

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

BYE LAWS ARRANGEMENT OF

CHAPTERS

<u>Chapter</u>	<u>Description</u>
	Definitions
I.	Trading Segments
II.	Executive Committee
III.	Regulations
IV.	Dealings in Securities
V.	Trading Members
VI.	Participants
VII.	Dealings by Trading Members
VIII.	Trading System and Market Makers
IX.	Transactions and Settlements
X.	Rights & Liabilities of Members and Constituents
XI.	Arbitration
XI A.	Dispute Resolution
XII.	Default
XIII.	Investor Protection Fund
XIV.	Miscellaneous

DEFINITIONS

- (1) "Board" means Board of Directors of NSEIL.
- (2) "Exchange Securities" means securities which have been admitted to the Official List(s) of NSE Securities.
- (3) "Exchange" means the Stock Exchange(s) operated by NSEIL.
- (4) "Executive Committee" or "EC" means the Committee of the NSE formed in accordance with Chapter II.
- (5) "Issuer" includes a Government, a body corporate or other entity, whether incorporated or not, which issues any security or other instrument, or draws or accepts a negotiable instrument which is admitted to dealings on the NSE.
- (6) "Market-Maker" means a trading member registered under Chapter VIII.
- (7) "NSEIL" means the National Stock Exchange of India Limited.
- (8) "Official List of NSE securities" means the list of securities which are listed or permitted to trade on the Exchange.
- (9) "Participant" means a constituent who is registered by the relevant authority from time to time under Chapter VI of the ByeLaws.
- (10) "Regulations", unless the context indicates otherwise, includes business rules, code of conduct and such other regulations prescribed by the relevant authority from time to time for the operations of the Exchange and these shall be subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules and SEBI Act.
- (11) "Relevant Authority" means the Board, Securities and Exchange Board of India or such other authority as specified by the Board from time to time as relevant for a specified purpose.
- (12) "Relevant NSE Securities" or "Relevant Securities" means those NSE securities pertaining to the relevant trading segment.
- (13) "Rules", unless the context indicates otherwise, means rules as mentioned hereunder for regulating the activities and responsibilities of trading members of NSE 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.
- (14) "SEBI" means the Securities and Exchange Board of India.
- (15) "Security(ies)" shall have the meaning assigned to it in the Securities Contracts

(Regulation) Act, 1956 (as amended from time to time) and shall also include such other class of monetary transactions or instruments, scrip less or otherwise, as may be admitted to dealings on Exchange.

- (16) "Security admitted to dealings" includes a security which is listed or permitted to trade on Exchange.
- (17) "Trading Member" means a Stock broker and the member of the NSE registered in accordance with Chapter V of the Bye-Laws and will include such an entity which is permitted by NSE to enter into Tri-party Repo transactions on the TRM segment and an entity which is registered with NSE under the EOP segment.
- (18) "Trading Segments" or "Segments" mean the different segments or divisions comprising of NSE securities as may be classified and specified by the Board or relevant authority from time to time.
- (19) "Trading system of the NSE" means a system which makes available to tradingmembers and the investing public, by whatever method, quotations in NSE securities and disseminates information regarding trades effected, volumes, etc. and such other notifications as may be placed thereon by the EC.
- (20) "Authorised Person" means any person - individual, partnership firm, LLP or body corporate –who is appointed as such by a stock broker (including trading member) and who provides access to trading platform of a stock exchange as an agent of the stock broker.
- (21) Execution only Platform ("EOP") means any digital or online platform which facilitates transactions such as subscription, redemption and switch transactions in direct plans of schemes of Mutual Funds or any other transaction(s) as may be notified by the relevant authority from time to time.

CHAPTER I

TRADING SEGMENTS

- (1) There may be more than one trading segment as may be specified by the relevant authority from time to time. The Exchange shall seek the approval of SEBI before introducing any new trading segment.
- (2) The securities which will be eligible for admission to the different trading segments will be specified by the relevant authority from time to time.

Wholesale Debt Market Segment

- (3) Instruments used for Wholesale Debt Market transactions may be admitted to dealings on the Wholesale Debt Market Trading Segment subject to trading regulations which the relevant authority may prescribe from time to time.

Capital Market Trading Segment

- (4) Securities eligible under the Securities Contracts (Regulation) Act, 1956, may be admitted to dealings on the Capital Market Trading Segment.

Futures & Options Trading segment

- (5) Derivatives contracts approved by SEBI may be admitted to dealings on the Futures & Options Trading Segment.

Currency derivatives segment

- (6) Derivatives contracts based on currency or any other underlying approved by SEBI may be admitted to dealings on the currency derivatives segment.

SME Trading segment

- (7) The specified securities issued by the Small & Medium Enterprises in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 may be admitted to the dealings on the SME Trading segment.

Commodity Derivative Segment

- (8) Derivative contracts based on commodity or any other underlying as approved by SEBI from time to time, may be admitted to dealing on the commodity derivatives segment

Debt segment

- (9) Debt Securities and debt instruments may be admitted to dealings on the Debt Segment subject to such trading regulations which the relevant authority may prescribe from time to time. For the purpose of this Byelaw, Debt Securities and debt instruments shall include the following:
- (i) "debt securities" as defined in Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (ii) Government Securities, Treasury Bills, State Government loans, SLR and Non-SLR Bonds issued by Financial Institutions, municipal bonds, single bond repos, basket repos and CBLO kind of products subject to RBI approval, where required;
 - (iii) Securitised debt instruments as defined in SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008;
 - (iv) Any other debt instruments as may be specified from time to time by the competent authority.
 - (v) Such other debt securities as may be specified by the Relevant Authority from time to time with prior approval of SEBI.

Tri-party Repo Market ("TRM")

Tri-party Repos on securities may be admitted to dealings on the TRM segment (under the Debt Segment). For the purpose of this Byelaw, securities admitted for trading on the TRM segment shall mean and include all such securities as may be notified by the relevant authority from time to time.

- (10) (i) Further trading segments such as for debt instruments or equity instruments or any other segment as may be specified by the relevant authority from time to time.
- (ii) Transactions including subscription, redemption and switch transactions in direct plans of schemes of Mutual Funds or any other transaction(s) as may be notified by the relevant authority from time to time, facilitated on EOP. The framework for the EOP segment and the applicability of Byelaws, Rules and Regulations of NSE shall be notified by the relevant authority from time to time.
- (11) The Exchange, subject to prior approval of SEBI, may enter into such arrangement pursuant to proviso to Section 13 of the Securities Contracts (Regulation) Act, 1956 with one or more recognised stock exchanges. In such an event, the provisions of these Byelaws and Regulations shall apply subject to such modifications as may be specified by Relevant Authority from time to time.

CHAPTER II

EXECUTIVE COMMITTEE

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

CHAPTER III

REGULATIONS

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

Conduct and criteria for readmission, if any, promulgated thereunder

- (l) disciplinary action/procedures, including any pre-emptive, corrective or preventive measure against any trading member;
- (la) norms and procedures for measures to be taken to identify potential defaults and prevent incidences of or minimize the incidence and effect of defaults by the trading member
- (m) settlement of disputes, complaints, claims arising between trading members inter- se as well as between trading members and persons who are not trading members relating to any transaction in securities made on the Exchange including settlement by arbitration or any other mechanism as may be statutorily prescribed from time to time;
- (n) norms and procedures for arbitration;
- (o) administration, maintenance and investment of the corpus of the Fund(s) set up by the Exchange including Investor Protection Fund;
- (p) norms and procedures for settlement and clearing of deals, including establishment and functioning of clearing house or other arrangements for clearing and settlement;
- (q) norms, procedures, terms and conditions for registration and continuance of registration of Participants;
- (r) norms and procedures in respect of, incidental or consequential to closing out of contracts, deals or transactions, including for the purpose of giving effect of the interest of investors or in order to cause compliance with the directions or instructions issued for such purpose;
- (s) dissemination of information, announcements to be placed on the trading system;
- (sa) norms with respect to engagement of internal auditors by trading members, including norms and procedures with respect to the eligibility of and the empanelment of auditors with the Exchange for this purpose, which would necessarily encompass all requirements including but not limited to as set out under the Companies Act, 2013 read with the Companies (Audit & Auditors) Rules, 2014 as well as the Code of Ethics issued by the Institute of Chartered Accountants of India, as amended and as may be in force from time to time, and may include conditions with respect to fitness, propriety and absence of conflicts of interest or any other requirements as may be prescribed by the Exchange from time to time;
- (t) any other matter as may be decided by the Board.

CHAPTER IV

DEALINGS IN SECURITIES

Dealings Allowed

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

Admission of Securities to Dealings

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

Government Securities

- (3)
 - (a) Notwithstanding anything contained in Byelaw (2) above, dealings shall be deemed to have been permitted in Government securities, which term for the purpose of these Rules, Bye Laws and the Regulations made thereunder shall denote securities issued by the Government of India, State Governments, Port Trusts, Municipalities, local authorities, statutory bodies and similar other bodies or authorities and include treasury bills issued by the Government of India.
 - (b) Government securities shall be deemed to have been admitted to dealing on such market segment of the Exchange as may be prescribed by the relevant authority as from the date of their inclusion on the Official List(s) of NSE Securities.

Dealings in Securities Dealt on other Stock Exchanges

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

Application for Admission to Listing

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

Conditions and Requirements of Dealings

- (6) The relevant authority may not grant admission to dealings to the securities of an Issuer unless it complies with the conditions and requirements prescribed in these Bye Laws and Regulations and such other conditions and requirements as the relevant authority may from time to time prescribe, including furnishing of the information/documents sought by the Exchange to determine compliance with the provisions of the listing conditions in particular and securities laws in general.

Refusal of Admission to Listing

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

Fees

- (8) (a) Issuers whose securities are granted admission to dealings on the Exchange shall pay such listing and such other fees and such other deposits as the relevant authority may from time to time determine.
- (b) Every Issuer shall comply with the conditions of the Listing Agreement as prescribed by Exchange and/or SEBI from time to time and shall be liable to pay such fine(s) as may be prescribed by Exchange and/or SEBI from time to time for non-compliance of provisions of the Listing Agreement or any of the SEBI Regulations dealing with listing as may be applicable to Issuers listed on Exchange.

Dealings in Provisional Documents

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

Issuers Registered Outside India

- (10) Admission to dealings on the Exchange shall not be granted to securities issued by a body corporate, fund or other entity registered or formed outside India unless:
- (a) there is adequate public interest in such securities in India;

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

Specific Deals

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

Prohibited Dealings

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

Suspension of Admission to Dealings on the Exchange

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

Withdrawal of Admission to Dealings on Redemption or Conversion

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

Withdrawal of Admission to Dealings on Liquidation or Merger

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

Withdrawal of Admission to Dealings on the Exchange

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

Readmission to Dealings on the Exchange

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

CHAPTER V

TRADING MEMBERS

Appointment and Fees

- (1)
 - (a) The relevant authority is empowered to admit trading members in accordance with the Bye Laws, Rules and Regulations it may frame from time to time in accordance with the Securities Contracts (Regulation) Act and Rules and the SEBI Act.
 - (b) The relevant authority may specify prerequisites, conditions, formats and procedures for application for admission, termination, re-admission, etc. of trading members to each trading segment. The relevant authority may, at its absolute discretion, refuse permission to any applicant to be appointed as trading member.
 - (c) The trading member shall pay such fees, security deposits and other monies as may be specified by the Board or the relevant authority from time to time, on admission as trading member and for continued admission.
 - (ca) The promoters, directors or key managerial personnel of the trading member, as also group/associate companies of the same, may be required to furnish bonds or guarantees as may be specified by the by the Board or the relevant authority from time to time, on admission as trading member and for continued admission.
 - (cb) The fees, security deposits, other monies and any additional deposits paid, whether in the form of cash, Bank Guarantee, Securities or otherwise, with the Exchange, by a trading member or its promoters, directors or key managerial personnel from time to time, shall be subject to a first and paramount lien for any sum due to the Exchange and all other claims against the trading member for due fulfillment of engagements, obligations and liabilities of trading members arising out of or incidental to any dealings made subject to the Byelaws, Rules and Regulations of the Exchange. The Exchange shall be entitled to adjust or appropriate such fees, deposits and other monies for such dues and claims, to the exclusion of the other claims against the trading member, without any reference to the trading member.
 - (cc) Notwithstanding any agreement to the contrary, at the time of admission and while it continues to be a Trading Member, the Trading Member shall have deemed to have authorized the banks with which it holds any account to provide all information which may be sought by the Exchange, truthfully and in a timely manner. The Exchange shall be empowered to cause the Trading Member to issue specific and irrevocable instructions to such effect to all such banks.
 - (d) Trading member of any trading segment may trade on the Exchange in the NSE securities applicable to that segment.

- (e) Trading members may trade in relevant securities either on their own account as principals or on behalf of their clients unless otherwise specified by the relevant authority and subject to such conditions which the relevant authority may prescribe from time to time. They may also act as market-makers in such securities if they are so authorised and subject to such conditions as under Chapter VIII.
- (f) Any bank included in the Second Schedule of the Reserve Bank of India Act, 1934, and specifically authorized by Reserve Bank of India for this purpose,
 - i. is eligible to become a Trading Member of the currency derivatives segment of the Exchange, on the recommendation of the Relevant Authority.
 - ii. such bank can act as a Trading Member for its proprietary dealings, to act on its own account, in the currency derivatives segment of the Exchange.
 - iii. such bank can also act as a Trading Member for its clients or constituents in the currency derivatives segment of the Exchange.
 - iv. such bank shall also abide by the circulars and directions issued by RBI, SEBI, the Board or the relevant authority besides Rules, Byelaws and Regulations of the Exchange, and shall be bound to comply with the requests for information from the Exchange in a timely manner.

Conditions

- (2) (a) Trading members shall adhere to the Bye Laws, Rules and Regulations of the Exchange as well as all statutory prescriptions by SEBI or the relevant authority and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the relevant authority as may be applicable.
- (b) All contracts issued for deals on the Exchange shall be in accordance with the ByeLaws, Rules and Regulations of the Exchange.
- (c) Trading members shall comply with such Exchange requirements as may be prescribed by the relevant authority from time to time with regard to advertisements and issue of circulars in connection with their activities as trading members.
- (d) Trading members shall furnish declarations relating to such matters and in such forms as may be prescribed by the relevant authority from time to time.
- (e) Trading members shall furnish to the Exchange an annual Auditors' Certificate certifying that specified Exchange requirements as may be prescribed from time to time by the relevant authority pertaining to their operations have been complied with.

- (f) Trading members shall furnish such information and periodic returns pertaining to their operations as may be required by the relevant authority from time to time.
- (g) Trading members shall furnish to the extent such audited and/or unaudited financial or quantitative information and statements as may be required by the relevant authority from time to time.
- (h) Trading members shall extend full co-operation and furnish such information and explanation as may be required for the purpose of any inspection or audit authorised by the relevant authority or other authorised official of the Exchange into or in regard to any trades, dealings, their settlement, accounting and/or other related matters.

CHAPTER VI

PARTICIPANTS

Registration of Participants on application

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

Suo Moto Registration of Participant

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

Rights and Liabilities of Participants

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

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

event of such a variance, the specific provision by virtue of the terms and conditions of their registration with the Exchange, regarding any right or liability of a Participant shall prevail.

- (6) Rights and liabilities of the Participants shall be subject to these Bye Laws and Regulations as maybe prescribed by the relevant authority as well as all statutory prescriptions by SEBI from time to time.
- (7) Subject to the regulations prescribed from time to time, the relevant authority shall at any time be entitled to cancel the registration or recognition of a Participant on such terms and conditions as the relevant authority may specify. Save as otherwise expressly provided in the regulation or in the decision of the relevant authority, all rights and privileges available to the Participant shall accordingly stand terminated on such cancellation.
- (8) At the discretion of the Exchange, and subject to such regulations as may be prescribed or other terms and conditions as may be stipulated by the relevant authority, the Participant may be permitted conditional and / or limited access to the trading system or any part thereof, as may be decided by the relevant authority from time to time.

CHAPTER VII

DEALINGS BY TRADING MEMBERS

Jurisdiction

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

Indemnity

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

Trading Members Only Parties to Trades

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

All Dealings Subject to Bye Laws, Rules and Regulations

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

Inviolability of Trade

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

Deals by Representative trading members

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

Restriction on the trading members

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

(8) Potential Default by Trading Member

(1) The Exchange shall act in accordance with the circulars issued by SEBI, as well as those prescriptions which may be issued by the Board or the relevant authority from time to time, with respect to Standard Operating Procedure in cases of Trading Member leading to default, including monitoring of clients' funds lying with the trading members, early warning mechanism to prevent diversion of client securities by trading members, recovery of assets of defaulting/defaulting member and recovery of funds from debit balance clients of defaulting/defaulting member for meeting the obligations of clients / stock exchange / clearing corporation, settlement of debit balance client accounts of defaulter by selling their securities if such clients fail to clear their debit balance and restriction of trading by such debit balance clients.

(2) In accordance with the Circular(s) issued by SEBI, under the above Byelaw, the Exchange shall be empowered to take any and all such actions as mandated or prescribed from time to time in this regard including:

- i. seeking the necessary documents and materials,
- ii. undertaking inspection,
- iii. taking possession of the books of accounts, other relevant records (including supporting materials),
- iv. suspension of trading,
- v. disabling the trading terminals,
- vi. issuance of instructions to the Depositories for freezing of demat account(s) maintained by the Trading Member,
- vii. issuance of instructions to other stock exchanges for suspension of trading and disablement of trading terminals,
- viii. liquidation/squaring-off the open positions,
- ix. securing the assets of the Trading Member and directing other trading/clearing members to do so as well,
- x. directing initiation of forensic audit/s to *inter alia* identify the incidences and causes leading to the instant situation, the person/s responsible for the same (including those who may have suppressed the same) and the assets and liabilities position of the Trading Member,
- xi. issuing instructions to the bank(s) concerned to freeze the bank account(s) maintained by a Trading Member, for all debits / withdrawal by the Trading Member in the event of potential default by such a Trading Member in meeting its obligations to a recognized stock exchange / Clearing Member / Clearing Corporation and / or repayment of funds / securities to his / its clients,
- xii. taking steps for restoration of securities of clients lying with the clearing member, post crystallization of balances in the financial ledger of clients by forensic auditor or as per the Auditor's certificate as may be provided by the Trading Member,
- xiii. proceeding against the person/s responsible for the same (including those who may have suppressed the same) in order to prevent them from dealing in securities through the platform of the Exchange and taking recovery actions

- against them, in accordance with law, including by way of invocation of the bonds/ guarantees which may have been provided them at the time of admission,
- xiv. taking recovery action, in accordance with law, against the group/associate companies of the Trading Member, including by way of invocation of the bonds/bank guarantees which may have been provided them at the time of admission,
 - xv. to endeavour to cause the settlement the claims of the clients by way of interim measures, under its supervision,
 - xvi. any other measures as may be deemed to be necessary to give effect to the stipulations of this Byelaw or any Circular, guideline, norm, instruction or stipulations (by whatsoever name it is called) issued by SEBI, the Board or the relevant authority from time to time.

CHAPTER VIII

TRADING SYSTEM AND MARKET MAKERS

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

Registration of Market Makers

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

- (f) A registered market maker may cease making a market in that security provided formal approval has been obtained from the relevant authority. Such approval will normally be granted in situations where, in the opinion of the relevant authority, it is either impractical or undesirable for the registered market maker to continue to operate on account of events beyond its control.
- (3) An obligation may be imposed on a trading member taking up market making operations in certain securities to take up additional market making operations in certain other securities as determined by the relevant authority from time to time.

Suspension and Prohibition of Market Makers

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

Operational Parameters for Market Makers

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

CHAPTER IX

TRANSACTIONS AND SETTLEMENTS

Transactions

Business hours

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

Trading System

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

Transaction at Best Quotation

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

Operational Parameters for Trading

- (5) The relevant authority may determine and announce from time to time operational parameters regarding dealing of securities on the Exchange which trading members shall adhere to.
- (6) The operational parameters may, inter alia, include:
 - (a) trading limits allowed which may include trading limits with reference to net worth and capital adequacy norms;

- (b) trading volumes and limits at which it will be incumbent for trading members to intimate the Exchange;
- (c) limit of spread between bid and offer rates for different securities, if found necessary;
- (d) fixation of market lots, odd lots and/or minimum number of securities to be offered to be bought or sold;
- (e) limit of variation within a day or between days in bid and offer prices;
- (f) other matters which may affect smooth operation of trading in securities keeping in view larger interest of the public;
- (g) determine the types of trades permitted for a member and a security;
- (h) determining functional details of the trading system including the system design, users infrastructure, system operation.

Suspension on Failure to meet Trading Limits

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

Contract Notes

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

Delivery of securities

- (11) Delivery of all securities, documents and papers and payments in respect of all deals shall be in such manner and such place(s) as may be prescribed by the relevant authority from time to time.

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

Clearing and Settlement

- (15) Clearing and Settlement of deals shall be effected by the parties concerned by adopting and using such arrangements, systems, agencies or procedures as may be prescribed or specified by the relevant authority from time to time. Without prejudice to the generality of the foregoing, the relevant authority may prescribe or specify, for adoption and use by the trading members, participants, and other specified constituents, such custodial and depository services from time to time to facilitate smooth operation of the clearing and settlement arrangement or system.
- (16) The function of the clearing house may be performed by the Exchange or any agency identified by the relevant authority for this purpose. The role of the clearing house shall be to act as a facilitator for processing of deliveries and payments between trading members/participants for trades effected by them on the Exchange. Settlement in each market segment of the Exchange shall be either on netted basis, gross basis, trade for trade basis or any other basis as may be specified by the relevant authority from time to time. Save as otherwise expressly provided in the regulations, when funds and securities are, under a prescribed arrangement, routed through the clearing house, the settlement responsibility shall rest wholly and solely upon the counter parties to the trade and /or the concerned trading members as the case may be and the clearinghouse shall act as the common agent of the trading members / Participants for receiving or giving delivery of securities and for receiving and paying funds, without incurring any liability or obligation as a principal.

Closing out

- (17) Subject to the regulations prescribed by the relevant authority from time to time, any dealing in securities made on the Exchange maybe closed out by buying in or selling out

on the Exchange against a trading member and/or Participant as follows: -

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

Margins

Margin Requirements

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

Form of Margin Deposit

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

Value of Margin Deposit to be Maintained

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

Margin Deposit to be held by the Exchange

- (22) The margin deposits shall be held by the Exchange (and in case of Tri-party Repos, shall be held by the National Securities Clearing Corporation Limited (“NSCCL”)) and when they are in the form of Bank Deposit Receipts and securities and such Receipts and securities may at the discretion of the relevant authority be transferred to such persons or to the name of a Bank approved by the Exchange. All margin deposits shall be held by the Exchange and/ or by the approved persons and /or by the approved Bank solely for and on account of the Exchange without any right whatsoever on the part of the depositing trading member or those in its right to call in question the exercise of such discretion.

Letter of Declaration

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

Lien on Margins

- (24) The monies, Bank Deposit Receipts and other securities and assets deposited by a trading member by way of margin under the provisions of these Bye Laws and Regulations shall be subject to a first and paramount lien for any sum due to the Exchange. Subject to the above, the margin shall be available in preference to all other claims of the trading member for the due fulfillment of its engagements, obligations and liabilities arising out of or incidental to any bargains, dealings, transactions and contracts made subject to the Bye Laws, Rules and Regulations of the Exchange or anything done in pursuance thereof.

Evasion of Margin Requirements Forbidden

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

Suspension on Failure to Deposit Margin

- (26) A trading member failing to deposit margin as provided in these Bye Laws and Regulations shall be required by the relevant authority to suspend its business forthwith. A notice of such suspension shall be immediately placed on the trading system and the suspension shall continue until the margin required is duly deposited.

Interest, Dividends, Rights and Calls

- (27) The buying constituent shall be entitled to receive all vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges which may relate to securities bought cum voucher, cum coupons, cum dividends, cum cash bonus, cum bonus issues, cum

rights, etc. The selling constituent shall be entitled to receive all vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges which may relate to securities sold ex voucher, ex coupons, ex dividends, ex cash bonus, ex-bonus issues, ex rights, etc.

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

Brokerage on Dealings

Brokerage

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

Brokerage on Calls

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

Underwriting Commission and Brokerage

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

Sharing of Brokerage

- (33) (a) A trading member may not share brokerage with a person who -

- (i) is one for or with whom trading members are forbidden to do business under the Bye Laws, Rules and Regulations of the Exchange;
 - (ii) is a trading member or employee in the employment of another trading member;
- (b) Irrespective of any arrangement for the sharing of brokerage with any person, the trading member shall be directly and wholly liable to every other member with whom such trading member effects any deal on the Exchange.

CHAPTER X

RIGHTS AND LIABILITIES OF MEMBERS AND CONSTITUENTS

All Contracts subject to Bye Laws, Rules and Regulations

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

Trading members not bound to accept Instructions and Orders

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

Margin

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

Closing-out of Constituent's Account

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

principal or on account of another constituent.

- (c) Notwithstanding anything contained in clause (a) above closing out of Participants' account shall be in such manner and subject to such stipulations as maybe prescribed from time to time.

Trading member not Liable to attend to Registration of Transfer

- (5) A trading member shall not be deemed to be under any obligation to attend to the transfer of securities and the registration thereof in the name of the constituent. If it attends to such work in the ordinary course or at the request or desire or by the consent of the constituent it shall be deemed to be the agent of the constituent in the matter and shall not be responsible for loss in transit or for the issuer's refusal to transfer nor be under any other liability or obligation other than that specifically imposed by these Bye Laws, Rules and Regulations. The stamp duty, the transfer fees and other charges payable to the issuer, the fee for attending to the registration of securities and all incidental expenses such as postage incurred by the trading member shall be borne by the constituent

Registration of Securities when in Name of trading member or Nominee

- (6)
 - (a) When the time available to the constituents of a trading member is less than thirty days to complete transfers and lodge the securities for registration before the closing of the transfer books and where the security is purchased cum interest, dividend, bonus or rights which the issuer may have announced or declared the trading member may register the securities in its or its nominee's name and recover the transfer fee, stamp duty and other charges from the buying constituent.
 - (b) The trading member shall give immediate intimation to the Exchange of the names of such constituents and details of the transactions as may be specified by the relevant authority from time to time. The trading member shall also give immediate intimation thereof to the buying constituent and shall stand indemnified for the consequences of any delay in delivery caused by such action.
 - (c) The trading member shall be obliged to retransfer the security in the name of the original constituent as soon as it has become ex interest, dividend, bonus or rights.

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

- (7) If a trading member fails to complete the performance of a contract by delivery or payment in accordance with the provisions of these Bye Laws, Rules and Regulations the constituent shall, after giving notice in writing to the trading member and Exchange, close-out such contract through any other trading member of the Exchange or make an

application to the Exchange for transfer of contracts to another trading member as soon as possible and any loss or damages sustained as a result of such closing-out or transfer, as the case may be, shall be immediately payable by the defaulting trading member to the constituent. If closing-out or transfer be not effected as provided herein, the damages between the parties shall be determined on such basis as specified by the relevant authority from time to time and the constituent and the trading member shall forfeit all further right of recourse against each other.

No Lien on Constituent's Securities

- (8) If a trading member is declared a defaulter after delivering securities on account of his constituent, the constituent shall be entitled to claim and on offering proof considered satisfactory by the relevant authority, and in the absolute discretion of the relevant authority, receive from the Exchange accordingly as the relevant authority directs either such securities or the value thereof subject to payment or deduction of the amount if any due by him to the defaulter.

Complaint by Constituent

- (9) When a complaint has been lodged by a constituent with the relevant authority that any trading member has failed to implement his dealings, the relevant authority shall investigate the complaint and if it is satisfied that the complaint is justified it may take such disciplinary action as it deems fit.

Relationship between trading member and Constituents

- (10) Without prejudice to any other law for the time being in force and subject to these Bye Laws, the mutual rights and obligations inter se between the trading member and his/its constituent shall be such as may be prescribed by the relevant authority from time to time.
- (11) The Relevant Authority shall constitute an Investors' Services Committee to supervise the working of the Investors' Services Cell of the Exchange and in suitable cases attend to grievances of the Investors personally. The composition of Investors' Services Committee shall be such as may be prescribed by SEBI.

CHAPTER XI
ARBITRATION

Definitions

‘Arbitrator’ shall mean a sole arbitrator or a panel of arbitrators.

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

‘Admissible claim value’ shall mean the claim value admissible to the Constituent as ascertained by the Grievance Redressal Committee or Panel and recorded in the directions or order.

‘Arbitral Award’ shall mean an award passed by the Arbitrator.

‘Appellate Arbitrator’ shall mean a panel of arbitrators who hears the appeal filed against the Arbitral Award.

‘Appellate Arbitral Award’ shall mean an award passed by the Appellate Arbitrator.

Reference to Arbitration

- (1) All claims, differences or disputes between the Trading Members inter se and between Trading Members and Constituents arising out of or in relation to dealings, contracts and transactions made subject to the Bye-Laws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfilment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into shall be submitted to arbitration in accordance with the provisions of these Byelaws and Regulations. The Exchange shall be entitled to facilitate arbitration for such disputes and parties as mentioned in the provisions of Byelaw 1, including the arbitration reference filed by Trading Member against the directions or order of the Grievance Redressal Committee (GRC), by adopting such procedures as may be prescribed from time to time by SEBI, the Board or the relevant authority.
- (1A) All claims, differences or disputes between the Trading Members and authorised persons and between authorised persons and Clients of authorised persons arising out of or in relation to dealings, contracts and transactions made subject to the Byelaws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfilment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into shall be

submitted to arbitration in accordance with the provisions of these Byelaws and Regulations as also any other extant prescriptions from SEBI, the Board or the relevant authority;

Provided in disputes between authorised persons and clients of authorised persons, the Trading Member should be added as a necessary party.

(1B) All claims, differences or disputes between the Trading Members inter se, Trading Members and Constituents, whether or not registered as Participants, Constituents inter se, whether or not registered as Participants, arising out of or in relation to dealings, contracts and transactions executed or reported on the Wholesale Debt Market Trading Segment of the Exchange and made subject to the Byelaws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into shall be submitted to arbitration in accordance with the provisions of these Byelaws and Regulations. Provided this Byelaw shall not in anyway affect the jurisdiction of the Exchange on the Trading Member, through whom such a Participant has dealt with or traded, in regard thereto and such Trading Member shall continue to remain responsible, accountable and liable to the Exchange in this behalf.

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

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

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

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

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

Limitation period for arbitration

- (3) The limitation period for filing an arbitration application shall be governed by the law of limitation i.e. The Limitation Act, 1963 as specified under section 43 of the Act.

Explanation: Arbitration Applications filed prior to September 1, 2010, where the Arbitration application has been dismissed solely on grounds of limitations and three years from the date of dispute have not yet elapsed will be covered in the limitation period stated above.

Power of the Relevant Authority to prescribe Regulations

- (4) (a) The Relevant Authority may, from time to time prescribe Regulations for the following:
- (i) The procedure to be followed by the parties in arbitral proceedings. In particular, and without prejudice to the generality of the foregoing power, such procedure may, inter alia, provide for the following:
 - (a) the forms to be used;
 - (b) the fees to be paid;
 - (c) the mode, manner and time period for submission of all pleadings by both the parties;
 - (d) matters relating to requests from the parties for amending or supplementing the pleadings; and
 - (e) the consequences upon failure to submit such pleadings by the parties.
 - (ii) The procedure to be followed by the arbitrator in conducting the arbitral proceedings. In particular, and without prejudice to the generality of the foregoing power, such procedure may, inter alia, provide for
 - (a) Adjournment of hearings; and
 - (b) terms and conditions subject to which the arbitrator may appoint experts to report on specific issues and the procedure to be followed in arbitral proceedings upon such an appointment.
 - (iii) Different set of arbitration procedures for different claims, differences or disputes after taking into consideration such circumstances and facts as the Relevant Authority may deem fit, which circumstances and facts may include the value of the subject matter and the persons who are

involved as parties to such claims, differences or disputes.

- (iv) Creation of seats of arbitration for different regions or prescribing geographical locations for conducting arbitrations and prescribing the courts which shall have jurisdiction for the purpose of the Act.
- (v) The claims, differences or disputes which may be referred to a sole arbitrator and the claims, differences or disputes which may be referred to a panel of arbitrators.
- (vi) The procedure for selection of persons eligible to act as arbitrators.
- (vii) The procedure for appointment of arbitrator.
- (viii) The terms, conditions and qualifications subject to which any arbitrator may be appointed.
- (ix) Determination of the number of arbitrators in the case of a panel of arbitrators, subject to the condition that where any claim, difference or dispute is heard and determined by Panel of Arbitrators, the number of arbitrators of such a panel shall not be an even number and shall not include Trading Members.
- (x) The time period within which a substitute arbitrator has to be appointed in case the office of the arbitrator falls vacant for any reason whatsoever.
- (xi) The matters to be disclosed by any person who is approached in connection with his possible appointment as an arbitrator.
- (xii) The procedure to be adopted by the parties for challenging an arbitrator.
- (xiii) (a) The claims, differences or disputes which, may be decided by the arbitrator without a hearing unless either party in writing requests the Relevant Authority for a hearing and the time period within which such a request shall be made.

(b) The claims, differences or disputes which, may be decided by the arbitrator only by hearing the parties unless both the parties jointly waive the right to such hearing and the time period within which such a waiver shall be made.
- (xiv) The place of arbitration for each reference and the places where the arbitrator can meet for consultation, for hearing witnesses, experts, or the parties, or for inspection of documents, goods or other property.
- (xv) The making of the arbitral award including the manner in which a decision is to be taken in the case of panel of arbitrators and the form and contents of the arbitral award.

The term arbitral award shall also include an arbitral award on agreed terms. Prescriptions as to the contents of the arbitral award may include provisions for costs and where the arbitral award is for the payment of money, may include interest payable on principal sum due.

- (xvi) The amount of deposit or supplementary deposit, as the case may be, as an advance for the costs which it expects will be incurred in respect of the claim, difference or dispute; Provided where a counter-claim is submitted to the arbitrator, a separate amount of deposit for the counter-claim may also be prescribed.
 - (xvii) The administrative assistance which the Exchange may render in order to facilitate the conduct of arbitral proceedings.
 - (xviii) All matters regarding the mode and the manner of service of notices and communications by the parties including communication addressed to arbitrator.
 - (xix) Any other matter which in the opinion of the Relevant Authority is required to be dealt with in the Regulations to facilitate arbitration.
- (b) The Relevant Authority from time to time may amend, modify, alter, repeal, or add to the provisions of the Regulations.

Disclosure by persons to be appointed as arbitrators

- (5) Every person who is approached in connection with his possible appointment as an arbitrator, shall disclose to the Relevant Authority in writing any circumstances likely to give rise to justifiable doubts as to his independence and impartiality. If the person discloses any circumstances which in the opinion of the Relevant Authority are likely to give rise to justifiable doubts as to his independence and impartiality, then he shall not be appointed as an arbitrator.

Disclosure by persons appointed as arbitrators

- (6) An arbitrator, from the time of his appointment and throughout the arbitral proceedings, shall, without delay, disclose to the Relevant Authority in writing any circumstances referred to in Byelaw (5) above which have come to his knowledge after his appointment as an arbitrator.

Termination of mandate of the arbitrator

- (7) The mandate of the arbitrator shall terminate if
- (a) the arbitrator withdraws from office for any reason; or

- (b) in the opinion of the Relevant Authority, the arbitrator becomes de jure or de facto unable to perform his functions or for other reasons fails to act without undue delay including failure to make the arbitral award within the time period prescribed by the Relevant Authority. Such a decision of the Relevant Authority shall be final and binding on the parties; or
- (c) the mandate of the arbitrator is terminated by the Relevant Authority upon receipt of written request for the termination of the mandate of the arbitrator from both the parties to arbitration; or
- (d) the arbitrator discloses any circumstances referred to in Byelaws (5) and (6) which in the opinion of the Relevant Authority are likely to give rise to justifiable doubts as to his independence and impartiality.
- (e) the arbitral proceedings are terminated as provided for herein.

Supplying of vacancy to the office of the arbitrator

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

Consideration of recorded proceedings and evidence

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

Order or ruling of previous arbitrator not invalid.

- (10) An order or ruling of the arbitrator made prior to the termination of his mandate shall not be invalid solely because his mandate has been terminated; Provided that when the termination has been effected pursuant to Byelaw (7)(d), the order or ruling of the arbitrator made prior to termination of his mandate shall become invalid unless otherwise agreed upon by the parties.

Interim arbitral award and interim measures ordered by the arbitrator

- (11) The arbitrator may be empowered to make an interim arbitral award as well as to provide interim measures of protection. An arbitrator may require a party to provide appropriate security in connection with an interim measure.

Appearance in arbitral proceedings by counsel, attorney or advocate

(12) In arbitral proceedings where both the parties are Trading Members, the parties shall not be permitted to appear by counsel, attorney or advocate but where one of the parties is a Constituent, then the Constituent shall be permitted to appear by counsel, attorney or advocate. If the Constituent chooses to appear by counsel, attorney or advocate, then the Trading Member and Issuer shall be granted a similar privilege.

(13) (a) Adjournment

Adjournment, if any, shall be granted by the arbitrator only in exceptional cases, for bona fide reasons to be recorded in writing.

(b) Time for completion of Arbitration

The arbitral proceedings shall be concluded by way of issue of Arbitral Award within four months from the date of appointment Arbitrator(s) and may be extended by such further time periods may be specified by the Managing Director.

(13A) (i) In cases where the Trading Member informs the exchange of his intention to pursue arbitration against the Order of GRC in favour of the Constituent, within 7 days from the date of signing of GRC Order, and the admissible claim value is not more than Rupees Twenty Lakhs then 50% of the admissible claim value or Rs. 2.00 Lakhs, whichever is less, shall be released to the Constituent from Investor Protection Fund (IPF) of the Exchange.

(ii) In case the arbitration award is in favour of the Constituent in the matter as mentioned in Clause (i) above or Arbitration Award passed in favour of the Constituent is not more than Rupees Twenty Lakhs in the matter directly filed for arbitration and the member conveys his intention of preferring appeal against such arbitral award within 7 days from the date of receipt of the award, then 50% of the award amount or Rs. 3.00 lakhs, whichever is less will be released to the constituent from IPF of the Exchange. The amount released shall exclude the amount already released to the constituent at clause (i) above.

(iii) In case the appellate arbitration award is in favour of the constituent and the trading member conveys his intention of filing petition in court to set aside the Appellate arbitration award u/s 34 of the Arbitration and Conciliation Act, 1996 within 7 days from the receipt of the Appellate Arbitration Award, then 75% of the amount determined in the appellate arbitration award or Rs. 5.00 lakhs (Rs. Five Lakhs), whichever is less will be released to the Constituent from IPF of the Exchange. The amount released shall exclude the amount already released to the constituent at clause (i) and (ii) above.

(iv) Before release of the said amounts from the IPF to the Constituent, the Exchange shall obtain appropriate undertaking or indemnity from the Constituent against the release of

the amount from IPF, to ensure return of the amount so released to the Constituent, in case the proceedings are decided against the Constituent.

- (v) If it is observed that there is an attempt by Constituent either individually or through collusion with Trading Member(s) or with any other stakeholders, to misuse the clauses (i) to (iv) above, then without prejudice to the powers of SEBI to take action, appropriate action in this regard shall be taken against any such person, by the Relevant Authority, including disqualification of the person so involved from henceforth accessing the benefits of these provisions.
- (vi) The amount released to the Constituent from IPF as per the admissible claim will be replenished back to IPF from the deposit or collaterals or any other amounts, including the blocked amount of the Trading Member available with the Exchange/National Securities Clearing Corporation Limited (NSCCL) and the balance will be paid to the Constituent in the following cases:
 - (a) The Trading Member informs the Exchange, within 7 days from the date of signing of GRC directions ascertaining the admissible claim amount, his intention to refer the matter to arbitration and fails to refer the matter to arbitration within the prescribed time limit i.e. three years.
 - (b) The Trading Member fails to inform the Exchange his intention to prefer an appeal before Appellate Arbitrators of the Exchange or court or intention to make a request u/s 33 of Arbitration and Conciliation Act, 1996 for rectification or correction of award, against the arbitral award, within 7 days from the date of receipt of award.
 - (c) The Trading Member informs the Exchange his intention to prefer an appeal before Appellate Arbitrators of the Exchange or court but fails to prefer the same within prescribed time limit (one month from date of receipt of award in case of appellate arbitration and three months from date of receipt of award, in case of petition in court).

For cases where request is made under Section 33 of Arbitration and Conciliation Act, 1996 for clarification or rectification of award, the one month period in case of appeal and three months period in case of petition mentioned above will be from the date of receipt of the order passed by arbitrator u/s 33 applications by the Trading Member.
 - (d) The matter is decided in favour of the Constituent after conclusion of arbitration or appellate arbitration or court proceedings and the Trading Member decides not to pursue the matter further.
- (vii)(a) In case Constituent loses at any stage of the proceedings and decides not to pursue the matter further, then the Constituent shall refund the amount released from IPF, back to the IPF of the Exchange. In case the Constituent fails to make good the amount released out of IPF then the Constituent (based on the PAN of

the Constituent) shall not be allowed to trade on any of the Exchanges till such time the Constituent refunds the amount to IPF. Further the securities lying in the demat account(s) of the Constituent shall be frozen till such time as the Constituent refunds the amount to the IPF.

(vii)(b) In addition to the above, the constituent may also be declared as a defaulter if the constituent does not pay the award amount to the trading member as directed in the GRC/arbitration/appellate arbitration order and also does not appeal at the next level of redressal mechanism within the timelines prescribed by SEBI or file an application to court to set aside such order in accordance with section 34 of the Arbitration and Conciliation Act, 1996 (in case aggrieved by arbitration or appellate award). The common database of such clients shall be accessible to members/depository participants across the stock exchanges/depositories.

(viii) The Exchange may be empowered to initiate any proceedings in a court of law for the purpose of recovering any amounts due to the IPF, against such Constituent who fails to make good the amount released to him out of IPF as mentioned in clause (vii) above.

(13B) For cases, other than cases falling under the purview of Byelaw 13A above, where the arbitration award is passed against the Trading Member and/or its authorised persons and in favour of a Constituent, the Exchange may debit from the deposits or other monies of the Trading Member lying with the Exchange, the amount of award payable to the awardee together with interest payable, if any, till the date of debit after setting off the counter claim of the Trading Member and/or its authorised persons allowed under the award, if any, and keep aside the said amount in a separate account to be dealt with in such manner as mentioned in Byelaw 13C below;

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

(13C) (a) The Exchange shall make the payment of the Arbitral Award amount kept aside in a separate account as specified in Byelaw 13B above to the awardee, along with interest earned on the amount that has been set aside, in case the Trading member fails to convey within 7 days of receipt of the award his desire to challenge the award or appellate award in court to the Exchange.

Further, the Exchange shall release the award amount as soon as the time for preferring an appeal before the Appellate Arbitrator or Court has expired and no appeal has been preferred.

(b) The Exchange shall make payment of the Appellate Arbitral Award to the awardee along with the interest earned on the amount that has been set aside as soon as

- i) the time for making an application to a court to set aside such Appellate Arbitral Award under Section 34 of Act has expired and no application has been made, or
- ii) an application to a court to set aside such Appellate Arbitral Award under Section 34 of the Act, having been made, has been refused by such court, or
- iii) an application to a court to set aside such Appellate Arbitral Award under Section 34 of the Act, having been made, but where no stay has been granted by such court within a period of three months from the date on which the party making that application had received the Appellate Arbitral Award.

Arbitration proceedings subject to the provisions of the Act

- (14) The arbitration proceedings as provided for by the provisions of these Byelaws and Regulations shall be subject to the provisions of the Act to the extent not provided for in these Byelaws or the Regulations.

Construction of references

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

Administrative assistance

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

Jurisdiction

- (17) The arbitration and appellate arbitration shall be conducted at the regional centre nearest to the address provided by Constituent in the KYC form or as per the change in address communicated thereafter by the Constituent to the trading member. Further, in case the award amount is more than Rs. 50 Lakh, the next level of proceedings (arbitration and appellate arbitration) may take place at the nearest metro city, if desired by any of the party involved. The additional cost for arbitration and appellate arbitration, if any, is to be borne by the appealing party. Furthermore, the application under Section 34 of the Act, if any, against the decision of the Appellate Arbitral Award passed by the Appellate Arbitrator shall be filed in the competent court nearest to the address provided by

Constituent in the KYC form or as per the change in address communicated thereafter by the Constituent to the trading member.

Exclusion

- (18) For removal of doubts, it is hereby clarified that the Exchange shall not be construed to be a party to the dealings, contracts and transactions referred to under these Byelaws; and the provisions of this Chapter shall not apply in case of claims, differences or disputes between the Exchange and a Trading Member and no arbitration shall lie between the Exchange and a Trading Member.

Appellate Arbitration

- (19) (a) A party aggrieved by an Arbitral Award may appeal to the Appellate Arbitrator against Arbitral Award within one month from the date of receipt of Arbitral Award and in such manner as prescribed by the Relevant Authority from time to time notwithstanding the provisions contained under Byelaw 3.
- (b) The Appellate Arbitrator shall consist of three arbitrators who shall be different from the ones who passed the Arbitral Award appealed against and such Appellate Arbitrators shall dispose of the appeal by way of issue of an Appellate Arbitral Award within three months from the date of appointment of the Appellate Arbitrator.
- (c) A party aggrieved by the Appellate Arbitral Award may file an application in accordance with Section 34 of the Act before the court of competent jurisdiction nearest to the address provided by Constituent in the KYC form or as per the change in address communicated thereafter by the Constituent to the trading member.
- (d) The above provisions of Byelaws 1 to 18 shall be applicable to Appellate Arbitration.

Interpretation

- (20) The Byelaws contained in this Chapter shall be read in conjunction with the provisions of any Circular, guideline, norm, instruction (by whatsoever name they may be called) issued by SEBI in this regard, as well as any other law in force.
- (a) All claims, differences, or disputes under consideration of the GRC or in relation to which arbitration/ appellate arbitration proceedings have been commenced before August 16, 2023, shall be resolved as per the applicable framework prescribed under Chapter XI and XIII of the Byelaws.

CHAPTER XI A
DISPUTE RESOLUTION

Definitions

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

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

'Arbitral Award' shall mean the award passed by the Arbitrator.

'ODR Institution' shall mean an alternative dispute resolution organization empaneled by the Exchange, for facilitating, administering and undertaking time bound resolution of disputes between parties in accordance with processes and procedures specified by the Relevant Authority from time to time.

Reference to dispute resolution

- (1) All claims, differences or disputes between Trading Members and Constituents, Trading Member and clients of Authorized Persons arising out of or in relation to dealings, contracts and transactions made subject to the Byelaws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfilment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into can be submitted to dispute resolution in accordance with the provisions of these Byelaws, Regulations and Circulars of the Exchange. The Exchange through ODR institutions shall be entitled to administer the conciliation and arbitration of such disputes, subject to the circulars/ guidelines/ regulations issued by the Relevant Authority from time to time.

Provided in disputes between Authorized Persons and clients of Authorized Persons, the Trading Member should be added as a necessary party.

- (2) All claims, differences or disputes arising between an Issuer and a Constituent in respect of such matters as may be specifically provided from time to time in the Listing Agreement as entered into by an Issuer with the Exchange can be submitted to dispute resolution in accordance with the provisions of these Byelaws, Regulations and Circulars of the Exchange. The Exchange shall be entitled to administer the conciliation and arbitration of such disputes, subject to the circulars/ guidelines/ regulations issued by the Relevant Authority from time to time.

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

- (3) The Exchange shall be empowered to administer conciliation and arbitration for such disputes and parties other than those mentioned in the provisions of Byelaws (1) and (2) of this Chapter by adopting such procedures as may be prescribed by the Exchange by way of Byelaws, Rules, Regulations and Circulars, subject to the circulars/ guidelines/ regulations issued by the Relevant Authority from time to time.

Empanelment of ODR Institutions

- (4) The Exchange is empowered to work in conjunction with other market infrastructure institutions and empanel/ avail the services of ODR Institutions who shall facilitate, administer and undertake the resolution of claims, differences or disputes between parties as mentioned in provisions of Byelaws (1) and (2) of this Chapter.
- (5) The Exchange is also empowered to work in conjunction with other market infrastructure institutions and empanel/ avail the services of ODR Institutions who shall facilitate, administer, and undertake the conciliation and arbitration for such disputes and parties other than those mentioned in the provisions of Byelaws (1) and (2) of this Chapter.
- (6) The Exchange may empanel one or more ODR Institutions in accordance with the criteria prescribed by it, subject to the circulars/ guidelines/ regulations issued by the Relevant Authority from time to time. Empaneled ODR Institutions shall inter alia appoint duly qualified, experienced, and independent conciliators and Arbitrators to conduct conciliation and arbitration proceedings. Further, ODR Institutions shall have established processes and mechanisms to facilitate, administer and undertake time bound resolution of claims, differences or disputes between parties through conciliation and arbitration, subject to the provisions of the Act, and any other applicable laws, and in accordance with the guidelines/ directions that may be issued by the Exchange and/or the Relevant Authority from time to time.

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

- (7) In all dealings, contracts and transactions, which are made or deemed to be made subject to the Byelaws, Rules and Regulations of the Exchange, the provisions relating to dispute resolution as provided in these Byelaws, Regulations and Circulars of the Exchange shall form and shall be deemed to form part of the dealings, contracts and transactions and parties shall be deemed to have entered into a dispute resolution agreement in writing by which all claims, differences or disputes of the nature referred to in Byelaws (1) and (2) of this Chapter and all incidental arrangements, can be submitted to dispute resolution as per the provisions of these Byelaws, Regulations and Circulars of the Exchange, subject to the circulars/ guidelines/ regulations issued by the Relevant Authority from time to time.
- (8) In all dealings, contracts and transactions in relation to the securities market, entered or deemed to be entered between concerned parties as provided for in Byelaw (3) of this Chapter, the provisions relating to dispute resolution as provided in these Byelaws,

Regulations, and Circulars of the Exchange shall form and shall be deemed to form part of the dealings, contracts and transactions and parties shall be deemed to have entered into a dispute resolution agreement in writing by which all claims, differences or disputes in relation to the securities market and all incidental arrangements, can be submitted to dispute resolution as per the provisions of these Byelaws, Regulations and Circulars of the Exchange, subject to the circulars/ guidelines/ regulations issued by the Relevant Authority from time to time.

Limitation period for dispute resolution

- (9) Disputes can be submitted to dispute resolution in accordance with the provisions of these Byelaws, Regulations, and the Act when within the applicable law of limitation (reckoned from the date when the issue arose/ occurred that has resulted in the complaint/ date of the last transaction or the date of disputed transaction, whichever is later).
- (10) Notwithstanding the above, the Relevant Authority may, from time to time, prescribe timelines for proceedings pertaining to conciliation and arbitration.

Power of the Exchange to prescribe Regulations and Circulars

- (11) The Exchange may, from time to time prescribe Regulations and Circulars for the following:
 - (i) Procedure to be followed for conducting a review of the complaints / disputes filed by parties.
 - (ii) Procedure to be followed by parties in conciliation/ arbitration proceedings.
 - (iii) Procedure to be followed by ODR Institutions in conducting conciliation/ arbitration proceedings.
 - (iv) Procedure to be followed while administering and assisting in the resolution of claims, differences or disputes between parties. In particular, and without prejudice to the generality of the foregoing power, such procedure may, *inter alia*, provide for the following:
 - (a) collection of fees and costs (or its refund) paid by parties;
 - (b) monitoring the due payment/ adherence of parties to the terms and conditions of the settlement agreement;
 - (c) collection of admissible claim value from parties and pay-out/ release of the same to concerned parties, post completion of conciliation proceedings;
 - (d) initiation of arbitration proceedings, post conclusion of conciliation proceedings when claims, differences or disputes are not resolved between the parties;

- (e) monitoring the due payment/ adherence of parties to the terms and conditions of the Arbitral Award, post conclusion of the arbitration proceedings and due payment/ adherence of parties to any interim relief that may be awarded by the Arbitrator
- (f) penalties / directions / actions with respect to non-adherence by concerned parties to *inter alia* the terms of the settlement agreement/ Arbitral Award/ interim relief of the Arbitrator or any directions issued by concerned ODR Institutions and market infrastructure institutions;
- (g) collection of amounts payable from parties in terms of the Arbitral Award and pay-out/ release of the same to concerned parties, post completion of arbitration proceedings;
- (h) procedure in relation to challenging an Arbitral Award of an Arbitrator, when claims, differences or disputes are not resolved between the parties;
- (i) setting out the roles/ obligations/ rights/evaluation procedure of the arbitrator/ conciliator appointed by empaneled ODR Institutions;
- (j) maintenance of records pertaining to conciliation/ arbitration proceedings; and
- (k) any other matter which in the opinion of the Exchange is required to be dealt with in the Regulations and Circulars to facilitate conciliation/ arbitration.

The Exchange from time to time may amend, modify, alter, repeal, or add to the provisions of the Regulations and Circulars.

- (12) The Regulations and Circulars prescribed by the Exchange with respect to the above will be subject to the circulars/ guidelines/ regulations issued by the Relevant Authority from time to time.

Reference to conciliation and arbitration

- (13) All claims, differences or disputes between parties as mentioned in provisions of Byelaws (1), and (2) of this Chapter, may be resolved through reference to conciliation and arbitration in accordance with the provisions of these Byelaws, Regulations and Circulars of the Exchange.
- (14) All claims, differences or disputes between concerned parties as provided for in Byelaw (3) of this Chapter, may be resolved through reference to conciliation and arbitration in accordance with the provisions of these Byelaws, Regulations and Circulars of the Exchange.
- (15) In case of reference to arbitration, the parties shall be entitled to challenge the Arbitral Award rendered at the conclusion of arbitration proceedings, in terms of Section 34 of the Act.

Arbitration proceedings subject to the provisions of the Act

- (16) Arbitration proceedings as provided for by the provisions of these Byelaws, Regulations and Circulars of the Exchange shall be subject to the provisions of the Act to the extent not provided for in these Byelaws or Regulations or Circulars of the Exchange.

Appearance in conciliation and arbitration proceedings by counsel, attorney or advocate

- (17) In conciliation and arbitration proceedings, parties shall not be permitted to appear by counsel, attorney or advocate but where one of the parties is a Constituent, then the Constituent shall be permitted to appear by counsel, attorney or advocate. If the Constituent chooses to appear by counsel, attorney or advocate, then the Trading Member, Authorized Person and Issuer, as the case may be, shall be granted a similar privilege.

Jurisdiction / venue and seat of conciliation and arbitration

- (18) The venue and seat of the proceedings of conciliation and arbitration shall be the place where the Constituent resides permanently or, where the Constituent is not an individual, the place where it is registered in India or has its principal place of business in India, as provided in the relevant KYC documents of the Constituent.
- (19) Notwithstanding the above, the Relevant Authority may, from time to time, determine the venue and seat of conciliation and arbitration.
- (20) Furthermore, the application under Section 34 of the Act, if any, against the decision of the Arbitrator shall be filed before the court having competent jurisdiction in India.

Exclusion

- (21) For removal of doubts, it is hereby clarified that the Exchange shall not be construed to be a party to the dealings, contracts and transactions referred to under this Chapter, and the provisions of this Chapter shall not apply in case of claims, differences or disputes between the Exchange and a Trading Member or the Exchange and an Authorized Person or the Exchange and an Issuer. Further, the Exchange would not constitute a necessary party to the attendant proceedings of conciliation or arbitration.
- (22) For removal of doubts, it is hereby clarified that the Exchange shall not be construed to be a party to the dealings, contracts and transactions referred to under this Chapter, and the provisions of this Chapter shall not apply in case of claims, differences or disputes between the Exchange and concerned parties as provided for in Byelaw (3). Further, the Exchange would not constitute a necessary party to the attendant proceedings of conciliation or arbitration.

- (23) In no event shall any dispute, appeal, review, or challenge be referred to any stage of the proceedings contemplated in this Chapter, including conciliation or arbitration, if such dispute, appeal, review or challenge pertains to the regulatory and enforcement role, or roles of a similar nature, played by the Exchange.
- (24) The decision of the Exchange pertaining to the nature of the complaint/ dispute shall be final and binding on all parties.

Applicability of this Chapter

- (25) Notwithstanding anything contained in this Chapter, all claims, differences or disputes under consideration of the GRC or in arbitration/ appellate arbitration before August 16, 2023, shall be resolved as per the applicable framework prescribed under Chapter XI and XIII of the Byelaws.
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CHAPTER XII

DEFAULT

Declaration of Default

- (1) A trading member may be declared a defaulter by direction / circular / notification of the relevant authority of the trading segment if-
 - (a) he is unable to fulfill his obligations; or
 - (b) he admits or discloses his inability to fulfill or discharge his duties, obligations and liabilities; or
 - (c) he fails or is unable to pay within the specified time the damages and the money difference due on a closing-out effected against him under these Bye Laws, Rules and Regulations; or
 - (d) he fails to pay any sum due to the Exchange or to submit or deliver to the Exchange on the due date, delivery and receive orders, statement of differences and securities, balance sheet and such other clearing forms and other statements as the relevant authority may from time to time prescribe; or
 - (e) if he fails to pay or deliver to the Defaulters' Committee all monies, securities and other assets due to a trading member who has been declared a defaulter within such time of the declaration of default of such trading member as the relevant authority may direct; or
 - (f) if he fails to abide by the arbitration proceedings as laid down under the Bye Laws, Rules and Regulations; or
 - (g) if he, being an individual and /or partnership firm, /it, being a company incorporated under the Companies Act, files an application a petition before a Court of Law for adjudication of himself as an insolvent or an insolvency application is filed against it in accordance with the provisions of the Insolvency and Bankruptcy Code 2016 or any other analogous bankruptcy laws applicable to him / it, as the case maybe.

- (1A) Without prejudice to the foregoing, if a trading member or any of its promoters, directors, key managerial personnel or associate or group company is either expelled or declared a defaulter by any other recognised stock exchange on which he is a member or if the registration certificate is cancelled by SEBI, the said Trading Member may be expelled from the Exchange after providing an opportunity of being heard to such Trading Member.

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

Failure to fulfil Obligations

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

Insolvent a Defaulter

- (3) A trading member, being an individual and/or partnership firm, /it, being a company incorporated under the Companies Act, an application is admitted against him/ it in accordance with the provisions of the Insolvency and Bankruptcy Code 2016 or any other analogous bankruptcy laws applicable to him / it, as the case maybe, shall be declared a defaulter although he/it may not have at the same time defaulted on any of his / its obligations on the Exchange provided however the time for preferring an appeal against such order under the applicable Acts, if any, has expired.

Trading member's Duty to Inform

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

Compromise Forbidden

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

Notice of Declaration of Default

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

Defaulter's Book and Documents

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

List of Debtors and Creditors

- (8) The defaulter shall file with the Defaulters' Committee within such time of the declaration of his default as the relevant authority may direct a written statement

containing a complete list of his debtors and creditors and the sum owing by and to each.

Defaulter to give Information

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

Inquiry

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

Vesting of assets in the Exchange

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

Payment to Defaulters' Committee

- (12) (a) All monies, securities and other assets due, payable or deliverable to the defaulter must be paid or delivered to the Defaulters' Committee within such time of the declaration of default as the relevant authority may direct. A trading member violating this provision shall be declared a defaulter.
- (b) A trading member who shall have received a difference on account or shall have received any consideration in any transaction prior to the date fixed for settling such account or transaction shall, in the event of the trading member from whom he received such difference or consideration being declared a defaulter, refund the same to the Defaulters' Committee for the benefit and on account of the creditor members. Any trading member who shall have paid or given such difference or consideration to any other trading member prior to such settlement day shall again pay or give the same to the Defaulters' Committee for the benefit and on account of the creditor member in the event of the default of such other

member.

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

Distribution

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

Closing-out

- (14) (a) Trading members having open transactions with the defaulter shall close out such transactions on the Exchange after declaration of default. Such closing out shall be in such manner as may be prescribed by the relevant authority from time to time. Subject to the regulations in this regard prescribed by the relevant authority, when in the opinion of the relevant authority, circumstances so warrant, such closing out shall be deemed to have taken place in such manner as may be determined by the relevant authority or other authorised persons of the Exchange.

(b) Differences arising from the above adjustments of closing out shall be claimed from the defaulter or paid to the Defaulters' Committee for the benefit of creditor trading members of the defaulter.

(15) [Deleted]

(16) [Deleted]

(17) [Deleted]

(18) [Deleted]

Accounts of Defaulters' Committee

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

Report

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

Inspection of Accounts

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

Scale of Charges

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

Application of Assets

- (23) The Defaulters' Committee shall apply the net assets, including those under bond or guarantee on behalf of the Trading Member by its promoters, directors or key managerial personnel, as the case may be, remaining in its hands after defraying all such costs, charges and expenses as are allowed under the Rules, Bye- laws and Regulations to be incurred by the Exchange, in satisfying the claims in the order of priority provided hereunder:-

- (a) Dues to the Exchange, National Securities Clearing Corporation Limited, Securities and Exchange Board of India
The payment of such subscriptions, debts, fines, fees, charges and other moneys due to the Exchange, National Securities Clearing Corporation Limited, Securities and Exchange Board of India, in the order in which their names appear herein;
- (b) Dues to other Trading Members and to Constituents and registered sub- brokers of the defaulter

The payments as may be admitted by the Defaulters' Committee, as being due to other Trading Members and Constituents and registered sub- brokers of the defaulter for debts, liabilities, obligations and claims arising out of any contracts

made by the defaulter subject to the Rules, Bye-laws and Regulations of the Exchange, shall, if the amount is insufficient, be distributed pro rata amongst other Trading Members, all the Constituents and registered sub- brokers of the defaulter. The other Trading members in turn share the amounts so received with their Constituents on pro rata basis.

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

After making payments under Clause (b) above, the amounts remaining, if any, shall be utilised to meet the claims of the approved banks and of any other person as may be admitted by the Defaulters' Committee. The claims of the approved banks should have arisen by virtue of the Exchange or National Securities Clearing Corporation Limited invoking any bank guarantee issued by the bank concerned to the Exchange or National Securities Clearing Corporation Limited as the case may be on behalf of the defaulter to fulfil his obligation of submitting bank guarantee, guaranteeing discharge of obligations under the Byelaws, Rules and Regulations of NSEIL/NSCCL. The claims of other persons should have arisen out of or incidental to the transaction done on the Exchange or requirements laid down by the Exchange, provided that if the amount available be insufficient to pay all such claims in full, they shall be paid pro rata, and

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

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

- (e) Surplus assets:

Surplus assets, if any, may be released to the defaulter after a period of at least one year from the date of declaration of the trading member as defaulter or after satisfying the claims falling under Byelaw 23, whichever is later.

Certain claims not to be entertained

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

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

Claims against Defaulting Representative trading member

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

Claims of Defaulters' Committee

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

Assignment of Claims on Defaulter's Estate

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

Proceedings in the Name of or against the defaulter

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

Payment of Defaulters' Committee

- (29) If any trading member takes any proceedings in a court of law against a defaulter whether during the period of its default or subsequent to its re-admission to enforce any claim against the defaulter's estate arising out of any transaction or dealing in the market made subject to the Bye Laws, Rules and Regulations of the Exchange before it was declared a defaulter and obtains a decree and recovers any sum of money thereon it shall pay such amount or any portion thereof as may be fixed by the relevant authority to the Defaulters' Committee for the benefit and on account of the creditor members having claims against such defaulter.

Surveillance and enforcement mechanism in circumstances which may lead to default

- (29A) The Exchange shall act in accordance with the circulars issued by SEBI, as well as those prescriptions which may be issued by the Board or the relevant authority from time to time with respect to Standard Operating Procedure in cases of Trading Member leading to default, including monitoring of clients' funds lying with the trading members, early warning mechanism to prevent diversion of client securities by trading members, recovery of assets of defaulting/defaulting member and recovery of funds from debit balance clients of defaulting/defaulting member for meeting the obligations of clients / stock exchange / clearing corporation, settlement of debit balance client accounts of defaulter by selling their securities if such clients fail to clear their debit balance and restriction of trading by such debit balance clients.
- (29B) In this regard, the Exchange shall be empowered to take any and all such actions as mandated or prescribed from time to time in this regard including:
- i. (seeking the necessary documents and materials,
 - ii. undertaking inspection,
 - iii. taking possession of the books of accounts, other relevant records (including supporting materials),
 - iv. suspension of trading,
 - v. disabling the trading terminals,
 - vi. issuance of instructions to the Depositories for freezing of demat account(s) maintained by the Trading Member,
 - vii. issuance of instructions to other stock exchanges for suspension of trading and disablement of trading terminals,
 - viii. liquidation/squaring-off the open positions,
 - ix. securing the assets of the Trading Member and directing other trading/clearing members to do so as well,
 - x. directing initiation of forensic audit/s to *inter alia* identify the incidences and causes leading to the instant situation, the person/s responsible for the same (including those who may have suppressed the same) and the assets and liabilities position of the Trading Member,
 - xi. issuing instructions to the bank(s) concerned to freeze the bank account(s) maintained by a Trading Member, for all debits / withdrawal by the Trading

- Member in the event of potential default by such a Trading Member in meeting its obligations to a recognized stock exchange / Clearing Member / Clearing Corporation and / or repayment of funds / securities to his / its clients,
- xii. taking steps for restoration of securities of clients lying with the clearing member, post crystallization of balances in the financial ledger of clients by forensic auditor or as per the Auditor's certificate as may be provided by the Trading Member,
 - xiii. to endeavour to cause the settlement the claims of the clients by way of interim measures, under its supervision,
 - xiv. proceeding against the person/s responsible for the same (including those who may have suppressed the same) in order to prevent them from dealing in securities through the platform of the Exchange and taking recovery actions against them, in accordance with law, including by way of invocation of the bonds/bank guarantees which may have been provided them at the time of admission.
 - xv. taking recovery action, in accordance with law, against the group/associate companies of the Trading Member, including by way of invocation of the bonds/bank guarantees which may have been provided them at the time of admission.
 - xvi. any other measures as may be deemed to be necessary to give effect to the stipulations of this Byelaw or any Circular, guideline, norm, instruction or stipulations (by whatsoever name it is called) issued by SEBI, the Board or the relevant authority from time to time.

Miscellaneous

- (30) The Defaulters' Committee for the purpose of this Chapter shall be a Committee as may be constituted by the Board of Directors from time to time. The composition of Defaulters' Committee shall be such as maybe prescribed by SEBI.
- (31) Notwithstanding anything to the contrary contained in this Chapter, where any securities are lodged for rectification of company objection arising out of signature difference or otherwise against a defaulter, the Exchange or National Securities Clearing Corporation Limited (Clearing Corporation) shall, after satisfying itself about the bonafides of the receiving members/ client of the receiving member, acquire the securities in its own name for the benefit of or in trust for the receiving member/ client of the receiving member. The Exchange/ Clearing Corporation may upon payment of such charges as it may prescribe, sell or otherwise dispose of the securities so acquired or transfer the securities to the receiving member/ client of the receiving member, in full and final satisfaction of the claim; Provided that the Exchange/ Clearing Corporation shall be free to require such receiving member/ client of the receiving member to indemnify the Exchange and Clearing Corporation in such form and manner as it may prescribe, as a condition precedent; Provided further that such payment of sale proceeds or transfer of securities to the receiving member/ client of the receiving member shall discharge the claim completely and no further claim shall lie against the defaulter on any ground whatsoever.

CHAPTER XIII

INVESTOR PROTECTION FUND

- (1) In respect of such market segment of the Exchange as may be prescribed by the Exchange, an Investor Protection Fund (IPF) to be held in trust by National Stock Exchange Investor Protection Fund Trust (Trust) shall be maintained to make good claims for compensation which may be submitted by a trading member's Constituent who suffers loss arising from the said trading member being declared as a defaulter by the Exchange under Chapter XII. No claim of a claimant, who is a Trading Member of the Exchange or an associate of a Trading Member, shall be eligible for compensation from the IPF unless he has acted as a Constituent of the said trading member to the extent permitted by the Exchange.
- (2) Subject to this Part, the amount which any claimant shall be entitled to claim as compensation shall be the amount of the actual loss suffered by him less the amount or value of all monies or other benefits received or receivable by him from any source in reduction of the loss.
- (3) The amount that may be paid under this Part to a claimant shall not exceed such amount as may be decided by the Trust from time to time. The Trust shall disburse the compensation to the claimants as and when claims have been crystallised against the defaulter and admitted for payment by the Trust based on the recommendations, if any, of the Defaulters' Committee and such compensation shall not be more than the maximum amount fixed for a single claim.
- (4) The Trust shall have the power to utilise amounts out of the IPF, subject to maximum permissible limits for each Constituent, in cases mentioned below:
 - (i) In cases where the Trading Member informs the Exchange of his intention to pursue arbitration against the order of the GRC in favour of the Constituent, within 7 days from the date of signing of GRC order, and the admissible claim value is not more than Rupees Twenty Lakhs, then 50% of the admissible claim value or Rs. 2.00 lakhs, whichever is less, shall be released to the Constituent from IPF of the Exchange.
 - (ii) In case the arbitration award is in favour of the Constituent in the matter as mentioned in clause (i) above or Arbitration award in favour of the constituent is not more than Rupees Twenty Lakhs in the matter directly filed for arbitration and the Member conveys his intention of preferring appeal against such arbitral award within 7 days from the date of receipt of the award, then 50% of the award amount or Rs. 3.00 lakhs, whichever is less will be released to the constituent from IPF of the Exchange. The amount released shall exclude the amount already released to the constituent at clause (i) above.

- (iii) In case the appellate arbitration award is in favour of the constituent and the trading member conveys his intention of filing petition in court to set aside the Appellate arbitration award u/s 34 of the Arbitration and Conciliation Act, 1996 within 7 days from the receipt of the Appellate Arbitration Award, then 75% of the amount determined in the appellate arbitration award or Rs. 5.00 lakhs (Rs. Five Lakhs), whichever is less will be released to the Constituent from IPF of the Exchange. The amount released shall exclude the amount already released to the constituent at clause (i) and (ii) above.
- (iv) Before release of the said amounts from the IPF to the Constituent, the Exchange shall obtain appropriate undertaking or indemnity from the Constituent against the release of the amount from IPF, to ensure return of the amount so released to the Constituent, in case the proceedings are decided against the Constituent.
- (v) If it is observed that there is an attempt by Constituent either individually or through collusion with Trading Member(s) or with any other stakeholders, to misuse the clauses (i) to (iv) above, then without prejudice to the powers of SEBI to take action, appropriate action in this regard shall be taken against any such person, by the Relevant Authority, including disqualification of the person so involved from henceforth accessing the benefits of these provisions.
- (vi) The amount released to the Constituent from IPF as per the admissible claim will be replenished back to IPF from the deposit or collaterals or any other amounts, including the blocked amount of the Trading Member available with the Exchange/NSCCL and the balance will be paid to the Constituent in the following cases:
 - (a) The Trading Member informs the Exchange, within 7 days from the date of signing of GRC directions ascertaining the admissible claim amount, his intention to refer the matter to arbitration and fails to refer the matter to arbitration within the prescribed time limit i.e. three years.
 - (b) The Trading Member fails to inform the Exchange his intention to prefer an appeal before Appellate Arbitrators of the Exchange or court or intention to make a request u/s 33 of Arbitration and Conciliation Act, 1996 for rectification or correction of award, against the arbitral award, within 7 days from the date of receipt of award.
 - (c) The Trading Member informs the Exchange his intention to prefer an appeal before Appellate Arbitrators of the Exchange or court but fails to prefer the same within prescribed time limit (one month from date of receipt of award in case of appellate arbitration and three months from date of receipt of award, in case of petition in court). For cases where request is made under Section 33 of Arbitration and Conciliation Act, 1996 for clarification or rectification of award, the one month period in

case of appeal and three months period in case of petition mentioned above will be from the date of receipt of the order passed by arbitrator u/s 33 applications by the Trading Member.

- (d) The matter is decided in favour of the constituent after conclusion of arbitration or appellate arbitration or court proceedings and the Trading Member decides not to pursue the matter further.
- (vii) In case Constituent loses at any stage of the proceedings and decides not to pursue the matter further, then the Constituent shall refund the amount released from IPF, back to the IPF of the Exchange. In case the Constituent fails to make good the amount released out of IPF then the Constituent (based on the PAN of the Constituent) shall not be allowed to trade on any of the Exchanges till such time the Constituent refunds the amount to IPF. Further the securities lying in the demat account(s) of the Constituent shall be frozen till such time as the Constituent refunds the amount to the IPF.
- (viii) The Exchange may be empowered to initiate any proceedings in a court of law for the purpose of recovering any amounts due to the IPF, against such Constituent who fails to make good the amount released to him out of IPF as mentioned in clause (vii) above.
- (5) The Trust shall have the power to utilise corpus and interest earned on the corpus of the IPF for meeting expenses or claims relating to services provided to investors as stipulated by SEBI or Board from time to time.
- (6) Notwithstanding anything contained in any other Byelaw, the Trust shall have the power to utilise the interest income earned on the investments made out of IPF, either in part or whole, for educating investors, creating awareness among the investor community at large and for any research connected therewith or incidental thereto.
- (7) The Exchange shall publish a notice inviting legitimate claimants to file claims against the defaulter within a specified period of time, which shall not be less than one year from the date of declaration of default. The Exchange shall publish the notice in all editions of at least one English national daily with wide circulation and in at least one regional language daily with wide circulation, in the regional language, based on the maximum concentration of the clients of the defaulter from a particular region or state. The said notice shall also be displayed on the premises of the Exchange (including Investor Service Centers) as well as on the website of the Exchange, for the entire specified period.

The notice shall inter alia contain the specified period, the maximum compensation limit for a single claim of a claimant, and emphasize or reiterate that clients of the defaulter who want to lodge their claim shall submit the claim form along with all supporting documents to the Exchange. Apart from the public notice, the Exchange shall send SMS or email messages to all clients of the defaulter to inform them about the declaration of default and invite legitimate claims. The Exchange shall ensure that all clients of the

defaulter have been provided with the information to lodge their claims against the defaulter.

- (8) If any eligible claim arises within three years from the date of expiry of the specified period, such claims:

(a) shall be considered eligible for compensation from the IPF in case where the defaulter's funds are inadequate. In such cases the Trust shall satisfy itself that such claim could not have been filed during the specified period for reasons beyond the control of the claimant.

(b) shall not be considered eligible for compensation from the IPF in case where the surplus funds of the defaulter is returned to the defaulter. The same shall be borne by the Exchange after scrutinising and satisfying itself that such claim could not have been filed during the specified period for reasons beyond the control of the claimant.

- (9) Any claim received after three years from the date of the expiry of the specified period may be dealt with as a civil dispute.

The Exchange shall process the claims in accordance with procedures as may be laid down by Defaulters' Committee and if the assets of the defaulter are insufficient to meet the approved claims, it shall forward the claims along with the recommendations of the Defaulters' Committee to the Trust. However, the Trust need not wait for the realization of the assets of the defaulter before the disbursement towards claims.

- (10) A claim shall also be considered eligible under IPF where the investor has filed complaint for unauthorized transfer of securities due to misuse of Power of Attorney (PoA) by broker, before the disablement/default of the broker and where it is apparent that there is no collusion between the investor and the broker and that the securities were bought on the Exchange platform earlier.

- (11) The Trust in disallowing (whether wholly or partly) a claim for compensation shall serve notice of such disallowance on the claimant.

- (12) The Trust, if satisfied that the default on which the claim is founded was actually committed, may allow the claim and act accordingly.

- (13) The Trust may at any time and from time to time require the claimant to produce and deliver any securities, documents or statements of evidence necessary to support any claim made or necessary for the purpose of establishing his claims and in default of delivery of any such securities, documents or statements of evidence by such claimant, the Trust may disallow any claim by him under this Chapter.

- (14) In case the claim amount is more than the compensation limit under the IPF for each Constituent or the amount recommended by the Member Core Settlement Guarantee Fund Committee is less than the claim amount of the investor, the investor will be at

liberty to prefer for arbitration outside the Exchange mechanism or any other legal forum outside the Exchange mechanism for claim of the balance amount.

- (15) The Exchange shall disseminate its policy on processing investors claims from the IPF on its website including the compensation limit fixed by the Exchange per investor.
- (16) Contributions shall be made by the Exchange to the IPF from the following sources:-
 - (a) 1 % of the listing fees received, on a quarterly basis.
 - (b) 100 % of the interest earned on the 1 % security deposit kept by the issuer companies at the time of the offering of securities for subscription to the public, immediately on refund of the deposit.
 - (c) Penalty collected by the Exchange from trading members for deficiency in modification of client code, if any, pursuant to SEBI Circular No. CIR/DNPD /6/2011 dated July 05, 2011.
 - (d) Penalty collected by the Exchange from trading members for default in pay-in for certain trades during periodic call auction for illiquid scrips, if any, pursuant to SEBI Circular No. CIR/MRD/DP/6/2013 dated February 14, 2023.
 - (e) Penalties collected by the Exchange from listed companies for non-compliance with various requirements of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 pursuant to SEBI Circular No. SEBI/HO/CFD /CMD/CIR/P/2020/12 dated January 22, 2020.
 - (f) Penalty collected from trading members for default in pay-in by an investor in an Offer For Sale (OFS) transaction – 10% of the order value pursuant to SEBI Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/10 dated January 10, 2023.
 - (g) Contribution towards the IPF based on the transaction charges collected from the members of the Exchange, as per the policy of the Exchange.
 - (h) At least 70% of the interest or income received out of any investments made from the IPF.
 - (i) Any other contribution as may be specified by SEBI from time to time.
- (17) The Exchange on a periodic basis shall conduct half-yearly review to ascertain the adequacy of the corpus of the IPF, subject to the circulars/ guidelines/ regulations issued by SEBI from time to time or as suggested by Board. In case the corpus is found to be inadequate, the Exchange shall enhance the corpus of the IPF appropriately.
- (18) The IPF to be held in trust as aforesaid shall vest with the Trust which shall administer the same. The IPF shall be well segregated and shall be immune from any liabilities of the Exchange.
- (19) The Exchange, in consultation with the Trust, shall review and progressively increase

the amount of compensation available against a single claim from an investor, at least once in every three years. The Exchange shall disseminate the compensation limit fixed and any change thereof, to the public through a Press Release and also through website of the Exchange.

- (20) The Trust may seek the advice of the Defaulters' Committee as to the eligibility or otherwise of individual claims of investors.
- (21) The Exchange shall arrange to provide administrative assistance to the Trust to facilitate the processing and settlement of investor claims.
- (22) The claims of the claimants arising out of speculative transactions or which are sham or collusive shall not be eligible for compensation from the IPF.
- (23) The balance of the IPF lying unutilised with the Trust shall continue to be utilised only for such purposes as prescribed by SEBI. In the event of winding up of the Exchange, the balance lying unutilised with the Trust shall be transferred to SEBI. The funds will be maintained in a separate account and SEBI would act as Trustee of these funds to be utilised for purposes of investor education, awareness and research, or for any purpose as may be prescribed by SEBI from time to time.
- (24) Investor Service Fund

The Exchange shall set up an Investor Services Fund in accordance with the terms and conditions prescribed by SEBI from time to time.

CHAPTER XIV

MISCELLANEOUS

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