

# NATIONAL STOCK EXCHANGE

## WHOLESALE DEBT MARKET (TRADING) REGULATIONS

### ARRANGEMENT OF CHAPTERS

<b><u>Chapter</u></b>	<b><u>Description</u></b>
	<b>Introduction</b>
<b>1.</b>	<b>Definitions</b>
<b>2.</b>	<b>Dealings on the Exchange</b>
<b>3.</b>	<b>Dealings in Securities</b>
<b>4.</b>	<b>Conduct of Business by Trading Members</b>
<b>5.</b>	<b>Uniform Practice code on instruments</b>
<b>6.</b>	<b>Listing Regulations</b>
<b>7.</b>	<b>Arbitration</b>
<b>8.</b>	<b>Accounts / Records</b>
<b>9.</b>	<b>Inspection</b>

## **PART A - TRADING REGULATIONS**

### **CONTENTS**

<b>INTRODUCTION .....</b>	
<b>APPLICABILITY .....</b>	
<b>1. DEFINITIONS .....</b>	
1.1 .....	
1.2 .....	
1.3 DEFINITIONS.....	
1.3.1 APPROVED OFFICE.....	
1.3.2 APPROVED WORKSTATION .....	
1.3.3 ASSOCIATE .....	
1.3.4 AUTHORISED PERSON .....	
1.3.5 BOOKS OF ACCOUNTS, RECORDS AND DOCUMENTS	
1.3.6 BRANCH OFFICE .....	
1.3.7 CONSTITUENT .....	
1.3.8 HAND DELIVERY CONTRACT .....	
1.3.9 MARKET TYPE.....	
1.3.10 MEMBER-CONSTITUENT AGREEMENT.....	
1.3.11 NEAT SYSTEM .....	
1.3.12 NSE .....	
1.3.13 RELATIVE .....	
1.3.14 SHUTDOWN PERIOD .....	
1.3.15 SPECIAL DELIVERY CONTRACT.....	
1.3.16 SPOT DELIVERY CONTRACT .....	
1.3.17 TRADE TYPE .....	
1.3.18 TRANSACTION TYPE .....	
1.3.19 USER .....	
<b>2. DEALINGS ON THE EXCHANGE .....</b>	
2.1. TRADING SYSTEM.....	
2.2. TRADING MEMBERS AND USERS.....	
2.3. TRADING DAYS.....	
2.4. TRADING HOURS .....	
2.5. TRADING PARAMETERS .....	
2.6. TRADE TYPES/SETTLEMENT PERIODS/TRANSACTION TYPES	
2.7. FAILURE OF TRADING MEMBER'S / PARTICIPANT'S TERMINAL	

<b>3.</b>	<b>DEALINGS IN SECURITIES.....</b>
3.1.	DEALINGS IN SECURITIES.....
3.2.	TRADE OPERATIONS .....
3.3.	MARGIN REQUIREMENTS .....
3.4.	ORDER MANAGEMENT .....
3.4.1	ORDER TYPE .....
3.4.2	ORDER ATTRIBUTES.....
3.4.3	MODIFICATION AND CANCELLATION OF ORDERS.....
3.4.4	ORDER VALIDATION .....
3.4.5	MATCHING RULES .....
3.5.	CONTRACT NOTE .....
3.6.	BROKERAGE .....
3.7.	NEGOTIATED TRADE MARKET.....
<b>4.</b>	<b>CONDUCT OF BUSINESS BY TRADING MEMBERS .....</b>
4.1	OFFICE RELATED PROCEDURE.....
4.2	SUPERVISION.....
4.2.1	PROCEDURES TO BE FOLLOWED .....
4.2.2	INTERNAL INSPECTIONS .....
4.2.3	WRITTEN APPROVAL .....
4.2.4	QUALIFICATIONS INVESTIGATED .....
4.3	RELATION WITH THE CONSTITUENTS.....
4.4	GUIDELINES GOVERNING RELATIONSHIP BETWEEN TRADING MEMBER AND CONSTITUENT .....
4.5	CODE OF CONDUCT FOR TRADING MEMBERS.....
4.5.1	ADHERENCE TO SEBI CODE OF CONDUCT .....
4.5.2	GENERAL PRINCIPLES .....
4.5.3	TRADING PRINCIPLES .....
4.5.4	GENERAL GUIDELINES .....
4.6	UNFAIR TRADING PRACTICES .....
<b>5.</b>	<b>UNIFORM PRACTICE CODE ON INSTRUMENTS .....</b>
5.1	GENERAL CODE .....
5.2	GOVERNMENT SECURITIES .....
5.3	TREASURY BILLS .....
5.4	PSU BONDS .....

<b>6.</b>	<b>LISTING REGULATIONS .....</b>
<b>7.</b>	<b>ARBITRATION .....</b>
7.1	DEFINITIONS.....
7.2	SEAT OF ARBITRATION .....
7.3	CRITERIA FOR SELECTION OF SEAT OF ARBITRATION .....
7.3 A	JURISDICTION OF COURTS
7.4	REFERENCE OF THE CLAIM, DIFFERENCE OR DISPUTE.....
7.5	CRITERIA AND PROCEDURE FOR SELECTION OF PERSONS ELIGIBLE TO ACT AS ARBITRATORS.....
7.6	PROCEDURE FOR APPOINTMENT OF ARBITRATORS.....
7.7	VACANCY IN THE OFFICE OF THE ARBITRATOR.....
7.8	COST OF ARBITRATION .....
7.9	PROCEDURE FOR ARBITRATION.....
7.10	REQUIREMENT FOR HEARINGS.....
7.11	NOTICE OF HEARING.....
7.12	ADJOURNMENT OF HEARING .....
7.13	ARBITRAL AWARD ON AGREED TERMS .....
7.13 A	ARBITRAL AWARD UNDER CERTAIN CIRCUMSTANCES...
7.14	MAKING OF ARBITRAL AWARD.....
7.15	INTEREST.....
7.16	ARBITRATION FEES AND CHARGES, COSTS, ETC.....
7.17	ADMINISTRATIVE ASSISTANCE WHICH MAY BE PROVIDED BY THE EXCHANGE .....
7.18	MODE OF COMMUNICATION.....
<b>8.</b>	<b>ACCOUNTS/ RECORDS .....</b>
<b>9.</b>	<b>INSPECTION.....</b>
9.1	INSPECTING AUTHORITY .....
9.2	NOTICE .....
9.3	OBLIGATIONS OF A TRADING MEMBER ON INSPECTION .
9.4	SUBMISSION OF REPORT.....

## **ANNEXURES**

1. ----- DELETED-----
2. CONTRACT NOTE
  - A. AS PRINCIPALS

B. AS BROKERS & AGENTS

3. ----DELETED-----

## **INTRODUCTION**

The Regulations framed hereunder shall be known as National Stock Exchange (Wholesale Debt Market) Trading Regulations, 1994.

These Regulations shall be in addition to the provisions of the Securities Contracts (Regulation) Act, 1956, the Securities Contracts (Regulation) Rules, 1957, Securities and Exchange Board of India Act, 1992 and Rules and Byelaws of National Stock Exchange of India Limited (NSEIL), as may be applicable to Trading Members and Participants.

## **APPLICABILITY**

These Regulations (read in conjunction with USER's Manual) shall be applicable to all Trading Members and Participants to the extent specified herein, in the Wholesale Debt Market Segment of National Stock Exchange. They shall be subject to jurisdiction of the Courts of Mumbai irrespective of the place of business of Trading Members in India.

## **1. DEFINITIONS**

**1.1.** Unless in the context it is explicitly stated otherwise, all words and expressions used herein but not defined, and defined in the following, shall have the meanings respectively assigned to them therein:

1. Securities Contracts (Regulation) Act, 1956 and Rules thereunder.
2. Securities and Exchange Board of India Act, 1992 and Rules thereunder
3. Rules and Byelaws of National Stock Exchange of India Limited
4. The Companies Act, 1956.

**1.2** In case a term is defined in more than one Acts then its meaning as defined in that Act or statute which precedes in the above order shall prevail, unless in the context it is explicitly stated otherwise.

### **1.3 DEFINITIONS:**

#### **1.3.1 APPROVED OFFICE**

Approved office means the registered office of a Trading Member including such premises or offices from which the member is allowed by the Exchange to trade on the NEAT system and carry out back office works.

#### **1.3.2 APPROVED WORKSTATION**

Approved workstation refers to such trading workstation of a Trading Member or a Participant comprising computer terminal(s) and all associated equipment installed and connected to the NEAT System and used by the trading member or the Participant for the purpose of market inquiry, execution of orders/trades and settlement of its trades on the NEAT System, and all other actions associated with the trading and settlement on the NEAT System.

#### **1.3.3 ASSOCIATE**

An Associate in relation to a Trading Member which is a body corporate means :

- a) any subsidiary or holding company of the Trading Member
- b) a director, manager, or officer of the Trading Member or any subsidiary or holding company thereof
- c) any partner or relative of any such director or manager
- d) any firm or trust in which such director, manager, partner or relative is a partner or trustee
- e) any other body corporate at any general meeting of which not less than one-third of the total voting power in relation to any matter may be exercised or controlled by the Trading Member or any body corporate, firm, trust or person specified above
- f) a subsidiary of a body corporate specified in (e) above

- g) any company of which one or more directors of the Trading Member whether independently or together with their relatives constitute one-fourth of its Board of Directors
- h) where the Trading Member is a private company or a body corporate having not more than fifty members, any member of the private company or body corporate

#### **1.3.4 AUTHORISED PERSON**

Authorised Person means a person who is employed whether through a contract of employment or otherwise by a Trading Member or a Participant for remuneration (whether by way of salary, commission, allowance or otherwise) expressed in terms of money or capable of being so expressed for any kind of work or activity, manual or otherwise, and who gets his remuneration directly or indirectly from the trading member or the Participant and includes any person employed by or through a contractor and includes any person who is acting in any capacity on behalf of the Trading Member or a Participant for any activity relating to the trades done and executed on the Exchange even if such person is not receiving any consideration or remuneration from the Trading Member or the Participant for the services rendered by him.

##### **Explanation:**

For the purpose of these regulations, the term shall also include any person who is undergoing any kind of training or assigned any project work in pursuance of the requirements of any university or other academic body.

#### **1.3.5 BOOKS OF ACCOUNTS, RECORDS AND DOCUMENTS**

Books of accounts, records and documents include books of accounts, records and documents which are required to be maintained under Chapter 8 of the Regulations of the Exchange and records maintained in a computer or in any magnetic form.

#### **1.3.6 BRANCH OFFICE**

Branch office in relation to a Trading Member means :-

- (a) any establishment described as a branch
- (b) any establishment carrying on either the same or substantially the same activity as that carried on by the head office
- (c) any other place which the Exchange may notify

#### **1.3.7 CONSTITUENT**

A constituent means a person, on whose instructions and, on whose account, the Trading Member enters into any contract for the purchase or sale of any security or does any act in relation thereto.

**Explanation:** For the purpose of these regulations, the term Constituent includes a Participant as defined under the Byelaws of the Exchange unless expressly stated otherwise.



### **1.3.8 HAND DELIVERY CONTRACT**

"Hand delivery contract" means a contract which provides for actual delivery of securities and the payment of a price therefor within the time or on the date stipulated when entering into the contract which time or date shall not be more than fourteen days following the date of the contract.

### **1.3.9 MARKET TYPE**

Market type refers to the different markets in which trading is permitted on the NEAT system and includes Continuous Market, Auction Market and Negotiated Market.

### **1.3.10 MEMBER-CONSTITUENT AGREEMENT**

Member-Constituent agreement is an agreement which is executed between a Trading Member and its constituent as per the Exchange requirements for trades concluded in the NEAT System.

### **1.3.11 NEAT SYSTEM**

NEAT stands for National Exchange for Automated Trading. NEAT System refers to the Trading System of the Exchange.

### **1.3.12 NSE**

NSE means the National Stock Exchange.

### **1.3.13 RELATIVE**

Relative means :-

- (a) a relative as defined in the Companies Act, 1956
- (b) any other person which the Exchange may notify.

### **1.3.14 SHUTDOWN PERIOD**

The Shutdown period in respect of a security means a predetermined period when the security is suspended for trading in NEAT system to facilitate interest payment, redemption, conversion or other corporate actions by the issuer of that security.

### **1.3.15 SPECIAL DELIVERY CONTRACT**

"Special delivery contract" means a contract which provides for the actual delivery of securities and the payment of a price therefor within any time exceeding fourteen days but not exceeding such days as may be prescribed by the Exchange on this behalf following the date of the contract.

### **1.3.16 SPOT DELIVERY CONTRACT**

"Spot delivery contract" means a contract which provides for the actual delivery of securities and the payment of a price therefor either on the same day as the date of the contract or on the next day, the actual period taken for the despatch of the securities or the remittance of money therefor through the post being excluded from the computation of the period aforesaid if the parties to the contract do not reside in the same town or locality.

### **1.3.17 TRADE TYPE**

Trade Type means the types of trades in any security admitted to the official list of the Exchange and includes outright trades called non-repo trades, repo trades, etc.

### **1.3.18 TRANSACTION TYPE**

Transaction type refers to the different transaction types which are permitted on the NEAT System and includes spot delivery transaction, hand delivery transaction and special delivery transaction.

### **1.3.19 USER**

A User is a person as approved by the Exchange under Regulation 2.2.8 of the National Stock Exchange (WDM ) Trading Regulations, 1994.

## **2. DEALINGS ON THE EXCHANGE**

### **2.1 TRADING SYSTEM**

- 2.1.1** The NSE shall provide an Automated Trading facility in all the Securities admitted for dealings on the Wholesale Debt Market (WDM) and such a system shall herein after be referred to as **NEAT** (National Exchange for Automated Trading) system.
- 2.1.2** Trading on the Exchange shall be allowed only through approved Workstation(s) located at approved locations for the office of a Trading Member.
- 2.1.3** Each Trading Member/Participant shall have a unique identification which shall be provided by the Exchange and which shall be used to log on (sign on ) to the system.
- 2.1.4** A Trading Member/Participant shall have a non-exclusive permission to use the Trading system as provided by the Exchange in the ordinary course of business as Trading Member/Participant as the case may be.
- 2.1.5** A Trading Member/Participant shall not have any title, rights or interest with respect to NEAT System, its facilities, software and the information provided by the NEAT.
- 2.1.6** The permission to use the NEAT System shall be subject to payment of such charges as the Exchange may from time to time prescribe, in this regard.
- 2.1.7** A Trading Member/Participant shall not, permit itself or with any other person(s) to:
- (a) use the software provided by the Exchange for any purpose other than the purpose as approved and specified by the Exchange
  - (b) use the software provided by the Exchange on any equipment other than the workstation approved by the Exchange
  - (c) copy, alter, modify or make available to any other person the software provided by the Exchange
  - (d) use the software in any manner other than the manner as specified by the Exchange.
  - (e) attempt directly or indirectly to decompile, disassemble or reverse engineer the same.
- 2.1.8** A Trading Member/Participant shall not, by itself or through any other persons in its behalf, publish, supply, show or make available to any other person or reprocess, retransmit, store, manipulate or use the facilities of the NEAT System or the information provided by the NEAT System except with the explicit approval of the Exchange and in the ordinary course of business to complete the transactions on the Exchange.

**2.1.9** The Exchange shall provide its services on a best effort basis. However the Exchange shall not be liable for failure of the system or for any loss, damage, or other costs arising in any way out of:

- (a) telecom network or system failures including failure of ancillary or associated systems, or fluctuation of power, or other environmental conditions; or
- (b) accident, transportation, neglect, misuse, errors, frauds of the Trading Members/Participant or its employees or agents or any third party; or
- (c) any fault in any attachments or associated equipment (either supplied by the Exchange or approved by the Exchange) which forms or does not form part of the trading workstation installation; or
- (d) act of God, fire, flood, war, act of violence, or any other similar occurrence; or
- (e) any incidental, special or consequential damages including without limitation of loss of profit.

**2.1.10** Without prejudice to anything contained in 2.1.9, such failure shall not reduce, alter the liability of the Trading Member in respect of any trades to which it is a party.

**2.1.11** No Trading Member shall deal on or access the NEAT system or related facilities through another Trading Member or on behalf of another Trading Member, unless the prior approval of the Exchange in writing is obtained in this regard.

**2.1.12 (a)** A Trading Member shall not deal with another Trading Member/Sub-broker for proprietary trading or for trading on behalf of Constituents, unless the prior permission of the Exchange in writing is obtained in this regard. The Exchange while granting such permission shall consider the reasons stated by the Trading Member and after carrying out due diligence may allow such Trading Member to deal with only one Trading Member/Sub-broker of the Exchange.

(b) A Trading Member can deal with only one broker / sub-broker of another stock exchange for proprietary trading after intimating the name of such broker /sub-broker to the Exchange.

(c) A Trading Member can deal with only one broker of another stock exchange on behalf of Constituents after necessary registration as a sub-broker.

## **2.2 TRADING MEMBERS AND USERS**

**2.2.1** Trading Members and Participants shall be entitled to appoint Users in their own exclusive employment with the approval of the Exchange, to operate the Workstation(s) approved by the Exchange.

**2.2.2** Each Trading Member/Participant shall be permitted to appoint such number of Users as may be notified from time to time by the Exchange.

- 2.2.3** The appointment of Users shall be subject to such terms and conditions as the Exchange may from time to time prescribe.
- 2.2.4** Each User shall be given a unique identification number through which he shall have access to the system.
- 2.2.5** A User can access the system through a password and can change such password from time to time.
- 2.2.6** A Trading Member/Participant or its Users thereof shall maintain complete secrecy of its password.
- 2.2.7** A User shall be required to change his password at the end of the password expiry period. The password expiry period shall be prescribed by the Exchange from time to time.
- 2.2.8** (a) Only persons who are registered as Trading Members and Participants in accordance with provisions of the Rules, Byelaws and Regulations of the Exchange or are Authorised Persons of Trading Members, for whom an application has been made to the Exchange by the Trading Members in accordance with the format specified by the Managing Director from time to time, may be approved as User.
- (b) No person shall be admitted as a User who is under 21 years of age.
- (c) No person shall be admitted as a User who has been declared a defaulter on the Exchange or any other Stock Exchange.
- (d) No Trading Member/Participant shall without permission of the Exchange take into his employment a former Trading Member or User of such Trading Member as a User, if such Trading Member or User is one against whom any disciplinary action has been taken by the Exchange or any other Stock Exchange.
- 2.2.9** The Exchange shall have a right to reject any application made under 2.2.8 (a) or at any time withdraw any approval previously granted, or suspend a User temporarily from access to the system. Such suspension may be conditional and may be revoked on the fulfillment of condition specified, if any, to the satisfaction of the Exchange.
- 2.2.10** A Trading Member/Participant desiring to change the user identification number (ID) or cancel the authority given to its user to operate the trading system on its behalf shall intimate the Exchange in writing, in such form and manner as the Exchange may specify, immediately on taking such action and obtain confirmation from the Exchange of having received such intimation, and of the disabling of the particular User by the Exchange. However the Trading Member/Participant will continue to be liable for all the activities reported on the basis of such or previous user ID undertaken upto a period of 24 hours after his obtaining a confirmation as mentioned above from the Exchange. The Trading Member shall cancel all his outstanding orders in respect of such User.

- 2.2.11** Whenever a User engaged by the Trading Member/Participant ceases to act in such or any capacity with the Trading Member then each such Trading Member shall inform the Exchange, within 24 hours, the name and other particulars of such USER including his password.
- 2.2.12** No application shall be made by any Trading Member/Participant under 2.2.8(a), if such a person for whom such an application is made, is already an approved user of any other Trading Member/Participant.
- 2.2.13** The Exchange shall notify different levels of the users for each workstation provided. These levels shall define the access to the system by the users and shall include a provision for inquiry only on the terminal, provision for order entry and dealing, provision for setting counter-party exposure limits only or such others as may be specified by the Exchange.
- 2.2.14** A Trading Member/Participant, shall not access the trading system using a different Trading Member/Participant or User Id other than the one allotted to it .
- 2.2.15** A User shall not attempt to aid in or access the trading system using the Trading Member identification from a location other than the Trading Member's location, unless it has the express prior approval of the Trading Member for whom it is an approved User.
- 2.2.16** A Trading Member/Participant who wants the Exchange to reset his password, has to make a request in writing signed by the Trading Member/Participant indicating its Trading Member ID and User ID. A Trading Member/Participant shall not make a request for resetting the password of any other Trading Member/Participant.

## **2.3 TRADING DAYS**

- 2.3.1** The Exchange shall operate on all days except Sundays and on such Exchange holidays as the Exchange may declare from time to time.
- 2.3.2** The Exchange may close the market on days other than or in addition to scheduled holidays or open the market on days originally declared to be holidays under 2.3.1 to be called unscheduled opening or closing of the markets or segments and the decision of the Exchange in this matter shall be final and binding.

## **2.4 TRADING HOURS**

- 2.4.1** The Exchange shall announce the normal trading hours for every calendar year in advance, segmentwise.
- 2.4.2** The Exchange may extend, advance or reduce trading hours by notifying Trading Members as and when it deems fit and necessary in this regard.

## **2.5 TRADING PARAMETERS**

- 2.5.1** The Exchange shall from time to time specify various trading parameters relating to the NEAT System.
- 2.5.2** The Exchange shall from time to time prescribe different order books that shall be maintained on the NEAT System and shall specify such special terms including '**MINIMUM FILL**' and '**ALL OR NONE**' and other order attributes such as '**UNDISCLOSED VALUE**', '**IMMEDIATE OR CANCEL**' and '**ON STOP**' for the various securities available for trading for each of these order books.
- 2.5.3** The Exchange shall specify the minimum disclosed value for orders that will be allowed.
- 2.5.4** The Exchange shall specify the number of days after which Good Till Cancelled orders will be cancelled by the system.
- 2.5.5** The Exchange may change the status of the user from Trader to Inquiry only or Inquiry only to Trader where circumstances warrant without giving any reasons thereof.
- 2.5.6** The Exchange shall specify from time to time the minimum order size and incremental value in which orders can be placed for securities listed on the Exchange.
- 2.5.7** The Exchange shall specify from time to time price steps in which orders shall be entered on the trading system of the Exchange.
- 2.5.8** The Exchange shall specify the maximum and/or minimum number of days for which Repo trades will be allowed by the Exchange.

## **2.6 TRADE TYPES/SETTLEMENT PERIODS/TRANSACTION TYPES**

- 2.6.1** The Exchange shall permit and notify different kinds of trades in the securities included in the official list of NSE securities which shall include :
- (a) Outright purchase and sale called non repo trades
  - (b) Repo trades
- 2.6.2** The Exchange shall prescribe from time to time different trade types, market types, nature of dealings in call segment that will be permitted to Trading Members or Participants or securities or segments.
- 2.6.3** The Exchange shall permit and notify different types of settlement periods for different segments, securities, transaction types, Trading Members and Participants which shall include :
- (a) Same day settlement
  - (b) Next day settlement
  - (c) Other days settlement

- 2.6.4** The Exchange shall permit 'other days settlement' for such maximum number of days as specified by it from time to time.
- 2.6.5** As and when repo trades are permitted by the Exchange for any of the settlement periods as per Regulations 2.6.2 to 2.6.4 above, the repo term for it shall not exceed such number of days as announced by the Exchange from time to time, and such repo term shall be reckoned as the period between settlement of the ready leg of the transaction and the settlement of the forward leg of the transaction.
- 2.6.6** The Exchange shall allow from time to time different transactions types which shall include :
- (a) Transaction for spot delivery
  - (b) Transaction for hand delivery
  - (c) Transaction for special delivery

**2.7 FAILURE OF TRADING MEMBERS'/PARTICIPANTS' TERMINAL**

In the event of failure of Trading Members'/Participants' workstation and or the loss of access to the NEAT system, the Exchange may at its discretion undertake on behalf of the Trading Member/Participant (although not guarantee) to carry out the necessary functions which the Trading Member/Participant is eligible on a valid request from such Trading Member/Participant subject to such terms and conditions which the Exchange may deem necessary to be imposed. The Exchange shall entertain such request only if such request is made in writing (including a fax message, so communicated) in a clear and precise manner by the Trading Member and in a manner as prescribed by the Exchange. The Trading Member/Participant shall be accountable for the functions executed by the Exchange on its behalf and shall indemnify the Exchange against any losses or costs arising out of the above situation.



### **3. DEALINGS IN SECURITIES**

#### **3.1. DEALINGS IN SECURITIES**

- 3.1.1** Dealings shall be permitted on the Exchange in securities which are admitted for dealings on the trading segments of the Exchange for such categories of Trading Members and Participants, trade types, market types, settlement periods and for such trading hours as the Exchange may specify from time to time.
- 3.1.2** The Exchange may at its discretion at any time suspend trading in particular securities as it deems fit. Such suspension shall take effect, on such conditions and in such time and manner as the Exchange may prescribe in this regard.
- 3.1.3** The Exchange may also revoke suspension of trading in securities at any time.
- 3.1.4** Trading Members may trade on the NEAT System in securities admitted for dealing on the trading segments of the Exchange either on behalf of their Constituents or on their own account unless otherwise specified by the relevant authority and trading shall be subject to such conditions as the Exchange may prescribe from time to time.
- 3.1.5** The Exchange may, at any time restrict conditionally or unconditionally a Trading Member or Participant from dealing in a specified security.
- 3.1.6** The Trading Member/ Participant shall continue to be liable for all trades executed on the system prior to suspension of the Trading Member/ Participant.
- 3.1.7** Every Trading Member shall comply with the SEBI (Central Database of Market Participants) Regulations, 2003. The Trading Member shall ensure that its Constituents comply with the SEBI (Central Database of Market Participants) Regulations, 2003.

#### **3.2. TRADE OPERATIONS**

- 3.2.1** Trading Members shall ensure that appropriate confirmed order instructions are obtained from the Participant before placement of an order on the system and shall keep relevant records or documents of the same and of the completion or otherwise of these orders thereof.
- 3.2.2** The Trading Member shall make available to his constituent the NEAT order number and copies of the order confirmation slip / modification slip.
- 3.2.3** Where the Trading Member has accumulated the orders of several Constituents to meet the requirement of the Minimum order size it may give its own Order Number referred to as the Trading Member Order Number, along with a reference to the NEAT Order Number, to the Constituent.
- 3.2.4** The procedures and conditions for amendment or cancellation of orders would be subject to and as specified by the Exchange from time to time.

- 3.2.5** Trading Members shall be solely responsible for the accuracy of details of orders entered into the trading system. The Trading Member shall be wholly responsible for any errors in order entry either on behalf of a Constituent and shall be liable to settle the commitment on such transaction. Where such orders are entered on behalf of Participants, the onus shall be on the Trading Member to ensure that there was no error on its part, whereon the Participant shall be liable for settling the transaction, so however that where the error has been committed by the Trading Member, it shall be responsible for the settlement of the transaction.
- 3.2.6** Whenever a Trading Member puts an order on behalf of a Participant it shall be required to give the correct identity of such Participant failing which the Trading Member shall be responsible for the settlement of a trade resulting out of such order.
- 3.2.7** A potential trade match shall be subject to validation for turnover limits. A turnover limit refers to the maximum value of trades that a Participant/Trading Member will be permitted to execute on the trading system. Subject to the provisions relating to capital adequacy norms and turnover limits as may be specified by SEBI or other regulatory authorities from time to time, turnover limits shall be prescribed by the Exchange, Participantwise, Trading Memberwise and securitywise for all transactions done by him on the Exchange. The Exchange may specify from time to time the manner in which all regulations relating to turnover limits shall apply.
- 3.2.8** Trades generated on the system are irrevocable and 'locked in'. The Exchange may specify from time to time the markets in which trade cancellation can be effected.
- 3.2.9** The Exchange may approve or cancel any request of a trade cancellation made by a Trading Member on behalf of a Constituent. The Exchange may cancel a trade suo-motu at any time without giving any reason thereof and such cancellation shall be final and binding upon the parties to the trade.

### **3.3 MARGIN REQUIREMENTS**

- 3.3.1** Subject to the provisions as contained in the Exchange Rules, Bye-laws and such other regulations as may be in force, every Participant/Trading Member shall in respect of trades in which it is a party, deposit a margin with Exchange authorities, in the manner and to the extent specified by the Exchange. Where a margin is payable by a Participant, it shall pay such margins directly to the Exchange.
- 3.3.2** The Exchange shall prescribe from time to time the securities, the settlement periods, trade types and transaction types and market segments for which margin would be attracted.
- 3.3.3** The margin shall be deposited with the Exchange within such time as may be notified by the Exchange from time to time.

- 3.3.4** The Exchange shall prescribe from time to time such categories of securities that would be eligible as a margin deposit as also the method of valuation and amount of securities that would be required to be so deposited against the margin amount.
- 3.3.5** The Exchange shall at any time, exempt any Trading Member/Participant or category of Trading Members/Participants from all or any of the margin requirements stipulated or modify the specific requirements for a Trading Member/Participant.
- 3.3.6** The procedure for refund/adjustment of margins will be such as may be notified by the Exchange from time to time.

#### **3.4 ORDER MANAGEMENT**

##### **3.4.1 ORDER TYPE**

The Exchange shall stipulate from time to time, the kinds of orders that a Trading Member can place in the system which may include Normal order, Special Term order, etc. as also the order attributes that it could place thereon.

##### **3.4.2 ORDER ATTRIBUTES**

- (a) The Exchange shall from time to time allow various order attributes subject to restrictions as prescribed in the trading parameters, which will include
  - (i) ON STOP
  - (ii) UNDISCLOSED VALUE
  - (iii) IMMEDIATE OR CANCEL
  - (iv) GOOD TILL DAY
  - (v) GOOD TILL CANCELED
  - (vi) GOOD TILL DATE
- (b) The attributes of special term order shall be specified by the Exchange from time to time and shall include
  - (i) MINIMUM FILL
  - (ii) ALL OR NONE
- (c) The Exchange shall specify the order types and order attributes permitted for different market types, trade types, transaction types etc.

##### **3.4.3 MODIFICATION AND CANCELLATION OF ORDERS**

- (a) A Trading Member shall be permitted to modify or cancel its orders, provided a trade has not already taken place in respect of that order.
- (b) The order can be modified by effecting changes in the order input parameters in the manner and on such condition as specified by the Exchange.
- (c) The modified order shall lose or retain its time priority as per the trading parameter set by the Exchange.

##### **3.4.4 ORDER VALIDATION**

Orders entered into the System by Trading Members shall be subject to various validation requirements as prescribed by the Exchange from time to time

including trading parameters or other restrictions placed on trading securities, turnover limits, counter party exposure limits, etc. Orders that do not meet the validation checks will not be accepted by the System.

### **3.4.5 MATCHING RULES**

- (a) The Exchange shall specify from time to time the kinds of order books that shall be maintained on the system and the matching rules and parameters that shall be followed therein.
- (b) The Exchange may modify or change the matching algorithms relevant to any market or order books any time where it is necessary to do so.
- (c) Where the Exchange feels that it is in the interests of the market to do so, it may at any time make unavailable any particular order books or forms of matching, in the case of a particular security or Trading Member or to the market as a whole.
- (d) Without prejudice to the generality of the above, the order matching rules would include the following:
  - (i) Orders in the Continuous market will be matched on price -time priority basis.
  - (ii) The best buy order shall match with the best sell order i.e. for trading on price, a buyer gets the lowest sell order available on the system, and a seller gets the highest buy order available on the system.
- (e) The trading system shall store orders for the purpose of matching in different order books including:
  - (i) Board lot book.
  - (ii) Special Term book.
  - (iii) On Stop order book.
- (f) The Exchange may provide manual matching facility for specific categories of order books and such manual matching will be subject to the approval of the Exchange as per the trading parameters set by the Exchange and notified from time to time.

### **3.5 CONTRACT NOTE**

- 3.5.1 Every Trading Member shall issue a contract note to its constituents for trades executed in such format as may be prescribed by the Exchange from time to time with all relevant details as required therein to be filled in, and issued in such manner and within such time as prescribed by the Exchange.
- 3.5.2 A contract note shall be signed by a Trading Member or its Authorised signatory or constituted Attorney.
- 3.5A Notwithstanding anything contained in Regulation 3.5, a contract note may also be issued by a Trading Member in electronic form in such format as may be prescribed by the Exchange from time to time duly authenticated by means of a

digital signature as specified in the Information Technology Act, 2000 and the Rules made thereunder.

### **3.6 BROKERAGE**

- 3.6.1 All the orders entered on the NEAT shall be at prices/rates exclusive of brokerage.
- 3.6.2 A Trading Member shall charge brokerage at rates not exceeding such scale as the Exchange may from time to time prescribe.
- 3.6.3 A Trading Member shall charge brokerage and any other levies separately to its Constituents and this shall be indicated separately from the price, in the contract note.

### **3.7 NEGOTIATED TRADE MARKET**

- 3.7.1 The Exchange may permit trading members from time to time to enter trades on the Negotiated trade market. A negotiated trade or the orders underlying the trades shall be subject to all validation requirements as prescribed by the Exchange from time to time. Such trades will be subject to and shall comply with all provisions relating to all trades on the Exchange except where such provisions are specifically made inapplicable.
- 3.7.2 All negotiated trades entered into on the NEAT system shall be subject to the approval of the Exchange. The Exchange shall have a right to approve or cancel a negotiated trade or throw open both the orders of the trade for Participation without giving any reasons thereof.
- 3.7.3 The Exchange may disallow specific securities, settlement types, transaction types, trade types, order types, members or participants for the purpose of effecting trades on the negotiated trade market.

## **4. CONDUCT OF BUSINESS BY TRADING MEMBERS**

### **4.1 OFFICE RELATED PROCEDURE**

- 4.1.1** No Trading Member shall carry on in any office or premises any activity connected with or pertaining to its operations as a Trading Member of the Exchange unless it has intimated to the Exchange the full address of such office or premises with details of the activity proposed to be so carried on therein and the person in whose supervision and control it is to be so carried on.
- 4.1.2** Each office, department for trading on the NSE, shall be under the supervision and control of the Trading Member establishing it and of the personnel delegated such authority and responsibility in this regard.
- 4.1.3** Every Trading Member shall ensure that all persons acting in his behalf on the NEAT System adhere to high standards of professional expertise and integrity.
- 4.1.4** Each Trading Member shall at all times maintain such infrastructure, staff, communication facilities and back office records so as to be able to service its constituents satisfactorily.
- 4.1.5** Where the Exchange feels it necessary, in the public interest to do so, it may at its own instance or on a complaint from another Trading Member or Constituent, seek explanation from the Trading Member regarding the efficiency of service or professional conduct of the Trading Member or any of his staff where such service or conduct has been found unsatisfactory or contrary to principles enumerated in the Exchange Rules, Byelaws and Regulations, or notifications, directions or circulars issued thereunder.

### **4.2 SUPERVISION**

#### **4.2.1 PROCEDURES TO BE FOLLOWED**

- (a) Each Trading Member shall establish, maintain, and enforce procedures to supervise its business and to supervise the activities of its employees that are reasonably designed to achieve compliance with the NSE Rules, Byelaws and Regulations and any notifications, directions etc. issued thereunder as well as the relevant statutory Acts.
- (b) A Trading Member shall maintain an internal record of the names of all persons who are designated as supervisory personnel and the dates for which such designation is or was effective. Such record shall be preserved by the Trading Member for a period of not less than three years.
- (c) Every Trading Member shall execute a Power of Attorney in favour of person or persons, who may be authorised to transact on behalf of the Trading Member and to do such acts which Trading Member may wish to delegate to such person, and make available a copy of such power of attorney whenever called for by the Exchange in this behalf.
- (d) A Trading Member shall maintain such records and make available to inspection by any person authorised in this behalf by the Exchange, the

information related to such Trading Member's financial condition as prescribed by the Exchange for this purpose.

- (e) A Trading Member shall pay such fees, charges and other sum as the Exchange may notify from time to time, in such time and manner as required by the Exchange.
- (f) No Trading Member shall permit or effect or cause to be permitted or effected any change in the status or constitution, or enlargement, modification or restriction of its activities or operations, or commencement, modification or termination of any arrangement or understanding (not being an agreement executed with a constituent in terms of the Regulations) with any entity with respect to its operations as a Trading Member, unless the prior approval of the Exchange in writing is obtained in respect thereof.

#### **4.2.2 INTERNAL INSPECTIONS**

Each Trading Member shall conduct a review, at least annually, of the business in which it engages, which shall be reasonably designed to assist in detecting and preventing violations of and achieving compliance with Rules, Byelaws and Regulations of the Exchange.

#### **4.2.3 WRITTEN APPROVAL**

Each Trading Member shall establish procedures for the review and endorsement by an appropriate senior officer in writing, on an internal record, of all transactions and all correspondence of its employees pertaining to the solicitation or execution of any securities transaction.

#### **4.2.4 QUALIFICATIONS INVESTIGATED**

Each Trading Member shall have the responsibility and duty to ascertain the good character, business repute, qualifications and experience of any person prior to making such certification in the application of such person for registration with the Exchange as User.

### **4.3 RELATION WITH THE CONSTITUENTS**

- 4.3.1** Every Trading Member shall enter into an agreement with each of its constituents before accepting or placing orders on the constituent's behalf. Such agreement, shall include provisions specified by the Exchange in this behalf and shall be in such format as may be prescribed by the Exchange from time to time. The term constituent herein shall not include a Participant. The Exchange may categorise constituents into such types as may be necessary for the above purpose and specify the clauses to be included in agreements to be entered into by the Trading Member depending on the category of such constituent. However the Trading Member's responsibility shall not in any way be reduced due to non-execution of agreement with the constituent;

Provided however, a Trading Member and a Constituent, who is a SEBI registered Foreign Institutional Investor, Mutual Fund, Venture Capital Fund and Foreign Venture Capital Investor, Scheduled Commercial Bank, Multilateral and Bilateral

Development Financial Institution, State Industrial Development Corporation, Insurance Company registered with IRDA and Public Financial Institution as defined under Section 4A of the Companies Act, 1956, may, at their discretion, decide about the requirement of entering into such agreement.

- 4.3.2** When establishing a relationship with a new Constituent, Trading Members must take reasonable steps to assess the background, genuineness, financial soundness and its investment objectives by obtaining from the new constituent a Constituent Registration Form in such format as may be prescribed by the Exchange from time to time;

Provided however, a Trading Member may, at his discretion, not obtain Constituent Registration Form from a Constituent, who is a SEBI registered Foreign Institutional Investor, Mutual Fund, Venture Capital Fund and Foreign Venture Capital Investor, Scheduled Commercial Bank, Multilateral and Bilateral Development Financial Institution, State Industrial Development Corporation, Insurance Company registered with IRDA and Public Financial Institution as defined under Section 4A of the Companies Act, 1956.

- 4.3.3** A Trading Member shall make the constituent aware of the precise nature of the Trading Member's liability for business to be conducted, including any limitations on that liability and the capacity in which the Trading Member acts and the constituents' liability thereon.

- 4.3.4** A Trading Member shall provide extracts of relevant provisions governing the rights and obligations of constituents as constituents of Trading Members including Participants as prescribed in the Rules, Byelaws and Regulations, relevant manuals, notifications, circulars, any additions or amendments thereto etc. of the Exchange, or of any regulatory authority, to the extent it governs the relationship between Trading Members and constituents, to the constituents at no extra cost. The Trading Member shall also bring to the notice of its constituents, including Participants any indictments, penalties etc. imposed on it by the Exchange or any other regulatory authority.

- 4.3.5** Recommendations to the constituents:

- (a) A Trading Member shall make adequate disclosures of relevant material information in its dealing with its constituents.
- (b) No Trading Member or person associated with the Trading Member shall guarantee a constituent against a loss in any securities transactions effected by the Trading Member with or for such constituent.
- (c) A Trading Member shall not encourage sales or purchases of securities with the sole object of generating brokerage or commission.

#### **4.4 GUIDELINES GOVERNING RELATIONSHIP BETWEEN TRADING MEMBER AND CONSTITUENT**

- 4.4.1** A Trading Member shall not recommend to the constituent a sale or purchase of securities traded on the NEAT System, unless it has reasonable grounds to believe that such recommendation is suitable for the constituent on the basis of the facts,



if any, disclosed by the constituent, whether in writing or orally, regarding the constituent's security holdings, financial soundness and investment objectives;

- 4.4.2** A Trading Member shall make adequate disclosures of relevant material information in dealing with the constituent including the current best price and trade or order values on the NEAT System, as also any allocation policy inter se constituents, any relevant announcement from the Exchange relating to margin, trading restrictions as to price, volume or where the Trading Member is the counter party to a trade executed on the NEAT with the constituent.
- 4.4.3** Where a Trading Member manages a discretionary account for or on behalf of the constituent, it agrees to abide by the Securities and Exchange Board of India (Portfolio Managers) Rules and Regulations, 1993.
- 4.4.4** A Trading Member shall not furnish any false or misleading information or advice with a view to inducing the constituent to do business in particular securities and which will enable the Trading Member to earn a gain thereby.
- 4.4.5** A Trading Member shall explain the NEAT Trading System and order matching process to the constituent before accepting any orders from it.
- 4.4.6** Where a constituent requires an order to be placed or any of its order to be modified after the order has been entered in the system but has not been executed, the Trading Member shall ensure that it obtains order placement/modification details in writing from the constituent. The Trading Member shall accordingly provide the constituent with the relevant order confirmation/modification slip or copy thereof, forthwith.
- 4.4.7** Where a constituent requires any of his orders to be cancelled after the order has been entered in the system but has not been executed, the Trading Member shall obtain the order cancellation details in writing from the constituent. The Trading Member shall accordingly provide the constituent with the relevant order cancellation details, forthwith.
- 4.4.8** A Trading Member shall obtain in writing, the delivery and settlement/payment requirement in any instructions of a order that it receives from the constituent. Where a Trading Member receives a request for order modification or order cancellation from the constituent, it shall duly bring it to their notice that if the order results in a trade in the meanwhile, the requests cannot be executed.
- 4.4.9** A Trading Member shall not accumulate constituent's order / unexecuted balances of order where such aggregate orders / aggregate of unexecuted balance is greater than the minimum order size and in multiples thereof, specified for that security by the Exchange.
- 4.4.10** Where a Trading Member is required to accumulate Constituent's orders/unexecuted balance of orders, for the reason that the order is less than the minimum order size/increment thereof specified by the Exchange, the Trading Member shall disclose the accumulation to the Constituent, and also provide it with a Trading Member order number, which will represent the order number

provided serially to the Constituent's order in the register maintained for the purpose by the Trading Member.

**4.4.11** Where an accumulated order results in a trade, the Trading Member shall apply the following rules for price allocation :-

- between orders of two Constituents, the earlier order accumulated shall get the better price
- between Constituents and own orders, Constituent's orders shall get the better price

**4.4.12** A Trading Member agrees to act promptly in accordance with instructions provided by the Constituent unless it has discretion as to timing, in which case it must exercise its judgment as to the best moment.

**4.4.13** A Trading Member shall provide its constituent with a copy of the trade confirmation slip as generated on the NEAT System, forthwith on execution of the trade and with a contract note for the trade within 24 hours of the execution of the trade.

**4.4.14** In addition to the guidelines issued by SEBI relating to the Regulation of transactions between clients and brokers, Trading Member shall at all times keep the moneys of the constituent in a separate bank account.

**4.4.15** Where a Trading Member is required to pay margin money on transaction executed on behalf of a constituent other than a Participant, it may collect the same from the constituent in such form and manner as may be prescribed by the Exchange. It shall not exceed the margin money actually paid or payable by the member to the Exchange and shall be collected in the form in which the Trading Member is required to pay the same.

## **4.5 CODE OF CONDUCT FOR TRADING MEMBERS**

### **4.5.1 ADHERENCE TO SEBI CODE OF CONDUCT**

A Trading Member shall at all times subscribe to the Code of Conduct as prescribed by the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers ) Regulations, 1992.

### **4.5.2 GENERAL PRINCIPLES**

- (a) **Professionalism** : A Trading Member in the conduct of its business, shall observe high standards of commercial honour of just and equitable principles of trade.
- (b) **Adherence to Byelaws**: Trading Members shall adhere to the Rules, Byelaws and Regulations of the Exchange and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the relevant authority as may be applicable from time to time.

- (c) **Honesty and Fairness:** In conducting its business activities, a Trading Member shall act honestly and fairly, in the best interests of its constituents.
- (d) **Capabilities :** A Trading Member shall have and employ effectively the resources and procedures which are needed for the proper performance of his business activities.

#### 4.5.3 TRADING PRINCIPLES

- (a) Trading Members and Participants shall ensure that the fiduciary and other obligations imposed on them and their staff by the various statutory Acts, Rules and Regulations are complied with.
- (b) Trading Members and Participants shall ensure -
  - (i) That any authorised person who commits the Trading Member or Participant to a transaction has the necessary authority to do so
  - (ii) That authorised persons are adequately trained in operating in the relevant market segment in which they deal, are aware of their own, and their organization's responsibilities as well as the relevant Statutory Acts governing the Trading Member, the Rules, Regulations and Bye-laws of the Exchange including any additions or amendments thereto.
- (c) Trading Members/Participants shall be responsible for the actions of its authorised persons in the course of business.
- (d) When entering into transactions on behalf of constituents, Trading Members shall ensure that they abide by the Code of Conduct and regulations as enumerated in the CHAPTER 4 of these regulations.
- (e) No Trading Member or person associated with a Trading Member shall make improper use of constituent's securities or funds.
- (f) No Trading Member shall publish and circulate or cause to be published or circulated, any notice, circular, advertisement, newspaper article, investment service or communication of any kind which purports to report any transaction as a purchase or sale of any security unless such Trading Member believes that such transaction was a bonafide purchase or sale of such security; or which purports to quote the purchase/sale price for any security unless such Trading Member believes that such quotation represents a bonafide order of such security.
- (g) When entering into or arranging transactions, Trading Members must ensure that at all times great care is taken not to misrepresent in any way the nature of transaction.
- (h) No Trading Member shall exercise any discretionary power in a Constituent's account unless such Constituent has given prior written authorization and the account has been accepted by the Trading Member, as evidenced in writing by the Trading Member.
- (i) A Trading Member shall not act as a principal or enter into any agreement or arrangement with a Constituent whereby special or unusual rates are

given with intent to give special or unusual advantage to such Constituent for purpose of securing its business.

- (j) A Trading Member shall always place Constituent's orders before its own orders.

#### **4.5.4 GENERAL GUIDELINES**

A Trading Member shall desist from the following trading practices while conducting business on the Exchange.

- (a) **Shielding or Assisting:**

No Trading Member shall shield or assist or omit to report any Trading Member whom it has known to have committed a breach or evasion of any Rules, Bye-Laws or Regulations of the Exchange or of any resolution, order, notice or direction thereunder issued by the Exchange.

- (b) **Short sales :**

No Trading Member shall for its own account or for account of any other person, effect on the Exchange any short sales of a security admitted to dealings on the Exchange. In this rule, 'short sale' means a sale of a security where at the time of the sale, the seller does not have a presently exercisable and unconditional right to vest the security in the buyer.

- (c) **Suspended Securities**

Except with the permission of the Exchange, business shall not be transacted by the Trading Member in securities which have been suspended from official quotation.

- (d) **Misleading Transactions**

A Trading Member shall not:

- (i) make bids and/or offers for securities with the intention of creating a false or misleading appearance with respect to the market for, or the price of any security or;
- (ii) make a transaction or give an order for the purchase or sale of securities, the execution of which would involve no change of beneficial ownership, unless the Trading Member had no knowledge that the transaction would not involve a change in the beneficial ownership of securities.

- (e) **Use of information obtained in Fiduciary Capacity**

A Trading Member who in the capacity of paying agent, transfer agent, trustee, or in any other similar capacity, has received information as to the ownership of securities, shall under no circumstances make use of such information for the purpose of soliciting purchases, sales except at the request and on behalf of the issuer.

#### **4.6 UNFAIR TRADING PRACTICES**

- 4.6.1** No Trading Member shall execute or cause to be executed or participate in an account for which there are executed purchases of any eligible security at

successively higher prices, or sales of any such security at successively lower prices, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

**4.6.2** No Trading Member shall, for the purpose of creating or inducing a false or misleading appearance of activity in an eligible security or creating or inducing a false or misleading appearance with respect to the market in such security;

- (a) enter any order or orders for the purchase of such security with knowledge that an order or orders of substantially the same size, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties, or
- (b) enter any order or orders for the sale of such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price for the purchase of such security has been or will be entered by or for the same or different parties.

## **5. UNIFORM PRACTICE CODE ON INSTRUMENTS**

### **5.1 GENERAL CODE**

- 5.1.1 All outright transactions shall be quoted and concluded on a 'price' basis.
- 5.1.2 All repo transactions shall be concluded on a repo rate basis for a repo term.
- 5.1.3 All transactions shall be concluded on a nominal order value.
- 5.1.4 No securities will be traded during their respective shut down periods/ book closure periods.
- 5.1.5 All settlements due on holidays shall be postponed to the next working day and considerations recomputed at the originally contracted conditions, unless otherwise determined by the Exchange.
- 5.1.6 All calculations shall be rounded off to the fourth decimal place in case of price, and to the second decimal place in case of consideration.
- 5.1.7 All considerations due shall be calculated after providing for notional Tax Deducted at Source where applicable.
- 5.1.8 Interest bearing instruments shall be settled including the accrued interest component thereof.
- 5.1.9 All reference to days in the trading system including settlement shall refer to working days basis except repo term which shall be on calendar days basis.

### **5.2 GOVERNMENT SECURITIES**

- 5.2.1 All Government Securities (G-Secs) shall be traded at a gross rate.
- 5.2.2 All interest shall be calculated on coupon basis of 360 days, with interest accruing for 30 days every month.
- 5.2.3 Notional Tax Deducted at Source shall be computed at the standard rate on all accrued interest prorata.
- 5.2.4 All G-secs shall be quoted to a face value of Rs. 100.
- 5.2.5 All repo yields on G-secs however will be calculated on a 365 day coupon basis.

### **5.3 TREASURY BILLS**

- 5.3.1 All Treasury bills (T-bills) shall be traded at the discounted price denominated to 100.
- 5.3.2 Discount thereof will be calculated depending on the tenor of the bill.
- 5.3.3 All repo yields on T-bills will be calculated on a 365 day basis and will refer to the yield and not discount for the repo term.

### **5.4 PSU BONDS**

- 5.4.1 All PSU bonds though with differing face values shall be denominated to and quoted to a par value of 100.
- 5.4.2 Interest accrued will be calculated on a 365 day coupon basis with interest accruing on actual number of days basis.
- 5.4.3 All repo yields will also be calculated on a 365 day coupon basis.

## **6. LISTING REGULATIONS**

- 6.1 The relevant authority shall decide the securities that can be admitted to dealings on the Exchange from time to time.
- 6.2 The relevant authority will determine the eligibility criteria for admission of securities for dealings on the Exchange from time to time.
- 6.3 The Issuer of security(ies) which are eligible for dealings on the Exchange and desirous of listing its security(ies) on the Exchange shall forward to the Exchange an application in the prescribed format alongwith necessary documents as specified.
- 6.4 Every issuer, depending on the category and type of security to be admitted to dealings on the Exchange, alongwith the application form shall submit to the Exchange such supporting documents as prescribed by the Exchange from time to time.
- 6.5 The issuer of security(ies) whose application for admission to dealings on the Exchange has been accepted by the relevant authority shall enter into a listing agreement under its seal with the Exchange in the prescribed format.
- 6.6 The issuer shall comply with all prevailing requirements of law including requirements under any notification/ directives/ circulars issued by the Central Government or Statutory body or local authority or any body or authority acting under the authority or direction of the Central government and SEBI.
- 6.7 The conditions for continuance of listing of the security on the Exchange shall be as laid down in the listing agreement and shall also be subject to such other terms and conditions prescribed by the Exchange from time to time.
- 6.8 The security deposit as required by the issuer to be deposited with the Exchange, shall be forfeited by the Exchange if the issuer does not comply with the listing requirements as set out in regulation 6.5 above and the deposit shall vest with the Exchange. Forfeiture however will not release the issuer of its obligation to comply with the aforesaid requirements and conditions for listing.  
The issuer may apply to the Exchange for extension of time for fulfilling the conditions and requirements if it is unable to comply with the same within the prescribed time. However the application shall be made to the Exchange atleast ten days in advance of the expiry of the stipulated period and the Exchange at its discretion provide such extension as it deems fit. However grant of extension by the Exchange will not release the issuer from the obligations under the laws in force to comply with such listing requirements and conditions within the prescribed period. The issuer shall publish the grant of extension by the Exchange in at least two leading national dailies. The Exchange shall intimate the grant of extension by writing to the issuer and where such intimation in writing is



not issued it shall be deemed that the application for extension has been refused by the Exchange.

Where the issuer has complied with the aforesaid listing requirements and conditions within the prescribed period or such extended period as allowed by the Exchange, the security deposit shall be refunded without interest within fifteen days of the prescribed period/ extended period.

- 6.9 If the Exchange comes to know that the issuer has failed to resolve investors' complaints for more than a month, the Exchange shall have a right of imposing such fines, penalties on the issuer and initiating such action against the issuer including publishing the name of the issuer in the press, suspension of security(ies) for dealings and delisting of the security(ies) as the relevant authority may deem fit. However the Exchange shall issue a show cause notice to the issuer before taking any action.
- 6.10 The Exchange may on request by the issuer, waive any of the clauses specified in 6.1 to 6.9.

## **7. ARBITRATION**

### **7.1 DEFINITIONS**

- (a) 'arbitrator' means a sole arbitrator or a panel of arbitrators.
- (b) 'Applicant' means the person who makes the application for initiating arbitral proceedings.
- (c) 'Respondent' means the person against whom the Applicant lodges an arbitration application, whether or not there is a claim against such person.

### **7.2 SEAT OF ARBITRATION**

- (a) The seat of arbitration shall be at Mumbai. However, the Relevant Authority may provide for different seats of arbitration for different regions of the country either generally or specifically and in such an event the seat of arbitration shall be the place so provided by the Relevant Authority. Save as otherwise specified by the Relevant Authority, the seat of arbitration for different regions shall be as follows:

#### **Seats of Arbitration – REGIONAL ARBITRATION CENTRES (RACs)**

#### **STATES COVERED BY THE RAC**

##### **DELHI**

Delhi, Haryana, Uttar Pradesh, Uttaranchal, Himachal Pradesh, Punjab, Jammu & Kashmir, Chandigarh, Rajasthan.

##### **KOLKATA**

West Bengal, Bihar, Jharkhand, Orissa, Assam, Arunachal Pradesh, Mizoram, Manipur, Sikkim, Meghalaya, Nagaland, Tripura, Chhatishgarh

##### **CHENNAI**

Andhra Pradesh, Karnataka, Kerala, Tamilnadu, Andaman & Nicobar, Lakshadweep, Pondicherry.

##### **MUMBAI**

Maharashtra, Gujarat, Goa, Daman, Diu, Dadra & Nagar Haveli, Madhya Pradesh

- (b) The premises/location where arbitration shall take place shall be such place as may be identified by the Exchange from time to time and intimated to the arbitrator and the parties to the dispute accordingly.

### **7.3 CRITERIA FOR SELECTION OF SEAT OF ARBITRATION**

Save as otherwise specified by the Relevant Authority, the criteria for selection of seat of arbitration for a particular matter is as follows:

<b>Parties to Dispute</b>	<b>Place of filing the Application for Arbitration</b>	<b>Place of hearing</b>
TM* V/s TM	<p>a) If the dealing offices of both Trading Members from where the dealing was carried is situated in any one of the states covered by a particular RAC then the Application for Arbitration shall be filed by the Applicant-Trading Member in that RAC.</p> <p>b) If the dealing offices of both Trading Members from where the dealing was carried out are situated in states covered by different RAC then the Application for Arbitration shall be filed in the RAC covering the state in which the Respondent – Trading Member’s dealing office is situated.</p>	The hearing shall be held at the RAC where the Applicant-Trading Member has filed the Application for Arbitration and the Respondent-Trading Member shall attend the hearing in that particular RAC.
TM V/s C* & C V/s TM	The Application for Arbitration shall be filed by the Applicant at the RAC covering the state in which the Constituent ordinarily resides.	The hearing shall be held in that RAC where the Applicant has filed the Application for Arbitration and the Respondent shall attend the hearing in that particular RAC.

\* “TM” stands for “Trading Member” and “C” stands for “Constituent.”

### **7.3 A JURISDICTION OF COURTS**

For the purpose of Byelaw 17 of Chapter XI of the Byelaws of the Exchange, in matters where the Exchange is a party to the dispute, the Civil Courts at Mumbai shall have exclusive jurisdiction and in all other matters, proper courts within the area covered under the respective Regional Arbitration Centre shall have jurisdiction in respect of the arbitration proceedings falling / conducted in that Regional Arbitration Centre.

### **7.4 REFERENCE OF THE CLAIM, DIFFERENCE OR DISPUTE**

- (a) Save as otherwise specified by the Relevant Authority, if the value of the claim, difference or dispute is more than Rupees Twenty Five Lakhs on the date of application, then such claim, difference or dispute shall be referred to a panel of three arbitrators and if the value of the claim, difference or dispute is upto Rupees Twenty Five Lakhs, then the same shall be referred to a sole arbitrator.

Provided further that in any claim, difference or dispute which is less than Rupees Twenty Five Lakhs, if there is a counter claim in excess of Rupees Twenty Five Lakhs, then the arbitration panel shall be expanded to three arbitrators from a sole arbitrator.

- (b) For the purpose of Byelaw 3 of Chapter XI of the Byelaws of the Exchange, in cases where the date of claim, difference or dispute is not ascertainable, it shall be deemed to have arisen on the date of expiry of six months from the date of the transaction in respect of which the claim, difference or dispute has arisen.

#### **7.5 CRITERIA AND PROCEDURE FOR SELECTION OF PERSONS ELIGIBLE TO ACT AS ARBITRATORS**

- (a) For facilitating the appointment of an arbitrator, a list of eligible persons to be selected as arbitrators may be constituted annually by the Relevant Authority from amongst persons who possess requisite qualification, experience, and knowledge in the securities business. The list of eligible persons shall consist of only persons who are not trading members of the Exchange or connected with any trading member as its shareholder or director or partner or employee or sub-broker or authorised person. The names of the list of eligible persons shall be as specified by the Exchange from time to time.
- (b) Such list of eligible persons may be constituted for each Regional Arbitration Centre.

#### **7.6 PROCEDURE FOR APPOINTMENT OF ARBITRATORS**

- (a) The Applicant and the Respondent against whom the claim has been made by the Applicant shall submit to the Exchange in the order of descending preference, list of names of persons to act as arbitrators from amongst the list of eligible persons specified by the Exchange for the respective seats of arbitration. The number of eligible persons to be selected by the Applicant and the Respondent shall be ten if the seat of arbitration is at Mumbai and five in other cases. Such names shall be submitted in Form No. II by the Applicant alongwith Form No. I. The Respondent shall submit the names in Form No. II within seven days of the receipt of Form No. I from the Exchange.
- (b) The Exchange shall identify the arbitrator to whom the arbitration application will be referred in the following manner:
  - (i) If the arbitration application is to be referred to a sole arbitrator, the Exchange shall identify the most common arbitrator to whom the highest preference has been given by both the applicant and the respondent.

- (ii) If the arbitration is to be referred to a panel of three arbitrators, the Exchange shall identify three most common arbitrators in the order of preference given by both the applicant and the respondent.
  - (iii) In case of matters to be referred to a sole arbitrator, if no common arbitrator is identifiable, the relevant authority shall select an arbitrator from the lists of eligible persons excluding the persons selected by the applicant and the respondent.
  - (iv) In case of matters to be referred to a panel, if no common arbitrator is identifiable or only one or two common arbitrators are identifiable, the second and/ or the third arbitrator as the case may be shall be selected by the relevant authority from the list of eligible persons excluding the persons selected by the applicant and the respondent.
  - (v) In the event of the failure of Applicant and the Respondent to submit any list of eligible persons to be selected as arbitrators the relevant authority shall select an arbitrator/ panel of arbitrators from the lists of eligible persons.
  - (vi) The panel of arbitrators so appointed shall select one among themselves to act as a presiding arbitrator within 7 days of receipt of intimation from the Exchange appointing them to act as an arbitrator. In case of failure or lack of consensus among the panel to select a presiding arbitrator, the relevant authority shall select the presiding arbitrator.
- (c) If the Applicant refuses to choose the persons eligible to act as arbitrators or fails to submit Form II, and the Respondent submits Form II, then the Relevant Authority shall select an arbitrator from the balance list of eligible persons excluding the persons selected by the Respondent. If after excluding the persons selected by the Respondent, no eligible person is available to act as arbitrator or if the available person refuses or fails to act as arbitrator, then the Relevant Authority may select an arbitrator from the list submitted by the Respondent.
- (d) If the Applicant submits Form II and the Respondent fails to submit the same, then Relevant Authority shall select an arbitrator from the balance lists of eligible persons excluding the persons selected by the Applicant.
- (e) If the arbitrator chosen as per the above procedure is not able to take up the matter for whatsoever reasons then the Relevant Authority shall select an arbitrator from the remaining names on the list of eligible persons excluding the persons selected by the Applicant and/or the Respondent. If after excluding the persons selected by the Applicant and the Respondent, no eligible person is available to act as arbitrator or if the available person

refuses or fails to act as arbitrator, then the Relevant Authority may select an arbitrator from the list submitted by either the Applicant or Respondent.

#### **7.7 VACANCY IN THE OFFICE OF THE ARBITRATOR**

If the office of the sole arbitrator or any one or more of the arbitrators in the panel of arbitrators falls vacant after the appointment thereto, the Exchange shall adopt the procedure specified in Regulation 5.6 herein above and fill up the vacancy within 7 days of such vacancy. For this purpose, the list of names of eligible persons in Form No.II already submitted by the Applicant and by the Respondent shall be considered.

#### **7.8 COST OF ARBITRATION**

- (a) The parties to the claim, difference or dispute shall bear cost of arbitration. For this purpose, both the parties to arbitration shall make a deposit with the Exchange along with Form No. I or Form No. III, as the case may be, for defraying the costs that may be incurred for conducting the arbitration proceeding provided when there is failure, neglect or refusal by Respondent, being a constituent, to make a deposit accordingly, the Applicant shall be responsible for making such deposit without prejudice however to its right to recover the same from such Respondent in terms of the award. The Exchange shall have the right to recover the deposit from the Trading Member from the moneys due to it if the Trading Member fails to make the deposit.
- (b) The amount of deposit, which has to be deposited is determined by the amount of the claim initially and thereafter determined based on a higher counter claim, if any, and is as specified below:

Sr. No .	Amount of Claim / Counter Claim (higher amount to be considered)	Amount of deposit
1.	Upto Rs. 5 lakhs	Rs.6,000/- (deposit is taken only from the Trading Member and not from the Constituent)
2.	More than Rs. 5 lakhs but less than or equal to Rs. 25 lakhs	Rs. 8,000/-
3.	Above Rs. 25 lakhs	Rs. 12,000/-

Additional deposits have to be paid by the parties to arbitration in case there is a counter claim and the same is higher than the claim amount and in a higher slab. The balance, if any, from the above deposit after adjusting the cost of arbitration therefrom shall be returned to respective party(ies).

- (c) Notwithstanding anything contained above, the Exchange may , if it desires and within such time, call for such supplementary deposits as it may deem

fit if in its opinion the deposits already made will be insufficient to defray the expenses of arbitration. Supplementary deposits may also be required to be made, if the Respondent makes a counter claim. Such supplementary deposits shall partake the character of deposit and shall be dealt with accordingly.

- (d) Notwithstanding anything contained above, if the amount of claim is less than or equal to Rs.5 lakhs, then the constituent whether he/she/it is an Applicant or Respondent shall not be required to furnish the deposit to the Exchange. In such cases, the costs incurred for conducting the arbitration proceedings for and on behalf of the Constituent shall be borne by the Exchange.

## **7.9 PROCEDURE FOR ARBITRATION**

- (a) The Applicant shall submit to the Exchange application for arbitration in Form No. I , (three copies in case of sole arbitrator and five copies in case of panel of arbitrators) alongwith the following enclosures either by post or hand delivery :
  - (i) The Statement of Case (containing all the relevant facts about the dispute and relief sought)
  - (ii) The Statement of Accounts
  - (iii) Copies of Member - Constituent Agreement
  - (iv) Copies of the relevant Contract Notes and Bills
- (b) The Applicant shall also submit to the Exchange the following along with Form No. I
  - (i) A cheque/pay order/ for the deposit
  - (ii) Form No. II containing list of names of the persons eligible to act as arbitrators
- (c) If any deficiency/defect in the application is found, the Exchange shall call upon the Applicant to rectify the deficiency/defect and the Applicant shall rectify the deficiency/defect within 15 days of receipt of intimation from the Exchange. If the Applicant fails to rectify the deficiency/defect within the prescribed period, the Exchange shall return the deficient/defective application to the Applicant. However, the Applicant shall have the right to file a revised application which shall be considered as a fresh application for all purposes and dealt with accordingly.
- (d) Upon receipt of Form No. I, the Exchange shall forward a copy of the statement of case and related documents to the Respondent.
- (e) Upon receiving Form No. I, the Respondent shall submit Form II to the Exchange within 7 calendar days from the date of receipt. If the Respondent fails to submit Form II within the time period prescribed by the Exchange, then the relevant authority shall select an arbitrator from the balance lists of eligible persons excluding the persons selected by the applicant and/ or the respondent. If the said arbitrator is not able to take up the matter for whatsoever reasons then the relevant authority shall select an arbitrator

from the balance lists of eligible persons excluding the persons selected by the applicant and/ or the respondent.

- (f) Upon receiving Form No. II of both the applicant as well as the Respondent, the Exchange shall as provided for herein, identify the person who shall act as arbitrator. If the arbitrator so identified is unable to take up the matter for whatsoever reasons then the next common arbitrator shall be appointed as the arbitrator. In the event there is more than one Respondent, being legal heirs of a deceased Constituent, then such legal heirs shall authorise one of them to represent the deceased Constituent in the arbitration proceedings including signing of Form II and such other documents as may be required.
- (g) In the event of there being no commonality in the lists submitted by the Applicant and the Respondent, then the relevant authority shall select an arbitrator from the balance lists of eligible persons excluding the persons selected by the applicant and/ or the respondent. If the said arbitrator is not able to take up the matter for whatsoever reasons then the relevant authority shall select an arbitrator from the balance lists of eligible persons excluding the persons selected by the applicant and/ or the respondent.
- (h) The Respondent(s) shall within 15 calendar days (inclusive of Sundays and holidays) from the date of receipt of Form No. I from the Exchange, submit to the Exchange in Form No. III three copies in case of sole arbitrator and five copies in case of panel of arbitrators the following enclosures either by post or hand delivery:
  - (i) The Statement of Reply (containing all available defences to the claim)
  - (ii) The Statement of Accounts
  - (iii) Copies of the Member Constituent Agreement,
  - (iv) Copies of the relevant Contract Notes and Bills
  - (v) Statement of the set-off or counter claim alongwith statements of accounts and copies of relevant contract notes and bills
- (i) The Respondent shall also submit to the Exchange a cheque/pay order/ for the deposit alongwith Form No. III.
- (j) If the Respondent fails to submit Form III within the prescribed time, then the arbitrator shall proceed with the arbitral proceedings and make the award ex parte.
- (k) Upon receiving Form No. III from the Respondent the Exchange shall forward one copy to the Applicant. The Applicant shall within ten calendar days from the date of receipt of copy of Form III, submit to the Exchange, a reply to any counterclaim, if any, which may have been raised by the Respondent in its reply to the Applicant. The Exchange shall forward the reply to the Respondent.
- (l) The time period to file any pleading referred to herein may be extended for such further periods as may be decided by the Relevant Authority in consultation with the arbitrator depending on the circumstances of the matter.



#### **7.10 REQUIREMENT FOR HEARINGS**

- (a) No hearing shall be required to be given to the parties to the dispute if the value of the claim difference or dispute is Rs.25,000 or less. In such a case the arbitrator shall proceed to decide the matter on the basis of documents submitted by both the parties provided however the arbitrator for reasons to be recorded in writing may offer to hear both the parties to the dispute if the parties in writing request for a hearing alongwith the submission of Form I and Form III as the case may be which the arbitrator may or may not entertain at its discretion. If pursuant to a request by one party, the arbitrator decides to offer to hear that party, then the same privilege be given to the other party.
- (b) If the value of claim, difference or dispute is more than Rs.25,000, the arbitrator shall offer to hear the parties to the dispute unless both parties waive their right for such hearing in writing.

#### **7.11 NOTICE OF HEARING**

Unless otherwise specified, the Exchange shall in consultation with the arbitrator determine the date, the time and place of the first hearing. Notice for the first hearing shall be given at least ten days (inclusive of Sundays and public holidays) in advance, unless the parties shall, by their mutual consent, waive the notice. The arbitrator shall determine the date, the time and place of subsequent hearings of which a notice shall be given by the Exchange to the parties concerned.

#### **7.12 ADJOURNMENT OF HEARING**

If any party to the reference wants to make an application for adjournment of hearing by the arbitrator the party shall make an application to the Exchange, which the Exchange shall forward to the arbitrator.. The arbitrator at his/ her/ their discretion may grant the adjournment subject to such conditions as deemed fit by the arbitrator.

**7.12 A** Any person representing the constituent in the arbitral proceedings shall be permitted to do so on production of a power of attorney duly executed and notarized by the constituent in his favour, provided however in case of a Trading Member, he shall appear in the hearings on his own or through his authorised representative. For the purpose of this Regulation, an authorised representative, in case of a Trading Member who/which is

- (a) an individual - an employee or authorised person, as defined in these Regulations, of such Trading Member
- (b) a partnership firm - any partner or employee or authorised person, as defined in these Regulations, of such Trading Member
- (c) a company - any director or employee or authorised person, as defined in these Regulations, of such Trading Member

### **7.13 ARBITRAL AWARD ON AGREED TERMS**

If after the appointment of an arbitrator, the parties settle the dispute, then the arbitrator shall record the settlement in the form of an arbitral award on agreed terms.

### **7.13 A ARBITRAL AWARD UNDER CERTAIN CIRCUMSTANCES**

The arbitrator, in case of any arbitration proceedings which is not defended or in his opinion is not effectively defended, besides the documents produced by the applicant, may, for the purpose of passing a fair and proper award, also consider any other document in general, which the arbitrator considers necessary for the purpose of coming to a proper conclusion and in particular the following documents for the purpose of arriving at a decision:

1. Copy of member-constituent agreement
2. Contract notes and bills
3. Statement of accounts given by the trading member to the constituent on periodic basis.
4. Bank statements supported by confirmation from the bank regarding payments/receipts.
5. Transaction cum Holding statements of the demat account(s) of the applicants and respondents with the depository.
6. Unique id upload, if any, from the members to Exchange with regard to the client.
7. Trade log in respect of transactions relating to dispute.

For the purpose of the above, the arbitrator may also seek relevant information from the applicant as well as the Exchange, to the extent available with the Exchange.

### **7.14 MAKING OF ARBITRAL AWARD**

- (a) The arbitral award shall be in writing and made in three originals duly dated and signed by the sole arbitrator or in case of a panel of arbitrators by all the three arbitrators.
- (b) The arbitrator shall file all the three original awards with the Exchange, which shall arrange to send one original each to the parties to the dispute and the stamped original award shall be retained by the Exchange.

### **7.15 INTEREST**

- (a) The arbitrator may include in the sum for which the award is made interest at such rate on such sum and for such period as the arbitrator deems reasonable.

- (b) A sum directed to be paid by an award shall, unless the award otherwise directs, carry interest at the rate as specified in Section 31(7)(b) of Arbitration and Conciliation Act, 1996 as in force at the relevant time.

**7.16 ARBITRATION FEES AND CHARGES, COSTS, ETC.**

- (a) The fees and expenses payable to arbitrator shall be as determined by the Relevant Authority from time to time.
- (b) All fees and charges relating to the appointment of the arbitrator and conduct of arbitration proceedings shall be borne by the parties to the reference equally or in such proportions as may be decided by the arbitrator.
- (c) The costs, if any, to be awarded to either of the party in addition to the fees and charges that have to be borne by the parties for conducting the arbitration shall be decided by the arbitrator.
- (d) Unless the arbitrator directs otherwise each party shall bear their own expenses of travelling and other incidental expenses incurred.

**7.17 ADMINISTRATIVE ASSISTANCE WHICH MAY BE PROVIDED BY THE EXCHANGE**

The Exchange shall

- (a) maintain a register of references;
- (b) receive all applications for arbitration and communications addressed by the parties before or during the course of arbitration or otherwise in relation thereto;
- (c) receive payment of all costs, charges, fees and other expenses;
- (d) give notices of hearing and all other notices to be given to the parties before or during the course of the arbitration or otherwise in relation thereto;
- (e) communicate to the parties all orders and directions of the arbitrator;
- (f) receive and record all documents and papers relating to the reference and keep in custody all such documents and papers except such as the parties are allowed to retain;
- (g) communicate the award on behalf of the arbitrator;
- (h) generally do such things and take all such steps as may be necessary to assist the arbitrator in the execution of their function.

**7.18 MODE OF COMMUNICATION**

Any communication sent by the Exchange to either of the parties shall be considered deemed to have been properly delivered or served, if the same is sent to the ordinary business address and/or ordinary place of residence and/or last known address of the party, in any one or more of the following ways: -

- (i) by post,
- (ii) by registered post,
- (iii) under certificate of posting

- (iv) by speed post/courier services,
- (v) by telegram,
- (vi) by affixing it on the door at the last known business or residential address,
- (vii) by oral communication to the party in the presence of a third person,
- (viii) by advertising it in at least one prominent daily newspaper having circulation in the area where the last known business or residential address of Respondent is situated,
- (ix) by sending a message through the Trading System,
- (x) by electronic mail or fax

even if the said communication is returned to the Exchange as unclaimed/ refused/ undelivered by the authorities, the Exchange may proceed further with the arbitration proceedings as per these regulations as if the communication had been duly served on the concerned parties.

**7.19** The following documents shall be preserved by the Exchange for the time periods as mentioned hereunder

- (a) The original arbitration award along with acknowledgements shall be preserved permanently.
- (b) In case an appeal for setting aside the award is not filed, then apart from the original award, all the other records pertaining to arbitration shall be preserved for 5 years from the date of award.
- (c) In case an appeal for setting aside the award is filed, then apart from the original award, all the other records pertaining to arbitration shall be preserved for 5 years from the date of final disposal by court.

**7.20** The destruction of records by the Exchange shall be subject to the previous order, in writing of the relevant authority and the details of the destruction shall be entered in a register wherein the brief particulars of the records destroyed along with the certification regarding the date and mode of destruction shall be mentioned.

**Form No. I**  
**Arbitration Application**

Name of Applicant:

Status: Trading Member/Participant of the Exchange/ Constituent

Office/residential address of Applicant

Tel: Off \_\_\_\_ res. \_\_\_\_

Fax: Off \_\_\_\_ res. \_\_\_\_

Mobile Tel. No. \_\_\_\_\_

To,

Arbitration Department,

National Stock Exchange of India Limited,

Mumbai, Delhi, Kolkata, Chennai (Strike out which ever is not applicable)

Sirs,

I/We, am/are a Trading Member/ participant of the Exchange/Constituent of \_\_\* (please mention name of Trading Member).

I/We hereby apply for adjudication by arbitration of the claim, difference and dispute within the meaning of the Bye laws, Rules and Regulations of the Exchange which has arisen and is now pending between me and the following person

Name:

Status: Trading Member / Participant of the Exchange/ Constituent\*

Office /residential Address:

Tel: Off \_\_\_\_ res. \_\_\_\_

Fax: Off \_\_\_\_ res. \_\_\_\_

The amount of claim in the matter is:

(a) Rs. \_\_\_\_\_ (in words) (Rupees \_\_\_\_\_ only)

(b) In case of securities give details

i) Security Name/s

ii) Calculate Market Value of Securities as on the date of application

(Add the market value of securities to the claim amount giving the break up of the claim)

Please find enclosed a Cheque/Pay order/ Demand Draft No. \_\_\_\_\_ dated \_\_\_\_\_ issued by \_\_\_\_\_ bank in favour of National Stock Exchange of India Limited for an amount of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_ only) payable at

Mumbai/Delhi/ Kolkata / Chennai towards Arbitration fee cum deposit for defraying costs and expenses of arbitration.

I/We state that I do not want a hearing from the arbitrator/ I do want a hearing from the arbitrator\*

Signature of Applicant

Date: \_\_\_\_\_

Place: \_\_\_\_\_

---

Note:

- 1) The Applicant shall put his/her signature on all the pages of the documents submitted alongwith this form and if the Applicant is a firm/company, the rubber stamp of the firm/company shall be affixed on all the pages.

If the Applicant is a firm/company then the authorised representative of the Applicant has to submit the authority letter/board resolution as the case may be alongwith this form.

- 2) In case of Mumbai ten names are to be suggested from the panel of arbitrators. In case of Delhi, Kolkata , Chennai five names are to be suggested from the panel of arbitrators in the respective regions

**\* Strike whichever is not relevant.**

**Form No. II**

In the matter of an Arbitration under the Bye laws, Rules and Regulations of National Stock Exchange of India Limited

**Arbitration Matter No.**\_\_\_\_\_/20\_\_\_\_  
BETWEEN

M/s \_\_\_\_\_

Mr./Mrs./Ms. \_\_\_\_\_

**... Applicant (TM/ P/ C)\***

Office/Residential Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Tel: Office \_\_\_\_\_ Res. \_\_\_\_\_

Fax: Office \_\_\_\_\_ Res. \_\_\_\_\_

Mobile/Pager No. \_\_\_\_\_

**AND**

M/s \_\_\_\_\_

Mr./Mrs./Ms. \_\_\_\_\_

**... Respondent (TM/ P/ C)\***

Office/Residential Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Tel: Office \_\_\_\_\_ Res. \_\_\_\_\_

Fax: Office \_\_\_\_\_ Res. \_\_\_\_\_

Mobile/Pager No. \_\_\_\_\_

To,  
Arbitration Department,  
National Stock Exchange of India Limited,  
Mumbai, Delhi, Kolkata , Chennai (Strike out which ever is not applicable)

Sirs,

In the said matter, the names of persons chosen by me/us as arbitrators from the list of eligible persons to act as arbitrators are given below in descending order of preference:

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_ 4. \_\_\_\_\_

5. \_\_\_\_\_ 6. \_\_\_\_\_ 7. \_\_\_\_\_

I/ We state that I do not want a hearing from the arbitrator/ I do want a hearing from arbitrator. \*

Yours faithfully,

Signature

Date: \_\_\_\_\_

Place: \_\_\_\_\_

---

Note: In case of Mumbai ten names are to be suggested from the panel of arbitrators.. In case of Delhi, Kolkata Chennai five names are to be suggested from the panel of arbitrators in the respective regions.

‘TM’ stands for “Trading Member” and ‘C’ stands for “Constituent”.

\* Strike whichever is not relevant.



**Form No. III**  
**Reply by the Respondent to Arbitration Application**

In the matter of an Arbitration under the Bye laws, Rules and Regulations of National Stock Exchange of India Limited

Arbitration Matter No.\_\_\_\_\_/20\_\_

**BETWEEN**

M/s \_\_\_\_\_

Mr./Mrs./Ms. \_\_\_\_\_

**... Applicant (TM/ P/ C)\***

Office/Residential Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Tel: Office \_\_\_\_\_ Res. \_\_\_\_\_

Fax: Office \_\_\_\_\_ Res. \_\_\_\_\_

Mobile/Pager No. \_\_\_\_\_

**AND**

M/s \_\_\_\_\_

Mr./Mrs./Ms. \_\_\_\_\_

**... Respondent (TM/ P/ C)\***

Office/Residential Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Tel: Office \_\_\_\_\_ Res. \_\_\_\_\_

Fax: Office \_\_\_\_\_ Res. \_\_\_\_\_

Mobile/Pager No. \_\_\_\_\_

To,  
Arbitration Department,  
National Stock Exchange of India Limited,  
Mumbai, Delhi, Kolkata , Chennai (Strike out which ever is not applicable)

Sirs,

In connection with the application for arbitration submitted by Mr./Mrs./Ms./M/s \_\_\_\_\_ the Applicant above named, I/We enclose herewith three copies of my/our reply along with the enclosures as specified in regulation \_\_\_\_.

Please also find enclosed a Cheque/Pay order/ Demand Draft No. \_\_\_\_\_ dated \_\_\_\_\_ issued by \_\_\_\_\_ bank in favour of National Stock Exchange of India Limited for an amount of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_ only) payable at Mumbai/Delhi/ Kolkata / Chennai towards Arbitration fee cum deposit for defraying costs and expenses of arbitration.

Yours faithfully

Signature of Respondent/s

Date: \_\_\_\_\_

Place: \_\_\_\_\_

---

Note: The Respondent shall put his/her signature on all the pages of the documents submitted alongwith this form and if the Respondent is a firm/company, the rubber stamp of the firm/company shall be affixed on all the pages.

If the Respondent is a firm/company then the authorised representative of the Respondent has to submit the authority letter/board resolution as the case may be alongwith this form.

‘TM’ stands for “Trading Member” and ‘C’ stands for “Constituent”.

\* Strike whichever is not relevant.

## **8. ACCOUNTS/ RECORDS**

- 8.1** Every Trading Member shall comply with all relevant statutory Acts, including Securities Contracts (Regulation) Act, 1956 and Rules thereunder of 1957, and Securities Exchange Board of India Act, 1992 and Rules, Regulations and guidelines thereunder, and the requirements of and under any notifications, directives and guidelines issued by the Central Government, Reserve Bank of India and any statutory body or local authority or any body or authority acting under the authority or direction of the Central Government relating to maintenance of accounts and records.
- 8.2** In addition to the requirements as per Regulation 8.1 above, every Trading Member of the Exchange shall comply with the following requirements and such other requirements as the Exchange may from time to time notify in this behalf relating to books of accounts, records and documents in respect of its membership and trading on the WDM segment of the Exchange.
- 8.3** Every Trading Member of the Exchange shall maintain the following books of account and records relating to its business for a period of five years.
- (a) Order confirmation slips, Order modification slips as obtained from the trading system of the Exchange.
  - (b) Trade confirmation slips as obtained from the trading system of the Exchange.
  - (c) Statements of fund and securities obligations received from the clearing house.
  - (d) Record of all statements received from the settling agencies and record of all correspondence with them.
  - (e) Order Book reflecting the following:
    - (i) identity of person receiving the order
    - (ii) date and time order received
    - (iii) name of person placing the order
    - (iv) name of Constituent, description and value of securities to be bought and sold
    - (v) terms and conditions of the order stating particularly price/rate limit or price/rate related instructions and time limit on the order (if any)
    - (vi) the NEAT order number as per the trading system of the Exchange or Trading Member order number as the case may be.
    - (vii) any modification or cancellation thereof including cases when it is cancelled by the system or cancelled due to maturity of an instrument.
    - (viii) if executed, the price/rate at which executed and to the extent feasible, the time of execution or cancellation and trade number as per the trading system of the Exchange.
    - (ix) reference number of the contract issued in case of executed orders.
    - (x) orders entered pursuant to the exercise of discretionary power shall be so designated.

- (xi) entries of orders shall be serially numbered.
  - (f) Every Trading Member shall preserve the following reports produced from the trading system for a period of six years.
    - (1) Activity Log
    - (2) Orders Cancelled Today
    - (3) New Orders Today
    - (4) Outstanding Orders Today
    - (5) Trades done Today
  - (g) Copies of all instructions obtained in writing from constituents including Participants for order placement, order modification, order cancellation, trade cancellation etc.
  - (h) Records in respect of interest received on securities of constituents, monies borrowed and loaned including monies received from associate concerns.
  - (i) Records in respect of brokerage collected separately from constituents.
  - (j) A Register of transaction (or other records of original entry) containing an itemized daily record of all purchases and sales of securities (including certificate numbers/ SGL form numbers wherever it is possible), showing for which each such transaction effected, the name of securities, value of securities, rates both gross and net of brokerage, name of constituents showing separately related persons or associate concerns, date. Transactions not executed through the Exchange should be shown separately.
- 8.4** Every Trading Member shall maintain permanently copies of agreements executed with each of its constituent in accordance with the Exchange requirements.
- 8.5** Every Trading Member shall maintain permanently copies of agreements executed with each of the settling agencies or banks.
- 8.6** A record of the proof of money balances of all ledger accounts in the form of trial balances and a record of the computation of aggregate indebtedness and net capital, as of the trial balance date, pursuant to capital adequacy regulations as prescribed by Exchange from time to time.
- 8.7** Every Trading Member shall maintain record of all relevant particulars of persons which are approved as Users by the Exchange.
- 8.8** Every Trading Member shall maintain originals of all communications received and copies of all communications sent by such Trading Member (including inter-office memo and communications ) relating to its business as such.
- 8.9** Every Trading Member shall maintain all guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account and copies of resolutions empowering an agent to act on behalf of a Trading Member.

- 8.10** Every Trading Member shall maintain all written agreements (or copies thereof) entered into by such Trading Member relating to its business as such, including agreements with respect to any account.
- 8.11** Every Trading Member shall preserve for a period of not less than six years after the closing of any constituent's account any records which relate to the terms and conditions with respect to the opening and maintenance of such account, date of entering into agreement with the constituent (other than a Participant), date of modification thereof, date of termination and representatives of such constituent who signed in each case.
- 8.12** A Trading Member shall intimate to the Exchange the place where these records are kept and available for audit/inspection.
- 8.13** The above requirements relating to maintenance of records shall apply not only to records of the Trading Member's principal office but also to those of any branch office and to any nominee company owned or controlled by a Trading Member for the purpose of conducting the business of the Trading Member.
- 8.14** Each Trading Member shall keep and preserve a record of all written complaints of its constituents showing the reference number of constituent, date, constituent's name, particulars of the complaints, action taken by the Trading Member, if the matter is referred to arbitration to the Exchange then the particulars thereof.
- 8.15** Notwithstanding anything contained hereinabove, every Trading Member of the Exchange shall preserve the originals of the documents, both in electronic and physical form, copies of which have been taken by CBI, Police, or any other enforcement agency during the course of any investigation till the trial is completed.

## **9. INSPECTION**

### **9.1 INSPECTING AUTHORITY**

**9.1.1** Where it appears to the Exchange so to do, it may appoint one or more persons as inspecting authority to undertake inspection of books of accounts, other records and documents of the Trading Members for any of the purposes specified in regulation. 9.1.2.

- (a) The Inspecting authority appointed by the Exchange under Regulation 9.1.1. may be either its own officials or outside professionals.
- (b) When the Exchange appoints outside professionals as an inspecting authority, it shall notify the Trading Member the names and addresses of the professionals or firms so appointed as an inspecting authority
- (c) When outside professionals are appointed as an inspecting authority in respect of a Trading Member and such professionals are already related in any other capacity with the Trading Member then such Trading Member shall forthwith inform the Exchange of such relationship.
- (d) Where after appointment of any outside professional as an inspecting authority in respect of a Trading Member, the Trading Member or any of its associates engages the inspecting authority for its services in any other capacity, the inspecting authority shall not engage itself in such other professional capacity with the Trading Member or any of its associates without prior consent of the Exchange.

**9.1.2** The purposes referred to in regulation 9.1.1. shall be as follows, namely :

- (a) to ensure that the books of accounts and other books are being maintained in the manner required;
- (b) to ensure that the provisions of SEBI Act, Rules and Regulations thereunder are being complied with;
- (c) to ensure that provisions of the Securities Contracts (Regulation) Act and the Rules made thereunder are being complied with;
- (d) to ensure that various provisions of NSE Rules, Byelaws and Regulations and any directions or instructions issued thereunder are being complied with;
- (e) to investigate into the complaints received from investors, other members of the Exchange or any other person on any matter having a bearing on the activities of the Trading Member;
- (f) to investigate suo-motu, for any reason where circumstances so warrant an inspection into the affairs of the Trading Member in public interest;
- (g) to examine whether any notices, circulars, instructions or orders issued by the Exchange from time to time relating to trading and other activities of Trading Members are being complied with;
- (h) to comply with any of the directives issued in this behalf by any regulating authority including Government of India.

## **9.2 NOTICE**

- 9.2.1** Before undertaking any inspection under regulation 9.1.1, the Exchange shall give a reasonable notice to the Trading Member for that purpose.
- 9.2.2** Notwithstanding anything contained in sub regulation 9.2.1, where the Exchange is of the opinion that no such notice should be given, it may direct in writing that the inspection of the affairs of the Trading Member be taken up without such notice.
- 9.2.3** Exchange officials or the inspecting authority who is directed by the Exchange to undertake the inspection, shall undertake the inspection and the Trading Member against whom an inspection is being carried out shall be bound to discharge his obligations as provided under Regulation 9.3.

## **9.3 OBLIGATIONS OF A TRADING MEMBER ON INSPECTION**

- 9.3.1** It shall be the duty of every director, officer and employee of the Trading Member, who is being inspected, to produce to the inspecting authority such books, accounts and other documents in his custody or control or arrange to produce where such books, accounts and other documents when they are in any other person's custody or control and furnish him such statements and information within such time as the said officer may require.
- 9.3.2** The Trading Member shall allow the inspecting authority to have reasonable access to the premises occupied by such Trading Member or by any other person on his behalf and also extend reasonable facility for examining any books, records, documents and computerised data in the possession of the Trading Member or any other person and also provide copies of documents or other materials which in the opinion of the inspecting authority are relevant.
- 9.3.3** The inspecting authority, in the course of inspection shall be entitled to examine or record statements of any member, director, officer and employee of the Trading Member or of any associate of such Trading Member.
- 9.3.4** It shall be the duty of every director, officer and employee of the Trading Member or where an associate is examined, such associate to give to the inspecting authority all assistance in connection with the inspection which the Trading Member may be reasonably expected to give.
- 9.3.5** The inspecting authority shall be entitled to examine the records relating to the Trading Member's financial affairs held with its bankers.
- 9.3.6.** The inspecting authority shall have access to accounts and other records relating to the Trading Member or such access as authorised by the Exchange to accounts and other records relating to any associate of the Trading Member as are within the power of the Trading Member to provide.

## **9.4 SUBMISSION OF REPORT**

- 9.4.1** The inspecting authority shall, as soon as may be possible submit an inspection report to the Exchange.
- 9.4.2** All documents, papers, returns or their copies submitted to the inspecting authority shall be retained by it on behalf of the Exchange. It shall maintain complete confidentiality thereof and no disclosure of any information contained therein shall be made to any person, firm, company or authority unless required by any law for the time being in force and without approval of the Exchange in this regard.
- 9.4.3** (a) The Exchange shall after consideration of the inspection report communicate the findings to the Trading Member to give it an opportunity of being heard before any action is taken by the Exchange on the findings of the inspecting authority.
- (b) On receipt of the explanation, if any, from the Trading Member the Exchange may call upon Trading Member to take such measures as the Exchange may deem fit in public interest.
- (c) Notwithstanding anything contained in sub regulation 9.4.3 (a), where the Exchange is of the opinion that no such hearing should be provided in certain circumstances, it may take action forthwith without giving an opportunity of being heard.



