized 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.

22 INVESTOR SERVICES FUND

- 22.1 ISE will maintain an Investor Services Fund for the purpose of providing service to investors including conducting of investors' awareness programme, conducting seminar and workshops and launching other media for investors' education. The Board or the Managing Director, and in his absence such other person as may be authorised by the Board, shall have all powers and authorities regarding administration and management of this fund including utilisation of corpus of the Fund provided it is being used in pursuit of the objectives of the Fund.
- 22.2 Each Trading Member shall contribute the amounts required by this Part, as may be decided by the Board from time to time for the promotion of objectives of the Investor Services Fund.
- 22.3 The setting up of the fund and its administration shall be done in consonance with the Guidelines specified by SEBI/Government in this regard.
- 22.4 The relevant authority may make rules and regulations governing the administration of the Investor Services Fund.

23. CODE OF ETHICS FOR DIRECTORS AND FUNCTIONARIES OF THE EXCHANGE

The Exchange shall have an Ethics Committee which will be responsible for deciding and implementing code of Ethics for its Directors and Functionaries of the Exchange and such other persons associated with the Exchange as may be decided by the Board and /or SEBI from time to time.

23.1 Objectives and Underlying principles:

The code of ethics for Directors and Functionaries of the Exchange seeks to establish a minimum level of business/professional ethics to be followed by these functionaries, towards establishing a fair and transparent marketplace. The code of ethics is based on the following fundamental principles:

- Fairness and transparency in dealing with matters relating to the Exchange and the investors
- Compliance with all laws / rules / regulations laid down by regulatory agencies / Exchange
- Exercising due diligence in the performance of duties
- Avoidance of conflict of interest between self interests of directors / functionaries and interests of Exchange and investors

23.2 Definitions:

- i. **Functionaries:** Functionaries of the Exchange to whom this Code shall be applicable shall be decided by the Board of Directors of the Exchange but shall include all officials of the rank of Manager and above
- ii. **Family:** Family members will include dependent spouse, dependent children, and dependent parents.
- iii. **Securities:** Securities for the purpose of this Code shall not include Mutual Fund units and Government Securities.

23.3 Ethics Committee:

For overseeing the implementation of this Code, the Board of Directors of the Exchange shall constitute an Ethics Committee. The Ethics Committee should function under the Board of Directors.

23.4 General Standards

Directors and Functionaries shall endeavour to promote greater awareness and understanding of ethical responsibilities:

- i. Directors and Functionaries, in the conduct of their business shall observe high standards of commercial honour and just and equitable principles of trade
- ii. The conduct of Directors and Functionaries in business life should be exemplary which will set a standard for other members of the Exchange to follow
- iii. Directors and Functionaries shall not use their position to do or get favours from the executive or administrative staff of the Exchange, suppliers of the Exchange or any listed company at the Exchange
- iv. Directors and Functionaries shall not commit any act which will put the reputation of the Exchange in jeopardy
- v. Directors, Committee members and Functionaries of the Exchange should comply with all rules and regulations applicable to the securities market.

23.5 Prohibition on dealings in Securities in proprietary account by elected office bearers of the exchange

Elected office bearers of the exchange shall refrain from proprietary trades in securities, directly or indirectly, during the period of holding office.

23.6 Disclosure of dealings in securities by Functionaries of the Exchange

- i. Functionaries of the Exchange shall disclose to the Board of Directors/ Ethics Committee/ designated Compliance Officer at the frequency as determined by the Board of Directors of the Exchange, which shall be on a monthly basis, all their dealings, direct or indirect, in securities for such amounts as may be specified by the Board of the Exchange.
- ii. The dealings in securities shall also be subject to trading restrictions for securities about which Functionaries in the Exchange may have non-public price sensitive information. Requirement laid down under SEBI Insider Regulations would have to be complied with for this purpose.
- iii. All transactions must be of an investment nature and not speculative in nature. Towards this end, all securities purchased must be held for a minimum period of 60 days before they are sold. However, in specific/exceptional circumstances, sale can be effected anytime by

obtaining prior clearance from the Compliance Officer or any other designated authority who will be empowered to waive this condition after recording in writing his satisfaction in this regard.

23.7 Disclosure of dealings in securities by the Member Directors of the Exchange

- i. Member Directors of the Exchange shall disclose on a periodic basis, as determined by the Board of Directors of the Exchange, which shall be on a monthly basis, their proprietary trading, directly or indirectly, to the Ethics Committee.
- ii. All Directors shall also disclose on a periodic basis as fixed above, the trading conducted by firms/corporate entities in which they hold 20% or more beneficial interest or hold a controlling interest, to the Ethics Committee.
- iii. Directors who are Government of India nominees or nominees of Government of India Statutory Bodies or Financial Institutions and are governed by their own Codes shall be exempt from this requirement.

23.8 Avoidance of Conflict of Interest

- i. No Director of the Board of Directors or Member of any Committee of the Exchange shall participate in any decision making/adjudication in respect of any person/matter in which he is in any way, directly or indirectly, concerned or interested.
- ii. Determination of whether there is any conflict of interest or not in a matter, would be decided by the Board of Directors of the Exchange.

23.9 Disclosures of beneficial interest

All Directors and Functionaries shall disclose to the Board of Directors of the Exchange, upon assuming office and during their tenure in office, whenever the following arises:

- i. any fiduciary relationship of self and family members and directorship/partnership of self and family members in any broking outfit
- ii. shareholding, in cases where the shareholding of the director, directly or through his family, exceeds 5% in any listed company on the Exchange or in other entities related to the capital markets
- iii. any other business interests.

23.10 Role of the Member Directors in the day-to-day functioning of the Exchange

- i. The Member Directors of the Exchange shall not interfere in the day-to-day functioning of the Exchange and shall limit their role to decision making on policy issues and to issues as the Board of Directors of the Exchange may decide.
- ii. The Member Directors shall abstain from influencing the employees of the Exchange in conducting their day-to-day activities.
- iii. The Member Directors of the Exchange shall not be directly involved in the function of appointment and promotion of employees, unless specifically so decided by the Board of Directors.

23.11 Access to Information

- i. The Directors shall call for information only as part of specific committees or as may be authorised by the Board of Directors.
- ii. There shall be prescribed channels through which information shall move and further there shall be audit trail of the same. Any Retrieval of confidential documents /information shall be properly recorded.
- iii. All such information, especially which is non-public and price sensitive shall be kept confidential and not be used for any for personal consideration / gain.
- iv. Any information relating to the business /operations of the Exchange, which may come to the knowledge of Directors /Functionaries during performance of their duties shall be held in strict confidence, shall not be divulged to any to any third party and shall not be used in n manner except for the performance of their duties.

23.12 Misuse of Position

Directors / Committee Members shall not use their position to obtain business or any pecuniary benefit (as intermediaries like brokers or in any other capacity like professionals or consultants) in the organisation for themselves or family members.

23.13 Ethics Committee to lay down procedures and designate Compliance Officer

- i. The Ethics Committee shall lay down procedures for the implementation of the Code and prescribe reporting formats for the disclosures required under the Code.
- ii. The Board of Directors of the Exchange / Ethics Committee may designate a Senior Officer of the Exchange as Compliance Officer for executing the requirements laid down by it.

24 SUBSIDIARY

- 24.1 Subsidiary Company shall not undertake any dealing in securities on its own account.
- 24.2 The Sub-brokers of the Subsidiary Company shall maintain separate deposits with the Subsidiary Company, which shall be different from the Base Minimum Capital deposited by them with ISE as Trading Member.
- 24.3 The deposits maintained by the Sub-brokers with the Subsidiary Company shall be in such form as may be prescribed by SEBI, from time to time.
- 24.4 The trading/exposure limits of the Sub-brokers shall be based on the deposits maintained by the Sub-brokers with the Subsidiary Company and these limits shall not exceed the limits prescribed by the Stock Exchange of which the Subsidiary Company is a member.
- 24.5 The Subsidiary Company shall collect margins from the Sub-brokers for payment to the concerned Stock Exchange of which the Subsidiary Company is a member. The margins levied by the Subsidiary Company on its Sub-brokers shall not be less than the margin payable to the Stock Exchange by the Subsidiary Company.

25. MISCELLANEOUS

- 25.1 The relevant authority shall be empowered to impose such restrictions on transactions in one or more ISE securities as the relevant authority in its judgment deems it 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.
- 25.2 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.
- 25.3 Trading member have an obligation as the trading members of Exchange to inform the relevant authority of ISE and SEBI about insider trading, information on takeover and such other information/practices as may be construed as being detrimental to the efficient operations of ISE and as may be required under SEBI Act and Rules & Regulations framed thereunder.
- 25.4 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 ISE, ISE shall not be deemed to have incurred any liability and accordingly no claim or recourse, in respect of, or in relation to, any dealing in securities or any matter connected therewith shall lie against ISE or any authorized person(s) acting for ISE.
- 25.5 No claim, suit, prosecution or other legal proceedings shall lie against ISE or any authorized person(s) acting for ISE, 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 ISE under any law or delegated legislation for the time being in force.
