

**CHAPTER-8****RIGHTS AND LIABILITIES OF TRADING MEMBERS, SUB-BROKERS AND CLIENTS****8.1 Agreement With Sub-brokers and Clients**

Every trading member shall enter into an agreement in writing with each of his sub-brokers and/or clients before accepting or placing orders on their behalf. Such agreement shall include such provisions, requirements and conditions, as may be specified by SEBI and/or the Exchange in this behalf from time to time. The Exchange and/or SEBI has also the right to categorise the sub-brokers and/or clients into such types as may be deemed necessary in this regard and specify the additional or specific clauses to be included in the agreement for this purpose. The trading member's responsibility towards his sub-brokers and clients shall not, however, in any way be reduced or limited due to non-execution of agreements with his sub-brokers and/or clients. In the like manner, legal rights of a client shall not be affected even in cases where a trading member fails to comply with the provisions contained in the Rules, Bye-laws and Regulations of the Exchange, provided the client has complied with all the regulatory requirements applicable to a client from time to time.

**8.1.1 Prohibition on Sub-brokers for Engaging Intermediary**

No sub-broker shall engage or appoint or retain any person as intermediary, other than appointing employees on salary / remuneration basis to carry on the business of selling / buying securities.

**8.1.2 Assessment of Sub-brokers or Clients by Trading Members**

When establishing a relationship with a new sub-broker or client, the trading member shall take reasonable steps to assess the background, genuineness, identity, financial soundness of such person and his investment objectives by requiring the new sub-

broker to enter into an agreement with him and the client to fill in a Client Registration Form, as may be specified by the Exchange and/or SEBI from time to time. The trading member shall also obtain from all his corporate sub-brokers or corporate clients certified true copies of the resolutions passed by the Board of Directors of such companies permitting trading in securities.

#### **8.1.3 Trading Members to Share Certain Details**

Every trading member shall make the sub-broker or client aware of the trading segment to which the trading member is admitted, particulars of his SEBI registration number, the employees of the trading member normally responsible for the affairs of the sub-broker or client and the precise nature of the trading member's liability for business to be conducted.

#### **8.1.4 Trading Member's Duty to Provide Certain Material**

The trading member shall provide to the sub-broker or client, at no extra cost, extracts of the relevant provisions of the Rules, Bye-laws and Regulations of the Exchange governing the rights and obligations of the sub-brokers and clients, relevant manuals, notifications, circulars, any additions or amendments thereto, and of any regulatory authority to the extent it governs the relationship between the trading member and/or his sub-brokers and/or clients.

#### **8.1.5 Trading Member Responsible to Abide by Regulatory Requirements**

Where the trading member manages a discretionary account for or on behalf of the sub-broker or client, he shall abide by the Securities and Exchange Board of India (Portfolio Managers) Rules and Regulations, 1993, as may be in force from time to time.

**8.1.6 Adequate Disclosure of Material Information by Trading Members**

The trading member shall make adequate disclosure of material information in his dealing with his sub-brokers and clients, including the current best price of trade and trade or order quantities on the automated trading system, any relevant announcement from the Exchange relating to margin, trading restrictions as to price and quantity, etc.

**8.1.7 Supplying False or Misleading Information Barred**

The trading member shall not furnish any false or misleading information or advice with a view to inducing the sub-broker or client to do business in securities, which shall enable the trading member to gain thereby. Any trading member or sub-broker or client found to have indulged in furnishing any false or misleading information shall render himself liable for such action as may be deemed fit by the Relevant Authority from time to time.

**8.2 Trading Member's Paramount Lien**

**8.2.1** Whenever and as long as a sub-broker or client is indebted to a trading member, all securities and other assets from time to time lodged with the trading member by such sub-broker or client or held by the trading member for and on behalf of such sub-broker or client and any cash lying to the credit of such sub-broker or client with the trading member shall be subject to a paramount lien of such trading member for any general balance of account or margin or other moneys that may be due at any time from such sub-broker or client, singly or jointly, to such trading member in respect of any transaction done subject to the Rules, Bye-laws and Regulations of the Exchange and shall be deemed a general security for payment to such trading member of all such moneys (including interest, commission, brokerage and other expenses) as may be due from such sub-broker or client.

**8.2.2 Right to Sell**

A trading member entitled to paramount lien on security, assets and cash as provided in Bye-law 8.2.1 above, shall be at liberty to sell such securities and assets in such manner and on such terms and at such time as he may deem fit and may pay to himself such money due to him from such sub-broker or client in respect of transactions done subject to the Rules, Bye-laws and Regulations of the Exchange.

**8.2.3 Sub-broker or Client Indemnity**

Every trading member entering into any transaction for purchase or sale of any security or doing any act in relation thereto on the instructions of any sub-broker or client and on account or request of such sub-broker or client shall be entitled to be indemnified by such sub-broker or client as an agent acting merely on behalf of his principal.

**8.2.4 Trading Members Not Bound to Accept Instructions and Orders**

A trading member shall not be bound to accept all or any of the instructions or orders of his sub-broker or client for purchase or sale of securities. He may, in his absolute discretion, decline to accept any such instructions or orders for execution wholly or in part and shall not be bound to assign any reason therefor:

Provided that when a trading member is not prepared to carry out such instructions or orders either wholly or in part, he shall immediately inform his sub-broker or client to that effect.

**8.2.5 Risk Management and Surveillance**

While carrying on the transactions on the ATS of the Exchange, every trading member shall be responsible to abide by the requirements relating to risk management and surveillance, as

may be notified by the Exchange or Clearing Agency from time to time. The risk management and surveillance functions may, inter alia, include payment of all margins, reduction in exposure limits, etc., as may be stipulated by the Exchange or Clearing Agency from time to time.

#### **8.2.6 Clients Responsible for Paying Margins**

In respect of the transactions executed by trading members on behalf of their clients, the clients shall be responsible to pay margins to the trading members, who shall be required to credit the same in the separate clients' account required to be maintained with any one or more clearing banks approved by the Exchange / Clearing Agency and in turn deposit the same with the Exchange / Clearing Agency, as may be required under the Rules, Bye-laws and Regulations of the Exchange.

#### **8.2.7 Client Undertaking to Pay Margins When Demanded by Exchange or Clearing Agency**

Every trading member shall obtain a written undertaking from each of his clients to the effect that the client shall, when called upon to do so, provide forthwith margin and/or furnish additional margins or deposits in respect of the transactions executed on behalf of the client and/or as agreed upon by the client with the trading member concerned, as may be required under the Rules, Bye-laws and Regulations of the Exchange.

#### **8.2.8 Client Not Complying**

No trading member shall make any transaction directly or indirectly or execute an order for a client who, to his knowledge, has not complied with the requirement of depositing money or security payable to any other trading member, unless such client shall have made a satisfactory arrangement otherwise with the other trading member.

### **8.2.9 Deposit of Moneys and Securities of Sub-broker or Client Not Complying Pending Arbitration**

On an application by any creditor trading member, who refers or has referred to arbitration his claim against a sub-broker or client, who has not paid to him the amount due, in respect of the transactions done by the trading member under the Rules, Bye-laws and Regulations of the Exchange, the Relevant Authority may issue orders restraining the other trading members from paying or delivering to the sub-broker or client any moneys or securities upto an amount or value not exceeding the creditor trading member's claim against the sub-broker or client in respect of the transactions done subject to the Rules, Bye-laws and Regulations of the Exchange. On receipt of such order from the Relevant Authority, the concerned trading member or trading members shall forthwith deposit such moneys and/or securities, after satisfying his or their own dues, if any, arising out of the transactions made subject to the Rules, Bye-laws and Regulations of the Exchange and the sub-broker or client shall be deemed to have authorised the concerned trading member or trading members to deposit the same with the Exchange. Such deposit of moneys and/or securities shall release the depositing trading member or trading members from all further liability and obligation to the counter party creditor-trading member or trading members. The application of the creditor-trading member pursuant to which the moneys and securities are deposited with the Exchange shall be deemed to form a part of the aforesaid reference to arbitration of his claim against the sub-broker or client. The moneys and securities deposited shall be dealt with in terms of the arbitral award and pending a decree shall be deposited with the Court while filing the award unless the creditor trading member and the debtor sub-broker or client mutually agree otherwise.

### **8.2.10 Same Client at Different Exchanges - Retention of Moneys, Securities, Receivables and Payment:**

If there are any moneys, securities or any other receivables lying with or payable by any trading member or any defaulter or any expelled trading member to any sub-broker or client against any claim found admissible under the relevant Bye-laws or against an arbitration award, such moneys, securities or receivables shall be required to be deposited by the trading member on demand by the Exchange and shall be retained by the Exchange in respect of the defaulter or the expelled trading member. Where such moneys / securities / receivables are lying with the Exchange and a claim thereagainst, in writing, is received from any other stock exchange and / or SEBI for the reason that the concerned client or sub-broker has a crystallized liability to be met with, the Exchange shall not release such moneys, securities or receivables lying with it and shall process such claim in accordance with the Rules, Bye-laws and Regulations of the Exchange and / or the norms and procedures set out for processing any claim for payment out of Investors' Protection Fund of the Exchange. If the claim is admitted for payment upon its process, the Exchange, after settling the claims made by its trading members against such sub-broker or client, in full, shall pay such claim out of the moneys / securities / receivables of the sub-broker or client lying with or retained by the Exchange, as the case may be, if the moneys/ securities / receivables are adequate to pay such claim. If the moneys / securities / receivables of the sub-broker or client, as the case may be, are inadequate, the Exchange shall pay such admitted claims on a pro-rata basis.

### **8.3 Direct Delivery by Client**

In respect of a trading member selling securities on behalf of a client, the client, whether dealing directly or through a sub-broker, shall effect delivery of securities in respect of his settlement obligations directly into

the pool account of the concerned trading member, as per the schedule notified by the Exchange / Clearing Agency from time to time in this regard.

Where the delivery of securities is given by any client from his beneficiary account to the pool account of the trading member, such delivery of securities towards the settlement obligations of the client must be valid and in proper form, and not subject to any encumbrance, so as to constitute good delivery while effecting pay-out by the Exchange or Clearing Agency.

#### **8.4 Direct Delivery to Client**

In respect of a trading member buying securities on behalf of a client, the client, whether dealing directly or through a sub-broker, shall be given delivery of the securities in respect of his settlement obligations directly into his beneficiary account provided the client has remitted the full payment thereof to the account of the trading member, as per the schedule notified by the Exchange / Clearing Agency from time to time in this regard.

**8.4.1** Where the delivery of securities is given by any trading member from his beneficiary or pool account, such delivery of securities towards payout to the client must be valid and in proper form and not subject to any encumbrance.

**8.4.2** In respect of a trading member buying securities on behalf of a sub-broker or client, the date on which the trading member delivers such securities to the buying client direct or to his depository participant shall be deemed to be the date of delivery to the buying client.

#### **8.5 Client to Deliver Securities Sold**

A client shall deliver to the trading member by the due date any security which the trading member has sold for the client. The securities delivered must be valid and in proper form. The delivery of any security sold for a client, which the trading member is liable to deliver to the Exchange /



Clearing Agency, must be valid and in proper form, and delivered in time to enable the trading member to meet the pay-in obligations in respect of these securities to the Exchange / Clearing Agency, in accordance with the relevant provisions of the Rules, Bye-laws and Regulations of the Exchange.

#### **8.6 Client to Make Direct Payment**

A client shall pay to the trading member direct all sums, which the trading member is liable to pay, on behalf of the client to the Exchange / Clearing Agency. Such payment must be made at least one banking day previous to the date on which the trading member is required to make payment to the Exchange or Clearing Agency towards pay-in, in compliance with the provisions in these Bye-laws and Regulations relating to such payment.

#### **8.7 Failure by Client to Deliver or to Pay**

A client, who fails to give delivery and/or make payment in accordance with these provisions, shall be liable to pay/compensate for any losses or damages which the trading member may incur as a result of closing out of the transactions, to the extent of payment not made or security not delivered, as the case may be

#### **8.8 Trading Member When to Close-out Account of Client**

##### **8.8.1 Failure to Pay by Client**

On the failure of a client to pay the settlement dues and/or differences in time, the trading member may close-out the transactions and / or sell the securities not paid for. In case the client fails to pay for the losses or damages sustained on closing-out effected against him by the trading member in conformity with the provisions of these Bye-laws and Regulations, the trading member may close-out his account either forthwith or at any time thereafter at his discretion during the time such client is in default, and the liability arising therefrom shall be restricted to the extent, as may be provided in the relevant Regulations from time to time.

**8.8.2 Notice of and Payment on Closing-out**

When the account of the client is closed out as provided in Bye-law 8.8.1 above, the trading member shall immediately send notice of such closing-out to his client and any amount due on such closing-out shall be immediately payable by the client to the trading member.

**8.9 Death of Sub-broker or Client**

A trading member may forthwith or at the earliest practicable date close-out all open transactions on account of a sub-broker or client, who dies and the amount payable on such closing-out shall be paid by the respective legal heirs or legal representatives on the ensuing due date of payment in respect of such transactions.

**8.10 Closing-out in Case of Bankruptcy**

A trading member may forthwith or at the earliest practicable date close-out all open transactions on account of a sub-broker or client who becomes bankrupt or insolvent or makes or attempts to make a compromise with his creditors or with any one of them or who shall have given any intimation or indication of the fact that he will be unable to fulfill his obligations, and the amount payable on such closing-out shall be recovered from his estate, if any.

**8.11 Closing-out of the Account of Client How Effected**

**8.11.1** When closing out the account of a client under the provisions of the Rules, Bye-laws and Regulations of the Exchange, the trading member shall effect the close-out in the open market and if the transactions are not closed out for want of liquidity (there being no bid and / or offer for such security), the closing out shall be effected as per the provisions as may be provided for in the relevant Regulations from time to time.

**8.11.2** Basis of close-out specified in Bye-law 8.11.1 shall also be applicable for non-delivery of securities by a client where on account of netting of transactions there is no obligation for the trading member to give delivery to the Exchange / Clearing Agency.

**8.12 Sale Not Conditional on Transfer**

A sale of securities is not conditional on the issuer of security transferring the securities to the name of the buyer when lodged for the purpose. On the sale of securities, the obligation on the seller is to tender documents that are not defective and he shall not be deemed to guarantee that the issuer of security will transfer the securities to the name of the buyer nor shall he incur any liability by reason of the refusal of the issuer of security to do so.

**8.13 Trading Member Not Liable to Attend to Registration of Transfer**

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

**8.14 Registration of Securities When in Name of Trading Member or Nominee**

When the time available to a client of a trading member is not sufficient for him to complete transfers and lodge the securities for registration before the closing of the transfer books or the record dates and where the

seller is not liable for the interest, dividend, cash bonus, bonus or rights which the company may have announced or declared, the trading member may register the securities in his or his nominee's name and recover the transfer fee, stamp duty and other charges from the buying client and he shall stand indemnified for the consequences of any delay in delivery caused by such action.

#### **8.15 Closing out by Client on Failure to Perform a Contract**

If a trading member fails to pay to his client the settlement dues or differences or fails to complete the performance of a contract by delivery or payment in accordance with the provisions of the Rules, Bye-laws and Regulations of the Exchange, the client shall, after giving notice in writing to the trading member, close-out such contract through any other trading member of the Exchange within such number of trading days from the date the client is due to receive funds or securities, as may be specified in the relevant Regulations from time to time, and any losses or damages incurred as a result of such closing-out shall be immediately payable by the trading member to the client provided the client has fulfilled his obligations to the trading member. If the closing-out be not effected as provided herein, the damages between the parties shall be determined with reference to the closing prices on the days following the date of such default in such manner, as may be specified in the relevant Regulations from time to time, and all further right of recourse between the client and the trading member shall stand forfeited against each other.

#### **8.16 Notice of and Payment on Closing-out**

When the trading member's account is closed-out on account of failure, as provided in Bye-law 8.15 above, the client shall immediately send notice of such closing-out to the trading member and any amount payable on such closing-out shall be paid immediately by the trading member to his client.

**8.17 No Lien on the Securities of a Client**

If a trading member, who has delivered securities to the Exchange / Clearing Agency on account of his client, fails to meet settlement obligations, the client shall be entitled to claim the value of the securities so delivered at a price having reference to the closing price in such manner, as may be specified in the relevant Regulations from time to time, on offering proof of delivery that may be considered satisfactory by the Governing Board or the Managing Director or the Relevant Authority,

**8.18 Complaint by a Client**

When a complaint has been lodged by a client with the Relevant Authority that a trading member has failed to perform his stock broking obligations, the Relevant Authority may investigate the complaint and if it is satisfied that the complaint is justified, the Relevant Authority may suspend the trading member for such period and / or take such other disciplinary action as it deems fit

**8.19 Regulation of Transactions Between Trading Members And Their Sub-brokers, Remisiers and Clients**

Notwithstanding anything to the contrary contained in these Bye-laws, the transactions between the trading members and their sub-brokers, remisiers and clients shall be regulated in the manner provided in the Bye-laws relating to Compliance under Chapter-13.

**8.20 Maintenance of Depository Pool Account**

A trading member shall maintain a pool account with one or more depositories through depository participant/s for the purpose of settlement relating to securities. Trading members, sub-brokers and clients shall be required to deliver the securities against their respective settlement obligations relating to securities into the pool account maintained with the Exchange or Clearing Agency. The Exchange or Clearing Agency may release the securities towards pay-out due to a trading member, either to the pool account of the trading member or to the beneficiary accounts of

the clients, submitted in the electronic form by the trading member, in accordance with the details, as may be provided in the relevant Regulations from time to time. The procedures relating to operation of the pool account shall be as provided in the relevant Bye-laws and Regulations of the Exchange and Business Rules of the depositories, as may be in force from time to time.

## **8.21 Interest, Dividends, Bonus, Rights and Calls**

### **8.21.1 When Buyer Entitled and When Seller Entitled**

The buyer shall be entitled to receive from the seller, all vouchers, coupons, dividends, cash bonus, bonus certificates or entitlements, rights and other privileges, relating to securities bought cum-voucher, cum-coupons, cum-dividends, cum-cash bonus, cum-bonus certificates or entitlements, cum-rights, etc. The seller shall be entitled to receive from the issuer and retain all vouchers, coupons, dividends, cash bonus, bonus certificates or entitlements, rights and other privileges, relating to securities sold ex-voucher, ex-coupons, ex- dividends, ex-cash bonus, ex- bonus certificates or entitlements, ex- rights, etc.

### **8.21.2 Adjustments As Prescribed by Exchange or Clearing Agency**

The manner, mode, information requirements, alterations, date and timing, etc. of adjustment with respect to vouchers, coupons, dividends, cash bonus, bonus certificates or entitlements, rights and other privileges between the buyer and the seller shall be, as prescribed by the Relevant Authority from time to time. The trading members shall be responsible between themselves and to their respective clients for giving effect to such adjustments.

### **8.21.3 Obligation of Seller Under Reconstruction or Reorganization**

In respect of a contract in securities which shall become or are exchangeable for new or other securities under a scheme of reconstruction or reorganization, the seller shall deliver to the buyer, as the Relevant Authority may direct, either the securities

contracted for or the equivalent in securities and/or cash and/or other securities receivable under such scheme of reconstruction or reorganization.

## **8.22 Transactions in Government Securities**

### **8.22.1 Not to Include Accrued Interest**

Transactions in Government Securities shall be deemed not to include the accrued interest in the price and such transactions shall be subject to the accrued interest being accounted for between the buyer and the seller.

### **8.22.2 Payment of Accrued Interest**

When the accrued interest is not deemed to be included in the contract price, the seller shall be entitled to receive from the buyer the interest accrued upto the day of payment less the amount of income tax, including surcharge, if any, deductible at source.

### **8.22.3 Accrued Interest When Not Payable**

When the seller fails to deliver the securities on the due date of delivery, interest shall cease and the buyer shall not be liable to pay the accrued interest beyond the date on which the delivery should have been made.

### **8.22.4 Accrued Interest or Interest at the Ruling Bank Rate**

When the buyer fails to pay for the securities on the date on which the contract falls due, the seller shall be entitled to claim either the interest accrued upto the date on which the payment is actually made or interest at the ruling Bank Rate for the days between the day on which payment should have been made and the day on which the payment is actually made, whichever is higher.

### **8.22.5 Government Securities When Cum and Ex-Voucher or Coupon**

Transactions in Government Securities shall be ex-voucher and ex-coupon when so stipulated at the time of the transaction. In the absence of any such stipulation, such transactions shall be

deemed ex-voucher and ex-coupon from the date on which the interest becomes payable.

#### **8.22.6 Seller When Liable for Vouchers and Coupons**

In respect of cum-voucher and cum-coupon transactions in Government Securities, the buyer shall be entitled to receive from the seller Government Securities with interest due for the period undrawn with the coupon sheets attached. When such securities are delivered after collecting the interest for the period or without the vouchers or without the coupons due for encashment, the full amount of income-tax, including surcharge, if any, deducted on the vouchers or coupons shall be paid by the seller to the buyer in lieu of the undelivered vouchers or coupons.

### **8.23 Transactions When Cum And Ex-Benefits**

All transactions in securities shall be ex-dividend or ex-cash bonus or ex-bonus or ex-rights from such date as the Governing Board or the Managing Director or Relevant Authority may fix and notify in that behalf. All transactions before that date shall be deemed to be cum-dividend or cum-cash bonus or cum-bonus or cum-rights.

#### **8.23.1 When Ex-Benefit, if Information Not Available**

If information regarding the dividend or cash bonus or bonus or rights be not available to the Exchange at the stipulated time for the security to become ex-dividend or ex-cash bonus or ex-bonus or ex-rights as provided in Bye-law 8.23 above, all transactions in securities shall be ex-dividend or ex-cash bonus or ex-bonus or ex-rights from such date following the date on which such information becomes available to the Exchange, as may be decided by the Relevant Authority.

#### **8.23.2 Trading Members Responsible for Adjustment in Respect of Ex-Dividend or Ex-Cash Bonus Transactions**

On receipt of official information by the Exchange canceling or altering the declaration of a dividend or cash bonus, all ex-



dividends or ex-cash bonus transactions entered upto such date as may be decided by the Relevant Authority shall be subject to modification. If the declaration of a dividend or cash bonus be cancelled, the ex-dividend or ex-cash bonus price shall be increased by the amount of the dividend or cash bonus and if there be a decrease or increase in the dividend or cash bonus declared, the ex-dividend or ex-cash bonus price shall be increased or decreased by the corresponding amount. The difference in respect of ex-dividend or ex-cash bonus transaction entered into and settled before such date shall be immediately adjusted between the buyer and the seller and the trading members shall be personally responsible between themselves and to their clients for effecting such adjustment. Ex-dividend or ex-cash bonus transactions, which have been entered into but not settled before such date, shall be completed on the basis of the prices so adjusted.

**8.23.3 When Transactions Cease to be Ex-Cash Bonus or Ex-Dividend**

On receipt of official intimation by the Exchange cancelling the declaration of a dividend or cash bonus, all transactions with effect from such date as may be decided by the Relevant Authority shall be entered into as if the security had not become ex-dividend or ex-cash bonus.

**8.23.4 Deduction from Cum-Dividend or Cum-Cash Bonus Purchase Price**

In respect of a cum-dividend or cum-cash bonus transaction, if the securities are delivered to the buyer by the Clearing Agency less than such number of days as may be decided by the Relevant Authority before the record date or date of closure of the Transfer Books for the purpose of payment of dividend or cash bonus, the Exchange or Clearing Agency may debit the account of the seller to the extent of the amount of dividend or cash bonus recommended or declared to which the buyer is entitled and

correspondingly credit the account of the buyer with the same amount. When the dividend or cash bonus is not known, the Exchange may provisionally deduct from the purchase price such amount as the Relevant Authority may fix and notify in that behalf.

#### **8.23.5 Deduction From Cum-interest Purchase Price of Debentures or Bonds**

In respect of a cum-interest transaction in debentures or bonds, the buyer shall deduct from the purchase price the interest on gross basis provided the securities are delivered to him by the seller or clearing agency less than such number of days before the record date or the date of closure of the Transfer Books of the debentures or bonds for the purpose of payment of interest, as may be decided by the Relevant Authority from time to time,

In respect of transactions in debentures or bonds entered into on cum-interest basis but settled after the debentures or bonds become ex-interest in the market due to the inability of the seller to deliver to the buyer the debentures or bonds in time, the buyer shall deduct from the purchase price the amount of interest on a gross basis.

#### **8.23.6 Trading Members Responsible for Adjustment in Respect of Documents Sent for Transfer**

If securities, in respect of which the amount of dividend or cash bonus has been deducted from the cum-dividend or cum-cash bonus price by the Exchange or Clearing Agency, are lodged for registration with the issuer before the record date or date of closure of the Transfer Books of the issuer for the purpose of dividend or cash bonus or if the actual dividend or cash bonus subsequently declared or paid by the issuer be different from the amount deducted from the cum dividend or cum cash bonus purchase price, the dividend or cash bonus or the difference, as the case may be, shall be immediately adjusted between the buyer and the seller and the trading members shall be personally

responsible between themselves and to their clients for effecting such adjustment.

### **8.23.7 Claim Within Specified Period**

All claims in respect of vouchers, coupons, interest, or cash bonus shall be made and adjusted as provided herein within such number of days from the date of payment of the interest, or cash bonus, as may be specified in the relevant Regulations from time to time and the trading members shall not be personally responsible between themselves or to their clients thereafter. The seller may deliver non-pari passu shares along with the payment of proportionate amount of the dividend against his obligation to deliver pari passu shares. No claim of the buyer relating to dividend on non-pari passu shares shall be entertained by the seller after such number of days from the date of delivery of such non-pari passu shares, as may be specified in the relevant Regulations from time to time. In case of delivery of dematerialized shares through the depositories, the seller shall be required to make adjustments wherever the seller renders delivery of non-pari passu shares, as may be specified by the Relevant Authority from time to time.

## **8.24 Letters of Renunciation**

### **8.24.1 How and When to be Tendered**

Rights, carrying an entitlement, shall be settled by letters of renunciation when such letters are issued by the issuer. When proper letters of renunciation are delivered or tendered to the buyer on or before such number of days as may be decided by the Relevant Authority preceding the date fixed for the receipt of applications by the issuer or before such other date as the Relevant Authority may fix and notify in that behalf, the seller shall be relieved of all further liability in respect of such rights issues. A buyer shall not be bound to accept letters of renunciation not

tendered within the prescribed time. Renunciation in rights issued may be settled by delivery of letters of renunciation.

#### **8.24.2 Non-Delivery of Letters of Renunciation**

If the settlement of claims to rights issues be not made by letters of renunciation by reason of the failure of the seller to deliver such letters of renunciation within the prescribed time, the seller shall be responsible for obtaining the rights issues and the buyer shall not be under any obligation to pay for the rights in advance. The seller shall also be responsible to the buyer for the extra expense of transfer, if any.

#### **8.24.3 Payment in Respect of Rights**

When the issuer does not issue the letters of renunciation, all payments as and when required by the Issuer in respect of issue of securities against the rights shall be advanced to the seller by the buyer in respect of a cum-rights transaction and the seller shall be bound to render every assistance for transfer of such rights securities to the name of the buyer.

#### **8.24.4 Seller Trustee for Buyer**

The amount in respect of rights to be paid to the issuer shall be paid by the buyer to the seller in respect of a cum-rights transaction in sufficient time and the buyer may demand a receipt for the same. In such cases, trading members shall not be personally responsible and the selling sub-broker or client shall be deemed to be a trustee for the buying sub-broker or client in respect of such payments. The seller shall, however, be bound to render every assistance to the buyer in getting the rights securities from the selling sub-broker or client.

#### **8.24.5 Buyer to Bear Transfer Expenses**

When the issuer does not issue letters of renunciation, the expenses of transferring the rights securities to the name of the buyer shall be borne by the buyer.

**8.25 Trading Members When Liable for Dividend or Bonus or Cash Bonus or Rights**

In respect of cum-dividend, cum-cash bonus, cum-bonus or cum-rights transactions, selling trading members shall be personally responsible for the dividend, cash bonus, bonus issue or rights on the securities only when such securities are delivered to the buying trading members by the Clearing Agency less than such number of days before the record date or date of closure of the Transfer Books for the purpose of dividend, cash bonus, bonus issue or rights, as may be specified by the Relevant Authority from time to time.

**8.26 Rights and Obligations of Buying Sub-brokers or Clients and Selling Sub-brokers or Clients**

Trading members shall not be liable between themselves or to their sub-brokers or clients for vouchers, coupons, dividend, cash bonus, bonus issue or rights and other privileges save as provided in Bye-law 8.25 but nothing contained therein shall affect the rights and obligations of the buying and selling sub-brokers or clients respectively (where the buying trading members and/or selling trading members have dealt on their own account as principals include such trading members) between themselves as principals or shall affect the liability of the selling sub-brokers or clients in respect of such dividend, cash bonus, bonus issue or rights or other privileges.

**8.27 Payment of Calls by Seller Where Obligatory**

If securities have been purchased on condition that they should be paid up in respect of a particular call (with interest or other charges, if any) and the seller has not paid the same, the buyer may claim from the seller the call money together with interest or other charges, if any, so payable and shall be entitled to set off such call money together with interest or other charges against the price.

**8.28 Payment of Calls by Seller Where Optional**

A seller of partly paid securities may, previous to delivery, pay any call made on the securities though the last day fixed for payment of such call may not have expired. The seller shall then be entitled to claim the call money so paid from the buyer and may add the same to the purchase price.

**8.29 Payment of Calls by Buyer**

A buyer shall pay every call or contribution which becomes payable to the issuer after delivery of the certificate by the seller and transfer of securities in his name. The buyer shall, however, not be obliged to pay such call or contribution if the issuer refuses to register the transfer on account of any lien or for any other reason. In any other case, if the buyer fails to make such payment and the seller has to pay the same, the seller shall be entitled to claim and recover the same from the buyer, notwithstanding that the buyer has submitted the transfer documents to the issuer, who refuses to transfer the same to the buyer, for whatever reason.

**8.30 Trading Members Not Liable for Calls**

Save as provided in these Bye-laws and Regulations, no trading member shall, in respect of any transaction made by him on behalf of a sub-broker or client, be personally liable or responsible in any way to any party or person for making payment of calls made by an issuer.

**8.31 Issuer in Liquidation**

If a company be wound up on the date of the contract or between the date of the contract and the due date of delivery, the buyer shall nevertheless pay to the seller the purchase money and the seller shall be entitled to recover from the buyer any contribution or call required to be paid even though the liquidator refuses to consent to the transfer. If the buyer or his nominee cannot get the securities transferred to his name, the seller shall, if required to do so by the buyer and at the buyer's cost,

arrange for the assignment of the seller's title to and the rights in the securities to the buyer or his nominee and for the execution of an irrevocable Power of Attorney in favour of the buyer or his nominee to enable him to recover any return of capital and dividends becoming payable after the date of the contract in respect of the securities bought.

### **8.32 Delivery of Equivalent Securities**

In respect of a contract in securities which shall become or are exchangeable for new or other securities and/or cash and/or other securities under a scheme of reconstruction or reorganisation, the seller shall deliver to the buyer equivalent securities as the Relevant Authority may direct, which may be either the securities contracted for or the equivalent in securities and/or cash and/or other securities receivable under such scheme of reconstruction or reorganisation.