

**CHAPTER – 3****PRELIMINARY****3.1 Power to Frame and Amend Regulations**

Subject to the provisions of these Bye-laws and the Rules of the Exchange, the Governing Board or the Committee appointed by the Governing Board shall have exclusive powers to frame Regulations from time to time for efficient functioning and operations of the Exchange and to regulate the functioning and activities of the trading members of the Exchange, sub-brokers, remisiers, authorised persons, approved users, Clearing House or Clearing Corporation, Clearing Banks, company or issuer and all other persons operating under or through them or dealing with them both inter-se and in relation to the Exchange and to regulate listing of securities by an issuer, including providing for arbitration between an issuer or a company and an investor or any affected person. The Governing Board or the Committee may, from time to time, amend, add to, alter, modify, delete or repeal any of the provisions of the Regulations, as may be deemed necessary or appropriate or if so desired or directed by SEBI. The Regulations shall provide for necessary authorization for taking care of operational requirements which need to be enforced with immediate effect.

Any amendments, additions or alterations to any Regulations made by the Governing Board or the Committee in pursuance of the powers conferred by the Rules of the Exchange and these Bye-Laws, together with the reference to the Bye-law or Bye-laws to which such Regulations relate to, shall be communicated to SEBI not later than the next working day. The Governing Board or the Committee shall forthwith amend, alter or withdraw any Regulation, if so desired by SEBI. The Regulations brought into force by a direction of SEBI may be amended, added or altered by the Governing Board or the Committee, subject to the condition that such amendments, additions or alterations shall come into force only after the prior approval of SEBI, except those amendments, additions or alterations which are stricter in its nature than those directed by SEBI.

Without prejudice to the generality of the foregoing, the Governing Board or the Committee may from time to time prescribe the Regulations with a view to organize, facilitate, maintain, manage, control and regulate the operations, functions and supervision of the Exchange and to regulate the activities and functioning of the trading members, clearing members, custodians, sub-brokers, remisiers, authorised persons, approved users and issuers of securities, as may be necessary or expedient, and provide for necessary authorization wherever requirements are operational in its nature and such requirements need to be enforced with immediate effect in the following matters:

### **3.1.1 Listing of Securities**

- 3.1.1.1** Conditions precedent to admission to dealings and trading on the Exchange.
- 3.1.1.2** Norms, procedures, forms, documents, requirements, terms and conditions to be complied with for listing (i.e. admission to dealings) of initial, original and further issues of securities.
- 3.1.1.3** Form of Listing Agreement required to be executed by the Issuer of the securities.
- 3.1.1.4** Determination of listing fees, security deposit and other monies payable by an Issuer of securities.
- 3.1.1.5** Imposition of fine, suspension or withdrawal of trading or admission to dealings.

### **3.1.2 Trading on the Exchange**

- 3.1.2.1** Determination of trading sessions and proceedings in such trading sessions on the ATS of the Exchange.
- 3.1.2.2** Allotment of TWS to the trading members.
- 3.1.2.3** Determination of trading units and variations in bids and offers.
- 3.1.2.4** Forms, terms and conditions of contracts to be entered into and the time, mode and manner of performance of the contracts between clearing members and trading members, between

trading members inter-se, between sub-brokers of the trading member inter-se, between trading members and sub-brokers, between trading members and their clients and between sub-brokers and their clients.

**3.1.2.5** Determination of the scale of brokerage chargeable by the trading members and sub-brokers.

**3.1.2.6** Determination of market lots.

**3.1.2.7** Determination of Good and Bad Delivery.

**3.1.2.8** Procedure for settlement of disputes relating to Good and Bad Delivery.

**3.1.2.9** Norms, procedures, terms and conditions in respect of, incidental to or consequential to closing out of contracts.

**3.1.2.10** Manner of operations and interface with custodians, depositories and clearing banks.

### **3.1.3 Transactions in Securities Subject to Risk Management & Surveillance**

**3.1.3.1** Determination of various types of margins on the transactions.

**3.1.3.2** Rates of normal margins and mode of payment.

**3.1.3.3** Special or additional margins, and mode of payment.

**3.1.3.4** Exemption from payment of margins.

**3.1.3.5** Lien on capital and margin deposits.

**3.1.3.6** Penalty for non-fulfillment and / or evasion of margin requirements.

**3.1.3.7** Client's liability to pay margins.

**3.1.3.8** Trading member's responsibility to collect margins from the clients.

### **3.1.4 Clearing and Settlement of Transactions**

**3.1.4.1** Procedure of delivery, payment and closing-out of transactions in securities where trading allowed.

- 3.1.4.2** Clearing and other settlement forms and returns, delivery and receive orders, statement of account and balance sheet, norms and procedures for clearing and settlement of transactions and delivery versus payment.
- 3.1.4.3** Norms and procedures for establishment and functioning of Clearing Agency for clearing and settlement of trades.
- 3.1.4.4** Supervision of Clearing Agency and framing of bye-laws and rules for supervision of clearing and settlement activities of the trading members/clearing members/custodians.
- 3.1.4.5** Norms and procedures for availing of banking, custodial and depository services from clearing banks, custodians and depositories for clearing and settlement of trades.

### **3.1.5 Conciliation and Arbitration**

In all claims, differences and disputes, irrespective of whether the Exchange is a party or not, arising out of or in relation to transactions on the Exchange including any agreements and contracts, made subject to the Rules, Bye-laws and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereof and including any question of whether such agreements, contracts and transactions have been entered into or not, the parties shall be free to adopt conciliation proceedings subject to the provisions of these Bye-laws and the Arbitration and Conciliation Act. In case the conciliation proceedings do not result in any settlement, the dispute shall be referred to and decided by arbitration, as provided in these Bye-laws and Regulations and the manner specified below:

- 3.1.5.1** Norms, procedures, forms, jurisdiction, terms, conditions and scale of arbitration fees and other charges for reference to arbitration.
- 3.1.5.2** Appointment of conciliation officers, arbitrators, substitute arbitrators and umpires.

- 3.1.5.3 Procedure of serving notice of hearing and adjournment of hearings and communications to the parties and witnesses.
- 3.1.5.4 Procedure of appearance, hearing, filing of information and counter claims and taking witnesses and evidence of assessors and experts.
- 3.1.5.5 Delivery of arbitration awards.
- 3.1.5.6 Implementation of arbitration award

### **3.1.6 Setting-up of Settlement Guarantee Fund, Investors' Protection Fund And Other Funds**

- 3.1.6.1 Norms, procedures, terms and conditions for contribution by trading members/clearing members/custodians and through other sources to Settlement Guarantee Fund, Investors' Protection Fund or any other fund established by the Exchange or Clearing Corporation.
- 3.1.6.2 Administration, utilization, maintenance and investment of the corpus of the Settlement Guarantee Fund, Investors' Protection Fund or any other fund established by the Exchange or Clearing Corporation.
- 3.1.6.3 Norms, procedures, terms and conditions for guaranteeing of settlement obligations, arising out of the transactions executed on the ATS of the Exchange through the Settlement Guarantee Fund.

### **3.1.7 Responsibility of the Exchange**

Wherever the Exchange has established and/or may establish at any time any distinct entity of its own and / or through joint participation and/or has retained and/or may retain at any time any agency for the purpose of managing, looking after and/or carrying out function/s of risk management, surveillance, investigation and/or any other market related function/s, such entity/agency shall be deemed to be only an agent of the Exchange and the primary responsibility for the discharge of such

functions in accordance with the regulatory requirements in force from time to time shall be wholly of the Exchange.

### **3.1.8 Miscellaneous**

**3.1.8.1** Procedure for dissemination of information and announcements to be broadcast by the Exchange on the ATS.

**3.1.8.2** Determination of the scale of transaction charges, clearing charges and other charges that may be collected from persons registered with or recognized by the Exchange.

**3.1.8.3** Issue of guidelines for advertisements, booklets or circulars to be published by the trading members of the Exchange in connection with their business activities.

**3.1.8.4** Any other matter, as may be decided by the Governing Board or Relevant Authority from time to time.

## **3.2 Power to Amend the Rules and Bye laws**

Subject to the provisions of SCRA, the SEBI Act and the Rules and Regulations framed thereunder and the directives issued thereunder, the Governing Board shall have power to vary, amend, add to, alter, modify, delete or repeal any of the provisions of the Rules and / or Bye-laws of the Exchange framed by it, as may be deemed necessary for the effective and efficient management of the Exchange and to achieve its objects. Such changes in the Rules and/or Bye-laws referred to above shall come into force only after prior approval of SEBI. Such changes provided in the Bye-laws shall be subject to the requirement of previous publications in the Gazette of India and the Official Gazette of the State in which the principal office of the stock exchange is situate, and shall come into force only after prior approval of SEBI. The Exchange shall place on its website

any changes that may be required to be carried out in its Bye-laws for public comments simultaneously while publishing them in the Gazette of India and in the Official Gazette of the State as required.

### **3.3 Power to Prescribe Further Enabling Provisions**

The Governing Board or Relevant Authority may, from time to time, issue clarifications or directives, as may be required from time to time, to remove any difficulty or ambiguity in implementing the provisions of the Rules, Bye-laws and Regulations of the Exchange.

### **3.4 Applicability of Other Laws and Regulations**

These Bye-laws shall be in addition to, and shall not prejudice the applicability of the Rules, Bye-laws and Regulations of any Clearing Agency in force for the time being, applicable to the clearing and settlement of transactions entered into or executed through the ATS of the Exchange. In the event of any conflict between any Rules, Bye-laws and Regulations of the Clearing Agency with the Rules, Bye-laws and Regulations of the Exchange, the Rules, Bye-laws and Regulations of the Exchange shall prevail at all times.

### **3.5 Jurisdiction Against the Exchange**

These Bye-laws shall be applicable to all the trading members, sub-brokers, authorized persons, approved users, remisiers, clients and all entities involved in clearing and settlement of transactions, to the extent specified herein. These shall be subject to the jurisdiction of the Courts in \_\_\_\_\_, irrespective of the place of business of the trading members of the Exchange in India. All transactions entered into or executed through the ATS of the Exchange located at the premises of the Exchange at \_\_\_\_\_ shall be deemed to have taken place in the city of \_\_\_\_\_ only and the place of contracting as between the trading members shall be at \_\_\_\_\_, irrespective of the locations of the TWSs of the trading members connected thereto. All disputes under the Rules, Bye-laws and Regulations of the Exchange shall be subject to the exclusive jurisdiction of the Courts in \_\_\_\_\_, irrespective of the location of the place of business of the trading members and of their clients or the place where the

concerned transaction may have taken place. The Rules, Bye-laws and Regulations of the Exchange shall be governed by and construed in accordance with the laws in force in India. Every trading member shall expressly provide in the contract notes to be issued by him that only the Civil Court at \_\_\_\_\_ shall have the exclusive jurisdiction for claims in relation to any dispute arising out of or in connection with or in relation to such contract notes.

### **3.6 Location for Arbitration Between Trading Members, Other Intermediaries and Clients**

The 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.

### **3.7 Records For Evidence**

The records of the Exchange as maintained by a central processing unit or a cluster of processing units or computer processing units or on the ATS of the Exchange, whether maintained in any register, magnetic storage units, electronic storage units, optical storage units or computer storage units or in any other manner or on any other accepted media, shall constitute the agreed and authenticated record in relation to any transaction entered into or executed through the ATS of the Exchange. The records as maintained by the Exchange shall, for the purpose of any dispute or claim between any person involved in clearing and settlement activities and a trading member or a client, between the trading members inter se or between any trading member and his sub-brokers or clients or between the trading members and the Exchange or the Clearing Corporation or Clearing House regarding trading, clearing or settlement of any deal or transaction carried out on the ATS of the Exchange or reported to the Exchange, constitute valid, binding and conclusive evidence between the parties.

#### **Explanation:**

The records of the Exchange include the records maintained by the clearing agency and depositories.



**3.8 Interpretation**

Unless the context otherwise requires in these Bye-laws, words denoting the singular shall include the plural and vice-versa and words denoting the masculine gender shall include the feminine gender and vice-versa and neutral gender in the case of a company/body corporate or an issuer of securities and any reference to any statute, enactment or legislation or any provision thereof shall include any amendment thereto or any re-enactment thereof.

**3.9 Governing Language**

All notices, writings, reports and documents, which shall be issued by the Exchange, in relation to the working and functions of the Exchange, shall be in English language, which shall be the governing language of the Exchange.

**3.10 Limitation of Liability**

The Exchange shall not be liable for any activities of its trading members or clearing members or custodians or of any other person, authorised or unauthorised, acting in the name of any trading member / clearing member / custodian and any act of commission or omission by any one of them, either singly or jointly, at any time shall not be in any way construed to be an act of commission or omission by any one of them, as an agent of the Exchange. Save as otherwise specifically provided in the Rules, Bye-laws and Regulations of the Exchange, the Exchange shall not incur or shall not be deemed to have incurred any liability and accordingly, no claim or recourse shall lie against the Exchange, any member of the Governing Board or any other authorised person acting for and on behalf of the Exchange, in respect of or in relation to any transactions in securities made by its trading members and / or relating to clearing and settlement of transactions and any other matters connected therewith or related thereto, which are undertaken for promoting, facilitating, assisting, regulating, or otherwise managing the affairs of the Exchange to achieve its objects as defined in the Rules of the Exchange.

### **3.11 Protection For Acts Done in Good Faith**

No claim, suit, prosecution or any other legal proceedings shall lie against the Exchange or any member of the Governing Board or any other duly authorised person acting for and on behalf of the Exchange, in respect of any thing which is done or intended to be done or omitted or intended to be omitted in good faith in exercise of any power under the Rules, Bye-laws and Regulations of the Exchange or in pursuance of any order or any other kind of communication received by the Exchange, in writing, from any court, tribunal, Central or State Government, SEBI or any other competent regulatory or revenue authority empowered under any law or delegated legislation for the time being in force in that behalf.

### **3.12 Secrecy or Confidentiality**

**3.12.1** The Exchange shall take necessary steps to preserve and protect the details, particulars, data or information available in the ATS. The Exchange shall cause its employees who, in the normal course of discharge of their duties, are likely to have access to details, particulars, data or information relating to any business transactions of the trading members of the Exchange and settlement obligations of the clearing members / custodians, including any price sensitive information as defined under Regulation 2(k) of Securities and Exchange Board of India (Insider Trading) Regulations, 1992, to maintain complete confidentiality in respect of all such details, particulars, data and information by those employees at all times.

**3.12.2** The Exchange may provide or disclose such details, particulars, data or information relating to any business transactions of its trading members or settlement obligations of the clearing members / custodians or in respect of any security admitted to dealings on the Exchange as may be required or directed in writing by any court, tribunal, Central or State Government, SEBI or any other competent regulatory or revenue authority empowered under any law or delegated legislation for the time being in force in that behalf.

**3.12.3** No trading member, clearing member, custodian, sub-broker, remisier, approved user, authorised person or any of their employee shall be entitled to visit or inspect any premises of the Exchange, access where to is restricted, without the prior written permission of the Exchange or to require discovery of any information with respect to any activities of the Exchange / Clearing Agency or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process or any other matter which may relate to the conduct of the business and which, in the opinion of the Governing Board or Relevant Authority, may not be expedient in the interest of the Exchange to disclose.

### **3.13 Indemnity**

Every trading member / clearing member / custodian of the Exchange / Clearing Agency, every issuer whose securities are admitted to dealings on the Exchange, and the Clearing Agency which is engaged in clearing and settlement of transactions entered into on the Exchange, shall indemnify and keep indemnified the Exchange from and against all harm, loss, damages, injury and penalty suffered or incurred and all costs, charges and expenses incurred in instituting and/or carrying on and/or defending any suits, action, litigation, arbitration, disciplinary action, prosecution or any other legal proceedings suffered or incurred by the Exchange on account of or as a result of any act of commission or omission or default in complying with any of the provisions of the SCRA, SEBI Act and the Rules and Regulations framed thereunder or the Rules, Bye-laws and Regulations of the Exchange or due to any agreement, contract or transaction executed or made in pursuance thereof or on account of negligence or fraud on the part of any trading member of the Exchange or any issuer of securities or the Clearing Agency, including the clearing members and the custodians, and their employees, servants and agents.

### **3.14 Disclaimer**

Where any loss or damage is caused to or incurred by any party or person on account of or as a result of any act of commission or omission or default in

complying with any of the provisions of the SCRA, SEBI Act, and the Rules and Regulations framed thereunder or the Rules, Bye-laws and Regulations of the Exchange or any agreement, transaction or contract executed or made in pursuance thereof or on account of negligence or fraud on the part of any trading member of the Exchange or any issuer of securities or the Clearing Agency, including the clearing members and the custodians or their employees, servants or agents, in the event of the Exchange making good or being required to make good such loss or damages (or any part thereof) to such party or person, the Exchange shall be entitled to recover the amount so made good by it from the trading member of the Exchange, the issuer of securities or the Clearing Agency, including the clearing members and the custodians, in default.

### **3.15 Severability**

If any provision of the Rules, Bye-laws and Regulations of the Exchange is rendered unlawful, void or unenforceable by reason of any statutory amendment, re-enactment, notification or any judicial decision or pronouncement by any competent court, tribunal or regulatory authority, such provision shall, to the extent required, be severed and rendered ineffective without in any way affecting the validity or enforceability of the rest of the provisions of the Rules, Bye-laws and Regulations of the Exchange, which shall continue to apply with full force and effect, provided further that the action already taken earlier under such provision shall remain unaffected.

### **3.16 Force Majeure**

**3.16.1** The Exchange shall provide its services on best effort basis and it shall not be liable for any harm, loss, damage, injury caused to any person arising in any way out of causes beyond its control.

**3.16.2** Without prejudice and notwithstanding anything contained herein, such failure shall not in any way reduce, alter, limit or affect the liability of a trading member of the Exchange in respect of any transaction entered into or executed through the ATS of the Exchange by such trading member, and of a clearing member / custodian relating to clearing and

settlement of transactions confirmed or deemed to have been confirmed by them.

- 3.16.3** Any delay or failure to observe or comply with any requirement, either in full or in part, under the Rules, Bye-laws and Regulations of the Exchange, may be dealt with by the Exchange as a violation of the Rules, Bye-laws or Regulations of the Exchange.
- 3.16.4** The provisions of the Rules, Bye-laws and Regulations of the Exchange are intended solely for the benefit of the trading members of the Exchange, clearing members and custodians associated with the trading members, their clients and their respective successors or permitted assigns, if any, to facilitate carrying out the orders by the trading members either for themselves and / or on behalf of the clients, whether such orders are placed directly with the trading members or through any one or other intermediary and to determine rights and liabilities inter se between the trading members, other intermediaries and clients and across themselves, in relation to trading, clearing and settlement of transactions as provided in these Bye-laws, and these provisions do not in any way, directly or indirectly, confer any beneficiary right to any other party or person.