

**RULES  
OF  
INTER-CONNECTED  
STOCK EXCHANGE  
OF INDIA LTD.**



## ARRANGEMENT OF CHAPTERS

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## RULES

### INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED

#### 1. DEFINITIONS AND INTERPRETATIONS

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

1.1.1 Securities Contracts (Regulation) Act, 1956 and the Rules framed thereunder,

1.1.2 Securities and Exchange Board of India Act, 1992 and the Rules and Regulations framed thereunder,

1.1.3 Bye-Laws of the Inter-connected Stock Exchange of India Ltd.,

1.1.4 The Companies Act, 1956, and includes every statutory modification or replacement thereof, for the time being in force.

1.1.5 In case a term is defined in more than one statute, then its meaning as defined in that statute, which precedes the others mentioned hereinabove, shall prevail, unless in the context it is explicitly stated otherwise.

1.2 With regard to the Bye Laws of the Exchange, if not inconsistent with or repugnant to the subject or context hereof, the following words and expressions shall have the following meanings:

1.2.1 "The Articles" mean and include the Articles of Association of the Company for the time being in force.

1.2.1A "Associate" in relation to a person shall include another person:

- (i) who, directly or indirectly, by himself, or in combination with other persons, exercises control over the first person;
- (ii) who holds fifteen per cent. or more shares in the paid up equity capital of the first person;
- (iii) whose Director or partner is also a Director of the first person or its subsidiary or holding company, or partner of the first person, as the case may be;
- (iv) who is a holding company or a subsidiary company of the first person or a company under the same management as of the first person;
- (v) who is a relative of the first person;
- (vi) who is a member of a Hindu Undivided Family wherein the first person is also a member

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

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- 1.2.2 "Board", "Governing Board", "Board of Directors" or "the Directors" mean the Board of Directors of the Inter-Connected Stock Exchange of India Limited (ISE) or the Directors of ISE collectively. All the four terms shall be used interchangeably.  
*(Prior to amendment in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 1.2.2 was read as under:  
"Board", "Board of Directors" or "the Directors" mean the Board of Directors of the Inter-Connected Stock Exchange of India Limited (ISE) or the Directors of ISE collectively. All the said terms shall be used interchangeably.)*
- 1.2.3 "Bye-Laws" mean Bye-Laws of the Company for the time being in force and unless the context indicates otherwise include provisions which enable Regulation and control of contracts. The Bye-Laws of the Company shall be subject to the provisions of the Securities Contracts (Regulation) Act, 1956 & the Rules made thereunder and the Securities and Exchange Board of India Act, 1992 and the Rules made thereunder.
- 1.2.4 "Client" or "Constituent" means a person on whose instruction and on whose account the Trading Member enters into a contract for the purchase or sale of any tradeable security or does any act in relation thereto.  
*(Prior to amendment in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 1.2.4 was read as under:  
"Client" or "Constituent" means a person on whose instruction and on whose account the Trader or Dealer enters into a contract for the purchase or sale of any tradeable security or does any act in relation thereto.)*
- 1.2.4A "Clearing Corporation" means an entity that is established to undertake the activity of clearing and settlement of trades in securities or other instruments or products that are dealt with or traded on the Exchange and include a clearing house.  
*(Newly inserted in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*
- 1.2.4B "Clearing Member" means a person having clearing and settlement rights in any recognised Clearing Corporation:  
  
Provided that any person who, on the date of commencement of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated 20.06.2012 is acting as clearing member of a clearing house or a clearing corporation shall be deemed to be clearing member, till his request for registration, if any, is refused by the Securities and Exchange Board of India or till cessation of his membership with clearing corporation, whichever is earlier.  
*(Newly inserted in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*
- 1.2.5 "Company" means "Inter-connected Stock Exchange of India Limited", also referred to as "ISE" which is for the time being recognized as a Stock Exchange by the Securities and Exchange Board of India under Section 4 of the Securities Contracts (Regulation) Act, 1956. All the said terms shall be used interchangeably.
- 1.2.5A "Control" shall have the same meaning as assigned to it under clause (e) of sub regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or any modification thereof.  
*(Newly inserted in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

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- 1.2.6 "Dealer" means any person admitted as a "Dealer" with the Company in accordance with the Rules, Bye-Laws and Regulations prior to the Corporatisation and Demutualisation of ISE.
- 1.2.7 "Deals", "Transactions" and "Contracts" shall have the same meaning for the purpose of these Rules, Bye-Laws and Regulations unless the context indicates otherwise. All the said terms shall be used interchangeably.
- 1.2.8 "Issuer" includes a Government 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 for dealing on the Official List of ISE.
- 1.2.8A "Key Management Personnel" means a person serving as head of any department or in such senior executive position that stands higher in hierarchy to the head(s) of department(s) in the Exchange or in any other position as declared so by the Exchange.  
*(Newly inserted in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*
- 1.2.9 "Market Maker" means a Trading Member registered as such with the ISE to perform market-making operations in the specified security or securities. [Explanation: There may be more than one class of Market Makers registered with the Company as may be determined by the Board from time to time].  
*(Prior to amendment in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 1.2.9 was read as under:  
"Market Maker" means a Trader or Dealer registered as such with ISE to perform market making operations in the specified security or securities. [Explanation: There may be more than one class of Market Makers registered with the Company, as may be determined by the Board from time to time.]*
- 1.2.10 "Member" or "Member of the Company" or "Member Exchange" means and includes subscribers to the Memorandum of Association and Articles of Association and such other Members of the Company as may be admitted as such who shall undertake to contribute to its assets for the purposes mentioned in Clause III of the Memorandum of Association as provided therein. All the said terms mentioned herein shall be used interchangeably.
- 1.2.11 "Month" means a calendar month.
- 1.2.12 "Official List of ISE" means the list of securities listed on ISE or on any other recognized Stock Exchange in India which are admitted for trading on the Official List of ISE.
- 1.2.13 "Participant" means a person registered as such by the relevant authority from time to time under the Rules, Bye-Laws and Regulations of the Exchange.
- 1.2.14 "Participating Stock Exchange" or "Participating Exchange" or "Member Exchange" means a recognized Stock Exchange in India admitted as member of the Inter-connected Stock Exchange of India Limited in accordance with the Rules, Bye-Laws and Regulations subject to such terms and conditions as may be prescribed from time to time by the relevant authority. The said terms shall be used interchangeably.
- 1.2.14A "Persons Acting in Concert" in the context of acquisition or holding of shares or voting rights or control shall *mutatis mutandis* have the same meaning as assigned to it in clause (q) of

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sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or any modification thereof;

*(Newly inserted in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

- 1.2.14B "Public" includes any member or section of the public but does not include any Trading Member or clearing member or their associates and agents:  
Provided that a public sector bank, public financial institution, an insurance company, mutual fund and alternative investment fund in public sector, that has associate(s) as Trading Members or clearing members, shall be deemed as public for the purposes of these regulations.  
*(Newly inserted in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*
- 1.2.14C "Public Interest Director" means an independent Director, representing the interests of investors in securities market and who is not having any association, directly or indirectly, which in the opinion of SEBI, is in conflict with his role.  
*(Newly inserted in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*
- 1.2.14D "Recognised Clearing Corporation" means a clearing corporation which is recognized by SEBI under section 4 read with section 8A of the Securities Contracts (Regulation) Act, 1956 (42 of 1956)  
*(Newly inserted in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*
- 1.2.15 "Register" shall mean the register of members to be kept pursuant to Section 150 of the Act.
- 1.2.16 "Registered Office" shall mean the Office as Registered for the time being under the Companies Act, 1956.
- 1.2.17 "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 and Rules and SEBI Act.
- 1.2.18 "Regulations" means Regulations of ISE for the time being in force and unless the context indicates otherwise includes Business Rules, Code of Conduct and such other Procedures, Circulars, Directives, Orders, Notices and Regulations prescribed and issued by the Board, the Executive Committee or any other relevant authority from time to time subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules made thereunder and Securities and Exchange Board of India Act, 1992 and the Rules made thereunder.
- 1.2.19 "Relevant Authority" means General Body of ISE, the Board, Executive Committee or any person as may be relevant for a particular purpose under the Rules, Bye-Laws, Regulations and Articles of Association or such other authority as may be constituted from time to time for a specified purpose under the Rules, Bye-Laws and Regulations.

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- 1.2.20 "SC(R) Act" shall mean the Securities Contracts (Regulation) Act, 1956 and include any statutory modification or re-enactment thereof for the time being in force and the Rules made thereunder.
- 1.2.21 "Seal" shall mean the 'Common Seal' for the time being of the Company.
- 1.2.22 "SEBI Act" shall mean the Securities and Exchange Board of India Act, 1992 and include any statutory modification or re-enactment thereof for the time being in force and the Rules made thereunder.
- 1.2.22A "Shareholder Director" means a Director who represents the interest of shareholders, and elected or nominated by such shareholders who are not Trading Members or clearing members, as the case may be, or their associates and agents.  
*(Newly inserted in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*
- 1.2.23 "SEBI" means the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992.
- 1.2.24 "Stock Exchange", "Exchange" means "Inter-connected Stock Exchange of India Limited", also referred to as "ISE" which is for the time being recognized as a Stock Exchange by the Securities and Exchange Board of India under Section 4 of the Securities Contracts (Regulation) Act, 1956. All the said terms shall be used interchangeably.  
*(Prior to amendment in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 1.2.24 was read as under:  
"Stock Exchange" means a Stock Exchange in India which has been granted recognition under Section 4 of the Securities Contracts (Regulation) Act, 1956.)*
- 1.2.25 "Tradeable Security" means any Security admitted for dealing on the Official List of ISE.
- 1.2.26 "Trader" or "Member Broker" shall mean a Member of a Participating Stock Exchange registered as a "Trader" with the Company in accordance with the Rules, Bye-Laws and Regulations prior to the Corporatisation and Demutualisation of ISE
- 1.2.27 "Trading Member" means a person having trading rights in the ISE and includes a stock broker.  
*(Prior to amendment in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 1.2.27 was read as under:  
"Trading Member" means an individual or a partnership firm or a company (as defined under the Companies Act) or a body corporate carrying on the business of stock broking on ISE and registered in accordance with the Rules, Bye-Laws and Regulations of ISE for the time being in force and amended from time to time and includes a Trader or a Dealer of ISE admitted as such prior to the Corporatisation and Demutualisation of ISE.)*
- 1.2.28 "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.
- 1.2.29 "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.

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- 1.2.30 "Writing" includes printing, typewriting, lithography and any other usual substitutes for writing.
- 1.2.31 "Year" shall mean Financial Year of the Company i.e. 1<sup>st</sup> April to 31<sup>st</sup> March.
- 1.2.32 Words importing persons include Companies, Corporations, Firms, Hindu Undivided Families (HUFs), Joint Families or Bodies, Associations of Persons, Societies, Trusts, Public Financial Institutions, Subsidiaries of any of the Public Financial Institutions or Banks or Companies;
- 1.2.33 Words importing the masculine gender shall include the feminine gender and vice-versa and neutral gender in the case of companies, corporations, firms, etc.
- 1.2.34 Words importing the singular include the plural and vice-versa.
- 1.2.35 Unless otherwise defined in these presents or unless the context requires or indicates a different meaning, any words or expressions occurring in these presents shall bear the same meaning as in the Companies Act, 1956, the SC(R) Act, 1956 and the SEBI Act, 1992 or any modifications or reenactments thereof or any Rules and Regulations framed thereunder.
- 1.2.36 Marginal notes shall not affect the construction thereof.

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**2. BOARD**

2.1 The Board of Directors (hereinafter referred to as the Board) of Inter-connected Stock Exchange of India Limited (ISE), constituted in accordance with the provisions of the Articles of Association of the Company, may organize, maintain, control, manage, regulate and facilitate the operations of ISE and of securities transactions by Trading Members of the Exchange, subject to the provisions of the Securities Contracts (Regulation) Act, 1956, & Rules made thereunder, Securities and Exchange Board of India Act, 1992 & any directives issued thereunder and the Trading Regulations which RBI may prescribe, from time to time.

2.2 The Directors of the ISE shall be appointed in accordance with the provisions of the Articles of Association of the Company as amended from time to time. Any such appointment of Directors shall be considered as one being made under the provisions of these Rules.

2.3 Subject to the provisions of the Securities Contracts (Regulation) Act, 1956 & the Rules made thereunder, the Securities and Exchange Board of India Act, 1992 & any directives issued thereunder, and the Trading Regulations which RBI may prescribe from time to time, the Board is empowered to make Rules, Bye-Laws and Regulations from time to time, for all or any matters relating to the conduct of business of ISE, the business and transactions of Trading Members between Trading Members inter-se, as well as the business and transactions between Trading Members and persons who are not Trading Members, and to control, define and regulate all such transactions and dealings and to do such acts and things which are necessary for the purposes of regulating ISE.

2.4 **Deleted**

*(Prior to deletion in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 2.4 was read as under:  
The composition of the Board shall consist of the following categories namely Public Interest Directors, Trading Member Directors, Shareholder Directors and SEBI may nominate Directors on the Board of Directors of the Company as and when deemed fit. The Chief Executive shall be an ex-officio Director on the Board.)*

2.5 **Board Composition**

The composition of Board shall be as under:

- a) Shareholder Directors;
- b) Public Interest Directors; and,
- c) Managing Director.

*(Prior to amendment in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 2.5 was read as under:  
The composition of Board shall be as under:*

- a) *Three Public Interest Directors from amongst the persons in the panel constituted by SEBI,*
- b) *Not more than two representatives from among the stock brokers of the Company, who shall be called Trading Member Directors,*
- c) *Not more than six representatives from among the Shareholders, who shall be called Shareholder Directors; Provided further that if the Company has Strategic Partners/Majority Shareholders, at least one-third of the Shareholder Directors shall be non-executive Independent Directors, and*
- d) *A Managing Director*
- e) *In case SEBI nominates Directors on the Board of ISE, then the SEBI Nominee Director shall be duly absorbed on the Board by appropriately readjusting/altering the strength of Trading Member Directors than Shareholder Directors.*

2.5.1 The number of Public Interest Directors shall not be lesser than the number of shareholder Directors in the Exchange.

*(Newly inserted in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

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2.5.2 Any employee of the Exchange may be appointed on the Governing Board in addition to the Managing Director, and such Director shall be deemed to be a Shareholder Director.

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

2.5.3 No trading member or clearing member, or their associates and agents, shall be on the Governing Board of the Exchange.

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

2.5.4 No foreign institutional investor shall have any representation in the Governing Board of the Exchange.

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

2.5.5 The managing director shall be an ex-officio director on the Board and shall not be included in either the category of public interest directors or shareholder directors.

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

**2.6 General Requirements**

a) Subject to the provisions of the Rules and Regulations of SEBI and the Act, the Shareholder Directors of the Company shall be elected by the Company in a general meeting.

b) Subject to prior approval of SEBI, the Chairperson shall be elected by the Governing Board from amongst the Public Interest Directors.

c) The manner of election, tenure, resignation, vacation, etc. of Shareholder Directors shall be governed by the Companies Act, 1956 save as otherwise specifically provided under or in accordance with Securities Contracts (Regulation) Act, 1956.

d) The Managing Director shall be an ex-officio Director on the Governing Board and shall not be included in either the category of Public Interest Directors or Shareholder Directors

e) Atleast one Public Interest Director shall be present in the meetings of the Governing Board to constitute the quorum

f) The appointment and re-appointment of all Shareholder Directors on the Governing Board of the Exchange shall be with the prior approval of SEBI.

g) The Public Interest Directors on the Governing Board of the Exchange shall be nominated by SEBI.

h) Public Interest Directors shall be nominated for a fixed term of three years, or for such extended period, as may be approved by the SEBI.

i) If any issue arises as to whether an assignment or position of a Public Interest Director is in conflict with his role, SEBI decision shall be final.

j) A Public Interest Director may be renominated after a cooling-off period of one year or such period as SEBI may deem fit in the interest of the securities market.

k) Public Interest Directors shall be paid only sitting fees as specified in the Companies Act, 1956.

l) SEBI may nominate Public Interest Directors on the Governing Board as and when deemed fit  
*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 2.6 was read as under:*

a) *The Directors except the Public Interest Directors and the Chief Executive such as Chief Executive Officer, Executive Director, Managing Director, etc. shall be elected by shareholders*

b) *No Director shall hold the office for more than two consecutive terms.*

c) *'Trading Member Directors' shall be elected from amongst the Trading Members.*

d) *'Shareholder Directors' shall be elected from amongst the Persons who are not Trading Members or Associates of the Trading*

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*Members*

- e) 'Associate' in relation to a Trading Member, individual, body corporate or firm, shall include a person-
  - i. who, directly or indirectly, by himself, or in combination with other persons, exercises control over the Trading Member, whether individual, body corporate or firm or holds substantial share of not less than 15% in the capital of such entities, or
  - ii. in respect of whom the Trading Member, individual or body corporate or firm or holds substantial share of not less than 15% in the capital of such entities, or
  - iii. in respect of whom the Trading Member, individual or body corporate or firm, directly or indirectly, by itself or in combination with other persons, exercises control, or
  - iv. whose director or partner is also a director or partner of the Trading Member, body corporate or the firm, as the case may be.
  - v. The expression 'control' shall have the same meaning as defined under clause (c) of Regulation 2 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
- f) 'Public Interest Directors' shall be selected by the Board from amongst the Persons in the SEBI constituted panel. A person shall not act as 'Public Interest Director' on more than one Stock Exchange simultaneously.
- g) The Chairman shall be elected by the Board from amongst the non-executive non-trading member directors. If, for some reason, it is not possible for the Board to elect a Chairman, the Board may elect a Chairman for every meeting of the Board from amongst the non-executive non-trading member directors of the Board.
- h) The manner of election, appointment, tenure, resignation, vacation, etc. of Directors (except the Chief Executive) shall be governed by the Companies Act, 1956 save as otherwise specifically provided under or in accordance with Securities Contracts (Regulation) Act, 1956.
- i) The Chief Executive shall be an ex-officio Director on the Board.
- j) No approval of SEBI shall be required for an appointment of any Director on the Board except for the Chief Executive.
- k) SEBI may nominate Directors on the Board as and when deemed fit.)

**2.7 Appointment of Managing Director**

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 2.7 was read as under:*

**Chief Executive**

*The appointment, renewal of appointment and the termination of service of the Chief Executive shall be subject to prior approval of SEBI. However, the Exchange shall determine the manner of selection, terms and conditions of the appointment and other procedural formalities associated with the selection/appointment of the Chief Executive. The Exchange shall carry out necessary due diligence with respect to verification of antecedents, credentials and experience of the proposed person as Chief Executive. The Exchange shall constitute a committee for the selection of Chief Executive. The Committee shall generally consist of four persons, one representative from the Exchange, two outside experts and one Public Interest Director. However, constitution of the said Committee shall not require SEBI approval.)*

**2.7.1 The appointment, renewal of appointment and termination of service of the Managing Director of the Exchange shall be subject to prior approval of SEBI.**

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

**2.7.2 The Exchange shall, subject to the guidelines issued by SEBI from time to time, determine the qualification, manner of appointment, terms and conditions of appointment and other procedural formalities associated with the selection/ appointment of the Managing Director.**

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

**2.7.3 The appointment of the Managing Director shall be for a tenure not less than three years and not exceeding five years.**

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

**2.7.6 Dis-qualifications of Managing Director**

The Managing Director of the Exchange shall not –

- (a) be a shareholder or an associate of a shareholder of the Exchange or shareholder of an associate of the Exchange, as the case may be;
- (b) be a trading member or a clearing member, or his associate and agent, or shareholder of a trading member or clearing member or shareholder of an associate and agent of a trading member or a clearing member; or
- (c) hold any position concurrently in the subsidiary of the Exchange, or in any other entity

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associated with the Exchange:

Provided that the Managing Director of the Exchange may be appointed on the Governing Board, but not as Managing Director, of the subsidiary of the Exchange, as the case may be.

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

- 2.7.5 The Managing Director shall be liable for removal or termination of services by the Governing Board of the Exchange with the prior approval of SEBI for failure to give effect to the directions, guidelines and other orders issued by SEBI, or the rules, the articles of association, bye-laws and regulations of the Exchange.

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

- 2.7.6 SEBI may *suo motu* remove or terminate the appointment of the Managing Director if deemed fit in the interest of securities market:

Provided that no Managing Director shall be removed unless he has been given a reasonable opportunity of being heard.

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

**2.8 Criteria to become Director on Board of ISE**

- 2.8.1 The person shall be 'fit and proper person' and for deciding such person as fit and proper person, the Board of ISE may take account general reputation and record of fairness and integrity of such person as it deems fit including but not limited to the following criteria:

- a) Financial integrity;
- b) Absence of convictions or civil liabilities;
- c) Competence;
- d) Good reputation and character;
- e) Efficiency and honesty

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 2.8.1 was read as under:*

*The person shall be 'fit and proper person' and for deciding such person as fit and proper person, the Board of ISE may take account of any consideration as it deems fit including but not limited to the following criteria:*

- a) *Financial integrity;*
- b) *Absence of convictions or civil liabilities;*
- c) *Competence;*
- d) *Good reputation and character;*
- e) *Efficiency and honesty*
- f) *Absence of any disqualification as mentioned in sub-rule 2 of this Rule (i.e. General requirements))*

- 2.8.2 A person shall not be 'fit and proper person' to become a Director on the Board of ISE if he has incurred any of the following disqualifications:-

- a) If he has been convicted by a Court for any offence involving moral turpitude, economic offence, securities laws or fraud;
- b) If he has been declared as insolvent and has not been discharged;
- c) He is financially not sound;
- d) Any other reason which in the opinion of the SEBI renders such person unfit to operate in the capital market.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 2.8.2 was read as under:*

*A person shall not be 'fit and proper person' to become a Director on the Board of ISE if he incurs any of the following disqualifications:-*

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- a) If he has been convicted by a Court for any offence involving moral turpitude, economic offence, securities laws or fraud;
- b) If he has been declared as insolvent and has not been discharged;
- c) An order, other than an order of suspension of registration as an intermediary, restraining, prohibiting or debarring him from dealing in securities in the capital market, or from accessing the capital market, has been passed by SEBI or any other regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed;
- d) An order canceling his certificate of registration has been passed by SEBI on the ground of his indulging in insider trading, fraudulent and unfair trade practices or market manipulation and a period of three years from the date of the order has not elapsed;
- e) An order withdrawing or refusing to grant any license/ approval to him which has a bearing on the Capital Market, has been passed by SEBI or any other regulatory authority and a period of three years from the date of the order has not elapsed;
- f) He is financially not sound;
- g) Any other reason which in the opinion of the SEBI renders such person unfit to operate in the capital market.

2.8.3 The Chairperson and Directors 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 Governing Board may decide.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 2.8.3 was read as under:*

*The elected directors shall not interfere in the day to day management of the Exchange, particularly relating to surveillance and risk management functions.*

2.8.4 Besides the Board, it shall be the duty of the Managing Director to give effect to the directives, guidelines and other orders issued by SEBI in order to implement the applicable provisions of law, rules, and regulations as also the Rules or the Articles of the Association, Regulations and Byelaws of the Exchange.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 2.8.4 was read as under:*

*Besides the Board it shall be the duty of the Chief Executive to give effect to the directives, guidelines and other orders issued by SEBI in order to implement the applicable provisions of law, rules, regulations as also the Rules or the Articles of the Association, Regulations and Byelaws of the stock exchange. Any failure in this regard will make him liable for removal or termination of services by the Exchange with the prior approval of SEBI or on receipt of direction to that effect from SEBI, subject to the concerned Chief Executive being given an opportunity of being heard against such termination.*

2.8.5 Without prejudice to the generality of the foregoing, the Board is empowered to make Regulations, subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules thereunder, the Securities and Exchange Board of India Act, 1992 and any directives thereunder and the trading regulations which RBI may prescribe from time to time, for all or any of the following matters:

2.8.6 **Conditions for admission to membership of Exchange:**

Conditions for any arrangement with another stock exchange pursuant to the proviso to Section 13 of the Securities (Regulation) Act, 1956 and all matters relating thereto:

- a) Conduct of business of the Exchange;
- b) Conduct of trading members with regard to the business of Exchange;
- c) Penalties for disobedience or contravention of the Rules, Bye laws and Regulations of the Exchange or of general discipline of the Exchange, including expulsion or suspension of the trading members;
- d) Declaration of any trading member as a defaulter or suspension or resignation or expulsion from trading membership of the Exchange and the consequences thereof;
- e) Conditions, levy for admission or subscription for admission or continuance of trading membership of the Exchange;
- f) Charges payable by trading members for transaction in such securities as may be laid down from time to time;
- g) Investigation of the financial condition, business conduct and dealings of the trading members;
- h) Appointment of Committee or Committees for any purpose of the Exchange;

Such other matters in relation to the Exchange as may be prescribed under the provisions of the

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Articles of Association, Bye Laws or these Rules or as may be necessary or expedient for the organization, maintenance, control, management, regulation and facilitation of the operations of the Exchange. The Board is empowered to delegate, from time to time, to the Executive Committee or to the Managing Director or to any person, such of the powers vested in it and upon such terms, as it may think fit, to manage all or any of the affairs of the Trading Platform of ISE and from time to time, to revoke, withdraw, alter or vary all or any of such powers.

- 2.8.7 The Board may, from time to time, constitute one or more Committees comprising Members of the Board or such other persons as the Board may in its discretion deem fit or necessary and delegate to such Committees such power as the Board may deem fit and the Board may from time to time revoke, such delegation. The Committees constituted by the Board may inter alia include: Screening Committee for admission of trading members of the Exchange or for any other matter which the Board may think fit
- 2.8.8 The Board shall have the authority to issue directives from time to time to the Executive Committee or any other Committees or any other person or persons to whom any powers have been delegated by the Board. Such directives issued in exercise of this power, which may be of policy nature or which may include directives to dispose of a particular matter or issue, shall be binding on the concerned Committee(s) or person(s).
- 2.8.9 Subject to the provisions of the Securities Contracts (Regulation) Act, 1956, and Rules thereunder, the Securities and Exchange Board of India Act, 1992 and any directives thereunder and the trading regulations which RBI may prescribe from time to time the Board is empowered to vary, amend, repeal or add to the Rules, Bye-Laws and Regulations framed by it.
- 2.8.10 The Members of the Board and of such committees as may be identified by the Ethics Committee shall adhere to the Code of Conduct as may be prescribed by the Board or Ethics Committee from time to time.

2.9 **Code of conduct for the Directors on the Governing Board**

2.9.1 **Meetings and Minutes**

The Directors of the Exchange shall –

- a) not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting;
- b) Not encourage the circulation of agenda papers during the meeting, unless circumstances so require;
- c) Offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;
- d) Insists on the minutes of the previous meeting being placed for approval in subsequent meeting;
- e) Endeavour to have date of next meeting fixed at each Board Meeting in consultation with other members of the Governing Board; and
- f) Endeavour to ensure that in case all the items of agenda of a meeting were not covered for want of time, the next meeting is held within 15 days for considering the remaining items.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 2.8.4 was read as under:*

*The Directors shall –*

- a) *Not participate in the discussion on any subject matter in which any conflict of the interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting;*
- b) *Not encourage the circulation of agenda papers during the meeting, unless circumstances so require;*

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- c) Offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes ;
- d) Insists on the minutes of the previous meeting being placed for approval in subsequent meeting;
- e) Endeavour to have date of next meeting fixed at each Board Meeting in consultation with other members of the Governing Board; and
- f) Endeavour that in case all the items of agenda of a meeting were not covered for want of time, the next meeting is held within 15 days for considering the remaining items.)

**2.9.1A Code of Conduct for the Public Interest Directors.**

- a) In addition to the conditions stated in Para (i) above, Public Interest Directors of the Exchange shall, endeavour to attend all the Board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the Governing Board or do not attend seventy five per cent. of the total meetings of the Governing Board in a calendar year.
- b) Public Interest Directors shall meet separately, at least once in six months to exchange views on critical issues.

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

**2.9.2 Strategic Planning**

Every Director of the Exchange shall—

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, it was read as under:  
'The Directors shall')*

- a) participate in the formulation and execution of strategies in the best interest of the Exchange and contribute towards pro-active decision making at the Board level;
- b) give benefit of their experience and expertise to the Exchange and provide assistance in strategic planning and execution of decisions.

**2.9.3 Regulatory Compliances**

Every Director of the Exchange shall—

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, it was read as under:  
'The Directors shall')*

- a) endeavour to ensure that the Exchange abides by all the provisions of the Securities and Exchange Board of India Act, 1992, Securities Contracts (Regulation) Act, 1956, rules and regulations framed thereunder and the circulars, directions issued by the Government/SEBI from time to time;
- b) endeavour compliance at all levels so that the regulatory system does not suffer any breaches;
- c) endeavour to ensure that the Exchange takes steps commensurate to honour the time limit stipulated by SEBI for corrective action;
- d) not support any decision in the meeting of the Board which may adversely affect the interest of investors and shall report forthwith any such decision to SEBI.

**2.9.4 General Responsibility**

Every Director of the Exchange shall –

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, it was read as under:  
'The Directors shall')*

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- a) place priority for redressing Investor Grievances and encourage fair trade practice, so that Exchange becomes an engine for the growth of the securities market;
- b) endeavour to analyse and administer the Exchange issues with professional competence, fairness, impartiality, efficiency and effectiveness;
- c) submit the necessary disclosures/statement of holdings/dealings in securities as required by the Exchange from time to time as per the Rules or Articles of Association;
- d) unless otherwise required by law, maintain confidentiality and shall not divulge/disclose any information obtained in the discharge of their duty. Further, no such information shall be used for personal gains;
- e) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in the discharge of their duties in order to inspire public confidence and shall not engage in acts discreditable to their responsibilities;
- f) perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;
- g) perform their duties with a positive attitude and constructively support open communication, creativity, dedication and compassion;
- h) not engage in any act involving moral turpitude, dishonesty, fraud, deceit or misrepresentation or any other act prejudicial to the administration of the Exchange.

2.9.5 Every Director and key management personnel of the Exchange shall abide by the Code of Ethics specified in Bye-laws of the Exchange.

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

2.9.6 Every Director and Key Management Personnel of the Exchange shall be deemed to be fit and proper person as described in regulation 20 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012.

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

2.9.7 SEBI may, for any failure by the Directors to abide by these regulations or the Code of Conduct or Code of Ethics or in case of any conflict of interest, either upon a reference from the Exchange or *suo motu*, take appropriate action including removal or termination of the appointment of any Director, after providing him a reasonable opportunity of being heard.

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

**3. OPERATIONAL COMMITTEES**

As per the provisions of the SC(R)A, 1956, SEBI Act, 1992, Rules made thereunder and as per SEBI circular no CIR/MRD/DSA/33/2012 dated December 13,2012, the company shall have the following Operational Committees-

1. Membership Selection Committee
2. Disciplinary Action Committee
3. Investor Grievance Redressal Committee (IGRC)
4. Defaulters' Committee
5. Compensation Committee
6. Selection Committee

These Committees shall be constituted by the Governing Board in the form and manner as specified by SEBI from time to time. The Governing Board shall have the power to initiate and review matters pertaining to these Committees and provide guidelines for their functioning over and above such powers as assigned to the Committees or provided in the Articles, Rules, Bye-Laws and Regulations of ISE. The Governing Board may also empower from time to time the Committees in matters relating to them with such Rules and Regulations as needed for their efficient and effective functioning.

**3.1. Membership Selection Committee**

**i. Functions**

To selection / admission of Members of the various segments of the Exchange, change in control, transmission, re-admission of defaulters and such other matters as may be deemed necessary to be placed before the committee.

**ii. Composition**

- a. The Public Interest Directors shall form a majority of the membership selection committee.
- b. A maximum of two Key Management Personnel of the Exchange can be on the committee one of whom shall necessarily be the Managing Director of the Stock Exchange.
- c. The committee may also include independent external persons.

**iii. Quorum of Meeting**

The quorum shall be one-third of its total strength of members or two members, whichever is higher, where at least One PID shall be present to have a valid quorum.

**iv. Frequency of Meeting**

Within one month from the receipt of duly completed application for admission as a Trading Member

**3.2 Disciplinary Action Committee**

**i. Functions**

- a. To formulate the policy for taking regulatory actions for various violations including warning, monetary fine, suspension, withdrawal of trading, expulsion.
- b. To impose appropriate regulatory measures for violation cases observed during inspection.

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- c. The Committee shall decide on the procedure to be followed for Disciplinary Action, make such Rules and Regulations as deemed fit for its functioning and take such regulatory or disciplinary action against the Trading Members and other Participants as considered appropriate in a specific matter referred to it, provided it is not in contravention of any statutory provision of SC(R)A, 1956, SEBI Act, 1992 and the provisions of the Articles, Rules, Bye-Laws and Regulations or any such decision of the Governing Board which is in the nature of a guideline.
- d. The Committee may seek the assistance of any official or administrative machinery of ISE to which the matter pertains at its discretion. Such assistance will need to be provided without any delay or further sanctions.
- e. The Committee shall prescribe the related Regulations for conduct of meetings, minutisation, award, fine, penalty, fees and all such matters connected with the efficient and effective functioning of the Committee provided they do not contravene any statutory provisions.

**ii. Composition**

- a. The disciplinary action committee shall comprise Public Interest Directors and Exchange officials.
- b. The Public Interest Directors shall form a majority of the committee.
- c. A maximum of two Key Management Personnel of the Exchange can be on the committee one of whom shall necessarily be the Managing Director of the Stock Exchange.

**iii. Quorum of Meeting**

The quorum shall be one-third of its total strength of members or two members, whichever is higher, where at least One PID shall be present to have a valid quorum.

**iv. Frequency of Meeting**

Once in a year or as and when any important agenda needs to be transacted by the committee.

**3.3 Investor Grievance Redressal Committee (IGRC)**

**i. Functions**

- a. To deal with the complaints referred to it by the Stock Exchange.
- b. To take notice of the complaint of parties and resolve it.

**ii. Composition**

- a. The IGRC shall comprise a single person for claims upto Rs. 25 Lakh, whereas, for claims above Rs. 25 Lakh, the IGRC shall comprise three persons.
- b. The IGRC shall comprise three independent persons with qualifications in the area of law, finance, accounts, economics, management or administration and experience in financial services, including securities market.
- c. Further, the three member Committee shall include at least one technical expert for handling complaints related to technology issues (such as internet based trading, algorithmic trading, etc).
- d. The Members of IGRC shall not be associated with any Trading Member in any manner.

- e. The disclosures and code of conduct prescribed under para 3.4 and 4 of SEBI circular Ref. No CIR/MRD/DSA/24/2010 dated August 11, 2010, shall be applicable, as far as may be, to Members of IGRC also.

**iii. Quorum of Meeting**

The IGRC shall comprise a single person for claims up to Rs. 25 lakh, whereas, for claims of above Rs.25 lakh, the IGRC shall comprise three independent persons with qualifications in the areas of law, finance, accounts, economics, management or administration, and experience in financial services, including securities market. Further, the three member Committee shall include at least one technical expert for handling complaints related to technology issues (such as internet based trading, algorithmic trading etc.). The disclosure and code of conduct prescribed under para 3.4 and 4 of SEBI circular No. CIR/MRD/DSA/24/2012 dated August 11, 2010, shall be applicable, as far as may be, to the Members of IGRC also. For claims up to 25 lakh, the single person IGRC shall be the quorum and for claims of over Rs.25 lakh, all the three Members have to be present to fulfill the requirement of quorum.

**iv. Frequency of Meeting**

Once in a year or as and when any important agenda needs to be transacted by the Committee.

**3.4 Defaulters' Committee**

**i. Functions**

- a. The Committee shall decide on the procedure to be followed in any specific matter related to the defaults in obligations and commitments in Trading Platform of ISE or to the Company by a Trading Member or other Participants and shall make such Rules and Regulations and take such decisions as may be considered necessary in the specific matter referred to it and for the proper functioning of the Committee, including recovery of dues through such measures which may include attachment of any rights, privileges, assets or properties of the Trading Members or other participants, provided they are not in contravention of any statutory provisions of SC(R)A, 1956, SEBI Act, 1992, and the provisions of the Articles, Rules, Bye-Laws and Regulations or any such decisions of the Governing Board which are in the nature of guidelines.
- b. In the event both the clearing member and such member's constituent Trading Member are declared defaulters by the Defaulters' Committee of the Stock Exchange, then this Committee, and the Defaulters' Committee of the Clearing Corporation shall work together to realize the assets of both the Clearing Member and the Trading Member.
- c. Admission or rejection of claims of clients / trading members/ clearing members over the assets of the defaulters / expelled members.
- d. Recommendations in respect of the claims to the Trustee of the IPF on whether the claim is to be paid out of IPF or otherwise.
- e. The Committee may seek assistance of any official or administrative machinery of ISE to which the matter pertains at its discretion. Such assistance will need to be provided without any delay or further sanctions.
- f. The Committee shall prescribe the related Regulations for conduct of meetings, minutisation, award, disposal of a case of default by the Trading Members or other participants in Trading Platform of ISE or to the Company and all such matters

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connected with the efficient and effective functioning of the Committee provided they do not contravene any statutory provisions.

**ii. Composition**

- a. The Public Interest Directors shall form a majority of the Defaulters' Committee.
- b. A maximum of two Key Management Personnel of the Exchange can be on the committee.
- c. The committee may also include independent external persons such as retired judge, etc.

**iii. Quorum of Meeting**

The quorum shall be one-third of its total strength of members or two members, whichever is higher, where at least One PID shall be present to have a valid quorum.

**iv. Frequency of Meeting**

Once in a year or as and when any important agenda needs to be transacted by the committee

**3.5 Compensation Committee**

**i. Functions**

- a. The Committee shall lay down the policy for compensation of Key management Personnel (KMP) in terms of the compensation norms prescribed under Regulation 27 of SECC Regulations.
- b. The Committee shall determine the tenure of the Key Management Personnel (KMP) to be posted to a regulatory department.
- c. The compensation payable to the Managing Director shall be as approved by SEBI, and the terms and conditions of the compensation of the Managing Director shall not be changed without prior approval of SEBI.
- d. The compensation given to the Key Management Personnel shall be disclosed in the Report of the Exchange under section 217 of the Companies Act, 1956.

**ii. Composition**

- a. The Committee shall comprise a majority of Public Interest Directors and shall be chaired by a Public Interest Director.
- b. Shareholder Directors or any person appointed by the Governing Board of the Stock Exchange for such purpose may form the rest of the Members of the Committee.

**iii. Quorum of Meeting**

The quorum shall be one-third of its total strength of members or two members, whichever is higher, where at least One PID shall be present to have a valid quorum.

**iv. Frequency of Meeting**

Once in a year or as and when any important agenda needs to be transacted by the committee.

**3.6 Selection Committee**

**i. Functions**

To select a person for appointment to the post of Managing Director of the Exchange.

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**ii. Composition**

The Selection Committee shall comprise four persons i.e., two Public Interest Directors and two Independent External Persons (IEP). In case of non-availability of adequate number of PIDs or independent external persons, then the number of PIDs or independent external persons as required could be increased accordingly to form the Committee. Further, the Stock Exchange shall ensure that at least one PID Member of the Selection Committee shall be present in the Committee meetings at all times.

**iii. Quorum of Meeting**

The quorum shall be one-third of its total strength of members or two members, whichever is higher, where at least One PID shall be present to have a valid quorum.

**iv. Frequency of Meeting**

As and when needed

*[Prior to amendment in the 123rd meeting of the Governing Board held on April 16, 2013 vide SEBI circular no. CIR/MRD/DSA/33/2012 dated December 13, 2012 read with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 3 was read as under:*

**3. COMMITTEES**

*(Substituted in place of old chapter 3, w.e.f. the 118<sup>th</sup> Board Meeting held on July 30, 2011, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

**3.1 Advisory committee.**

- a. An advisory committee shall be constituted by the Governing Board of the Exchange to advise the Governing Board on non-regulatory and operational matters including product design, technology, charges and levies.
- b. The advisory committee of the Exchange shall comprise its Trading Members
- c. The chairperson of the Governing Board shall be the head of the advisory committee and the Managing Director shall be a permanent invitee to every meeting of the advisory committee.
- d. The advisory committee shall meet at least four times a year with a maximum gap of three months between two meetings.
- e. The recommendations of the advisory committee shall be placed in the ensuing meeting of the Governing Board of the exchange for consideration and appropriate decision of the Governing Board, and such recommendations along with the decision of the Governing Board on the same, shall be disclosed on their respective websites.
- f. Trading Members shall not be part of any other committee of the Exchange, as the case may be.

**3.2 Oversight Committee**

- a. The Exchange shall constitute independent oversight committees of the Governing Board, each chaired by a Public Interest Director, in order to address the conflicts of interest in respect of—
  - i. member regulation,
  - ii. listing functions, and
  - iii. trading and surveillance function.
- b. The Exchange shall follow the minimum listing standards specified by SEBI from time to time.
- c. The heads of departments handling the matters referred to in sub-regulation (1) shall report directly to the respective committee and also to the Managing Director.
- d. Any action of the Exchange against a head of a regulatory department shall be subject to an appeal to the respective committee specified under sub-rule (a), within such period as may be determined by the Governing Board.
- e. The provisions of this regulation shall mutatis mutandis apply to a clearing corporation.

**3.3 Compensation Committee**

- a. The Exchange shall constitute a compensation committee comprising a majority of Public Interest Directors and chaired by a Public Interest Director.
- b. The compensation committee shall determine the compensation of key management personnel in terms of a compensation policy.
- c. The compensation policy shall be in accordance with the norms specified by the SEBI.
- d. The compensation payable to the Managing Director shall be as approved by SEBI and the terms and conditions of the compensation of the Managing Director shall not be changed without prior approval of SEBI.
- e. The compensation given to the key management personnel shall be disclosed in the Report of the Exchange under section 217 of the Companies Act, 1956.
- f. The tenure of key management personnel, other than a Director, shall be for a fixed period, as may be decided by the compensation committee.

**4 Oversight Committees:**

As per the provisions of the SC(R)A, 1956, SEBI Act, 1992, Rules made thereunder and as per SEBI circular no CIR/MRD/DSA/33/2012 dated December 13,2012, the company shall have following Oversight committees-

1. Standing Committee on Technology
2. Sub- Committee for Monitoring Compliance of suggestions given in SEBI inspection report
3. Investor services committee
4. Public Interest Directors' Committee
5. Arbitration Committee
6. Ethics Committee
7. Independent Oversight committee of the Governing Board for member regulation
8. Independent Oversight committee of the Governing Board for listing function
9. Independent Oversight committee of the Governing Board for trading and surveillance function
10. Advisory Committee

These Committees shall be constituted by the Governing Board in the form and manner as specified by SEBI from time to time. The Governing Board shall have the power to initiate and review matters pertaining to these Committees and provide guidelines for their functioning over and above such powers as assigned to the Committees or provided in the Articles, Rules, Bye-Laws and Regulations of ISE. The Governing Board may also empower from time to time the Committees in matters relating to them with such Rules and Regulations as needed for their efficient and effective functioning.

**4.1 Standing Committee on Technology**

**i. Functions**

- a. To monitor whether the technology used by the Exchange is up to date and its meets the growing demands of the markets.
- b. To monitor the adequacy of system capacity and efficiency.
- c. To look into the changes being suggested by the Exchange to the existing hardware/software.
- d. To investigate into problems of computerised trading system, such as hanging/slowdown/breakdown.
- e. To ensure that transparency is maintained in disseminating information for slowdown/breakdown in online trading system.
- f. The Committee shall submit a report to the Governing Board of the Exchange.
- g. The Governing Board will deliberate on the report and ensure taking of suitable action/remedial measures.
- h. Any stoppage beyond 5 minutes will be explained and reported to the Governing Board. The Exchange shall issue press release specifying the reason for the breakdown.

**ii. Composition**

The Committee shall comprise two outside experts proficient in technology and at least one Public Interest Director.

**iii. Quorum of Meeting**

The quorum shall be one-third of its total strength of members or two members, whichever is higher, where at least 50% of the PIDs shall be present to have a valid quorum.

**iv. Frequency of Meeting**

Once in every six months or as and when any important agenda needs to be transacted by the committee.

**4.2 Sub-Committee for Monitoring Compliance of suggestions given in SEBI inspection report**

**i. Functions**

- a. To review the actions taken to implement the suggestions of SEBI's Inspection Reports.
- b. To place the same before the Governing Board of the Exchange.
- c. To follow up and ensure compliance/ implementation of the inspection observations.
- d. Sub-committee's reports should be put up to the Governing Board of the Exchange.
- e. All compliance reports sent to SEBI by the Exchange in respect of inspections should be approved by the sub-Committee.

**ii. Composition**

- a. The Committee shall comprise a majority of Public Interest Directors.
- b. One Shareholder Director and
- c. One Key Management Personnel.

**iii. Quorum of Meeting**

The quorum shall be one-third of its total strength of members or two members, whichever is higher, where at least 50% of the PIDs shall be present to have a valid quorum.

**iv. Frequency of Meeting**

The sub-committee shall meet at least twice each quarter to review the actions taken to implement the SEBI's Inspection Reports.

**4.3 Investor services committee**

**i. Functions**

To supervise the function of Investors' Services Cell of the Exchange including review of the complaint resolution process, complaints remaining unresolved over long periods of time, estimate the adequacy of resources dedicated to investor services.

**ii. Composition**

- a. The investors' services committee shall comprise a majority of Public Interest Directors.
- b. The committee may also include Independent External Persons (IEP) such as retired judge, etc.

**iii. Quorum of Meeting**

The quorum shall be one-third of its total strength of members or two members, whichever is higher, where at least 50% of the PIDs shall be present to have a valid quorum.

**iv. Frequency of Meeting**

Once in a year or as and when any important agenda needs to be transacted by the committee.

#### **4.4 Public Interest Directors' Committee**

##### **i. Functions**

During the Meetings, Public Interest Directors shall review the following:

- a. Status of compliance with SEBI's letters/ circulars.
- b. Functioning of regulatory departments including the adequacy of resources dedicated to regulatory functions.
- c. Prepare a report on the working of the other committees where Public Interest Directors are also members. The report shall be circulated to the other Public Interest Directors.
- d. Consolidated report shall be submitted to the Governing Board of the exchange.
- e. The Public Interest Directors shall identify important issues which may involve conflict of interest for the Exchange or may have significant impact on the market and report the same to SEBI.

##### **ii. Composition**

The Committee shall comprise Public Interest Directors

##### **iii. Quorum of Meeting**

All the Public Interest Directors shall necessarily attend every meeting of the Committee.

##### **iv. Frequency of Meeting**

Once in every six months or as and when any important agenda needs to be transacted by the Committee.

#### **4.5 Arbitration Committee**

##### **i. Functions**

- a. To select persons to be included in the Panel of Arbitrators (arbitration panel) to be formed by the Exchange in accordance with its Bye-laws, Regulations and Circulars of SEBI issued from time to time.
- b. To decide on the formats, procedure and other requirements in respect of arbitration proceedings of the Exchange.
- c. To estimate the adequacy of resources dedicated to arbitration.
- d. The Committee shall constitute Regional Arbitration Panels consisting of not less than 5 (Five) Members at Mumbai (H.O.), Delhi, Kolkata and Coimbatore. The members shall be persons of eminence from the legal, judicial, financial or accountancy fields and shall not comprise any Trading Member.
- e. The Committee may increase the number of Arbitrators on the Regional Arbitration Panel from time to time, having regard to the number of cases submitted for arbitration and such increased size of the Regional Arbitration Panel shall not comprise any Trading Member.
- f. The panel may seek assistance of any official or administrative machinery of ISE to which the matter pertains at its discretion. Such assistance will be provided without any delay or further sanctions.
- g. The Committee shall specify the related Regulations for conduct of meeting, minutisation, award, fine, penalty, fees and all such matters connected with the efficient and effective functioning of the Regional Arbitration Panel provided it does not contravene any statutory provision. In case of any contravention proper clarification of relevant authority shall be taken before implementing the contravening amendment.

**ii. Composition**

- a. The majority of the Members of this Committee shall be Public Interest Directors.
- b. Shareholder Directors may form the rest of the Members of the Committee.

**iii. Quorum of Meeting**

The quorum shall be one-third of its total strength of members or two members, whichever is higher, where at least 50% of the PIDs shall be present to have a valid quorum.

**iv. Frequency of Meeting**

Once in a year or as and when any important agenda needs to be transacted by the committee.

**4.6 Ethics Committee**

**i. Functions**

Ethics Committee is constituted for overseeing the implementation of Code of ethics prescribed by Rules/Bye-laws/ MoA & AoA of ISE and Rules/Regulations/Guidelines prescribed by SEBI from time to time. The Board of Directors of the Exchange shall constitute an Ethics Committee. The Ethics Committee shall function under the Board of Directors.

**ii. 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:

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

**iii. Composition**

The ethics committee shall comprise Public Interest Directors, Shareholder Directors, Key Management Personnel and Compliance Officer.

**iv. Quorum of Meeting**

The quorum shall be one-third of its total strength of members or two members, whichever is higher, where at least 50% of the PIDs shall be present to have a valid quorum.

**v. Frequency of Meeting**

Once in a year or as and when any important agenda needs to be transacted by the committee.

**4.7 Independent Oversight Committee of the Governing Board for Member regulation**

**i. Functions**

- a. The committee shall oversee matters related to member regulation such as admission of members, inspection, disciplinary action etc.
- b. To oversee SEBI inspection observations on membership related issues.
- c. To estimate the adequacy of resources dedicated to member regulation.
- d. The head(s) of department(s) handling the above matters shall report directly to the committee and also to the Managing Director.
- e. Any action of a recognized Stock Exchange against the aforesaid head(s) shall be subject to an appeal to the committee within such period as may be determined by the Governing Board.

**ii. Composition**

- a. The majority of the Members of this Committee shall be PIDs and the Committee shall be chaired by one of them.
- b. The rest of the Members of the Committee shall be formed of independent outside experts.

**iii. Quorum of Meeting**

The quorum shall be one-third of the total strength of members or two members, whichever is higher, where at least 50% of the PIDs shall be present to have a valid quorum.

**iv. Frequency of Meeting**

Once in every six months or as and when any important agenda needs to be transacted by the committee.

**4.8 Independent Oversight Committee of the Governing Board for Listing Function**

**i. Functions**

- a. The committee shall oversee matters related to listing of securities such as admission of securities for trading, suspension/ revocation, de-listing and such other matters as may be deemed necessary to be placed before the committee.
- b. To oversee SEBI inspection observations on listing related issues.
- c. To estimate the adequacy of resources dedicated to listing related function.
- d. The head(s) of department(s) handling the above matters shall report directly to the committee and also to the Managing Director.
- e. Any action of a recognized Stock Exchange against the aforesaid head(s) shall be subject to an appeal to the committee within such period as may be determined by the Governing Board.

**ii. Composition**

- a. The majority of the Members of this Committee shall be Public Interest Directors and the Committee shall be chaired by one of them.
- b. The rest of the Members of the Committee independent outside experts.

**iii. Quorum of Meeting**

The quorum shall be one-third of the total strength of members or two members, whichever is higher, where at least 50% of the PIDs shall be present to have a valid quorum.

**iv. Frequency of Meeting**

Once in every six months or as and when any important agenda needs to be transacted by the committee.

**4.9 Independent Oversight Committee of the Governing Board for trading and surveillance function**

**i. Functions**

- a. The Committee shall oversee trading and surveillance related functions such as Stock Watch System, Alert and case management, monitoring of markets through order and trade level alerts, security level alerts, processing of alerts, price band changes, rumour verifications, shifting of securities to trade for trade segment, detailed investigations undertaken, disciplinary action etc.
- b. To oversee SEBI inspection observations on surveillance and Investigation related issues and also decisions taken in the weekly surveillance meetings at SEBI.
- c. To estimate the adequacy of resources dedicated trading and surveillance function.
- d. The head(s) of department(s) handling the above matters shall report directly to the committee and also to the Managing Director.
- e. Any action of a recognized Stock Exchange against the aforesaid head(s) shall be subject to an appeal to the committee within such period as may be determined by the Governing Board.
- f. To formulate trading, surveillance and Investigation policy for the trading activity of ISE for taking Regulatory action on various violations made by trading members, clients and listed Companies. Such violations may include Circular Trading, Insider Trading, Front Running, rumour verification, market manipulation and such other violations w.r.t Trading Platform.
- g. To impose appropriate regulatory actions for violations observed during investigation of members and scrips.
- h. To approve and implement changes in surveillance structure and functioning as per the regulatory guidelines issued from time to time.
- i. To coordinate with other Stock Exchanges for sharing information relating to permitted securities.
- j. To formulate, implement and amend the trading regulation of the Exchange in term of guidelines issued by the regulator from time to time.

**ii. Composition**

- a. The majority of the Members of the Committee shall be PIDs and the Committee shall be chaired by one of them.
- b. The rest of the Members of the Committee shall be of independent outside experts.

**iii. Quorum of Meeting**

The quorum shall be one-third of its total strength of members or two members, whichever is higher, where at least 50% of the PIDs shall be present to have a valid quorum.

**iv. Frequency of Meeting**

Once in every quarter or as and when any important agenda needs to be transacted by the committee.

#### **4.10 Advisory Committee**

##### **i. Functions**

- a. To advise the Governing Board on non-regulatory and operational matters including product designs, technology, charges and levies.
- b. The recommendation of the Advisory Committee shall be placed in the ensuing meeting of the Governing Board of the recognized Stock Exchange for consideration and appropriate decision of the Governing Board, and such recommendation alongwith decision of the Governing Board on the same shall be disclosed on their respective websites.

##### **ii. Composition**

- a. The Committee shall comprise trading members of the Stock Exchange.
- b. The chairperson of the Governing Board shall be the head of the advisory committee and the Managing Director shall be a permanent invitee to every meeting of the Advisory Committee.

##### **iii. Quorum of Meeting**

The quorum shall be one-third of the total strength of the Trading Members or at least two members, whichever is higher, in addition to the Chairman.

##### **iv. Frequency of Meeting**

The Committee shall meet at least four times a year with a maximum gap of three months between two meetings.

*[Prior to amendment in the 123rd meeting of the Governing Board held on April 16, 2013 vide SEBI circular no. CIR/MRD/DSA/33/2012 dated December 13, 2012 read with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule43 was read as under:*

#### **4. STATUTORY COMMITTEES**

4.1 As per the provisions of the SC(R)A, 1956 & the Rules made thereunder and the SEBI Act, 1992 and the Rules made thereunder and the provisions of Articles, Rules, Bye-Laws and Regulations of the Company, the Company shall have four Statutory Committees, namely, the Arbitration Panels, the Disciplinary Action Committee, the Defaults Committee and the Investors Services Committee. These Committees shall be constituted by the Board in the form and manner as specified by SEBI from time to time. The Board shall have power to initiate and review matters pertaining to these Committees and provide guidelines for their functioning over and above such powers as assigned to the Executive Committee or provided in the Articles, Rules, Bye-Laws and Regulations of ISE. The Board may also empower from time to time the Statutory Committees in matters relating to them with such Rules and Regulations as needed for their efficient and effective functioning, including, power for appointment of agents for secretarial, audit and legal assistance, procedure for conduct of meeting, fixation of time limits and area of jurisdiction, seeking information, levying fines and penalties, including disciplinary actions, etc.

##### **4.1.1 ARBITRATION PANEL**

- (a) The Board shall constitute at ISE, a Panel of arbitrators, which shall comprise persons of eminence from the legal, judicial, or accountancy fields, provided that the panel shall not comprise any Trading Member.
- (b) The Company shall constitute a Panel of Arbitrators at Mumbai / Navi Mumbai called the Central Arbitration Panel consisting of not less than 10(ten) Members. The members of the Panel shall be persons of eminence from the legal, judicial, financial or accountancy fields and who shall not be Trading Members of any Stock Exchange. The Managing Director shall be the ex-officio Members of the Panel.  
(Prior to amendment in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 4.1.1 was read as under: The Company shall constitute a Panel of Arbitrators at Mumbai / Navi Mumbai called the Central Arbitration Panel consisting of not less than 10(ten) Members. The members shall be persons of eminence from the legal, judicial, financial or accountancy fields and who shall not be Member Brokers of any Stock Exchange. The Managing Director shall be the ex-officio Member of the Panel.)
- (c) The Board of the Company may increase the number of Arbitrators on the Central Arbitration Panel from time to time, having regard to the number of cases submitted for arbitration and such increased size of the Central Arbitration Panel shall not comprise any Trading Member.
- (d) The Board shall similarly constitute 3 Regional Arbitration Panels consisting of not less than 5 (Five) Members at Delhi, Kolkata and Coimbatore. The members shall be persons of eminence from the legal, judicial, financial or accountancy fields and shall not comprise any Trading Member.

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- (e) The Board of the Company may increase the number of Arbitrators on the Regional Arbitration Panel from time to time, having regard to the number of cases submitted for arbitration and such increased size of the Regional Arbitration Panel shall not comprise any Trading Member.
- (f) The panel may seek assistance of any official or administrative machinery of ISE to which the matter pertains at its discretion. Such assistance will be provided without any delay or further sanctions
- (g) The Board shall specify the related Regulations for conduct of meeting, minutisation, award, fine, penalty, fees and all such matter connected with the efficient and effective functioning of the Central Arbitration Panel and Regional Arbitration Panel provided it does not contravene any statutory provision. In case of any contravention proper clarification of relevant authority shall be taken before implementing the contravening amendment

*(Prior to amendment made in the Board Meeting held on February 3, 2012 vide SEBI circular SEBI/MRD/DSA/04/2012 dated January 20, 2012; Rule 4.1, was read as under:*

- (a) *The Board shall constitute at ISE, a Panel of arbitrators, which shall comprise persons of eminence from the legal, judicial, or accountancy fields as well as from Trading Members, provided that not more than two persons should be from Trading Members*
- (b) *The Company shall constitute a Panel of Arbitrators at Mumbai/Navi Mumbai called the Central Arbitration Panel consisting of not less than 10(ten) Members, 20% (twenty percent) of whom shall be drawn from the Trading Members of the Company and 80%(eighty percent) shall be persons of eminence from the legal, judicial, financial or accountancy fields and who shall not be Member Brokers of any Stock Exchange. The Managing Director shall be the ex-officio Members of the Panel.*
- (c) *The Board of the Company may increase the number of Arbitrators on the Central Arbitration Panel from time to time, having regard to the number of cases submitted for arbitration and such increased size of the Central Arbitration Panel shall not violate the ratio of 20:80 between the Trading Members and others.*
- (d) *The Board shall similarly constitute 3 Regional Arbitration Panels consisting of not less than 5 (Five) Members at Delhi, Kolkata and Coimbatore, 20% (twenty percent) of whom shall be drawn from Trading Members of ISE and the remaining 80% (eighty percent) shall be persons of eminence from the legal, judicial, financial or accountancy fields and shall not be Trading Member of ISE.*
- (e) *The Board of the Company may increase the number of Arbitrators on the Regional Arbitration Panel from time to time, having regard to the number of cases submitted for arbitration and such increased size of the Regional Arbitration Panel shall not violate the ratio of 20:80 between the Trading Members and others.*
- (f) *The panel may seek assistance of any official or administrative machinery of ISE to which the matter pertains at its discretion. Such assistance will be provided without any delay or further sanctions*
- (g) *The Board shall specify the related Regulations for conduct of meeting, minutisation, award, fine, penalty, fees and all such matter connected with the efficient and effective functioning of the Central Arbitration Panel and Regional Arbitration Panel provided it does not contravene any statutory provision. In case of any contravention proper clarification of relevant authority shall be taken before implementing the contravening amendment*

**4.1.2 DISCIPLINARY ACTION COMMITTEE**

- (a) The Board shall constitute a Disciplinary Action Committee which shall comprise persons of eminence from the legal, judicial, financial or accountancy fields provided that the committee shall not comprise any Trading Member. (Prior to amendment in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 4.1.2(a) was read as under:  
The Board shall constitute a Disciplinary Action Committee consisting of five persons out of whom four persons shall be persons of eminence from the legal, judicial, financial or accountancy fields who shall not be Members of any Stock Exchange and the remaining two persons shall be from among Trading Members. In addition, the Managing Director will be the ex-officio members of the Committee.)
- (b) The term of the Members of the Disciplinary Action Committee so constituted will be as per the provisions laid down in the Companies Act, 1956. The outgoing Members shall however, continue to function after the AGM until the new representatives are nominated on the Committee
- (c) The quorum for the Disciplinary Action Committee shall be not less than one- third of the total number of Members rounded off to next higher number with minimum two public representatives being present in any Committee meeting
- (d) The Committee shall decide on the procedure to be followed for Disciplinary Action, make such Rules and Regulations as deemed fit for its functioning and take such regulatory or disciplinary action against the Trading Members and other Participants as considered appropriate in a specific matter referred to it, provided it is not in contravention of any statutory provision of SC(R)A, 1956, SEBI Act, 1992 and the provisions of the Articles, Rules, Bye-Laws and Regulations or any such decision of the Board which is in the nature of a guideline.
- (e) The Committee may seek the assistance of any official or administrative machinery of ISE to which the matter pertains at its discretion. Such assistance will need to be provided without any delay or further sanctions
- (f) The Committee shall prescribe the related Regulations for conduct of meeting, minutisation, award, fine, penalty, fees and all such matters connected with the efficient and effective functioning of the Committee provided they do not contravene any statutory provisions

**4.1.3 DEFAULTS COMMITTEE**

- (a) The Board shall constitute a Defaults Committee, which shall comprise persons of eminence from the legal, judicial, financial or accountancy fields provided that the committee shall not comprise any Trading Member. In addition, the Managing Director will be ex-officio members of the Committee.

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(Prior to amendment in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 4.1.3(a) was read as under:

The Board shall constitute a Defaults Committee consisting of five persons, out of which four persons shall be persons of eminence from the legal, judicial, financial or accountancy fields and who shall not be Members of any Stock Exchange and the remaining one person shall be among the Trading Members. In addition, the Managing Director will be ex-officio members of the Committee.)

- (b) The term of the Members of the Committee so constituted will be as per the provisions laid down in the Companies Act, 1956. The outgoing Members of the Committee shall, continue to function after the AGM until the new representatives are nominated on the Committee.

(Prior to amendment in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 4.1.3(b) was read as under:

- (c) The term of the Members of the Committee so constituted will be as per the provisions laid down in the Companies Act, 1956. The outgoing Members shall, continue to function after the AGM until the new representatives are nominated on the Committee.)
- (d) The quorum for the Defaults Committee shall be three out of which at least two shall be from amongst the Public Representatives.
- (e) The Committee shall decide on the procedure to be followed in any specific matter related to the defaults in obligations and commitments in Trading Platform of ISE or to the Company by a Trading Member or other Participants and shall make such Rules and Regulations and take such decisions as may be considered necessary in the specific matter referred to it and for the proper functioning of the Committee, including recovery of dues through such measures which may include attachment of any rights, privileges, assets or properties of the Trading Members or other Participant, provided they are not in contravention of any statutory provisions of SC(R)A, 1956, SEBI Act, 1992, and the provisions of the Articles, Rules, Bye-Laws and Regulations or any such decisions of the Board which are in the nature of guidelines.
- (f) The Committee may seek assistance of any official or administrative machinery of ISE to which the matter pertains at its discretion. Such assistance will need to be provided without any delay or further sanctions.
- (g) The Committee shall prescribe the related Regulations for conduct of meeting, minitisation, award, disposal of a case of default by the Trading Member or other Participants in Trading Platform of ISE or to the Company and all such matters connected with the efficient and effective functioning of the Committee provided they do not contravene any statutory provisions.

(Prior to amendment in the 118th Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 4.1.3(f) was read as under:

- (h) The Committee shall prescribe the related Regulations for conduct of meeting, minitisation, award, disposal of a case of default by the Member, Trading Member or other Participants in Trading Platform of ISE or to the Company and all such matters connected with the efficient and effective functioning of the Committee provided they do not contravene any statutory provisions.)

**5. TRADING MEMBERSHIP**

5.1 The rights and privileges of a trading member, shall be subject to the, Rules, Bye-Laws and Regulations of ISE.

5.2 All trading members of ISE shall have to register themselves prior to commencing operations on ISE, with the Securities and Exchange Board of India (SEBI) in accordance with the Rules, Bye-laws and Regulations as prescribed by SEBI from time to time.

**5.3 ELIGIBILITY**

The following persons shall be eligible to become the trading members of the Exchange:

- (a) individuals
- (b) registered firms
- (c) bodies corporate
- (d) companies as defined in the Companies Act, 1956 and
- (e) such other persons or entities as may be permitted under the Securities Contracts (Regulation) Rules, 1957 as amended from time to time.

5.4 No person shall be admitted as a Trading Member of the Exchange if such proposed Trading Member:

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 5.4 was read as under:*

*No person shall be admitted as a trading member of the Exchange if such proposed member :)*

- (a) is an individual who has not completed 21 years of age;
- (b) is an individual who is engaged as a principal or employer in any business other than that of securities except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such business;
- (c) is a body corporate who has committed any act which renders the person liable to be wound up under the provisions of the law;
- (d) is a body corporate who has had a provisional liquidator or receiver or official liquidator appointed to the person;
- (e) has been adjudged bankrupt or a receiving order in bankruptcy has been made against the person or the person has been proved to be insolvent even though he has obtained his final discharge;
- (f) has been convicted of an offence involving a fraud or dishonesty;
- (g) has compounded with his creditors for less than full discharge of debts;
- (h) has been at any time expelled or declared a defaulter by any other Stock Exchange;
- (i) has been previously refused admission to membership unless a period of one year has elapsed since the date of rejection;
- (j) incurs such disqualification under the provisions of the Securities Contracts (Regulation) Act, 1956 or Rules made thereunder as disentitles such person from seeking membership of a Stock Exchange.

5.5 No individual person shall be eligible for admission to trading membership of the Exchange unless:

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- (a) he has worked for not less than two years as a Partner with, or as an authorised assistant or authorised clerk or apprentice to a Trading Member of any recognised stock exchange and is duly registered with that Exchange, or
- (b) he agrees to work for a minimum period of two years as a partner or representative member with another Trading Member of the Exchange and to enter into transactions on the Exchange not in his own name but in the name of that Trading Member under whom he is working; or
- (c) he succeeds to the established business of a deceased or retiring Trading Member of the Exchange who is his father, uncle, brother or any other person who is in the opinion of the relevant authority, a close relative;

Provided that the relevant authority may waive compliance with any or all of the foregoing conditions contained in this Rule and at its discretion waive the requirements set out above, if it is of the opinion that the person seeking is considered by the relevant authority to be otherwise qualified to be admitted as a Trading Member by reason of his means, position, integrity, knowledge and experience of business in securities.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 5.5 was read as under:*

*No individual person shall be eligible for admission to trading membership of the Exchange unless:*

- (a) he has worked for not less than two years as a Partner with, or as an authorised assistant or authorised clerk or apprentice to a member of any recognised stock exchange and is duly registered with that Exchange, or*
- (b) he agrees to work for a minimum period of two years as a partner or representative member with another member of the Exchange and to enter into transactions on the Exchange not in his own name but in the name of that member under whom he is working; or*
- (c) he succeeds to the established business of a deceased or retiring member of the Exchange who is his father, uncle, brother or any other person who is in the opinion of the relevant authority, a close relative;*

*Provided that the relevant authority may waive compliance with any or all of the foregoing conditions contained in this Rule and at its discretion waive the requirements set out above, if it is of the opinion that the person seeking is considered by the relevant authority to be otherwise qualified to be admitted as a member by reason of his means, position, integrity, knowledge and experience of business in securities.)*

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

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

5.6.1 **Certification**

No person shall be eligible to be admitted to the trading membership of the Exchange unless he has passed the Certification Programme conducted by the Exchange for such Trading segment of the Exchange as it may determine from time to time.

5.7 Unless otherwise specified by the relevant authority, Trading Membership for any person shall be restricted to only one trading segment.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 5.7 was read as under:*

*Unless otherwise specified by the relevant authority, membership for any person shall be restricted to only one trading segment.)*

5.8 Trading member of any trading segment may trade in ISE securities applicable to that segment.

**5.9 Admission**

Any person desirous of becoming a trading member shall apply to the Exchange for admission to the trading membership of the relevant trading segment of the Exchange. Every applicant shall be dealt with by the relevant authority who shall be entitled to admit or reject such applications at its discretion.

5.10 The application shall be made in such formats as may be specified by the relevant authority from time to time for application for admission of trading members to each trading segment.

5.11 The application shall have to be submitted along with such fees, security deposit and other monies in such form and in such manner as may be specified by the relevant authority from time to time.

5.12 The applicant shall have to furnish such declarations as may be specified from time to time by the relevant authority.

5.13 The relevant authority shall have the right to call upon the applicant to pay such fees or deposit such additional security in cash or kind, to furnish any additional guarantee or to require the deposit of any building fund, computerisation fund, training fund or fee as the relevant authority may prescribe from time to time.

5.14 The relevant authority may admit the applicant to the trading membership of the Exchange provided that the person satisfies the eligibility conditions and other procedures and requirements of admission. The relevant authority may at its absolute discretion reject any application for admission without communicating the reason thereof.

5.15 If for any reason the application is rejected, the admission fee shall be refunded to the applicant, without any interest.

5.16 The relevant authority may at any time from the date of admission to the trading membership of the Exchange cancel the admission and expel a trading member if he has in or at the time of his application for admission to membership or during the course of the inquiry made by the relevant authority preceding his admission:

- a) made any willful misrepresentation; or
- b) suppressed any material information required of him as to his character and antecedents; or
- c) has directly or indirectly given false particulars or information or made a false declaration.

5.17 When a person is admitted to the trading membership of the Exchange, intimation of the person's admission shall be sent to the person and to the Securities and Exchange Board of India. If the person admitted to the trading membership of the Exchange and after intimation of his admission is duly sent, does not become a member by complying with acts and procedures for exercising the privileges of trading membership as may be prescribed by the relevant authority within a specified time period from the date of dispatch of the intimation of admission, the admission fee paid by him shall be forfeited by the Exchange.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 5.17 was read as under:*

*When a person is admitted to the trading membership of the Exchange, intimation of the person's admission shall be sent to the person and to the Securities and Exchange Board of India. If the person admitted to the membership of the Exchange and after intimation of his admission is duly sent, does not become a member by complying with acts and procedures for exercising the*

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*privileges of membership as may be prescribed by the relevant authority within a specified time period from the date of dispatch of the intimation of admission, the admission fee paid by him shall be forfeited by the Exchange.)*

5.18

- (a) Every trading member of the Exchange shall, upon being admitted as a trading member of the Exchange be issued a certificate or entitlement slip as proof of having been admitted to the benefits and privileges of the trading membership of the Exchange. Such a certificate or entitlement slip shall not be transferable or transmittable except as herein mentioned.
- (b) Subject to such terms and conditions as the relevant authority may prescribe from time to time and to the prior written approval of the relevant authority, transfer of the certificate / entitlement slip, may be effected as follows:
- (i) by making nomination under these Rules;
  - (ii) by an amalgamation or merger of a trading member company;
  - (iii) by takeover of a trading member company;
  - (iv) by transfer of the trading membership of a trading member firm to a new firm, in which, all the existing partners are not partners; and
  - (v) by two or more trading members / trading member firms coming together to form a new partnership firm/company.
- (c) A Trading Member or his successor(s) may make a nomination to the certificate/ entitlement slip of trading membership. The nomination(s) made by a trading member or successor(s) of a trading member shall be subject to the following conditions, namely:
- (i) The nominee(s) shall, at the time when the nomination becomes effective, be person(s) who shall be qualified to be admitted as trading member(s) of the Exchange;
  - (ii) The nominee(s) shall give to the relevant authority his/their unconditional and irrevocable acceptance of his/their nomination;
  - (iii) A trading member shall nominate one or more of his successor(s) as per the applicable succession laws. If the trading member has no successor(s) willing to carry on the trading membership, then, the trading member may nominate person(s) other than his successor(s);
  - (iv) If the trading member has not nominated any person and is rendered incompetent to carry on his business on the Exchange on account of physical disability, then the trading member may, within a period of six months, make a nomination as per the provisions of sub-clause (iii) above;
  - (v) If the trading member has not nominated any person, the successor(s) of the trading member may nominate one or more persons from among themselves within six months from the date of the death of the trading member;
  - (vi) If the nomination of the trading member is such that it cannot be given effect to by the relevant authority, at the time when the nomination would have become effective, then the successor(s) of such a trading member may nominate any other person(s) within six months from the date on which the nomination would have become effective;
  - (vii) If more than one person(s) are nominated by the trading member or the successor(s), then such nominated person(s) shall be required to form a company to carry on the trading membership;

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- (viii) A nomination made by a trading member or successor(s) may be revoked with the prior written approval of the relevant authority and subject to such terms and conditions as the relevant authority may prescribe from time to time. No such revocation shall be permitted after the nomination becomes effective; and
  - (ix) The nomination shall become effective in the case of a nomination made by a trading member, from the date of his death or physical disability or from the date of approval by the relevant authority, whichever is later and in the case of a nomination made by successor(s), from the date on which such nomination is made or from the date of approval by the relevant authority, whichever is later.
- (d) The relevant authority may permit the transfer of the certificate / entitlement slip in the following circumstances:
- (i) Death of a trading member;
  - (ii) If in the opinion of the relevant authority, the trading member is rendered incompetent to carry on his business on the Exchange on account of physical disability;
  - (iii) Upon amalgamation or merger of a trading member company;
  - (iv) Upon takeover of a trading member company; and
  - (v) Upon the death of or resignation or notice of dissolution by a partner of a trading member firm, and re-alignment, if any, by the partners in such firm or by the partners in such firm and the nominee(s)/successor(s) of the outgoing partner or by the partners in such firm and person(s) other than the nominee(s)/successor(s) of the outgoing partner in a new firm, within a period of six months from the date of such death or resignation or notice of dissolution.
- (e) The relevant authority may, while permitting the transfer, prescribe from time to time such transfer fee as it deems fit in the following circumstances viz.,
- (i) nomination by a trading member of a person other than successor(s) under the applicable laws;
  - (ii) nomination by the successor(s) of a trading member, if the nominee(s) is/are not from amongst the successors;
  - (iii) amalgamation or merger of a trading member company with a non trading member company resulting in the loss of majority shareholding and/ or control of management by the majority shareholders of the trading member company;
  - (iv) takeover of the trading member company by non trading member(s) resulting in the loss of majority shareholding and/ or control of management by the majority shareholders of the trading member company; and
  - (v) in the case of sub-clause (v) of clause (d), if the person(s) other than the nominee(s)/successor(s) of the outgoing partner hold atleast 51% of share in the profits & losses of the new firm and /or atleast 51% of share in the capital of the new firm.

**Explanation I**

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

**Explanation II**

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

- (f) For the purpose of the clauses (b) to (e), the term ‘trading member’ shall to the extent applicable, include a partner of a trading member firm or a shareholder of a trading member company. The term successor(s) shall to the extent applicable, include successor(s) of a partner of a trading member firm or successor(s) of a shareholder of a trading member company.
- (g) Without prejudice to any other provision of the Rules, the trading membership may be suspended, for such period as the relevant authority may deem fit, in the following circumstances:
- (i) Upon the individual trading member or a partner of a trading member firm or a shareholder of a trading member company, in the opinion of the relevant authority, being rendered incompetent to carry on his business on account of physical disability;
  - (ii) Upon the mental disability of the individual trading member or a partner of a trading member firm provided the partner holds atleast 51% of share in the profits & losses of and/or atleast 51% of share in the capital of such firm or a shareholder of a trading member company provided the shareholder is a majority shareholder in such trading member company;
  - (iii) Upon the death of an individual trading member or a partner of a trading member firm provided the partner holds atleast 51% of share in the profits & losses of and / or atleast 51% of share in the capital of such firm or a shareholder of a trading member company, provided the shareholder is a majority shareholder in such trading member company and during the six month period within which successor(s) of such individual trading member or partner or shareholder, may nominate person(s) to take up the stake/ shares of such deceased individual trading member or partner or shareholder;
  - (iv) Upon the dissolution of a trading member firm and during the six month period as referred to in sub clause (v) of clause (d); and
  - (v) Upon any deadlock in the management of a trading member firm or trading member company, which, in the opinion of the relevant authority will affect the ability of such trading member firm or trading member company to carry on its business. The trading member shall be entitled for an opportunity for representation before the relevant authority, before being suspended under this sub-clause, but the decision of the relevant authority shall be final.

**Explanation I**

For the purposes of this sub-clause, the term “Deadlock in the Management “ means a situation wherein there is a loss of confidence or disagreement among the partners of a trading member firm or among the directors/shareholders of a trading member company, which, in the opinion of the relevant authority, will affect or is likely to affect the conduct of business by the trading member firm or trading member company, as the

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case may be or an equality of vote at a meeting of the directors or shareholders of a trading member company.

- (h) Without prejudice to any other provision of the Rules, the trading membership may be terminated by the relevant authority if an acceptable nomination or realignment, as the case may be, does not take place to the satisfaction of the relevant authority, within the said period of six months.
- (i) The nominee(s), successor(s), partners of a trading member firm or such other persons, as the case may be shall be entitled for an opportunity for representation before the relevant authority, before being terminated under clause (h) above, but the decision of the relevant authority shall be final.

**Conversion of legal status of the trading member.**

- (j) Subject to such terms and conditions as the relevant authority may prescribe from time to time and to the prior written approval of the relevant authority, conversion of the legal status of a trading member may be effected as follows:
  - (i) by conversion of an individual trading member into a partnership firm/company;
  - (ii) by conversion of a Trading Member firm into a company.
- (k) The relevant authority may permit the conversion of the legal status of the trading member in the following circumstances:
  - (i) In the case of sub-clause (i) of clause (j), if the individual trading member holds and continues to hold atleast 51% of the share in the profits/losses and/or atleast 51% of share in the capital of the partnership firm, or atleast 51% of shareholding / interest in the company, which shall take up the trading membership of the Exchange.
  - (ii) In the case of sub-clause (ii) of clause (j), if the partners holding atleast 51% of share in the profits / losses and /or atleast 51% of share in the capital of the trading member firm hold and continue to hold atleast 51% of shareholding / interest in the company which shall take up the trading membership of the Exchange.

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

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 5.19 was read as under:*

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

- 5.20 A Trading Member shall not assign, mortgage, pledge, hypothecate or charge his right of trading membership or any rights or privileges attached thereto and no such attempted assignment mortgage, pledge, hypothecation or charge shall be effective as against the Exchange for any purpose, nor shall any right or interest in any trading membership other than the personal right or interest of the Trading Member therein be recognised by the Exchange. The relevant

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authority shall expel any Trading Member of the Exchange who acts or attempts to act in violation of the provisions of this Rule.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 5.19 was read as under:*

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



**6. REGISTRATION**

**6.1 Trading Member**

- 6.1.1 Any person desirous of registering as a Trading Member as such with ISE shall apply for registration as Trading Member of the relevant trading segment of ISE. Every applicant shall be dealt with by the relevant authority which shall be entitled to register or reject such applications at its discretion.
- 6.1.2 The Application shall be made in such formats as may be specified by the relevant authority from time to time for application for registration as Trading Member to each trading segment.
- 6.1.3 The application for registration of Trading Member will be processed by the relevant authority of ISE. ISE may in the ordinary circumstances process the application for registration and decide on the registration within 30 days from the date of receipt of completed application.
- 6.1.4 The application shall have to be submitted along-with such fees, security deposit and other monies in such form and in such manner as may be specified by the relevant authority from time to time.
- 6.1.5 The application shall have to be furnished with such declarations as may be specified from time to time by the relevant authority.
- 6.1.6 The relevant authority shall have the right to call upon the applicants to pay such fees or deposit, such additional security in cash or kind, to furnish any additional information or guarantee or to require the deposit of any building fund, computerization fund, training fund or fees as the relevant authority may prescribe from time to time.
- 6.1.7 The relevant authority may admit the applicant as Trading Member of the respective ISE segment provided that the person satisfies the eligibility conditions and other procedures and requirements of application and admission. The relevant authority may at its absolute discretion reject any application for registration without communicating the reason thereof.
- 6.1.8 The relevant authority may at any time from the date of registration of the Trading Member on ISE cancel the registration and expel a Trading Member if he has in or at the time of his application for registration as Trading Member or during the course of the inquiry made by the relevant authority preceding his registration:
- (a) made any willful misrepresentation; or
  - (b) suppressed any material information required of him as to his character and antecedents; or
  - (c) has directly or indirectly given false particulars or information or made a false declaration.
- 6.1.9 When a person is registered as a Trading Member of ISE, an intimation of the person's registration shall be sent to them. If the person registered as Trading Member of ISE, after intimation of his admission is duly sent, does not become a Trading Member. by complying with acts and procedures for exercising the privileges as may be prescribed by the relevant authority within a specified time period from the date of dispatch of the intimation of registration, then the registration fee paid by him shall be forfeited by ISE.

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6.1.10 Every Trading Member of ISE shall, upon being registered as Trading Member on ISE, be issued a certificate or entitlement slip as proof of having been registered and entitled to the benefits and privileges of the Trading Member of ISE. Such a certificate or entitlement shall not be transferable or transmittable.

6.1.11 The certificate or entitlement slip does not confer any ownership right as a Trading Member of the Company.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 6.1.11 was read as under:  
The certificate or entitlement slip does not confer any ownership right as a Member of the Company.*

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

**6.2 PARTNERSHIP**

6.2.1 No Trading member shall form a partnership or admit a new partner to an existing partnership or make any change in the name of an existing partnership without intimation and prior approval of the relevant authority in such form and manner and subject to such requirements as the relevant authority may specify from time to time; these requirements may, inter alia, include deposits, declarations, guarantees and other conditions to be met by and which may be binding on partners of the firm who are not trading members.

6.2.2 No Trader who is a partner in any partnership firm shall assign or in any way encumber his interest in such partnership firm

6.2.3 Further, no Trader shall, at the same time be a partner in more than one Partnership Firm which is a trading member on ISE.

6.2.4 The partnership firm shall register with the Registrar of Firms as well as with the Income-Tax Authorities and shall produce a proof of such registration to ISE.

6.2.5 The partners of the firm shall do business only on account of the firm and jointly in the name of the partnership firm.

6.2.6 The Trading Members of the partnership firm must communicate to ISE in writing under the signatures of all the partners or surviving partners any change in such partnership either by dissolution or retirement or death of any partner or partners.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 6.2.6 was read as under:  
The Members of the partnership firm must communicate to ISE in writing under the signatures of all the partners or surviving partners any change in such partnership either by dissolution or retirement or death of any partner or partners.)*

6.2.7 Any notice to ISE intimating dissolution of a partnership shall contain a statement as to who undertakes the responsibility of settling all outstanding contracts and liabilities of the dissolved partnership firm but that shall not be deemed to absolve the other partners of his or their responsibility for such outstanding contracts and liabilities.

### **6.3 TERMINATION OF TRADING MEMBERSHIP**

Any Trading Member may cease to be a **Trading Member**, if one or more of the following apply;

- (a) By resignation;
- (b) By Death;
- (c) By expulsion in accordance with the provisions contained in the Articles, Rules, Bye-Laws, and Regulations;
- (d) By being declared a defaulter in accordance with the Bye Laws, Rules and Regulations of the Exchange;
- (e) By dissolution in case of partnership firm;

By winding up or dissolution of such company in case of a limited company;

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 6.3 was read as under:*

#### **TERMINATION OF MEMBERSHIP**

*Any trading member may cease to be a member, if one or more of the following apply;*

- (a) By resignation;*
- (b) By Death;*
- (c) By expulsion in accordance with the provisions contained in the Articles, Rules, Bye-Laws, and Regulations;*
- (d) By being declared a defaulter in accordance with the Bye Laws, Rules and Regulations of the Exchange;*
- (e) By dissolution in case of partnership firm;*
- (f) By winding up or dissolution of such company in case of a limited company;*

### **6.4 Resignation**

6.4.1 A trading member who intends to resign from trading membership of ISE shall give to it a written notice to that effect.

6.4.2 Any Trading Member of ISE objecting to any such resignation shall communicate the grounds of his objection to the relevant authority from time to time.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 6.4.2 was read as under:*

*Any Member of ISE objecting to any such resignation shall communicate the grounds of his objection to the relevant authority from time to time.)*

6.4.3 The relevant authority may accept the resignation of a Trading Member either unconditionally or on such conditions as it may think fit or may refuse to accept such resignation and in particular may refuse to accept such resignation until it is satisfied that all outstanding transactions with such Trading Member have been settled.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 6.4.3 was read as under:*

*The relevant authority may accept the resignation of a member either unconditionally or on such conditions as it may think fit or may refuse to accept such resignation and in particular may refuse to accept such resignation until it is satisfied that all outstanding transactions with such member have been settled.)*

### **6.5 Death**

On the death of a Trading Member, his legal representatives and authorized representatives, if any, shall give due intimation thereof to relevant authority in writing.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 6.5 was read as under:*

*On the death of a member, his legal representatives and authorized representatives, if any, shall give due intimation thereof to relevant authority in writing.*

### **6.6 Failure to pay Charges**

Save as otherwise provided in the Rules, Bye-Laws, and Regulations of ISE if a Trading Member fails to pay his annual subscription, fees, charges or other monies which may be due from him to

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ISE or to the Clearing House or to the Clearing Corporation within such time as the relevant authority may prescribe from time to time after notice in writing has been served upon him by ISE, he may be suspended by the relevant authority until he makes payment and if within a further period of fifteen days he fails to make such payment, he may be expelled by the relevant authority.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 6.6 was read as under:*

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

**6.7 Continued Admittance**

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

**6.8 Re- admission of Defaulters**

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

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 6.8.1 was read as under:*

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

6.8.2 The relevant authority may re-admit a defaulter as a trading member subject to the provisions as may be prescribed by relevant authority from time to time.

6.8.3 The relevant authority may re-admit only such defaulter who in its opinion:

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

**7 DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND EXPULSION**

**7.1 Disciplinary Jurisdiction**

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

**7.2 Penalty for Misconduct, Unbusiness like Conduct and Unprofessional Conduct**

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

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 7.2 was read as under:*

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

**7.3 Misconduct**

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

a) **Fraud:**

If he is convicted of a criminal offence or commits fraud or a fraudulent act which in the opinion of the relevant authority renders him unfit to be a Trading Member;

b) **Violation:**

If he has violated provisions of any Statute governing the activities, business and operations of ISE securities business in general;

c) **Improper Conduct:**

If in the opinion of the relevant authority, it is guilty of dishonorable or disgraceful or disorderly or improper conduct on ISE of willfully obstructing the business of ISE.

d) **Breach of Articles, Rules, Bye-laws and Regulations:**

If he shields or assists or omits to report information about any trading member whom it has known to have committed a breach or evasion of any Rule, Bye-law and Regulation of ISE or of any resolution, order, notice or direction thereunder of the Board of Directors or of other Committees or the Managing Director of ISE authorized in that behalf;

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- e) **Failure to comply with Resolutions:**  
If he contravenes or refuses or fails to comply with or abide by any resolution, order, notice, direction, decision or ruling of the Board of Directors or of other Committees or the Managing Director of ISE authorized in that behalf under the Bye-laws, Rules Regulations of ISE ;
- f) **Failure to submit to or abide by Arbitration:**  
If he neglects or fails or refuses to submit to arbitration or to abide by or carry out any award, decision or order of the relevant authority or the Arbitration Committee, or the Arbitrators made in connection with a reference under the Articles, Rules, Bye-laws and Regulations of ISE.
- g) **Failure to testify or give information :**  
If he neglects or fails or refuses to submit to the Board of Directors or of other Committees or the Managing Director of ISE, such books, correspondence, documents and papers or any part thereof as may be required to be produced or to appeal and testify before or cause any of his partners attorney, agents, authorized representatives or employees to appear and testify before the Board of Directors or of other Committees or the Managing Director of ISE;
- h) **Failure to submit special returns:**  
If he neglects or fails or refuses to submit to the relevant authority within the time notified in this behalf special returns in such form as the relevant authority may from time to time prescribe together with such other information as the relevant authority may require whenever circumstances arise which in the opinion of the relevant authority make it desirable that such special returns or information should be furnished by any or all the trading members;
- i) **Failure to submit audited accounts:**  
If he neglects or fails or refuses to submit his audited accounts to ISE within such time as may be prescribed by the relevant authority from time to time;
- j) **Failure to compare or submit accounts with Defaulter:**  
If he neglects or fails to compare its accounts with/to the Defaults Committee of ISE or to submit a statement of its accounts with a Defaulter or a certificate that it has no such account or if he makes a false or misleading statement therein;
- k) **False or misleading returns:**  
If he neglects, fails or refuses to submit or makes any false or misleading statement in his clearing forms or returns required to be submitted to ISE under the, Bye laws, Rules and Regulations of ISE;
- l) **Vexatious complaints:**  
If he or his agent brings before the relevant authority or a Committee or an officer of ISE or other person authorized in that behalf a charge, complaint or suit which in the opinion of the relevant authority is frivolous, vexatious or malicious;

m) **Failure to pay dues, fees and charges:**

If he fails to pay to ISE his subscription, fees, transaction charges, contribution towards Settlement Guarantee Fund or Investor Protection Fund or Investors Services Fund, arbitration charges and/or other charges or any other money which may be due from him or any fine or penalty imposed on it.

**7.4 Unbusiness like Conduct**

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

a) **Fictitious names:**

If he transacts his own business or the business of his client(s) in fictitious names or if he carries on business in more than one trading segment of ISE under fictitious names;

b) **Fictitious dealings:**

If he makes fictitious transaction(s) or gives an order for the purchase or sale of securities, the execution of which involves no change of ownership or executes such an order with knowledge of its character;

c) **Circulation of rumours:**

If he, in any manner, circulates or causes to be circulated, any rumours;

d) **Prejudicial business:**

If he makes or assists in making or with such knowledge is a party to or assists in carrying out any plan or scheme for the making of any purchases or sales or offers of purchase or sale of securities for the purpose of upsetting the equilibrium of the market or bringing about a situation in which prices will not fairly reflect market values;

e) **Market manipulation and rigging:**

If he, directly or indirectly, alone or with other persons, effects series of transactions in any security to create actual or apparent active trading in such security or raising or depressing the prices of such security for the purpose of inducing purchase or sale of such security by others;

f) **Unwarrantable business:**

If he engages in reckless or unwarrantable or unbusiness like dealings in the market or effects purchases or its constituent's account or for any account in which it is directly or indirectly interested, which purchases or sales are excessive in view of its constituent's or his own means and financial resources or in view of the market for such security;

a) **Compromise:**

If he connives at a private failure of a trading member or accepts less than full and bona fide money payment in settlement of a debt due by a trading member arising out of transaction in securities;

b) **Dishonored cheque:**

If he issues to any other trading member or to its constituents a cheque which is dishonored on presentation(s) for whatever reasons;

- c) **Failure to carry out transactions with constituents:**  
If he fails in the opinion of the relevant authority to carry out his committed transactions with its constituents.

## 7.5

### **Unprofessional Conduct**

A trading member shall be deemed guilty of unprofessional conduct for any of the following or similar acts or omissions namely:

- a) **Business in securities in which dealings not permitted:**  
If he enters into dealings in securities in which dealings are not permitted;
- b) **Business for defaulting constituent:**  
If he deals or transacts business directly or indirectly or executes an order for a constituent who has within his knowledge failed to carry out engagements relating to securities and is in default to another trading member unless such constituent shall have made a satisfactory arrangement with the trading member who is its creditor;
- c) **Business for Insolvent:**  
If without first obtaining the consent of the relevant authority, he is directly or indirectly interested in or associated in business with or transacts any business with or for any individual who has been bankrupt or insolvent even though such individual shall have obtained his final discharge from an Insolvency Court;
- d) **Business without permission when under suspension:**  
If without the permission of the relevant authority, it does business on its own account or on account of a principal or on any other account with or through a trading member during the period it is required by the relevant authority to suspend business on ISE;
- e) **Business for or with suspended, expelled and defaulter trading members:**  
If without the special permission of the relevant authority, it shares brokerage with or carries on business or makes any deal for or with any trading member who has been suspended, expelled or declared a defaulter;
- f) **Business for Employees of other trading members:**  
If he transacts business directly or indirectly for or with or executes an order for an authorized representative or employee of another trading member without written consent of such employing trading members;
- g) **Business for Exchange Employees:**  
If it makes a speculative transaction in which an employee of ISE or is directly or indirectly interested;
- h) **Advertisement:**  
If it advertises for business purposes or if it issues regularly circular or other business communication to persons other than its own constituents, trading members of ISE, Banks and Joint Stock markets without the prior written permission of the Exchange or in contravention of the advertisement code

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prescribed by the Exchange or publishes pamphlets, circulars or any other literature or report or information relating to the stock markets without the prior written permission of the Exchange or in contravention of the advertisement code prescribed by the Exchange

i) **Evasion of Margin Requirements:**

If he willfully evades or attempts to evade or assists in evading the margin requirements prescribed in the Rules, Bye-laws and Regulations of ISE.

j) **Brokerage Charge:**

If he willfully deviates from or evades or attempts to evade the Rules, Bye-laws and Regulations relating to charging and sharing of brokerage.

k) **Dealings with entities prohibited to buy or sell or deal in securities market:**

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

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

The relevant authority shall require a trading member to suspend its business when it fails to provide the margin deposit and/or meet capital adequacy norms as provided in these Bye Laws, Rules and Regulations and the suspension of business shall continue until it furnishes the necessary margin deposit or meet capital adequacy requirements. The relevant authority may expel a trading member acting in contravention of this provision.

**7.6.1 Suspension of business:**

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

- a) **Prejudicial Business:** When in the opinion of the relevant authority, the trading member conducts business in a manner prejudicial to ISE by making purchases or sales of securities or offers to purchase or sell securities for the purpose of upsetting equilibrium of the market or bringing about a condition of destabilization in which prices will not fairly reflect market values, or
- b) **Unwarrantable Business:** When in the opinion of the relevant authority, it engages in unwarrantable business or effects purchases or sales for its constituent's account or for any account in which it is directly or indirectly interested where purchases or sales are excessive in view of its constituent's or its own means and financial resources or in view of the market for such security, or
- c) **Unsatisfactory Financial Condition:** When in the opinion of the relevant authority, it is in such financial condition that it cannot be permitted to do business with safety to his creditors or ISE.

**7.6.2 Penalty for Contravention**

A trading member who is required to suspend its business shall be expelled/suspended/declared as defaulter by the relevant authority if he acts in contravention of this provision.

**7.6.3 Explanation before expulsion or suspension or declaration as defaulter**

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

**7.6.4 Temporary Suspension from Trading Membership rights**

Notwithstanding what is contained in clauses herein above, if in the opinion of the Managing Director, it is necessary to do so, he may, for reasons to be recorded in writing, temporarily suspend a trading member from, pending completion of the proceedings for suspension under this chapter by the relevant authority and no notice of hearing shall be required for such temporary suspension shall have the same consequences of suspension under this chapter:

- (a) A notice to show cause shall be issued to the trading member within five working days of such temporary suspension.
- (b) Any such temporary suspension may be revoked at the discretion of the Managing Director, for reasons to be recorded in writing, if the Managing Director is satisfied that the circumstances leading to the formation of opinion of the Managing Director or Whole-time Director or relevant authority to effect temporary suspension, have ceased to exist or are satisfactorily resolved.
- (c) A trading member aggrieved by the temporary suspension may appeal to the relevant authority, provided that such appeal shall not automatically stay the temporary suspension unless otherwise directed by the relevant authority.

**7.6.5 Effect of suspension of registration by SEBI**

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

**7.6.6 Consequence of Suspension**

The suspension of a Trading Member under the circumstances stated under the Rules shall have the following consequences, namely:

**Suspension of trading membership Rights:**

- a) The suspended Trading Member shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of trading membership including the right to attend or vote at any meeting of the general body of Trading Members of the relevant segment, but it may be proceeded against by the relevant authority for any offence committed by it either before or after its suspension and the relevant authority authorized in that behalf shall not be debarred from taking cognizance of and adjudicating on or dealing with any claim made against it by other Trading Member.

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*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 7.6.6 a) was read as under:*

a) *Suspension of membership Rights: The suspended Trading member shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of membership including the right to attend or vote at any meeting of the general body of trading members of the relevant segment, but it may be proceeded against by the relevant authority for any offence committed by it either before or after its suspension and the relevant authority authorized in that behalf shall not be debarred from taking cognizance of and adjudicating on or dealing with any claim made against it by other trading members.*

b) **Rights of creditors unimpaired:**

The suspension shall not affect the rights of the trading members who are creditors of the suspended Trading Member;

c) **Fulfillment of Contracts:**

The suspended trading member shall be bound to fulfill contracts outstanding at the time of his suspension;

d) **Further business prohibited:**

The suspended trading member shall not during of its suspension make any trade or transact any business with or through a trading member provided that it may with the permission of the relevant authority close-out with or through trading member the transactions outstanding at the time of his suspension;

e) **Trading Member not to deal:**

No trading member shall transact business for or with or share brokerage with a suspended trading member during the terms of his suspension, except with the previous permission of the relevant authority.

**7.6.7**

**Consequences of Expulsion**

The expulsion of a trading member shall have the following consequences, namely:

(a) **Trading Membership Rights forfeited:**

The expelled trading member shall forfeit to ISE his right of trading membership and all rights and privileges as a trading member of ISE including any right to the use of or any claim upon or any interest in any property or funds of ISE but any liability of any such trading member of ISE shall continue and remain unaffected by his expulsion;

(b) **Office vacated:**

The expulsion shall create a vacancy in any office or position held by the expelled trading member.

(c) **Rights of Creditors unimpaired:**

The expulsion shall not affect the rights of the trading members which are creditors of the expelled trading member;

(d) **Fulfillment of Contracts:**

The expelled trading member shall be bound to fulfill transactions outstanding at the time of his expulsion and it may with the permission of the relevant authority close-out such outstanding transactions with or through other trading members;

- (e) **Trading Members not to deal:**  
No trading member shall transact business for or with or share brokerage with the expelled trading member except with the previous permission of the relevant authority.
- (f) **Consequences of declaration of defaulter to follow:**  
The provisions of Chapter 19 of the Bye-laws pertaining to default shall become applicable to the Trading Member expelled from the Exchange as if such Trading Member has been declared a defaulter.

**7.6.8 Consequences of suspension from doing business**

Suspension from doing business under the circumstances stated under Rule shall have the following consequences:

- a) **Suspension of right to trade:**  
The suspended Trading Member shall during the continuance of suspension from doing business be deprived of and excluded from all the rights and privileges of trading in Trading Platform of ISE, but he shall be bound to settle all outstanding transactions as on that date as per Rules, Bye-laws and Regulations of ISE and for the restricted purpose of such outstanding settlement and fulfillment of his outstanding obligations and commitments, he shall participate in the delivery, pay-in and pay-out notwithstanding his suspension from doing business.
- b) **Rights of creditors unimpaired:**  
The suspension shall not affect the rights of the Traders / Dealers who are creditors of the suspended Trading Members;
- c) **Further business prohibited:**  
The suspended Trading Member shall not during the terms of his suspension from doing business make any trade or transact any business with or through a Trading Member provided that he may with the permission of the relevant authority close-out with or through Trading Member the transactions outstanding at the time of his suspension;
- d) **Trading Member not to deal:**  
No Trading Member shall transact business for or with or share brokerage with a suspended Trading Member during the terms of his suspension, except with the previous permission of the relevant authority.

**7.6.9 Permission necessary for Legal Representation**

Person shall have the right to be represented by professional counsel, attorney, advocate or other representative in any investigation or hearing before the relevant authority, unless the relevant authority or any other Committee unless the relevant authority or other Committee so permits.

**7.6.10 Decision of relevant authority final and binding**  
After service of show cause notice and giving an opportunity of hearing to the concerned Trading Member, the relevant authority shall take final decision in accordance with the provisions stated in the Articles, Rules, Bye-laws and Regulations of ISE and all such decisions whatsoever shall be binding on the Trading Member.

**7.6.11 Appeal**  
The Trading Member aggrieved with the decision of the relevant authority may file an Appeal before the Board and in such cases the Board shall, after considering the circumstances of the case and other facts, take decision in the matter, which may include reducing or revising the penalty or period of suspension or expulsion or confirming the same decision. All such decisions taken by the Board shall be final and binding on the Trading Member.

Provided that during the pendency of the Appeal before the Board, the original decision of the relevant authority shall remain effective unless otherwise decided by the Board.

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

The Relevant authority for the purpose of this Chapter shall be the Disciplinary Action Committee as may be constituted by the Board of Directors from time to time. At any point in time, not less than eighty percent of the members of the Disciplinary Action Committee shall be from among non-trading members, who shall be nominated by the Exchange.

**7.6.13 Consequence of suspension**  
The suspension of a trading member shall have the following consequences namely:

- (a) **Suspension of Trading Membership Rights:**  
The suspended Trading Members shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of trading membership including the right to attend or vote at any meeting of the general body of Trading Member of the relevant segment, but it may be proceeded against by the relevant

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authority for any offence committed by it either before or after its suspension and the relevant authority shall not be debarred from taking cognizance of and adjudicating on or dealing with any claim made against it by other Trading Member.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 7.6.13(a) was read as under:*

*(a) **Suspension of Membership Rights:** The suspended trading member shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of membership including the right to attend or vote at any meeting of the general body of trading members of the relevant segment, but it may be proceeded against by the relevant authority for any offence committed by it either before or after its suspension and the relevant authority shall not be debarred from taking cognizance of and adjudicating on or dealing with any claim made against it by other trading members;)*

**(b) Rights of creditors unimpaired:**

The suspension shall not affect the rights of the trading members who are creditors of the suspended trading member;

**(c) Fulfillment of Contracts:**

The suspended trading member shall be bound to fulfill contracts outstanding at the time of its suspension;

**(d) Further business prohibited:**

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

**(e) Trading Members not to deal:**

No trading member shall transact business for or with or share brokerage with a suspended trading member during the terms of its suspension except with the previous permission of the relevant authority.

**7.6.14 Consequence of expulsion**

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

**(a) Trading membership Rights forfeited:**

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

**(b) Office vacated:**

The expulsion shall create a vacancy in any office or position held by the expelled trading member;

**(c) Rights of Creditors unimpaired:**

The expulsion shall not affect the rights of the trading members who are creditors of the expelled trading member;

- (d) **Fulfillment of Contracts:**  
The expelled trading member shall be bound to fulfil transactions outstanding at the time of his expulsion and it may with the permission of the relevant authority close such outstanding transactions with or through a trading member;
- (e) **Trading members not to deal:**  
No trading member shall transact business for or with or share brokerage with the expelled trading member except with the previous permission of the relevant authority.
- (f) **Consequences of declaration of defaulter to follow:**  
The provisions of Chapter 19 of the Byelaws pertaining to default shall become applicable to the Trading Member expelled from the Exchange as if such Trading Member has been declared a defaulter.

**7.6.15 Expulsion Rules to Apply**

When a trading member ceases to be as such under the provisions of these Bye-laws, otherwise than by death, default or resignation, it shall be as if such trading member has been expelled by the relevant authority, and in that event all the provisions relating to expulsion contained in the Rules, Bye-laws and Regulations shall apply to such trading member in all respects.

**7.6.16 Suspension of Business**

- (a) The relevant authority shall require a trading member to suspend its business when it fails to maintain or provide further security as prescribed in the Bye Laws and Regulations and the suspension shall continue until it pays the necessary amount by way of security.
- (b) **Penalty for Contravention:** A trading member who is required to suspend its business under clause (a) shall be expelled by the relevant authority if it acts in contravention of the provisions of the Bye-laws.

**7.6.17 Trading member's responsibility for Partners, Agents and Employees**

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

**7.6.18 Removal of Suspension**

The suspension of business under the Rules shall continue until the Trading Member has been allowed by the relevant authority to resume business on his paying such or deposit or on its doing such act or providing such thing as the relevant authority may require.

- 7.6.19 Removal or revocation of suspension or expulsion**  
The Board may frame rules and procedures for removal or revocation of expulsion or suspension of a Trading Member from Trading Membership rights and also the conditions and consequential effects relating thereto. The Board may decide that after revocation of expulsion/ suspension, such Trading Member shall make an additional deposit of such amount as may be prescribed by the relevant authority or that such Trading Member shall be subject to such cooling period, as may be prescribed by the relevant authority, before resuming trading rights or that such of the rights, as may be prescribed by the relevant authority, shall not be available to such Trading Member in future.
- 7.7 Trading members and others to testify and give information**  
A trading member shall appear and testify before and cause his partners, attorneys, agents, employees and authorized representatives to appear and testify before the relevant authority, or before other Committee(s) or any Officer of ISE authorized in that behalf, shall produce before the relevant authority or before other Committee(s) or an officer of the Exchange authorised in that behalf, such books, correspondence, documents, papers and records or any part thereof which may be in his possession and which may be deemed relevant or material to any matter under inquiry or investigation.
- 7.8 Imposition of Penalties**  
The penalty of suspension, withdrawal of any or all of the trading membership rights fine, censure or warning a may be inflicted singly or conjointly by the relevant authority. The penalty of expulsion may be inflicted by the relevant authority.  
*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 7.8 was read as under:  
The penalty of suspension, withdrawal of any or all of the membership rights fine, censure or warning a may be inflicted singly or conjointly by the relevant authority. The penalty of expulsion may be inflicted by the relevant authority.)*
- 7.9 Pre-determination of Penalties**  
The relevant authority shall have the power to pre-determine the penalties, the period of any suspension, the withdrawal of particular trading membership rights and the amount of any fine that would be imposed on contravention, non-compliance, disobedience, disregard or evasion of any Article, Rules, Bye-laws or Regulations of ISE or of any resolution, order, notice, direction, decision or ruling thereunder of the Exchange, relevant authority or of any other Committee of the Exchange authorized in that behalf.  
*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 7.9 was read as under:  
The relevant authority shall have the power to pre-determine the penalties, the period of any suspension, the withdrawal of particular membership rights and the amount of any fine that would be imposed on contravention, non-compliance, disobedience, disregard or evasion of any Article, Rules, Bye-laws or Regulations of ISE or of any resolution, order, notice, direction, decision or ruling thereunder of the Exchange, relevant authority or of any other Committee of the Exchange authorized in that behalf.)*
- 7.10 Commutation**  
Subject to the provisions of the Securities Contract (Regulation) Rules, 1957, the relevant authority in its discretion may in any case suspend a Trading Member in lieu of the penalty of expulsion or may withdraw all or any of the trading membership rights or impose a fine in lieu of the penalty of suspension or expulsion and may direct that the

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guilty Trading Member be censured or warned or may reduce or remit any such penalty on such terms and conditions as it deems fair and equitable.

*(Prior to amendment in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 7.10 was read as under:*

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

**7.11 Reconsideration / Review**

Subject to the provisions of the Securities Contract (Regulation) Rules, 1957, the relevant authority may of its own motion or on appeal by the trading member reconsider and may rescind, revoke or modify its resolution withdrawing all or any of the membership rights or fining, censuring or warning any Trading Member. In the same manner, the relevant authority may rescind, revoke or modify its resolution expelling or suspending any Trading Member.

*(Renumbered as 7.11 in place of 7.10 w.e.f. July 30, 2012.)*

**7.12 Failure to pay fines and penalties**

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

*(Renumbered as 7.12 in place of 7.11 w.e.f. July 30, 2012.)*

**8. Regulatory Departments**

**As per Regulation 28 of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012**

In order to ensure the segregation of regulatory departments, the Exchange shall adopt a "Chinese Wall" policy which separates the regulatory departments of the Exchange from the other departments. The employees in the regulatory departments shall not communicate any information concerning regulatory activity to any one in other departments. The employees in regulatory areas may be physically segregated from employees in other departments including with respect to access controls. In exceptional circumstances employees from other departments may be given confidential information on "need to know" basis, under intimation to the Compliance Officer. Departments handling the following functions shall be considered as regulatory departments:-

- |                 |                        |                        |                |
|-----------------|------------------------|------------------------|----------------|
| a. Surveillance | b. Listing             | c. Member registration | d. Compliance  |
| e. Inspection   | f. Enforcement         | g. Enforcement         | h. Arbitration |
| i. Default      | j. Investor protection | k. Investor services   |                |

The heads of departments handling the matters referred to above shall report directly to the respective committee and also to the Managing Director. Any action of the Exchange against a head of a regulatory department shall be subject to an appeal to the respective committees within such period as may be determined by the Governing Board.

*[Prior to amendment in the 123rd meeting of the Governing Board held on April 16, 2013 vide SEBI circular no. CIR/MRD/DSA/33/2012 dated December 13, 2012 read with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012, Rule 3 was read as under:*

**8. Regulatory Departments**

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

**As per Regulation 28 of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012**

In order to ensure the segregation of regulatory departments, the Exchange shall adopt a "Chinese Wall" policy which separates the regulatory departments of the Exchange from the other departments. The employees in the regulatory departments shall not communicate any information concerning regulatory activity to any one in other departments. The employees in regulatory areas may be physically segregated from employees in other departments including with respect to access controls. In exceptional circumstances employees from other departments may be given confidential information on "need to know" basis, under intimation to the Compliance Officer.

**9. Maintenance of books of accounts and records**

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

- (a) The Exchange shall maintain and preserve the books of account and documents as per rule 14 of the rules.
  
- (b) Subject to the provisions of any other law for the time being in force, the clearing corporation shall maintain and preserve the following books of account and documents for a minimum period of ten years, namely:—
  - i. Minute books of the meetings of:
    - (a) governing board;
    - (b) any committees of the governing board;
  
  - ii. Record of clearing members showing their full names, addresses and details of bank and depository accounts for settlement purposes;
  
  - iii. Transaction records;
  
  - iv. Record of security deposits;
  
  - v. Margin deposits book;
  
  - vi. Client margin collection details;
  
  - vii. Ledgers;
  
  - viii. Journals;
  
  - ix. Cash book;
  
  - x. Bank account statement;

Such other books of accounts and documents as may be specified by SEBI from time to time.

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**10. Submission of annual financial statements and returns.**

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

The Exchange shall furnish to SEBI its annual financial statements and returns as per rule 17 and 17A of the Securities Contracts (Regulations) Rules, 1957.



**11. LISTING OF SECURITIES**

*(Newly inserted in the 118<sup>th</sup> Board Meeting held on July 30, 2012, vide Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012)*

**Listing**

- 11.1 Subject to the provisions of applicable laws in force, the Exchange may apply for listing of its securities on any recognised stock exchange, other than itself and its associated stock exchange, if,—
- (a) it is compliant with the provisions of these regulations particularly those relating to ownership and governance;
  - (b) it has completed three years of continuous trading operations immediately preceding the date of application of listing; and
  - (c) it has obtained approval of SEBI.
- 11.2 SEBI may specify such conditions as it may deem fit in the interest of the securities market including those in relation to transfer of shares held by any person.
- 11.3 The Exchange shall not list any securities of its associates.
- 11.4 The securities of the clearing corporation shall not be listed on any stock exchange.
- 11.5 **Dematerialization**  
Securities of the Exchange shall be in dematerialised form.