

INDIAN CLEARING CORPORATION LIMITED
REGULATIONS

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CHAPTER – I**PRELIMINARY AND DEFINITIONS****PRELIMINARY****Short Title**

These Regulations shall be called “Regulations” or “ICCL Regulations”.

Applicability

These Regulations of the Clearing Corporation shall be applicable to clearing and settlement of trades, inter alia, of securities, in the manner and subject to the provisions of the Regulations.

1. DEFINITIONS

In these Regulations, unless the context otherwise requires, the following terms (whether capitalised or not) will mean as under:

- 1.1. **“Assignment”** means an allocation of an option contract which is exercised, to a short position in the same option contract, at the same strike price, for fulfilment of the obligation, in accordance with the procedure as may be specified by the Relevant Authority, from time to time.
- 1.2. **“Basis” “variety” or “grade”** is the description of a standard variety or grade for a commodity permitted for trading in its derivatives contract as prescribed in the contract specifications by the Exchange and which is deliverable without any “on” or “off” allowance.
- 1.3. **“Bye-laws”** will mean the Bye-Laws framed by Indian Clearing Corporation Limited under and pursuant to the Securities Contracts Regulations Act, 1956 or under any other law for the time being in force.
- 1.4. **“Books of Accounts”, “Records” and “Documents”** will mean and include books of accounts, records and documents which are required to be maintained under the Rules, Bye-laws and Regulations of the Clearing Corporation and includes records maintained in an electronic or in any magnetic form.
- 1.5. **“Clearing Corporation”** means Indian Clearing Corporation Limited (any change in its name and/or re-constitution thereof included). ;
- 1.6. **“Client” or “Constituent”** means a person on whose instructions and on whose account a Clearing Member settles deals on the Clearing Corporation or a person whose deals are allowed to be settled pursuant to the direction or permission from the Clearing Corporation, and may also be called as investor.

Explanation 1:

The terms “Constituent” and “Client” are interchangeably used in the Rules, Bye-Laws & Regulations and shall have the same meaning as assigned herein.

- 1.7. **“Commodity Derivative”** means a contract as defined in the Securities Contracts (Regulation) Act, 1956..
- 1.8. **“Certified warehouse receipt/storage receipt/vault receipt (“certified receipts”)** means a receipt issued by empaneled agency evidencing proof of ownership of a stated quantity of commodities of a stated grade and quality in favour of a beneficial owner or the holder of a certified warehouse receipt. Such receipt may either be in physical form or in a dematerialized/ electronic form as may be permitted by law.
- 1.9. **“Certified Warehouse”** means a warehouse, and which includes any place of storage, godown, tank, cold storage, silo, store house, vault or any type of storage facility whether temporary or permanent certified/approved/accredited by the Exchange/Clearing Corporation or any agency authorized by Exchange/Clearing Corporation and designated as such for storage or for making delivery to and taking delivery of commodities for fulfilling the contractual obligations resulting from transactions in commodity derivatives.
- 1.10. **“Contract Specifications”** means and includes specifications and terms and conditions prescribed generally or specifically by the Exchange or the Clearing Corporation from time to time for trading, clearing and settlement of securities which may be altered or modified at the discretion of the Exchange or the Clearing Corporation.
- 1.11. **“Days of tender”** mean the days on which relevant delivery documents and certified receipts are permitted to be presented to the Clearing Corporation.
- 1.12. **“Delivery”** means the tender and receipt of securities or certified warehouse receipts or any other documents evidencing the title to the underlying or securities as mentioned by the Clearing Corporation from time to time.
- 1.13. **“Delivery centers”** are the centers where the commodities permitted for trading on the Exchange can be delivered by the seller against his outstanding position during the delivery period through the issue of delivery orders / by way of delivery.
- 1.14. **“Delivery order”** means an instruction issued by a seller in the prescribed form of the Clearing Corporation for offering delivery of securities or underlying in fulfillment of his/its obligations.
- 1.15. **“Delivery order rate”** means the rate at which the delivery order / delivery shall be allocated on the designated tender day or the date on which the contract expires.

Explanation: On the expiry date the delivery order rate shall be the Due Date Rate (DDR)/Final Settlement Price (FSP)
- 1.16. **“Delivery Period Margin”** means the margin levied on the long and short positions marked for delivery till the pay-in is completed by the clearing member.

- 1.17. **“Delivery Period”** means the period during which the underlying or the securities, as the case may be, are tendered in terms of the contracts specifications for fulfillment of the transactions executed under the Rules, Byelaws and Regulations of the Exchange and includes tender days as prescribed by the Exchange or the Clearing Corporation for different contracts.
- 1.18. **“Delivering Member / Selling member”** means a Clearing Member who ought to or has effected delivery in fulfilment of the contract made under the Rules, Bye Laws and Regulations of the Clearing Corporation
- 1.19. **“Exchange”** means the exchange operated by the BSE Limited or any other exchange with whom the Clearing Corporation has entered into an arrangement for clearing and settlement.
- 1.20. **“Certified/ Approved/ empaneled/ accredited / designated/ appointed assayer”** means an entity approved as such by the Exchange or the Clearing Corporation for quality testing and certification of the commodities as per the relevant contract specifications and circulars/notices, issued from time to time.
- 1.21. **“Goods”** mean every kind of movable property other than actionable claims money and securities
- 1.22. **“Non-Transferable Specific Delivery Contract”** means a specific delivery contract, the rights or liabilities under which or under any delivery order, railway receipt, bill of lading, warehouse receipt or any other documents of title relating thereto are not transferable.
- 1.23. **“Notification, Notice or Communication”** will mean an intimation that can be served at the ordinary business address and/or at the ordinary place of residence and/or last known address of the party in any one or more or all of the following ways:
- (a) delivering it by post;
 - (b) sending it by Registered Post;
 - (c) sending it under Certificate of Posting;
 - (d) sending it by express delivery post / courier services;
 - (e) sending it by telegram;
 - (f) affixing it on the door at the last known business or residential address;
 - (g) oral communication to the party in the presence of a third person;
 - (h) advertising it at least once in any prominent daily newspaper;
 - (i) sending a message through the Trading System;
 - (j) sending a message through the Clearing System;

- (k) an electronic mail or fax or any other electronic network.
- 1.24. **“Receiving Member /Buying member”** shall mean a Clearing Member who ought to or has taken delivery in fulfilment of the contract executed under the Rules, Bye-Laws and Regulations.
- 1.25. **“Regulations”** will mean these regulations of the Clearing Corporation, and will include business rules, code of conduct and such other procedures and regulations, circulars, directives and orders that may be issued by the Relevant Authority from time to time thereunder or under the Rules and Bye-laws of the Clearing Corporation.
- 1.26. **“Rules”** will mean the Rules framed by Indian Clearing Corporation Limited under and pursuant to the Securities Contracts Regulations Act, 1956 or under any other law for the time being in force.
- 1.27. **“Securities Lending Member”** means a Clearing Member who is eligible to participate in securities lending and borrowing scheme.
- 1.28. **“Settlement price for a contract”** means the price at which the contract shall be settled in the manner specified by the Exchange or Clearing Corporation from time to time which may include daily settlement price and final settlement price.
- 1.29. **“Tender Period Margin/Pre-expiry Margin”** means the margin which may be increased gradually every day beginning from the pre-determined number of days before the expiry of the commodity derivatives contract as applicable.
- 1.30. **“Tenderable or Deliverable varieties or grades”** are varieties or grades other than ‘basis’ variety or grade which are permitted by the Exchange or clearing corporation to be delivered or tendered for a commodity derivatives traded on the Exchange with or without the “on” and “off” allowances as may be prescribed from time to time by the Exchange.
- 1.31. **“Underlying”** will mean either the goods, services, commodities, prices, indices of prices, services, activities, rights, interest and events as may be notified by the Central Government in consultation with the SEBI.
- 1.32. **“Warehouse Service Provider (WSP)”** means an agency approved and accredited by the Exchange and clearing corporation for storage and preservation of commodities.
- 1.33. Unless the context otherwise requires, the words, terms and expressions used in these Regulations but not defined herein shall have the meaning assigned to such terms in the following:
- (a) The Rules and Bye Laws of Indian Clearing Corporation Limited;
 - (b) The Securities Contracts (Regulation) Act, 1956 and the Rules thereunder;
 - (c) The Securities and Exchange Board of India Act, 1992, the Rules and Regulations thereunder;
 - (d) The Companies Act, 2013;

(e) The Depositories Act, 1996.

If any such term/s is/are defined in more than one of the above statutes, then and in that event, the meaning assigned to such term in the statute preceding in order shall prevail over the meaning assigned to such term in the subsequent statute.

CHAPTER – II**CLEARING SEGMENT(S)****2.1 Clearing Segment(s)**

The Relevant Authority may from time to time admit to the Clearing Segment different types of Deals traded on the Exchange. Without prejudice to the above, the Deals emanating from various segment(s) of the Exchange shall be admitted to the Clearing Segment of the Clearing Corporation and shall be cleared and settled by the Clearing Corporation subject to such terms and conditions as may be prescribed by the Relevant Authority from time to time and the framework prescribed by SEBI.

2.2 Categories of Clearing Members

The Relevant Authority may specify from time to time different categories of Clearing Members and shall prescribe such terms and conditions as it may deem fit in its sole and absolute discretion with regard to eligibility, admission and cessation for each such categories of Clearing Member. The following are some of the categories of Clearing Members.

- (a) **Trading-cum-Clearing Member:** Trading-cum-Clearing Member means a trading member of an Exchange who may clear and settle Deals either on his own account or on account of his Constituents by effecting delivery and making and receiving payment for the same in the manner prescribed in these Regulations.
- (b) **Custodian Clearing Member:** Custodian Clearing Member means and includes custodians, banks, companies and other firms admitted by the Relevant Authority as Clearing Members who may act for Trading-cum-Clearing Members and their Constituents in giving and taking delivery of securities, transfer deeds and any other documents by effecting delivery and making and receiving payment for the same in the manner prescribed in these Regulations.
- (c) **Participant Clearing Member:** Participant Clearing Member means and includes banks, financial institutions, primary dealers and other RBI / SEBI regulated entities, admitted by the Relevant Authority who may clear and settle their own Deals in securities, entered through a Trading-cum-Clearing Member of the Specified Exchange and of the Exchange, by effecting delivery and making and receiving payment for the same in the manner prescribed in these Regulations.
- (d) **Professional Clearing Members:** Professional Clearing Members shall mean and include all such persons and / or entities and/or institutions who / which are admitted to clear and settle Deals / Trades on the Derivative Segment of the Specified Exchange and admitted as Professional Clearing Members to clear and settle Deal on the Clearing Corporation either on its / his own account or an account of its / his Constituents by effecting delivery and

making and receiving payment for the same in the manner prescribed in these Regulations.

2.3 Clearing Member's Responsibility viz-a-viz the Deals effected by the Custodian Clearing Member

The Deals effected by the Custodian Clearing Member for and on behalf of Trading-cum-Clearing Member and his/its Constituent, shall not absolve the Trading-cum-Clearing Member of and from its obligations under the Rules, Bye-laws and Regulations and the Clearing Corporation shall have the same rights and authority against such Trading-cum-Clearing Member with regard to such Deals as if such Deals were directly effected by such Trading-cum Clearing Member. Without prejudice to the obligations of the Custodian Clearing Member hereunder, the registration and approval of Custodian Clearing Member shall not in any way affect the jurisdiction of the Clearing Corporation on the concerned Trading-cum-Clearing Member in respect of the Deals effected by him for or on account of his constituent who settles Deals through such Custodian Clearing Members and such Trading-cum-Clearing Member shall continue to remain liable, responsible, accountable to the Clearing Corporation in this behalf.

2.4 Participant Clearing Members' Responsibility

Participant Clearing Member is responsible, accountable and liable to the Clearing Corporation to clear and settle its own Deals. The Participant Clearing Member is bound and shall comply with the Rules, Bye-laws and Regulations of the Clearing Corporation. Without prejudice to the obligations of the Participant Clearing Member hererunder, the registration and approval of Participant Clearing Member shall not in any way affect the jurisdiction of the Clearing Corporation on the concerned Trading-cum-Clearing Member, in respect of Deal effected by it, for or on account of Participant Clearing Member, who settles its own Deals and such Trading-cum-Clearing Member shall continue to remain liable responsible and accountable to the Clearing Corporation in that behalf.

2.5 Professional Clearing Members' Responsibility

A Professional Clearing Member is responsible, accountable and liable to the Clearing Corporation to clear and settle its own Deals. The Professional Clearing Member is bound and shall comply with the Rules, Byelaws and Regulations of the Clearing Corporation. Without prejudice to the obligations of the Professional Clearing Member hererunder, the registration and approval of Professional Clearing Member shall not in any way affect the jurisdiction of the Clearing Corporation on the concerned Trading-cum-Clearing Member, in respect of Deal effected by it, for or on account of Professional Clearing Member, who settles its own Deals and such Trading-cum-Clearing Member shall continue to remain liable responsible and accountable to the Clearing Corporation in that behalf.

2.6 Collection of Securities Transaction tax, Commodities Transaction Tax, SEBI Turnover Fees and other statutory levies

The Clearing Corporation shall, on behalf of the Exchange or otherwise directed, collect the Securities Transaction Tax, Commodities Transaction Tax, SEBI turnover

fees and other statutory levies from its Clearing Members. Every Clearing Member shall remit to the Clearing Corporation the Securities Transaction Tax, Commodities Transaction Tax, SEBI turnover fees and statutory levies payable by the Trading Member of the Exchange in respect of the transactions entered into by him on the Exchange either on his own behalf or on behalf of his Constituents and cleared and settled through such Clearing Member in accordance with the procedures prescribed by the Relevant Authority from time to time for the calculation and collection of such tax and fees. Any Clearing Member who fails to make the payment in accordance with the procedures prescribed by the Relevant Authority in that behalf from time to time would be liable for such consequences of non-payment including but not limited to suspension of clearing facility provided by the Clearing Corporation, appropriation thereof from the amount of the Clearing Member lying with the Clearing Corporation, withholding pay-outs of Clearing Member/s etc. as may be decided by the Relevant Authority in its sole and absolute discretion.

CHAPTER – III**DEALS****3.1 Deals, Transactions, Dealings And Contracts**

For the purpose of these Regulations, the terms “Deals”, “transactions”, “dealings” and “contracts” shall have one and the same meaning unless the context indicates otherwise.

3.2 Kinds Of Deals

Save as otherwise provided, Deals may be of the following kinds:

- (a) “Spot Delivery” i.e. delivery and payment on the same day as the date of the contract or on the next day;
- (b) “Hand Delivery” i.e. delivery and payment within the time or on the date stipulated when entering into the deal which time or date shall not be more than fourteen days following the date of the contract;
- (c) “Clearing” i.e. clearance and settlement in the manner prescribed in these Regulations;
- (d) “Special Delivery” i.e. delivery and payment within any time exceeding fourteen days but not exceeding two months following the date of the contract unless extended by the Relevant Authority as provided in these Regulations.

3.3 Cleared And Non-Cleared Deals

Deals admitted on the clearing segment shall be distinguished as under:

- (i) Cleared Deals: Cleared Deals shall be such Deals which are specified as Cleared Deals by the Relevant Authority from time to time;
- (ii) Non-Cleared Deals: All Deals which are not Cleared Deals, (as specified by the Relevant Authority) and such other Deals as may be specified to be Non Cleared Deals by the Relevant Authority from time to time.

3.4 Depository And Non-Depository Deals

- (a) Depository Deals are such Deals which are specified as Depository Deals by the Relevant Authority from time to time, in respect of which depository delivery is or is required to be effected.
- (b) Non Depository Deals are such Deals which are specified as Non Depository deal by the Relevant Authority from time to time, in respect of which non depository delivery is or is required to be effected.

3.5 Cleared Deals Deemed To Be For Current Clearing

Unless otherwise permitted or stipulated by the Relevant Authority whilst entering into any transaction or subject to any special stipulations that the Relevant Authority may specify from time to time, all Cleared Deals shall be deemed to be for the current clearing.

3.6 Non-Cleared Deals

Spot Delivery, Hand Delivery or Special Delivery may be treated as non-Cleared Deals.

3.7 Non-Cleared Deals Deemed To Be For Hand Delivery

Unless otherwise stated by the Relevant Authority, all hand delivery Deals shall be treated as non-Cleared Deals, falling due for delivery and payment within the time or days or on the day prescribed in the concerned Regulation of these Regulations or within such time or days or on such other day as the Relevant Authority may from time to time prescribe in addition thereto or in modification or substitution thereof, provided that such time or days or day shall not be more than fourteen days following the date of the contract.

3.8 Deals In Provisional Documents And Provisional Securities

Deals in provisional documents and provisional securities shall be made and settled in accordance with the directions of the Relevant Authority in each case.

3.9 Extension Or Postponement Of Contracts By The Relevant Authority

Notwithstanding anything to the contrary contained in these Regulations, the Relevant Authority may for reasons to be recorded from time to time extend or postpone the time for performance of contracts in any deal or deals whenever in its opinion such action is called for in public interest or by just and equitable principles of trade or when the circumstances beyond the control of either or both the contracting parties make such action desirable.

Notwithstanding anything to the contrary contained in these Regulations, the Relevant Authority may in its discretion extend or postpone in any particular case the time for the performance of a contract from any one clearing to the ensuing clearing.

3.10 Composition Of Additional Capital And Margins

The Relevant Authority may from time to time specify the requirements of capital including collateral, margin and deposits for the Clearing Members of the Clearing Corporation.

CHAPTER – IV**SETTLEMENT OF DEALS****4.1 Settlement Regulations Form Part Of Contracts**

The Regulations from time to time in force relating to any procedure for clearance and settlement of Deals and the resolutions, notices, directions and decisions of the Relevant Authority for the time being in force shall be a part of the terms and conditions of every contract for all Deals including Cleared and Non Cleared Deals.

4.2 Contracts Subject To Change In Settlement Procedure

The Relevant Authority may at any time through any convenient mode of communication in that behalf bring into effect in respect of any Cleared, Non Cleared, Non-Depository and Depository Deals any substitution of or any additions to, deletions from or variations, alterations or amendments in any settlement procedure or in any clearing process or in the time for settlement of the Deals or the forms prescribed therefor.

4.3 Reporting Of Deals

Admitted Deals executed by Clearing Members shall be reported to the Clearing Corporation in such manner and form and within such time as may be prescribed from time to time by the Relevant Authority

4.4 Settlement Obligations Of Clearing Members

Clearing and settlement of any or all Deals may be on a netted basis or gross basis or trade for trade basis or any other basis as may be specified by the Relevant Authority from time to time.

Obligations of Clearing Members arising therefrom for effecting delivery and paying and receiving funds shall constitute the settlement obligations of the Clearing Member.

4.5 Settlement Types

The Relevant Authority shall from time to time, categorize deals, basis, mode and/or manner of settle of Deals into different Settlement types.

4.6 Modes Of Delivery

The Relevant Authority may from time to time prescribe different modes of deliveries and the conditions which such deliveries may be subject to. Without prejudice to the generality of the above, the following modes of deliveries are specified as under:

4.6.1 Depository Delivery

Depository Delivery is delivery or receipts or giving or taking of securities through transfer of securities between accounts through the Depositories and shall be subject to such conditions as may be specified, from time to time, by the Relevant Authority.

4.6.2 Non Depository Delivery

Non Depository delivery is delivery or receipts or giving or taking of securities, certified warehouse receipts, documents, transfer deeds other than through the Depositories and shall be subject to such conditions as may be specified, from time to time, by the Relevant Authority.

4.7 Settlement Of Non Cleared Deals

Settlement of all Non-Cleared Deals shall be by delivery and payment between the contracting parties in accordance with the provisions in that behalf contained in the concerned Regulation or such other provisions as the Relevant Authority may from time to time prescribe.

4.8 Settlement Of Deals For The Clearing

All settlement obligations arising out of or relating to the cleared deals shall be settled through the Clearing Corporation by such process or processes as the Relevant Authority may from time to time prescribe. The Rules, Bye-laws and Regulations of the Clearing Corporation shall be deemed to form a part of any settlement process so prescribed.

4.9 Change In Settlement Procedure

The Relevant Authority shall be entitled to order that any Deals entered into or to be entered into shall be settled through such clearing process as it may deem fit other than as prescribed in Rules, Bye-laws and Regulations of the Clearing Corporation.

4.10 Clearing and Settlement of Transactions in securities:

- (a) The Relevant Authority may, from time to time, prescribe:
- i. the specifications, conditions, terms and obligations in the contracts for securities, including commodity derivatives. All the concerned parties shall be deemed to have entered into such contracts subject to such terms and conditions and shall be bound by the same;
 - ii. the norms and procedures for availing services from warehouses and warehouse service providers for physical delivery of commodities and from quality certification agencies or laboratories for quality specifications of commodities deposited with warehouse service providers and of commodities tendered for delivery against contracts traded on the Exchange;

- iii. the norms and procedures for availing services from surveyors, assaying agencies, quality testing and certification laboratories/agencies, assayers, approved laboratories and other appropriate authorities and agencies for quality specifications of commodities deposited for delivery against contracts traded on the Exchange and for settling quality disputes arising out of deliveries;
- iv. the norms and procedures for availing services from agency (ies) for undertaking audits of the Warehouse Service Providers and Warehouses;
- v. any other matter relating to clearing and settlement of transactions of securities including commodity derivatives, surveys and sampling for quality testing etc., as may be decided by the Clearing Corporation from time to time.

CHAPTER – V**SETTLEMENT OF NON CLEARED DEALS****5.1 Scheduled Date And Time**

The scheduled time and hour to be observed in connection with the clearing and settlement of Non-cleared Deals shall be as prescribed in the concerned Regulation or such other time and hour as the Relevant Authority may from time to time notify in that behalf.

5.2 Delivery And Payment

For Non-Cleared Non Depository Deals, on the due date the selling member shall deliver to the buying member, at such place and at such time, in such manner and such delivery units as the Relevant Authority may notify from time to time of securities together with the necessary transfer deeds, duly signed and witnessed and showing on the reverse the code and name of the member delivering the securities and the buying member shall pay for them on the same day or on such other day in such manner as the Relevant Authority may specify from time to time.

For Non-Cleared Depository Deals, on the due date the selling member shall effect through the depository system delivery of the securities to the buying member of such units as the Relevant Authority may notify from time to time and the buying member shall pay for them on the same day or such other day and in such manner as the Relevant Authority may specify from time to time.

5.3 Delivery In Part

The buying member shall accept securities contracted for in part if tendered by delivering units

5.4 No Deduction From Purchase Price

The buying member receiving securities shall not be entitled to deduct from the purchase price any sum due to or any damages claimed by him from the selling member except as provided under these Regulations.

5.5 Payment

The buying member shall make payment to the selling member through the Clearing Bank or by cheque or such other mode as may be prescribed by the Relevant Authority from time to time.

5.6 Closing Out By Buying-In / Close-Out

If the selling member fails to deliver the securities on the due date of the contract, the buying member shall be entitled to buy-in / close-out the same or the undelivered portion thereof as provided in the Bye Laws and Regulations relating to closing-out.

5.7 Closing Out By Selling-Out / Close-Out

If the buying members fail to take up or pay for the securities delivered on the due date of contract, the selling member shall be entitled to sell-out / close-out the same as provided in the Bye-Laws and Regulations relating to closing-out.

CHAPTER – VI**PROCEDURE FOR SETTLEMENT OF CLEARED DEALS****6.1 Clearing And Settlement Process**

The Relevant Authority shall specify from time to time different process and procedures for clearing and settlement for any or all Clearing Members for any or all Cleared Deals.

6.2 Clearing Days And Scheduled Times

The Relevant Authority shall, from time to time, fix various clearing days, the pay-in and pay-out days and the scheduled time to be observed in connection with the clearing and settlement operations of any or all Cleared Deals. The Relevant Authority may specify from time to time different time schedules for any or all Clearing Members for clearing and settlement of any or all Cleared Deals.

6.3 Alteration Of Clearing And Clearing Days And Times

The Relevant Authority may at any time and from time to time curtail, extend, alter or postpone the entire clearing or any or all clearing days in respect of any or all of the Cleared Deals.

6.4 Delivery And Payment For The Clearing**6.4.1 Delivery Through The Clearing Corporation**

Delivery arising out of settlement obligations of Non Depository Deals for the clearing shall be through such modes as may be specified by the Clearing Corporation.

6.4.2 Delivery Through The Depository Clearing System

Delivery arising out of settlement obligation of Depository Deals for the Clearing shall be through the Depository Clearing System.

6.4.3 Payment Through The Clearing Bank

Payment arising out of settlement obligations of Deals for the Clearing shall be through the Clearing Bank(s) or through such modes as may be specified from time to time.

6.5 Delivery For Clearing When Outside The Clearing Corporation

It shall be competent for the Relevant Authority to order that delivery and/or payment in respect of any/all Non-Depository Deals entered into or to be entered into for clearing shall be effected outside the Clearing Corporation by such process or processes as may be prescribed by the Relevant Authority from time to time.

6.6 Delivery For Clearing Depository Deals When Outside The Depository Clearing System

It shall be competent for the Relevant Authority to order that delivery and/or payment in respect of any/all Depository Deals entered into or to be entered into for clearing shall be effected directly between the Clearing Members outside the Depository Clearing System by such process or processes as may be prescribed by the Relevant Authority from time to time.

6.7 Clearing Forms

All Clearing forms shall be as prescribed in the concerned regulation or in such other form or forms as the Relevant Authority may from time to time prescribe.

6.8 Settlement Obligations Statements

Clearing Corporation shall generate and provide to each Clearing Member settlement obligations statements showing different kinds of Deals made by the Clearing Member for which deliveries are to be given and/or taken and the funds payable or receivable by the Clearing Member. The obligation statement shall be treated as the final document showing the kinds of Deals for which deliveries are to be given and/or taken and of the funds to be debited and/or credited to the account of the Clearing Member as specified therein and shall be deemed to be instructions and/or directions from the Clearing Corporation to the Clearing Member, Custodian Clearing Member / Participant Clearing Member / Professional Clearing Member for the same.

6.9 Delivery And Receipt Statements

Based on the obligation statement, the Clearing Corporation shall generate delivery statement and receipt statement for each Clearing Member. The delivery and receipt statement shall contain details of securities to be delivered to and received from other Clearing Members.

6.10 Delivery Of Securities**6.10.1 Non Depository Deals**

On the pay-in day, Clearing Members shall deliver securities to the Clearing Corporation as per delivery statement in respect of Non-Depository Deals. Each delivery shall be accompanied by the corresponding delivery instructions along with requisite documents, if any. Delivery for securities other than commodities shall be in such lots as the Relevant Authority may notify from time to time together with the necessary transfer forms, duly filled in and showing on the reverse the code clearing number and name of the Clearing Member delivering the securities and such other details as may be required by the Clearing Corporation.

6.10.2 Depository Deals

In respect of Depository Deals, on the pay-in day, Clearing Members shall effect delivery in the Depository Clearing System as per delivery statement. Delivery shall be in such lots as the Relevant Authority may notify from time to time.

6.11 Mode Of Funds Payment

Unless otherwise prescribed by the Relevant Authority, each Clearing Member shall have clear balance of funds in his clearing account to the extent required to debit his account and on pay-in day the Clearing Bank(s) shall debit a Clearing Member's clearing account to the extent of his funds obligation as per the instructions of the Clearing Corporation.

6.12 Receipt Of Securities**6.12.1 Non Depository Deals**

Securities which are to be received by a Clearing Member shall be delivered to him by the Clearing Corporation in respect of Non Depository Deals on the respective pay-out day as per instructions of the Clearing Corporation. All securities due to a Clearing Member shall be normally delivered to him unless (a) the Clearing Member who is required to deliver the securities has not delivered the same on pay-in day as per final settlement obligations or (b) the full extent of funds obligation of the Clearing Member entitled to receive securities was not available with the Clearing Corporation's Clearing account for meeting his payment obligations on the pay-in day or (c) where it is otherwise ordered by the Relevant Authority. Clearing Member who takes delivery of securities from the Clearing Corporation shall sign a receipt thereof in the form attached to the Clearing Corporation's receipt statement.

6.12.2 Depository Deals

In respect of Depository Deals, securities which are to be received by a Clearing Member shall be delivered to him in the Depository clearing system on the respective pay-out day as per instructions of the Clearing Corporation.

6.13 Receipt Of Funds

Unless otherwise prescribed, on the pay-out day the Clearing Bank shall either credit the clearing account of the Clearing Member or make payments to Clearing Member as per the instructions of the Clearing Corporation. All funds due to a Clearing Member shall normally be credited to his account unless (a) the Clearing Member liable to deliver has not delivered securities or underlying on the pay-in day or (b) the full extent of funds obligation of the Clearing Member was not available with the Clearing Corporation, or (c) where it is otherwise ordered by the Relevant Authority.

6.14 Notice Of Delivery And Payment Outside Clearing Corporation In Respect Of Cleared Securities For Non-Depository Deals.

Whenever the Relevant Authority orders delivery and payment to be made outside the Clearing Corporation in respect of Cleared Non Depository Deals, a notice to that effect shall normally be sent to the Clearing Members at least a day before the pay-in day unless otherwise directed by the Relevant Authority.

6.15 Notice Of Delivery And Payment Outside Depository Clearing System In Respect Of Cleared Securities For Depository Deals.

Whenever the Relevant Authority orders delivery and payment to be made outside the Depository Clearing System in respect of Cleared Depository Deals directly between Clearing Member, a notice to that effect shall normally be sent to the Clearing Members at least a day before the pay-in day.

6.16 Death Of A Clearing Member During Clearing

If a Clearing Member dies on or before the pay-in day and after the Clearing Corporation having determined the final obligation for that settlement, the procedure to be followed in clearing and settling the account of such member shall be the procedure prescribed for clearing and settling the account of a defaulter, provided that with the permission of the Relevant Authority either the heirs or legal representatives of such deceased member or other Clearing Member of the Clearing Corporation may receive and deliver securities and make and receive payment on account of such deceased member.

6.17 Clearing and Settlement of Commodity Derivatives

6.17.1 For fulfillment of the outstanding contracts maturing at the end of the contract month, a commodity security shall be tendered by delivery through the respective Clearing Members to the Clearing Corporation.

6.17.2 All outstanding transactions in contracts for commodities shall in general be for delivery at any one or more delivery centers and/or warehouses approved, certified and designated by the Relevant Authority unless otherwise specified by the Relevant Authority.

6.17.3 The Clearing Corporation may prescribe tender days and delivery period for each contract month in the underlying during which sellers who wish to tender delivery may issue Delivery Orders through their respective Clearing Members to the Clearing Corporation.

6.17.4 The Clearing Corporation shall allocate the delivery orders /Delivery received by it amongst one or more buyers having outstanding long open positions in a manner as considered appropriate by the Relevant Authority.

6.17.5 The Relevant Authority may specify in advance before commencement of a contract, various grades of underlying that may be tendered and the discounts and premiums for such grades.

6.17.6 All contracts outstanding at the end of the last trading day of the contract month of the maturing contract shall be closed-out by the Relevant Authority at the due date rate as fixed by the Relevant Authority.

6.17.7 Every Delivery Order shall be tendered for the units of delivery specified for the underlying, or multiples thereof and the same shall be issued at the

Delivery Order Rate fixed by the Relevant Authority on the day of tender. A seller who issues Delivery Order/ delivery shall receive from or pay to the Clearing Corporation through the concerned Clearing Member the difference between the contract rate or the last settlement rate, as the case may be, and the Delivery Order Rate. A buyer who is assigned a Delivery Order / delivery shall receive from or pay to the Clearing Corporation through the respective Clearing Member the difference between the immediately preceding trading day's settlement price and the Delivery Order Rate in addition to the amount payable for the value of delivery.

- 6.17.8** A seller issuing the delivery order / delivery shall receive from the Clearing Corporation the full price of the underlying delivered as per the delivery order rate, subject to additions or deductions on account of such premium or discounts as the case may be, prescribed under the contract specifications.
- 6.17.9** A buyer shall pay to the Clearing Corporation the value of delivery allocated on his account by the Exchange within such time as may be specified, of getting intimation to such effect from the Exchange. After getting full price of delivery from the buyer as per delivery order/delivery allocated to him, the Exchange will assign the delivery order /delivery to him and the money will be passed on to the seller. The Clearing Corporation will conduct supplementary settlements for adjustments relating to quality, quantity and freight factors, etc. as the case may be.
- 6.17.10** A member desiring to tender underlying against an open short position in the maturing contract shall send Delivery Orders to the Clearing Corporation through his Clearing Member upto such time on the tender days and in such form as may be decided by the Relevant authority.
- 6.17.11** Delivery Orders shall be passed on to the Clearing Corporation through the Clearing Members and vice versa. The Members themselves or their agents shall be entitled to receive or give Delivery Order.
- 6.17.12** A seller member is entitled to offer delivery only at the delivery centers specified by the Clearing Corporation in advance for the respective commodity. Delivery can be tendered at such specified centers strictly as per the delivery procedure specified. Before tendering delivery, the seller is also required to obtain a certificate from a surveyor empanelled by the Clearing Corporation and such certificate shall be accompanied with the delivery order being tendered by him to the Clearing Corporation. The certificate issued by the surveyors or agencies including laboratories shall clearly specify the quality of the underlying tendered and shall also confirm that such quality is tenderable as per the contract specification. In case of non-compliance of any of these conditions, the delivery order /delivery will be rejected ab initio.
- 6.17.13** Assignment of Delivery Orders /delivery among the Clearing Members having outstanding long position shall be binding on them, irrespective of the fact that there was no direct contract between the buyer and seller.
- 6.17.14** The Clearing Members shall, in turn assign the full quantity of underlying covered by the Delivery Orders to their Clients holding outstanding long positions. The clients may in turn, assign the delivery order to their registered non-member clients, if any holding outstanding long open positions and such member– clients or constituents shall not reject such assignment on any ground whatsoever including the fact that there was no

direct contract with the seller. Clearing Members and Member/Clients shall submit to the Clearing Corporation a written statement of assignment of underlying covered by the Delivery Orders /delivery.

- 6.17.15** Members of the Clearing Corporation and the clients / constituents dealing through them shall strictly abide by the delivery procedure, methods of sampling, survey, transportation, storage, packing, weighing and final settlement procedures, as may be specified by the Clearing Corporation from time to time. Any violation of such method will be dealt with by the Clearing Corporation in the manner, as may be specified from time to time.
- 6.17.16** A seller of commodity shall deliver the quantity as per his net sale position in the expiring contract during the period specified in the Rules and Regulations and notices and orders issued thereunder from time to time for the specified underlying, which should confirm to the quality specified in the contract specification. In case of any failure to do so, such net sale position shall be closed out as per the due date rate and the seller shall be required to pay the difference, as determined by the Clearing Corporation and penalty in addition thereto.
- 6.17.17** A buyer shall be required to lift delivery from the specified warehouse within the period prescribed by the Relevant Authority, as per the delivery order assigned to him. In case of his failure to do so, he shall be required to pay the warehouse charges, insurance charges and other expenses relating to storage for the incremental period
- 6.17.18** The Exchange may appoint a panel of surveyors or agencies including laboratories, for the purpose of quality and weightment /quality certification of commodities tendered through delivery orders/ delivery.
- 6.17.19** In case of a default in giving the delivery of the underlying or making the payment by the concerned Clearing Member, the procedure and consequences thereof prescribed in the Rules, Bye-laws and Regulations of Clearing Corporation or circulars issued by SEBI / Clearing Corporation shall apply. The amount due from such defaulting seller or buyer, including the total financial loss, if any, in respect of all his outstanding contracts squared off by the Clearing Corporation shall be recovered from his Clearing Member out of the defaulter's security deposits, margins, amounts, receivables in the contract for all underlying, etc. standing to his credit. If after such adjustments, there is a shortfall, the said Clearing Member shall be liable for such disciplinary action as the Clearing Corporation may decide in the matter.
- 6.17.20** The Relevant Authority shall have the power to extend the period of delivery or provide for a longer period of delivery in the Delivery Orders itself if in its opinion, such an extension of time has become necessary due to force majeure or labour strike or for any other reason as the Relevant Authority deems fit, the reasons for which shall be recorded and the Relevant Authority shall advise the Clearing Corporation of such exercise of power.
- 6.17.21 Delivery Procedure:**
- (a) **Delivery Period:** Each Futures Contract for specified delivery month shall be deemed to have entered the delivery period from such date of its expiry month, as specified by the Exchange / Clearing Corporation in the relevant contract launch circular. The futures contract can be performed by delivery of the underlying within this

period on designated tender days fixed by the Exchange. Provided that the Exchange / Clearing Corporation will have the right to fix, alter, extend or postpone such tender and delivery period, if it is expedient to do so. Tender and Delivery Period Margin shall be levied to member as specified by the Exchange in the relevant contract launch circular.

- (b) **Designated Tender Days:** The tendering of deliveries shall be permitted only on specific tender days during the tender and delivery period. Such tender days will be notified by the Exchange / Clearing Corporation in advance.
- (c) **Compulsory Tender of Delivery:** In Compulsory Delivery Contracts, any Member keeping an "Open Position" as at the close of business on the contract expiry date shall be obliged to compulsorily tender delivery for the entire short position or accept delivery for the entire long position, as the case may be.

In Both Option Contracts, if the Member desires to tender delivery they will have to submit Delivery Orders/Delivery Intention/ Tender Notice and if the Member desires to take delivery they will have to submit Delivery Intention, and delivery will take place only to the extent of matched delivery intention. In Seller Option Contracts and Contracts having Staggered Delivery in Compulsory Delivery Contracts, if the Member desires to tender delivery they will have to submit Delivery Orders/Delivery Intention/ Tender Notice and delivery will take place only to the extent of submission of Delivery Orders/Delivery Intention/ Tender Notice.

- (d) **Settlement of delivery in all underlying on the Exchange:**

Delivery in all commodity derivatives contracts traded on the Exchange shall be settled by either of the following ways, which shall be communicated in advance by Clearing Corporation:

1. Physical Mode viz. by submitting valid vault receipts/ warehouse receipts (duly endorsed and signed by the depositor & the member) and quality certificate issued by designated quality certifying agency, if any.
2. Pay-in through electronic mode whereby the Clearing Member can earmark his existing underlying balance in the electronic module provided by the Clearing Corporation or any other agency approved by Clearing Corporation.

- (e) **In all futures contracts for which staggered delivery is mandated, the framework shall be as given below:**

- i) The tender period shall start with onset of the applicable staggered delivery period. In case the day happens to be a

Saturday, Sunday or clearing corporation holiday, the tender period shall start from the next working day.

- ii) Seller/buyer shall have an option of marking an intention of giving/taking delivery on any day from the start of the tender period up to the expiry of the contract.
 - iii) Delivery shall be allocated as per the methodology prescribed by Clearing Corporation from time to time.
 - iv) Open position on expiry of the contract would result in compulsory delivery and would be settled at due date date (DDR)/final settlement price (FSP) of the respective contracts and pay-in and pay-out shall happen latest by the 2nd working day after expiry.
 - v) The delivery marking will be done at client level as under:
 - a) To the extent of client open position during tender period as against seller intention;
 - b) At contract expiry – all open positions shall be marked for delivery.
- (f) **Delivery Orders:** All deliveries tendered by Members on designated tender days shall be in the form of 'Delivery Orders'. The Delivery Orders shall be submitted in Clearing Corporation and shall clearly state the contract particulars including quantity etc. The Delivery Orders must be received by Clearing Corporation by specified time and on the specified tender days.

The Clearing Corporation may decide the process and timelines for submission of delivery instruction including Tender Notice by members based on its assessment of the time required for marking as well as for modifying any delivery intentions wrongly marked.

- (g) **Permissible limits for Delivered Quantity:** The delivery shall be deemed to have been provisionally completed for each delivery order / Delivery whenever the seller has delivered the quantity for that delivery order within a tolerance limit as may be specified from time to time.

The underlying when stored by the members at warehouses for a specific period for delivery are subject to weight loss on account of loading and unloading, sampling, transportation, pest infestation, storage condition, moisture variation etc. When a seller delivers underlying of certain quantity that may not match with the quantity when buyer takes out the said commodity from the warehouse because of the above reasons, which the industry normally accepts. With a view to adjust the handling loss due to loading, unloading and sampling etc., standard deduction may be applied on different commodities as specified in relevant circulars. However, weight

adjustment due to moisture variation shall be made at the time of revalidation/withdrawal of commodity over and above the standard deduction.

- (h) **Delivery Grades:** The Members tendering delivery will have the option of delivering such grades of underlying as permitted by Clearing Corporation. The buyer will not have any option to select a particular grade and the delivery offered by the seller and allocated by the Clearing Corporation shall be binding on him.
- (i) The Member tendering delivery may specify the grade to be delivered in the Delivery Order. Once the delivery grade is specified, it cannot be changed for the same Delivery Order. Such delivery grade shall be in conformity with the surveyor's certificate accompanied with the tender document.
- (j) **Delivery Centers:** Delivery centers shall be such centers as may be notified by the Clearing Corporation for respective underlying. Members shall be obliged to tender delivery orders / Delivery only at such centers as may be specified by the Clearing Corporation.
- (k) **Freight adjustment factor / Discount/Premium on up country delivery:** The Clearing Corporation shall determine and disclose for contracts the location premium/discount prior to launch of the contract in various underlying.
- (l) **Evidence of Stocks in Possession:** At the time of issuing the Delivery Order, the Member must satisfy Clearing Corporation that he holds stocks of the quantity and quality specified in the Delivery Order at the declared Delivery Center.
- (m) Each Delivery Order/ Delivery shall be accompanied by a certificate from an approved surveyor/ quality certifying agency as to the physical verification and certification of quantity of underlying in possession of tenderer at designated delivery center and quality specifications in conformity with the specifications of the grade being tendered.
- (n) The procedures followed for drawing samples and carrying out analysis tests shall be as specified by the Clearing Corporation in the relevant circulars.
- (o) The cost of survey and issuance of certification by an approved surveyor shall be borne by the Member submitting the Delivery Order / Delivery.
- (p) **Pricing of Delivery Order:** The base price for a Delivery Order shall be the settlement/ closing price of the concerned contract on the day (which shall be a designated tender day) and on which the delivery is tendered. The basis price arrived at as above will have to be adjusted by applying freight adjustment factor / Discount/Premium on up

country delivery and the discount / premium in respect of quality. On expiry date the delivery order rate shall be the Due Date Rate (DDR)/ Final Settlement Price (FSP) and not the closing price.

- (q) **Taxes, Duties, Cess and other Levies:** The same shall be as specified by the Exchange or the Clearing Corporation in the relevant contract launch circular. All the sellers and the buyers shall have the necessary registration from the relevant taxing authorities and obtain other licenses, if any, required by them. The Member giving delivery and the Member taking delivery will exchange appropriate tax forms as provided in law and as customary, and neither of the parties will unreasonably refuse to do so.
- (r) **Allocation of Delivery Orders:** Clearing Corporation shall allocate all Delivery Orders received on tender days/expiry day from Members holding short open positions to Members holding long open positions, when the tender document is received. The allocation of Delivery Orders shall be done in a fair and equitable manner by Clearing Corporation. The decision of Clearing Corporation shall be final and binding.
- (s) **Publication of Delivery Orders:** Clearing Corporation shall display on its system, within reasonable time, details of Delivery Orders received on each designated tender day.
- (t) **Acceptance of Allocated Delivery Orders/ Delivery :** The allocation of Delivery Orders / Delivery to Members with net buy or long positions shall be final and binding on all members to whom it has been allocated and under no circumstances a member shall have any right to refuse or challenge the delivery allocation in his favour.
- (u) **Payment by Member with Net 'Buy' Position:** The Member with net long position shall pay full value of the Delivery Order/ Delivery by specified time and day.
- (v) **Endorsement of Delivery Orders:** The Delivery Orders / Delivery allocated to the member with net long position shall be freely endorsable by him to his clients who may be either a member or a client. However in case of dispute or default involving the endorsee, the responsibility for contractual performance shall remain vested with the original assignee of the Delivery Order (the buying member).
- (w) **Payment by Clearing Corporation to the Tenderer:** Clearing Corporation shall pay the delivery amount to the Member tendering delivery on allocation of delivery.
- (x) **Penalty for non-performance:** In order to enforce strict discipline in respect of performance of contract, the Clearing Corporation will follow the following procedure:
- i. On tender days prior to commencement of delivery period of a Both Option/ Sellers Option/ Compulsory Delivery with

- Staggered Delivery Mechanism contracts, the members having outstanding position in the expiring contract may submit to the Clearing Corporation their intention for tendering or taking delivery along with details of, quantity etc. On expiry of Compulsory Delivery Contracts all outstanding open long and short positions are marked for delivery i.e. sellers will have to give delivery and buyers will have to take delivery.
- ii. However, even if a buyer submits his intention to take delivery, it may be possible that he does not get delivery either fully or partially or that he would get delivery but at a different delivery center compared to the center desired by him.
 - iii. If a member does not submit his intention to give or take delivery in Both Option/ Sellers Option Contracts, he will have only two options:
 - To square off his position anytime before contract expiry; or
 - To settle his position as per the due date rate in case he fails to square off his position before contract maturity.
 - iv. If a member submits his intention to give delivery in Both Option/ Sellers Option/ Compulsory Delivery with Staggered Delivery Mechanism Contracts or a Member who has to tender delivery in Compulsory Delivery Contracts, but subsequently he fails to do give delivery, his position will be closed out at the Due Date Rate and he shall also be required to pay a penalty as per the provisions specified by the Clearing Corporation in the relevant contract launch circular.
 - v. If a member submits his intention to give delivery in Both Option Contracts, but there are no buyers interested to take delivery, then the position of both the buyers and sellers will be closed out as per the Due Date Rate. In Sellers Option/ Compulsory Delivery with Staggered Delivery Mechanism Contracts, if seller submits his intention to give delivery the same will be marked to buyers having open long positions.
 - vi. If the buyer has submitted his intention to take delivery in Both Option Contracts, but subsequently when delivery is allocated to him, he fails to make payment for the delivery, his position will be closed out at the Due Date Rate and he shall also be required to pay a penalty as per penal provisions specified by the Relevant Authority from time to time, while the delivery will vest with the seller himself. In Compulsory Delivery Contracts, if the buyer refuses to take the delivery as per the specifications prescribed, then the Exchange/Clearing Corporation shall not be liable for any loss/damage arising on account of such refusal.
- (y) During tender and delivery period of the underlying, the members are required to submit the following documents including the documents relating to tax etc.

- i. The buyer member will submit his intention to the Clearing Corporation to take delivery along with the details of his client based on which the Clearing Corporation will mark delivery on priority basis.
 - ii. The seller member is required to submit delivery orders/ delivery intention/ tender notice to the Clearing Corporation along with documentary evidence such as warehouse receipt and quality certificate to the effect that the seller is holding the underlying at the time of giving delivery orders/ delivery intention/ tender notice.
 - iii. The buyer member is required to submit the tax registration number, name and address of buyer etc. for the purpose of raising the invoice by the seller.
 - iv. The seller member is required to submit invoice favouring buyer member/buyer member's client.
- (z) Extension of Delivery Period: The Clearing Corporation shall have the power to extend the period of delivery or provide for longer period of delivery in the Delivery Order itself if such an extension of time has become necessary due to a force majeure.

6.18. Fines and Penalties

Penalty and norms thereof for delivery default shall be such as may be specified by the Clearing Corporation from time to time

CHAPTER – VII**NON DEPOSITORY DELIVERY OF SECURITIES OTHER THAN COMMODITIES****7.1 Which Documents Constitute Good Delivery**

The documents specified in the Relevant Regulation of these Regulations or such other documents as the Relevant Authority may from time to time specify in addition thereto or in modification or substitution thereof shall constitute good delivery when tendered in fulfilment of Deals to which these Regulations apply.

7.2 Certificates Accompanied By Transfer Deeds Good Delivery

Certificates accompanied with duly executed transfer deed shall constitute good delivery.

7.3 Allotment Letter When Good Delivery**7.3.1 Allotment letters duly discharged**

Allotment letters shall be accepted in lieu of certificates provided such duly endorsed allotment letters accompanied with duly executed transfer deeds are in respect of securities which are fully paid up and where the allottees are duly discharged of their obligations in respect of securities for which such allotment letters are issued by the companies and provided such allotment letters are accepted by the company for registering transfers.

7.3.2 Allotment receipts

Where allotment monies are called for in the allotment letters, such allotment letters shall be accompanied by properly discharged allotment receipts.

7.3.3 When Allotment Letters cease to be good delivery

Unless otherwise directed by the Relevant Authority in any particular case, allotment letters shall continue to be good delivery till the certificates are issued by the Company.

7.4 Split And Transfer Receipts When Good Delivery

Split receipts issued by the Clearing Corporation and by companies and proper transfer or transmission receipts issued by companies complying with such conditions as the Relevant Authority may from time to time determine and duly discharged where necessary shall be accepted in lieu of certificates as good delivery for such period from the date of issue as the Relevant Authority may from time to time fix and notify in that behalf.

7.5 Certified Transfers**7.5.1 When good delivery**

Certified transfers shall constitute good delivery when so directed by the Relevant Authority.

7.5.2 Mode of certification

The certification on the transfer deed may be made by the Clearing Corporation or by the company concerned. It shall state the distinctive numbers of the securities covered by the transfer deed and it shall also state in clear and definite terms that the certificate relating to such securities has been forwarded to or lodged with the Company. Transfer deeds containing conditional certification are not good delivery.

7.5.3 Date of certification

All certified transfer deeds shall bear the date of certification.

7.5.4 Particulars to be filled in transfers

For obtaining certification on the transfer deeds, such deeds should contain full name and address of the transferor as also the distinctive numbers of the securities proposed to be transferred. If such details are not mentioned in the transfer deeds, then such deeds shall not be considered as good delivery.

7.5.5 In all other cases, not covered under 7.2 to 7.5.4 above, good & bad delivery guidelines issued by SEBI/Clearing Corporation from time to time shall apply.

7.6 Delivery Units**7.6.1 Delivery in prescribed units**

Unless otherwise directed or stipulated by the Relevant Authority when entering into a deal, one certificate for the exact amount of the delivery unit or two or more certificates making up in the aggregate the delivery units or where the deal is for an odd lot, certificates making up in the aggregate the odd lot, may be delivered in settlement of Deals but the transfer deeds delivered shall be for the exact amount of the delivery units and where the deal is for an odd lot for the exact amount of the odd lot or, smaller amounts making up in the aggregate the odd lot.

7.6.2 Certified transfers, Split receipts and Allotment letters to be in Delivery unit

The provisions relating to delivery units contained as above shall also apply to certified transfers, split receipts issued by the Clearing Corporation, split or transfer or transmission receipts issued by companies and allotment letters delivered in settlement of contracts as provided in these Regulations.

7.7 Renewal Fees For Securities

It shall be the obligation of the transferor of the securities to pay the charges payable to the company for issuing a new certificate in lieu of an old one where such old certificate is worn out or incapable of carrying further endorsements.

7.8 Transfer Stamp And Registration Fees

Unless otherwise directed by the Relevant Authority, transfer stamp duties payable to Government and fees charged by companies for registering transfers of securities and known as transfer fees shall be paid by the buyer; however where transfer deeds have been given in lots other than the prescribed lots, the extra stamp duty, transfer fees and consolidation charges to be paid as a result thereof shall be paid by the seller to the buyer.

7.9 Delivery In Part

The receiving member shall accept such portion of the securities as may be in order provided it is in lots of delivery unit and may buy-in / close-out the undelivered portion in accordance with the Bye-Laws and Regulations relating to closing-out.

7.10 Closing Out On Refusal To Accept Delivery

In the event of receiving member not accepting documents duly tendered by the seller in performance of his part of the deal, then the Clearing Corporation shall be entitled to sell-out / close-out the same against such receiving member in accordance with the Bye-Laws and Regulations relating to closing-out.

CHAPTER – VIII**DEPOSITORY DELIVERY****8.1 Delivery Units**

Depository delivery shall be in such units as may be prescribed by the Relevant Authority from time to time. In case where the deal is for an odd lot, the delivery shall be for the exact quantity of odd lot or for lesser quantity making up in the aggregate the odd lot.

8.2 Transfer Duties And Charges

Unless otherwise directed by the Relevant Authority, transfer duties and charges payable, if any, to Government and fees charged by companies for registering transfers of securities, if any, shall be paid by the buyer.

8.3 Delivery In Part

The receiving member shall accept such portion of the securities as may be in order provided it is in lots of delivery unit and may buy-in / close-out the undelivered portion in accordance with the Bye-Laws and Regulations relating to closing-out.

8.4 Closing Out On Refusal To Accept Delivery

When deliveries in performance of a deal are not accepted by the receiving member, the Clearing Corporation shall be entitled to sell-out / close-out the same against him in accordance with the Bye Laws and Regulations relating to closing-out.

CHAPTER – IX**NON DELIVERY AND NON PAYMENT****9.1 Notice Of Non-Delivery And Non-Payment**

Each Clearing Member shall send to the Clearing Corporation for Depository Deals and Non Depository Deals on the pay-in day an intimation of non-delivery in respect of each failure to deliver underlying or securities and a notice to the Clearing Corporation of non-payment in respect of failure to pay any or all of the funds which are due to be paid in such forms as may be prescribed in this regard by the Relevant Authority from time to time.

9.2 Non-Delivery And Non-Payment By Custodian Clearing Members / Participant Clearing Members / Professional Clearing Members.

It shall be the responsibility of the Custodian Clearing Member / Participant Clearing Member / Professional Clearing Members in the event of non-performance of any obligation or part thereof to the Clearing Corporation for Depository Deals or Non Depository Deals to identify the relative deal(s), to which the non-performance or part performance relates.

9.3 Failure To Deliver

Without prejudice to the provisions contained elsewhere in this regard, if a Clearing Member fails to deliver on the pay-in day the underlying or securities deliverable by the Member, the Clearing Corporation shall be, without further notice or intimation to the Member, entitled to withhold all funds/payouts due to the Member and/or to debit the account of the Member by an amount equivalent to the underlying or securities not delivered valued at such valuation price as the Relevant Authority may specify from time to time in this regard.

9.4 Buying-In / Close-Out On Failure To Deliver

If a Clearing Member fails to deliver on the pay-in day the underlying or securities deliverable by the Member, the Clearing Corporation shall be entitled to buy-in / close-out such underlying or securities in accordance with the Bye Laws and the Regulations relating to buying-in / closing-out.

9.5 Underlying or Securities On Hold Or Selling-Out/Close-Out On Failure To Pay

If a Clearing Member fails to pay on pay-in day for the underlying or securities to be received by him, the Clearing Corporation shall be, without further notice or intimation to the Member, entitled to withhold the underlying or securities due to the Member or sell-out / close-out any/all of such securities/ underlying in accordance with the Bye Laws and Regulations relating to closing-out.

9.6 Declaration Of Default

A Clearing Member failing to deliver the documents due from him or pay the amount due by him may be declared a Defaulter as provided in these Bye Laws and Regulations.

9.7 Deliveries Due To The Defaulter

All deliveries or otherwise, and payment due to the defaulter shall be handed over to the Clearing Corporation. The Clearing Corporation shall reserve the right to dispose off the underlying or securities to make good non-payment of funds or non-delivery of underlying or securities by the defaulting member in such manner as it deems necessary.

9.8 Penalty For Failure To Give Or Take Delivery

The Relevant Authority may impose on the Clearing Member failing to give or take delivery of all or any of the underlying or securities and/or funds according to his obligation, such penalty and other charges as it may prescribe from time to time. Such penalty and other charges shall be in addition to any loss such Clearing Member may suffer on account of closing-out and shall be in addition to the commission chargeable from such Clearing Member in that behalf.

9.9 Withholding Of Securities, Underlying And Funds

Notwithstanding anything contained in these Regulations, irrespective of whether the Deals are Depository Deals or Non-depository Deals, the Relevant Authority may withhold, for such period(s) as the Relevant Authority may decide from time to time, pay-out of any **underlying**, securities and funds including those which constitute as margins and other deposits, if (a) the Clearing Member has not delivered the required **underlying**, securities on pay-in day or (b) there are no adequate funds in the ICCL Clearing Account of such Clearing Member to meet the funds pay-in obligation on the pay-in day or (c) the Clearing Member fails to satisfy the margin requirements or (d) the Clearing Member fails to fulfil any other obligation or (e) as the Relevant Authority deems fit in the facts and circumstances of a case.

9.10 Withholding Of Underlying and/or Securities For Shortages

The Relevant Authority may withhold the underlying and/or securities pay-out due to the Clearing Member and/or withdraw his clearing facility in case of any pay-in shortages by the Clearing Member for such amount as the Relevant Authority may deem fit.

The Relevant Authority may, on recovery of such shortages as it may deem fit, release the pay-out and/or restore the clearing facility and permit the Clearing Member to clear and settle the Deal subject to such terms and conditions as the Relevant Authority may impose.

9.11 Withheld Underlying, Securities And Funds - How Dealt With

The underlying,, securities and funds withheld pursuant to Regulation 9.9 and Regulation 9.10 above shall be dealt with by the Relevant Authority at such times and in such manner as it may deem fit, which may include appropriating for the purpose of fulfilling the obligations of the Clearing Member, closing out of the withheld securities or registering the withheld underlying or securities in the name of the Clearing Corporation or any other entity as decided by the Clearing Corporation.

The funds received out of closing out of withheld or registered securities may be dealt with by the Clearing Corporation at such time and in such manner as it may deem fit.

CHAPTER – X**CLOSING OUT OF CONTRACTS****10.1 Closing-Out****10.1.1 Closing-out when effected**

Any deal made subject to the Rules, Bye Laws and Regulations of the Clearing Corporation may be closed-out against a Clearing Member on his failure to comply with any of the provisions relating to delivery, payment and settlement of Deals or on any failure to fulfil the terms and conditions subject to which the deal has been made.

For the purpose of this Chapter, a Clearing Member who has failed to comply with any of the provisions relating to delivery, payment and settlement of Deals or any failure to fulfil the terms and conditions subject to which the deal has been made shall be referred to as “Clearing Member in default”

10.1.2 Closing-out in specific cases

Without prejudice to the generality of the provision contained as above, closing-out may be effected in cases specified in the relevant Regulations or in such other cases as the Relevant Authority may from time to time specify in addition thereto or in modification thereof.

10.2 Closing Out Of Deals Settled Outside Clearing Corporation**10.2.1 Application for closing-out**

A Clearing Member shall be entitled to make an application to the Clearing Corporation for closing-out of Non Depository Deals agreed to be settled outside the Clearing Corporation against the Clearing Member in default within such time from the date of default as the Relevant Authority may decide from time to time, failing which the Clearing Member shall forfeit all further right of recourse against the defaulter Clearing Member unless such Clearing Member proves that he has not exercised his right on the written request of the other defaulting Clearing Member.

10.3 Closing Out Of Deals Settled Outside Depository Clearing System.**10.3.1 Application for closing-out**

A Clearing Member shall be entitled to make an application to the Clearing Corporation for closing-out of Depository Deals agreed to be settled outside the Depository Clearing System against the Clearing Member in default within such time from the date of default as the Relevant Authority may decide from time to time, failing which the Clearing Member shall forfeit all further right of recourse against the other Clearing Member unless such

Clearing Member proves that he has not exercised his right on the written request of the Clearing Member in default.

10.4 Closing-Out For Deals Settled Through The Clearing Corporation

10.4.1 Clearing Corporation Entitled

In respect of Deals settled through the Clearing Corporation, the Clearing Corporation shall be entitled to closing out against the Clearing Member in default for the benefit of the receiving / delivering Clearing Member or itself as the case may be. In such cases no notice of closing out shall be given to the Clearing Member against whom the closing out is to be effected.

10.4.2 Closing-out without notice

Without prejudice to the generality of the provisions contained as above closing-out without notice may be effected in cases specified in the relevant Regulation and in other cases as the Relevant Authority may from time to time specify or deem necessary in addition thereto or in modification or substitution thereof.

10.5 Closing Out For Deals Settled Through The Depository Clearing System

10.5.1 Clearing Corporation entitled

In respect of Deals settled through the Depository Clearing System, the Clearing Corporation shall be entitled to closing out against the Clearing Member in default for the benefit of the receiving/delivering Clearing Member or itself as the case may be. In such cases, no notice of closing-out shall be given to the Clearing Member against whom the closing-out is to be effected.

10.5.2 Closing-out without notice

Without prejudice to the generality of the provisions contained as above, closing-out without notice may be effected in cases specified in the relevant Regulation and in other cases as the Relevant Authority may from time to time specify or deem necessary in addition thereto or in modification or substitution thereof.

10.6 Closing-Out Contracts With Defaulter Clearing Member

If a Clearing Member be declared a defaulter, the Clearing Corporation shall determine all outstanding Deals by closing-out against him in accordance with the Bye Laws and Regulations relating to default.

10.7 Closing-Out Contracts With Deceased Clearing Member

On the death of a Clearing Member, having transactions outstanding in the market, the Relevant Authority may at its discretion give permission to his heirs or legal representatives to settle such transactions according to the terms thereof. In the

event of such permission not being applied for or not being granted, the Clearing Corporation shall forthwith determine all outstanding obligations by closing out against the deceased Clearing Member. The loss, if any, on such closing-out shall be claimed from the heirs or legal representatives of the deceased Clearing Member and the profit, if any, shall be paid to them with the prior approval of the Relevant Authority. If the heirs or legal representatives of the deceased Clearing Member fail to pay the amount claimed from them, it shall be deemed that such deceased Clearing Member has been declared a defaulter and in that event the Bye-Laws and Regulations relating to defaulter shall apply.

10.8 Compliance Before Closing-Out

If the Clearing Member against whom closing-out is to be effected tenders compliance in accordance with the provisions of the Bye-Laws and Regulations relating to delivery, payment and settlement of settlement obligations and Deals or the terms and conditions subject to which the deal has been made at any time before the Deals have been actually closed out, the Relevant Authority may accept the same in fulfilment of his obligations. This will not relieve the Clearing Member in default of the obligation to pay any resulting damages and other penalties, interest and charges imposed by the Clearing Corporation on such defaulter.

10.9 Closing-Out How Effected

Closing out shall be effected against the Clearing Member by the Clearing Corporation in any of the following manners:

- (a) by Buying-in / Close-out or Selling-out / Close-out against the Clearing Member through an auction initiated by the Clearing Corporation
- (b) by declaring a closing-out at such prices as may be decided by the Relevant Authority
- (c) by Buying-in / Close-out or Selling-out / Close-out against the Clearing Member by placing order in an Exchange
- (d) in any other manner as the Relevant Authority may decide from time to time.
- (e) Closing out in case of Commodity Derivatives may be effected in such manner as may be directed by Clearing Corporation from time to time

10.10 Bids And Offers

Unless permitted otherwise by the Relevant Authority, Trading Members other than those whose positions is closed out may make a bid or offer during such closing-out. The Relevant Authority shall be at liberty at its discretion to refuse any bid or offer given without assigning any reason for its decision.

10.11 Closing-Out Clearing Member's Responsibility

Save as otherwise provided, the Clearing Member against whom the closing out is effected by the Clearing Corporation for the purpose of closing-out shall be responsible for the deal made and no liability or responsibility shall attach to the Clearing Corporation, its employees, agents or representatives for any deal made in pursuance of such closing-out.

10.12 Securities or underlying When Not Bought-In

When the Relevant Authority is satisfied that in spite of the best efforts the securities or underlying cannot be bought-in or sold-out except at an arbitrary price the Deals shall be deemed to be closed-out at such price as the Relevant Authority may decide from time to time.

10.13 Deferment By The Relevant Authority

The Relevant Authority may defer closing-out in any particular case if in its opinion a fair market to close-out is not available or if it is satisfied that the securities or underlying are not available or if it determines that the default is due to the existence of circumstances beyond the control of the Seller. However, no such deferment shall relieve the Clearing Member in default of the obligation to pay for any resulting damages or free the intermediate parties of their respective obligations.

10.14 Suspension Of Closing-Out

The Relevant Authority may suspend closing out in respect of any Deals and from time to time extend the period of such suspension or postponement when circumstances appear in its view to make such suspension or postponement desirable in the general interest. The liability of intermediaries in respect of Deals settled through the Clearing Corporation shall continue during the period of such suspension.

10.15 Securities or underlying Bought-In But Undelivered

If securities or underlying are bought-in but not delivered as per the schedule for Buying-in / Close-out, it will be deemed as if the Buying-in / Close-out did not go through and the Deals shall be deemed to be closed-out at such price as the Relevant Authority may decide from time to time.

10.16 Closing-Out Against Defaulter

When closing-out is effected as provided above and the Clearing Member concerned is declared a Defaulter, the difference arising from closing-out shall be recovered from the said Clearing Member or shall be distributed in accordance with the Bye-Laws and Regulations relating to default.

10.17 Charges For Closing-Out

When closing-out is effected on the advice of the Clearing Corporation, the Clearing Member against whom the closing-out takes place shall pay to the Clearing Corporation such closing out charges as the Relevant Authority may prescribe from time to time.

10.18 Loss Arising From Closing-Out

When closing-out is effected on the advice of the Clearing Corporation against a Clearing Member failing to give or take delivery of all or any of the securities or funds according to his obligation, the resulting difference (between the money value of securities at the valuation price and the closing out price) due from such Clearing Member shall be paid by him forthwith to the Clearing Corporation.

10.19 Profit Arising From Closing-Out

When closing-out is effected on the advice of the Clearing Corporation against a Clearing Member failing to give or take delivery of all or any of the securities or funds according to his obligation, any profit (between the money value of securities at the valuation price and the closing out price) shall be credited to the account of the Settlement Guarantee Fund and such other funds as may be set up by the Relevant Authority from time to time to be held by the Clearing Corporation for such purposes as may be prescribed by the Relevant Authority.

10.20 Default If Closing-Out Loss And Damage Not Paid

If any Clearing Member, against whom a deal is closed-out under the provisions of these Regulations, fails to make payment of the loss arising out of the closing-out and of the damages, if any, within such time as may be stipulated by the Relevant Authority from time to time, he may be declared a defaulter.

10.21 Closing-out in Case of Bankruptcy

A Clearing Member may close-out all open transactions on account of a Constituent who becomes bankrupt or insolvent or forthwith upon grant of moratorium by the competent authority or makes or attempts to make a composition with his creditors or with any of them or who shall have given any admission or intimation or indication of the fact that he will be unable to fulfil his obligations.

10.22 No Lien on Constituent's Underlying

If a Member is declared a defaulter after delivering underlying on account of his constituent, the constituent shall be entitled to claim and on offering proof considered satisfactory by the Relevant Authority, and in the absolute discretion of the Relevant Authority, receive either such underlying or the value thereof subject to payment or deduction of the amount if any due from him to the defaulter as the Relevant Authority directs..

CHAPTER – XI

INTEREST, DIVIDENDS, RIGHTS AND CALL

11.1 Interest, Dividends, And Rights

The buyer shall be entitled to receive all vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges which may pertain to securities bought cum voucher, cum coupons, cum dividend, cum cash bonus, cum bonus, cum rights, etc. and the seller shall be entitled to receive all vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges which may pertain to securities sold ex coupon, ex voucher, ex dividend, or ex cash bonus, ex bonus, ex rights, etc.

11.2 Cleared Deals When Cum And Ex Benefits

Cleared Deals, whether Depository Deals or Non Depository Deals, shall be ex-dividend or ex-cash bonus or ex bonus or ex rights from such date as the Relevant Authority may fix and notify in that behalf.

11.3 Cum and Ex Dividend or Cash Bonus**11.3.1 Delay when information not available**

If information regarding the dividend or cash bonus is not available with the Clearing Corporation for treating any security as ex dividend or ex cash bonus as provided above, all cleared Deals shall be treated as ex-dividend or ex cash bonus from the date when the declaration of dividend or cash bonus is known to the Clearing Corporation.

11.3.2 When Deals cease to be ex dividend or ex cash bonus

On receipt of official intimation by the Clearing Corporation as regards cancellation of dividend or cash bonus or alteration in the rate of the dividend or bonus shares, all Deals thereafter shall be entered into as if such security had not become ex dividend or ex cash bonus.

11.3.3 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 by the Clearing Corporation or by the Depository Clearing System, as the case may be, in less than such number of days as the Relevant Authority may fix from time to time before the record date or date of closure of the Transfer Books for the purpose of dividend or cash bonus, the Clearing Corporation may debit the account of the Member selling/delivering the securities to the extent of the dividend or cash bonus recommended or declared to which the member buying/receiving the securities is entitled and correspondingly credit the account of the buying/receiving member. When the quantum of dividend or cash bonus is not known to the Clearing Corporation, the Clearing Corporation may provisionally deduct from the purchase price such amount as the Relevant Authority may fix and notify the member selling/delivering the securities in that behalf.

11.3.4 Clearing Members responsible for adjustment in respect of cum dividend or cum cash bonus Deals

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 Clearing Corporation), are lodged for registration with the company or transferred to the account of the buyer in the depository(ies), as the case may be, before the record date or date of closure of the transfer books of the company for the purpose of dividend or cash bonus or if the actual dividend differs from the amount deducted from the cum dividend or cum cash bonus purchase price, the dividend or cash bonus or the differences, (as the case may be), shall be immediately adjusted between the buyer and the seller and the concerned Clearing Member/s shall be personally responsible between themselves and to their constituents for effecting such adjustment.

11.3.5 Claim within three months

All claims in respect of vouchers, coupons, interest, dividend, or cash bonus shall be made within three months from the date of payment of the interest, dividend or cash bonus and adjusted as provided herein and members shall not be personally responsible between themselves or to their constituents thereafter.

11.4 Cum Rights Or Cum Bonus Purchase Price**11.4.1 Deduction from cum rights or cum bonus purchase price**

In the case of Cleared Deals in respect of a cum bonus or cum rights transaction when the securities are delivered to the member buying/receiving such securities by the Clearing Corporation or by the Depository Clearing System, as the case may be, in less than such number of days as the Relevant Authority may fix from time to time before the record date or date of closure of the transfer books for the purpose of bonus issue or rights, the Clearing Corporation may debit the account of the member selling/delivering the securities by an amount equivalent to the proportionate value of the bonus issue or rights to which he is entitled or such other amount as the Relevant Authority may fix and notify the member selling/delivering the securities in that behalf and retain the same as a deposit with the Clearing Bank.

11.4.2 Payment of deposit

The amount retained as a deposit with the Clearing Bank representing the balance due as provided above shall be paid to the member selling / delivering the securities when he delivers the bonus issue or rights at any time on or before the date fixed by the Relevant Authority for the purpose.

11.4.3 Buying-in / Close-out

If the member selling / delivering the securities fails to deliver the bonus issue or rights within the prescribed time the Clearing Corporation shall be entitled to buy-in / close-out against him in accordance with the Regulations relating to closing-out and adjust so much amount as may be required, from the deposits, margins and other amounts deposited by him with the Clearing Corporation for fulfilling his obligations arising out of buying-in/close-out.

11.5 Letters Of Bonus / Rights / Entitlements

Bonus issues and rights shall be settled either by delivery of securities or by letters of renunciation, (when such letters are issued by the company), when proper letters of renunciation are delivered or tendered to the member buying/receiving the securities on or before such day as the Relevant Authority may fix from time to time preceding the date fixed for receipt of applications by the Company or before such other date as the Relevant Authority may fix and notify in that behalf and the member selling/delivering the securities shall be relieved of further liability in respect of such bonus issues or rights. A Clearing Member shall not be bound to accept letters of renunciation not tendered within the prescribed time.

11.6 Non-Delivery Of Bonus / Rights / Entitlements.

If the settlement of claims to bonus issues or rights be not made either by delivery of securities or by letters of renunciation, as the case may be, by reason of the failure of the member selling/delivering the securities to deliver such securities / letters within the prescribed time, the member selling/delivering the securities shall be responsible for obtaining the bonus issues or rights and the Member buying/receiving the securities shall not be under any obligation to pay for the rights in advance. The member selling/delivering the securities shall also be responsible to the member buying/receiving the securities for the extra expense of transfer, if any.

11.7 Rights Entitlement**11.7.1 Application for rights**

In respect of a cum rights transaction, when the buyer is entitled to the new securities issued in respect of old, the member buying/receiving the securities shall, unless otherwise ordered by the Relevant Authority specially, claim them in writing from the member selling/delivering the securities on or before such day as the Relevant Authority may fix from time to time preceding the date fixed for the receipt of applications by the company.

11.7.2 Selling/delivering member's liability and duty

Notwithstanding anything contained in sub-regulation 11.7.1 above, in respect of Non Depository Deals if the Seller is in possession of the new securities, he shall hold such new securities for and on behalf of the Buyer if claimed by the Buyer on the date following the last day fixed for the receipt of applications by the company. Should the seller not be in

possession of new securities he shall be bound to render every assistance to the buyer in procuring them.

11.8 When No Letters Of Renunciation

11.8.1 Payment in respect of rights

When letters of renunciation are not issued, all payments as and when required by the company in respect of rights are to be advanced to the seller by the buyer.

11.8.2 Selling/delivering constituent trustee for the buying/receiving constituent

The amount in respect of rights shall be paid by the buyer to the seller in sufficient time for the amount to be paid to the company and the buyer may demand a receipt for the same. In such cases, Clearing Members shall not be personally responsible and the selling/delivering constituent shall be deemed to be the trustee for the buying / receiving constituent in respect of such payments.

11.8.3 Buying / receiving member to bear transfer expenses

When letters of renunciation are not issued by the company, the expense of transferring the rights to the name of the buyer shall be borne by the buyer.

11.9 Rights And Obligations Of Buying Member And Selling Member

11.9.1 Clearing Member when liable for dividend or rights

In respect of cum dividend, cum cash bonus or cum rights Deals Clearing 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 member buying the securities by the Clearing Corporation in less than such number of days as the Relevant Authority may fix from time to time before the record date or date of closure of the transfer books for the purpose of dividend, cash bonus, bonus issue or rights.

11.9.2 Rights and obligations of buying and selling constituents and transferors

Clearing Member shall not be liable between themselves or to their constituents for dividend, cash bonus, bonus issue or rights save as provided in sub-regulation above. However, nothing contained in the above sub-regulation shall affect the rights and obligations of the buying and selling constituents (which terms shall where the buying members and/or selling members have dealt on their own account as principals include them in their capacity as clearing members) between themselves as principals or the liability of the transferors in respect of such dividend, cash bonus, bonus issue or rights.

11.10 Payments Of Calls By Buying Constituent

The buying constituent shall pay every call or contribution which becomes payable after delivery of securities. However he shall not be obliged to pay such call or contribution if the company refuses to register the transfer on account of lien. In any other case if the buying constituent fails to make such payment and the selling constituent is compelled to pay the same, the selling constituent shall be entitled to claim and recover the same from the buying constituent notwithstanding the refusal of the directors of the Company to transfer the securities in favour of the buying constituent.

11.11 Member Not Liable For Calls

Save as provided in these Regulations no Clearing Member shall be deemed personally liable or responsible in any way to any party for the payment of calls made by a Company in respect of any deal made by him on behalf of a constituent and in his capacity as Clearing Member.

11.12 Company In Liquidation

If a Company be wound up at 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 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 transferor'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 dividend becoming payable after the date of the contract in respect of the securities bought.

11.13 Delivery Of Equivalent Securities

In respect of a deal in securities which shall become or are exchangeable for new other securities under a scheme of reconstruction or reorganisation, the member selling the securities shall deliver to the member buying the securities as the Relevant Authority directs either the securities contracted for or the equivalent in securities and/or cash and/or other property receivable under such scheme of reconstruction or reorganisation.

CHAPTER – XII**PART A - DOCUMENTS AND REGISTRATION OF SECURITIES
OTHER THAN COMMODITY DERIVATIVES****12.1 Documents When Defective**

For purpose of these Regulations documents shall be deemed defective if there is a defect in their title, ownership, genuineness, regularity or validity or if they are under any lien on account of any debt or liability of the transferor or if they are subject to any attachment or injunction or other legal proceedings or order of Court or other statutory authority for which the seller may be held responsible.

12.2 When Member Liable For Defective Securities and Underlying**12.2.1 Original selling Member**

In respect of securities and underlying delivered in fulfilment of Deals to which these Rules, Bye-Laws and Regulations apply, the original selling member is the Clearing Member who is the first to deliver defective document to the Clearing Corporation.

12.2.2 Original Selling Member when liable

In respect of securities delivered in fulfilment of Deals to which these Rules, Bye Laws and Regulations apply, the original selling member tendering or giving shall be personally responsible to the buyer to whom the same are delivered or any subsequent buyer provided one of the following conditions is fulfilled, namely:

- (i) the documents are lodged with the company for registration at any time before:
 - (a) the date on which the register of members of the company is closed following the date on which the documents are delivered by the Clearing Corporation on the original selling member's behalf, or
 - (b) twelve months from the date of presentation of the share transfer form to the prescribed authority, whichever is later, and the buyer or any subsequent buyer gives intimation in writing to the original selling member as per the procedure prescribed by the Relevant Authority that the Company has refused to register the transfer on the ground that the documents were defective;
- (ii) the buyer or any subsequent buyer gives intimation in writing to the original selling member at any time before:

- (a) the date on which the register of members of the Company is closed following the date on which the documents are delivered by the Clearing Corporation on the original selling member's behalf, or
- (b) twelve months from the date of presentation of the share transfer form to the prescribed authority, whichever is later and establishes to the satisfaction of the Dispute Resolution Committee (from whose decision an appeal shall lie to the Committee on Settlement Issues) that the documents are defective.

12.2.3 Subsequent selling member when liable

In respect of securities delivered in fulfilment of Deals to which these Rules, Bye Laws and Regulations apply, if the original selling member who is responsible for defective documents as provided in Regulation above fails to meet his liability, any of the subsequent selling members acting as a broker, receiving payment against delivery of such documents shall be personally responsible to the buyer to whom the same are delivered or any subsequent buyer provided one of the following two conditions is fulfilled namely:

- (a) the documents are lodged with the company for registration on or before the twenty-first day after the date on which the documents are delivered by the Clearing Corporation on behalf of such subsequent selling member or should the transfer books of the company be closed on such twenty-first day, the documents are lodged for registration on or before the second working day after the date on which the transfer books reopen and the buyer or any subsequent buyer gives intimation in writing to such subsequent selling member as soon as it comes to his knowledge that the company refuses to register the transfer on the ground that the documents are defective; or
- (b) the buyer or any subsequent buyer gives intimation in writing to such subsequent selling member within twenty one days of the date on which the documents are delivered by such subsequent selling member or by the Clearing Corporation on such subsequent selling member's behalf and establishes to the satisfaction of the Dispute Resolution Officers (from whose decision an appeal shall lie to the Umpire appointed by the Arbitration Committee) that the documents are defective.

12.3 Members When Not Liable

12.3.1 For defective documents

If the documents be not lodged within the prescribed period or if intimation in writing that the documents are defective be not given by the buyer to the original and subsequent selling members as provided in these Regulations,

then except in the case of fraud or bad faith on their part, such selling members shall not be personally liable for the defective documents either to the buying members or to the constituents of the buying members and the liability of such selling members to the buyers as also the liability of the buying members to their constituents shall cease in all respects.

12.3.2 For benefits

If the documents be not lodged at any time prior to the first record date or date of closure of the transfer books of the company for the purpose of interest, dividend, bonus, rights or any other benefit accruing to the shareholders or for the purpose of Annual General Meeting of the Company by the buyer, the original member selling the securities shall not be personally liable to either, the member buying the securities or to the constituents of the member buying such securities for the interest, dividend, bonus, rights or other benefit declared by the company and for the income-tax deduction certificates, if any, in respect of the interest, dividend or cash bonus or for the equivalent in cash of the amount of income-tax, if any, deducted at source.

12.4 Liability In The Event Of Unforeseen Circumstances

In circumstances not specially covered by these Bye-Laws and Regulations, the Relevant Authority may determine the liability of the parties on equitable considerations.

12.5 Rights And Liabilities Of Buying/Receiving And Selling/Delivering Constituents

Nothing contained in these Regulations shall affect the rights and obligations of the buying/receiving and selling/delivering constituents (which terms shall when the buying/receiving members and/or selling/delivering members have dealt on their own account as principals include such member between themselves as principals in any action at law or in any other proceedings and the buying/receiving and selling/delivering members shall be bound to render every assistance to the buying/receiving constituents in any action at law or other proceedings they may take against the selling/delivering constituents who receive payment against delivery of the defective document.

12.6 Liability Of Selling/Delivering Constituents To Selling/Delivering Members

The selling/delivering constituents who receive payment against delivery of defective documents shall be liable for the same in all respects and when selling/delivering members are personally responsible for such documents under the provisions of these Regulations, they shall be fully indemnified by such constituent as agents acting on behalf of principals.

12.7 Rectification Or Replacement Of Defective Documents**12.7.1 Procedures for rectification / replacement**

The Relevant Authority may prescribe from time to time the schedules and procedures to be followed for rectification/replacement of defective documents and any interests, dividend, bonus, rights or any other benefit accruing to the shareholders of the company.

12.7.2 Period for rectification or replacement

The selling/delivering member responsible for the defective documents shall within twenty one days from the date or within such time as may be prescribed, upon receipt of such intimation remove the defect or in the alternative deliver to the Clearing Corporation other regular, genuine, and valid documents in their place;

Provided however that the Relevant Authority may, in its discretion and subject to such conditions as it deems fit to impose from time to time, enlarge the aforesaid period of twenty one days in special circumstances and in particular in the following manner :

- (a) when the documents are suspected or alleged to be forged or reported or alleged to be stolen or have passed into police custody for purposes of investigation, the time may be enlarged till the fact that the documents are forged or stolen property is conclusively established to the satisfaction of the Relevant Authority or proved in a Court of Law;
- (b) when an attachment, injunction or similar other order of Court or other statutory authority has been served on the issuer of the security restraining it from transferring the documents, the time may be enlarged till an application for setting aside such order has been finally rejected by the proper authority, when the security is, pursuant to some special law, ostensibly placed under any disability not applicable to all other securities of the same issue and the documents are not transferred on the ground of such ostensible disability or when the issuer of the security or the agent of such issuer of the security declines for any reason peculiar to that security as compared with other securities of the same issue to transfer the documents, the time may be enlarged till the legal issue is decided by the appropriate authority.

In such and similar cases when the time is enlarged, the selling/delivering member shall be bound to comply with such conditions as the Relevant Authority may impose and shall also place such amount, (if any,) in deposit with the Clearing Corporation as the Relevant Authority on the application of the buyer or of its own accord directs.

12.7.3 Refund of moneys

If the selling/delivering member responsible for the defective documents fails to remove the defect or in the alternative to deliver to the Clearing Corporation (or buyer as the case may be) other regular, genuine and valid documents in their place as provided above, the Clearing Corporation shall be entitled to debit from the selling/delivering member the value of the defective documents at the closing price of that day or at such price as the Relevant Authority or delegated authority may decide from time to time and credit the same to the receiving member.

12.7.4 Documents to be returned and power of attorney to be executed on refund

When claiming the refund, the buyer shall return to the selling/delivering member the defective documents if they have not been impounded and shall procure for the selling/delivering member and at the selling/delivering member's expense an irrevocable power of attorney executed by the transferee in favour of the selling/delivering member or his nominee entitling the selling/delivering member or his nominee to institute any suit or legal proceedings on behalf and in the name of the transferee and to litigate the dispute and to have the objection to the title or documents cleared and to obtain the return of the documents in question if they have not been already returned to him and also to sign and execute all transfer deeds and other writings and do all such other acts and things as may be necessary for effectively transferring the documents to the selling/delivering member or his nominee if they be subsequently registered by the issuer of the security in the name of the transferee.

12.7.5 Rectification or replacement after refund

A refund of monies relating to defective documents shall not operate as cancellation of the deal. The selling/delivering member shall within such period from the date of such debit as may be decided from time to time by the Relevant Authority either remove the defect or in alternative deliver to the Clearing Corporation (or buyer as the case may be) other regular, genuine such rectified or substitute documents in fulfilment of the original deal and the Clearing Corporation shall be entitled to debit the buying/receiving member the moneys refunded and credit the selling/delivering member by the same.

12.8 Responsibility Of Selling/Delivering Member For Dividend, Bonus And Rights.

If the selling/delivering member fails to rectify or replace the defective documents and deliver them to the buyer through the Clearing Corporation at least five days before the record date or date of closure of the transfer books of the Company for the purpose of interest, dividend, bonus, rights or any other benefit accruing to the shareholders of the company, the selling/delivering member shall be responsible to the buyer for the interest, dividend, bonus, rights or other benefit declared by the company and for the income-tax deduction certificates, if any, in respect of the interest, dividend or cash bonus or for the equivalent in cash of the amount of

income-tax, if any, deducted at source. The selling/delivering member shall also be responsible to the buyer for the extra expense of transfer, if any.

12.9 Buying-In / Close-Out

If the selling/delivering member fails to make refund of monies or to remove the defect or replace the defective documents within the prescribed period, the Clearing Corporation shall be entitled to buy-in / close-out the securities against him in accordance with the Regulations relating to closing-out.

12.10 Apportionment Of Loss And Damages

If the selling/delivering member responsible for the defective documents fails to refund the moneys and/or to hand over the interest, dividend, bonus, rights or other benefit declared by the company and the income-tax deduction certificate, if any, or the equivalent in cash of amount of income tax, if any, deducted at source and/or to pay the damages, if any, arising from Buying-in / Close-out as provided in these Regulations, he shall be liable to be declared a defaulter. In the event of the defective documents having passed through the Clearing Corporation, the Clearing Corporation shall assess such loss and damages pro-rata against the original contracting parties with whom such defaulter had outstanding sale transactions in such securities as shown in his clearing forms. Each such party shall pay the amount of loss and damages to the buyer on receipt of notice of the amount of such assessment. If a contracting party fails to pay his share of the pro-rata loss and damages, he shall be declared a defaulter and thereupon the procedure to be followed shall be the same as if he were the selling/delivering member who has been declared a defaulter. This procedure shall be repeated as many times as may be necessary in relation to each succeeding party in interest until the loss and damages are fully recovered.

12.11 Sale Not Conditional On Transfer

A sale of securities by the seller will neither guarantee the transfer thereof by the company in favour of the buyer nor is the same conditional on the company transferring the securities to the name of the buyer. Whilst selling/delivering the securities, the sole obligation of the seller will be to tender documents which are not defective. The seller does not give any guarantee that the company will transfer the securities to the name of the buyer nor shall he incur any liability by reason of the refusal of the company to do so.

12.12 Fresh Transfer On Refusal Of Company

When a company objects to a transferee and refuses to register a transfer on the ground of such objection, the transferor shall, on request and on the original transfer deeds being presented to him for cancellation of his signature, execute fresh transfer deeds.

12.13 Dispute After Registration

When a transfer has been accepted by the company and the certificate or an official receipt in the form of a transfer receipt or transmission receipt or such other receipt

in favour of the transferee has been issued by the company, neither the buyer member nor the selling/delivering member shall be personally responsible to the buying/receiving constituent or the transferee for any subsequent dispute as to the title, ownership, genuineness, regularity and validity of the documents unless bad faith or fraud be proved against such member. However, nothing herein contained shall affect the liability of the transferor or of the selling/delivering constituent who has received payment against delivery of securities in any action at law or in any other proceedings. The provisions herein shall apply only to the rights and obligations of the Clearing Members.

12.14 Penalty For Defective Documents

The Relevant Authority may impose on an original selling/delivering member and subsequent selling/delivering members responsible for the defective documents such penalty and other charges as it may prescribe from time to time in this regard. Such penalty and other charges shall be in addition to any loss such member may suffer on account of closing-out and shall be in addition to the commission chargeable in that behalf.

PART B - DOCUMENTS AND REGISTRATION FOR TRANSACTIONS IN COMMODITY DERIVATIVES

- 12.15** Wherever applicable, delivery of the respective underlying arising out of any settlement obligation of deals/transactions shall be through the Depository or Warehouses/vaults or through such other mechanism as the case may be and in such manner and at such place(s) as prescribed by the Clearing Corporation from time to time.
- 12.16** The payment of funds in respect of settlement obligations of Deals/transactions for the Clearing Member shall be through the Clearing Bank(s).

CHAPTER – XIII**CLEARING BANK****13.1 Clearing Corporation To Regulate**

The Relevant Authority shall specify from time to time the processes, procedures and operations that every Clearing Member shall be required to follow for the participation, functioning and operations of the Clearing Banks. The Regulations relating to the Clearing Banks shall be deemed to form a part of any settlement process so provided.

13.2 Functions Of Clearing Bank

The Clearing Corporation shall appoint a Clearing Bank(s) which shall act as an agent for funds settlement, for the collection of margin money for all Deals entered into through the Clearing Corporation and any other funds movement between Clearing Members and the Clearing Corporation and between Clearing Member to Clearing Member as may be directed by the Relevant Authority from time to time.

13.3 Clearing Members To Have Account With The Clearing Bank

Every Clearing Member of the Clearing Corporation shall have clearing account(s) with designated Clearing Bank branch(es) as the Clearing Corporation may specify from time to time. Clearing Members shall operate the clearing account(s) only for the purpose of settlement of Deals entered through the Clearing Corporation, for the payment of margin money and for any other purpose as may be specified by the Relevant Authority from time to time. The Clearing Member shall not operate the clearing account(s) for any other purpose unless otherwise specified by the Relevant Authority.

13.4 Clearing Bank To Act As Per The Instructions Of The Clearing Corporation

The Clearing Corporation shall instruct the Clearing Bank as to the debits and credits to be carried out for the funds settlement between Clearing Members.

The Clearing Bank shall act as per the instructions received from the Clearing Corporation for the funds movement. Instructions of the Clearing Corporation as to debits and credits to a Clearing Member's accounts shall be deemed to be irrevocable and confirmed instructions by a Clearing Member to debit his account and/or credit his account funds as specified in the instruction.

13.5 Clearing Bank To Inform Clearing Corporation Of Default In Funds Settlement.

If there is any funds default arising out of the instructions received from the Clearing Corporation, the Clearing Bank shall inform the Clearing Corporation immediately.

13.6 Members To Authorise Clearing Bank.

Clearing Members shall authorise the Clearing Bank to access their clearing account for debiting and crediting their accounts as per the instructions received from the

Clearing Corporation and to report balances and other credit information to the Clearing Corporation.

13.7 Clearing Account(s) Of Clearing Corporation In The Clearing Bank

Unless otherwise prescribed in respect of any Deals as may be specified by the Relevant Authority, no Clearing Member or any person claiming through him shall have or be deemed to have any right, title or interest in any monies in the Clearing Account or other account(s), as the Relevant Authority may from time to time prescribe, of the Clearing Corporation with the Clearing Bank.

The Relevant Authority may specify from time to time the Deals in respect of which, all sums of monies paid into the Clearing Account or other account(s) of the Clearing Corporation on account of any Clearing Member entitled thereto, shall be held by the Clearing Corporation as agents and in trust for such Clearing Member. In such cases, the making of such payment or credit entry shall be deemed and taken to be a payment or credit to such clearing member.

CHAPTER – XIV**DEPOSITORY CLEARING SYSTEM****14.1 Clearing Corporation to Regulate**

The Relevant Authority shall prescribe the process from time to time for the functioning and operations of the depository clearing system and to regulate the functioning and operations of the depository clearing system for the settlement of depository Deals.

The Relevant Authority shall specify from time to time the processes, procedures, and operations that every Clearing Member shall be required to follow for the participation, functioning and operations of the depository clearing system.

The Regulations relating to the depository clearing system shall be deemed to form a part of any settlement process so provided.

14.2 Clearance by Members Only

Clearing Members only shall be entitled to clear and settle Deals through the depository clearing system.

14.3 Functions of Depository Clearing System**14.3.1 Depository**

The Clearing Corporation shall specify depository(ies) through which depository delivery shall be effected and which shall act as agents for settlement of depository Deals, for collection of margins by way of securities for all Deals entered into through the Clearing Corporation, for any other securities movement and transfer in a depository(ies) between Clearing Member to Clearing Member as may be directed by the Relevant Authority from time to time and for any other purpose as the Relevant Authority may specify from time to time.

14.3.2 Depository Participants

The Clearing Corporation may specify depository participants with whom Clearing Members shall be required to open and operate accounts for settlement of depository Deals, for the collection of margins by way of securities for all Deals entered into through the Clearing Corporation and for any other securities movement and transfer in a depository(ies) between Clearing Members and the Clearing Corporation and between Clearing Member to Clearing Member as may be directed by the Relevant Authority from time to time and for any other purpose as the Relevant Authority may specify from time to time.

14.3.3 Clearing and other Accounts

The Clearing Corporation shall specify from time to time clearing and other accounts which Clearing Member/s shall be required to open and operate with depository(ies) and depository participants subject to such conditions as the Relevant Authority may prescribe from time to time.

14.4 Specified Depository

The following depositories are specified as under:

Central Depositories Services India Limited, which depository is hereinafter referred to as "CDSL" for the purposes of these Regulations.

National Securities Depository Limited, which depository is hereinafter referred to as "NSDL" for the purposes of these Regulations.

The Clearing Corporation may specify any other depository and notify the same from time to time.

14.5 Clearing Members to Have Accounts With A Depository Participant

Every Clearing Member shall have clearing accounts in the Specified Depositories through any of the depository participants. Clearing Members shall operate the clearing account only for the purpose of settlement of depository Deals entered through the Clearing Corporation, for the collection of margins by way of securities for Deals entered into through the Clearing Corporation and for any other purpose as the Relevant Authority may specify from time to time. The Clearing Member shall not operate the clearing account for any other purpose.

14.6 Specified Depository to Act as Per the Instructions of The Clearing Corporation

The Clearing Corporation shall instruct the Specified Depository/ies as to the debits and credits to be carried out for the settlement of Depository Deals between Clearing Member/s. The Specified Depository/ies shall act as per the instructions received from the Clearing Corporation for effecting account transfers in respect of settlement of depository Deals. Instructions of the Clearing Corporation as to debits and credits to a Clearing Member's accounts shall be deemed to be irrevocable and confirmed instructions by a Clearing Member to debit and/or credit his account as specified in the instruction.

14.7 Release of Intermediaries

In respect of Deals which are subject to depository clearing system, if a Clearing Member delivers securities outside the depository clearing system except when so provided in these Regulations or so directed by the Relevant Authority, making and accepting delivery of such securities shall release all intermediate parties from all liabilities. The deliverer shall alone remain responsible to the receiver.

14.8 Authority to Pledge

The Relevant Authority shall have the right to borrow money against and pledge of all or any part of the securities held by the Clearing Corporation for the account of any Member who fails to pay all or part of funds due to the Clearing Corporation.

14.9 Selling-Out / Close-out

The securities not taken up and paid for shall be sold-out by the Clearing Corporation in accordance with the Bye Laws and Regulations relating to closing-out.

14.10 Members to Authorise Depository Participants

Clearing Members shall authorise the Specified Depositories and depository participants with whom they have a clearing account to access their clearing account for blocking/earmarking balances, debiting and crediting their accounts as per instructions received from the Clearing Corporation and to report balances and other credit information to the Clearing Corporation.

14.11 Clearing Account(s) Of Clearing Corporation with The Specified Depositories

Unless otherwise prescribed in respect of any Deals as may be specified by the Relevant Authority, no Clearing Member or any person claiming through him shall have or be deemed to have any right, title or interest in any securities in the Clearing Account or other account/(s), as the Relevant Authority may from time to time prescribe, of the Clearing Corporation with the Specified Depositories.

The Relevant Authority may specify from time to time the Deals in respect of which all securities deposited into the Clearing Account or other account/(s), as the Relevant Authority may from time to time prescribe, of the Clearing Corporation on account of any Clearing Member entitled thereto, shall be held by the Clearing Corporation as agents and in trust for such clearing member. In such cases, transfer of accounts of securities through depositories shall be deemed and taken to be a transfer of accounts of securities to such Clearing Member.

14.12 Notices and Directions

All Clearing Members shall comply with the instructions, resolutions, orders, notices, directions and decisions of the Relevant Authority or of any person duly authorized by the Relevant Authority in that behalf on all matters connected with the operations of the depository clearing system.

14.13 Clearing Number, ID and Clearing forms

A Clearing Member shall be allotted an identification number as relevant to the Specified Depositories which must appear on all forms used by the Clearing Member connected with the operations of the depository clearing system.

14.14 Clearing Corporation to Deliver Securities At Discretion

The Clearing Corporation is entitled at its discretion to deliver through the depository clearing system securities received from a Clearing Member under these Regulations to another Clearing Member who is entitled under these Regulations to receive delivery of securities of a like kind or to instruct a Clearing Member to give direct delivery of securities which he has to deliver through the depository system.

14.15 Charges for Clearing

The Relevant Authority shall from time to time prescribe the scale of clearing charges for the clearance and settlement of transactions through the depository clearing system.

14.16 Clearing Corporation's Bills

The Clearing Corporation shall periodically render bills for the charges, fees, fines and other dues payable by Clearing Members to the depository system which would also include the charges, fines and other dues payable on account of the business cleared and settled through the depository clearing system and debit the amount payable by such members to their accounts. All such bills shall be paid within a week of the date on which they are rendered.

14.17 Liability of The Clearing Corporation

The Clearing Corporation shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any security, transfer deed or any other document passing through the Depository Clearing System and the only obligation of the Clearing Corporation in this matter shall be to facilitate the delivery and payment in respect of securities between Clearing Member.

No liability shall attach either to the Clearing Corporation or to the Relevant Authority, any member of the Relevant Authority or its employees, agents or representatives by reason of anything done or omitted to be done by the depository clearing system in the course of its operations.

CHAPTER – XV**CLEARING CORPORATION****15.1 Regulation Of Clearing Corporation**

The Relevant Authority shall prescribe the process from time to time for the functioning and operations of the Clearing Corporation and to regulate the functioning and operations of the Clearing Corporation for the settlement of non depository Deals.

The Regulations relating to the Clearing Corporation shall be deemed to form a part of any settlement process so provided.

15.2 Functions Of Clearing Corporation

The Clearing Corporation shall function as per the instructions and supervision of the Relevant Authority or such other authority as may be specified from time to time.

15.2.1 Clearing Corporation To Maintain Clearing Corporation

The Clearing Corporation shall act as the common agent of the Clearing Members for delivering securities or the underlying to and receiving securities or the underlying from such members in connection with any of the Deals and to do all things necessary or proper for carrying out the foregoing purposes.

15.2.2 Clearing Corporation to deliver Securities or the underlying at discretion

Subject to the above, the Clearing Corporation is entitled at its discretion to deliver securities or the underlying which it has received from a Clearing Member under these Regulations to another Clearing Member who is entitled under these Regulations to receive delivery of securities or the underlying of a like kind or to instruct a Clearing Member to give direct delivery of securities or the underlying which he has to deliver.

15.3 Release Of Intermediaries

If a Clearing Member delivers securities or the underlying outside the Clearing Corporation in the manner prescribed in the Regulations or permitted by the Relevant Authority then such delivery shall release all intermediate parties from all liabilities. The deliverer shall alone remain responsible to the receiver.

15.4 Authority To Pledge

The Relevant Authority may have the right to borrow money against and pledge all or any part of the securities or the underlying held by the Clearing Corporation for the account of any member who fails to pay all or part of funds to be paid on the pay-in day.

15.5 Selling-Out / Close-Out

The securities or the underlying not taken up and paid for may be sold-out by the Clearing Corporation in accordance with the Bye Laws and Regulations relating to closing out.

15.6 Clearing Assistants For The Clearing Corporation

A Clearing Member may nominate two or more clearing assistants as may be specified by the Relevant Authority from time to time, who shall be competent to sign on behalf of such clearing member all clearing forms, vouchers, claim notes, receipts and other documents and transact on his behalf all such business as is necessary to be transacted in all matters connected with the operations of the Clearing Corporation. Each clearing assistant shall be issued an Identity Card which shall be displayed by him on his person during his presence at the Clearing Corporation premises.

15.7 Attendance At Clearing Corporation

A Clearing Member who has to give or take delivery of securities or the underlying, transfer deed or any other documents or to make or accept payments shall either attend personally the premises of the Clearing Corporation or be represented by his clearing assistant at the proper time and no Clearing Member shall be entitled to demand delivery of securities or the underlying, transfer deeds or any other documents outside the Clearing Corporation unless otherwise permitted by the Relevant Authority.

15.8 Specimen Signatures

A Clearing Member shall file with the Clearing Corporation specimen of his own signature and of the signatures of his clearing assistants. The specimen signature card shall be signed by the Clearing Member and his authorised representative in the presence of an officer of the Clearing Corporation.

15.9 Comparison With Specimen Signatures When Necessary

When handing over securities, the Clearing Corporation shall compare the signature appearing on the acknowledgment receipt with the specimen signature in its possession. In case of any other documents, the Clearing Corporation may, however not be obliged to compare the signatures appearing thereon with the specimen signature. The Clearing Corporation shall not incur any liability either by reason of having done or omitted to do so.

15.10 Clearing Corporation's Split And Balance Receipts

The Clearing Corporation's split and balance receipts shall be in the form prescribed in the concerned Regulation or in such other form or forms as the Relevant Authority may from time to time prescribe in addition thereto or in modification or substitution thereof.

- 15.11** The Exchange/Clearing Corporation shall not be deemed to guarantee the delivery, the title, genuineness, quality or validity of any securities or the underlying or any documents passing through the Clearing Corporation.
- 15.12** The Exchange/Clearing Corporation shall not be responsible for the commitments of a defaulting clearing member to his/its constituent members, with whom the clearing member has an agreement as per these Bye-Laws;

CHAPTER – XVI**PROVISIONS REGARDING CLEARING CORPORATION****16.1 Clearance By Members Only**

Clearing Members only shall be entitled to clear and settle Deals through the Clearing Corporation.

16.2 Notices And Directions

All Clearing Members shall comply with all the instructions, resolutions, orders, notices, directions and decisions of the Relevant Authority or of any person/s or entity duly authorized by the Relevant Authority for the said purposes, for and in connection with any and all matters with regard to the operations of the Clearing Corporation.

16.3 False Or Misleading Statements

The Relevant Authority may take such disciplinary action as it may deem fit and proper against a Clearing Member who/which makes any false or misleading statement in the clearing forms required to be submitted in conformity with these Regulations or any resolutions, orders, notices, directions and decisions of the Relevant Authority thereunder.

16.4 Charges For Clearing

The Relevant Authority shall from time to time prescribe the scale of clearing charges for the clearance and settlement of transactions through the Clearing Corporation.

16.5 Clearing Corporation's Bills

The Clearing Corporation shall periodically render bills for the charges, fees, fines and other dues payable by Clearing Members to the Clearing Corporation which would also include the charges for the use of the property as well as the charges, fines and other dues payable on account of the business cleared and settled through the Clearing Corporation and debit the amount payable by such members to their accounts. All such bills shall be paid within a week of the date on which they are rendered.

16.6 Liability Of The Clearing Corporation

The Clearing Corporation shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any security or underlying, transfer deed or any other document passing through the Clearing Corporation and the only obligation of the Clearing Corporation in this matter shall be to facilitate the delivery and payment in respect of securities, transfer deed and any other documents between members. Likewise, no liability shall attach either to the Clearing Corporation or to the Relevant Authority its employees, agent or representatives or its members by reason of anything done or omitted to be done by any of them in the course of its

operations nor shall the Clearing Corporation or the Relevant Authority, its employees, agents, representatives or members shall be liable to answer in any way for the title, ownership, genuineness, regularity or validity of any securities, underlying, transfer deeds or any other documents passing through the Clearing Corporation nor shall any liability attach to the Clearing Corporation, the Relevant Authority or any Member of the Relevant Authority in any way in respect of such securities, underlying, transfer deeds and any other documents.

CHAPTER – XVII**PROVISIONS RELATING TO SUB-DIVISION, SPLIT RECEIPTS AND CERTIFIED TRANSFER DEEDS FOR SECURITIES OTHER THAN COMMODITY DERIVATIVES****17.1 Securities Specifically Designated**

In respect of securities so specifically designated by the Relevant Authority, the Clearing Corporation may act for its members in procuring sub-divided certificates or provisional documents or split receipts or certified transfer deeds and where the company agrees to certify the transfer deeds, may issue its own Split Receipts.

17.2 Sub-Division

When the delivering member has a certificate or a provisional document of a larger denomination than the amount of securities to be delivered or only one certificate representing securities conveyed by two or more transfer deeds, such certificates or provisional documents may be deposited with the Clearing Corporation. Thereupon, the Clearing Corporation shall at the depositor's risk forward them to the office of the company and either certify the transfer deeds to that effect or procure the sub-divided certificates or provisional documents or split receipts or certified transfer deeds from the company.

17.3 Clearing Corporation's Split Receipts

In respect of securities so specially designated, the Clearing Corporation may, on a member depositing a certificate or provisional document of large denomination, issue its own Split Receipts as may be prescribed by the Relevant Authority from time to time.

17.4 Title To The Clearing Corporation's Split Receipts

Title to the Clearing Corporation's split receipts is transferable with the same effect as that of the original certificates or provisional documents.

17.5 Exchange of the Clearing Corporation's split receipts

The Clearing Corporation shall deliver the new certificates or provisional documents or split receipt or certified transfer deeds issued by the company on presentation and surrender of the Clearing Corporation's split receipts duly discharged by the Clearing Members to whom they have been issued.

17.6 Procedure To Be Prescribed By The Relevant Authority

The Relevant Authority shall from time to time prescribe the fees to be paid and the procedure to be followed for sub-division of documents, certification of transfer deeds and issue of Clearing Corporation's split receipts.

17.7 No Responsibility In Regard To Sub-Division And Certification

The Clearing Corporation the Relevant Authority, and their officials shall not be liable or responsible for the due or accurate performance of any duties in connection with the issue of split receipts or certification of transfers nor for the verification of documents presented to them for sub-division or certification nor for any duties in connection with the transmission of certificates or other documents to the company nor for any loss arising from the certification of forged transfers or from issue of Clearing Corporation's Split receipts or certification of transfers against forged certificates or forged documents nor for the execution, mis-execution or non-execution of the duties in question.

CHAPTER – XVIII**CLEARING AND OTHER FORMS****18.1 Clearing Forms, Special Returns And Other Forms**

The clearing forms, special returns and other forms referred to in these Byelaws and Regulations and not separately prescribed shall be in such other form or forms as the Relevant Authority may from time to time prescribe in addition thereto or in modification or substitution thereof.

18.2 Clearing Number And Clearing Forms

A Clearing Member shall be allotted a clearing number which must appear on all forms used by the Clearing Member connected with the operation of the Clearing Corporation.

The Clearing forms and formats to be used by the Clearing Members shall be as prescribed by the Clearing Corporation and depository clearing system and unless otherwise permitted, no other form or format shall be used by the Clearing Members of the Clearing Corporation.

18.3 Signing Of Clearing Forms

All clearing forms shall be signed either by the Clearing Member or by any person authorized by the Clearing Member to do so.

18.4 False Or Misleading Statements

The Relevant Authority may take such disciplinary action as it may deem fit and proper against a Clearing Member who makes any false or misleading statement in the clearing forms required to be submitted in conformity with these Regulations or any resolutions, orders, notices, directions and decisions of the Relevant Authority thereunder.

CHAPTER – XIX**CONDUCT OF BUSINESS BY CLEARING MEMBERS****19.1 Office Related Procedure**

- 19.1.1 Every Clearing Member shall ensure that all persons acting on his behalf shall subscribe at all times to high standards of professional expertise and integrity.
- 19.1.2 Each Clearing Member shall at all times maintain such infrastructure, staff, communication facilities and records so as to be able to service his constituents satisfactorily and as per the requirements enumerated in the Clearing Corporation Bye-laws, Rules and Regulations, or any other relevant act(s) for that time being in force
- 19.1.3 Where the Clearing Corporation feels it necessary, in the public interest to do so, it may at its own instance or on a complaint from another Clearing Member or client, seek explanation from the Clearing Member regarding the level of service or professional conduct of the Clearing Member or any of his staff where such service or conduct has been found unsatisfactory or contrary to principles enumerated in the Clearing Corporation's Bye-laws, Rules and Regulations, or notifications, directions or circulars issued thereunder.

19.2 Supervision**19.2.1 Procedures to be followed**

- (a) Each Clearing 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 Clearing Corporation's Bye-Laws, Rules and Regulations and any notifications, directions etc. issued thereunder as well as the relevant statutory acts.
- (b) The Clearing 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 Clearing Member for a period of not less than three years.
- (c) Every Clearing Member shall specifically authorise in writing person or persons, who may be authorised to transact on behalf of the Clearing Member and to do such acts which Clearing Member may wish to delegate to such person, and make available a copy of such power of attorney to the Clearing Corporation before such person transacts any business on the Clearing Corporation.
- (d) A Clearing Member shall maintain such records and make available for inspection to any person authorised in this behalf by the Clearing

Corporation, the information related to such Clearing member's financial condition as prescribed by the Clearing Corporation for this purpose.

- (e) The Clearing Member shall pay such fees, charges and other sum as the Clearing Corporation may notify from time to time, in such time and manner as required by the Clearing Corporation.
- (f) The Clearing Member must inform the Clearing Corporation of any change in the status and constitution, operation, activities of the clearing member's entity.

19.2.2 Internal inspections

Unless otherwise specified by the Relevant Authority, each Clearing 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, Bye Laws and Regulations of the Clearing Corporation.

19.2.3 Written Approval

Each Clearing 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 of any securities transaction.

19.3 Relation With The Constituents

- 19.3.1** When establishing a relationship with a new client, Clearing Members must take reasonable steps to assess the background, genuineness, financial soundness of such person, and his objectives.
- 19.3.2** Clearing Member shall make the constituent aware of the precise nature of the Clearing Member's liability for business to be conducted, including any limitations on that liability and the capacity in which the Clearing Member acts and the constituents liability thereon.
- 19.3.3** The Clearing Member shall provide extracts of relevant provisions governing the rights and obligations of Constituents as Constituents of Clearing Members as prescribed in the Bye Laws, Rules and Regulations, relevant manuals, notifications, circulars any additions or amendments thereto, etc. of the Clearing Corporation, or of any regulatory authority, to the extent it governs the relationship between Clearing Members and Constituents, to the Constituents at no extra cost. The Clearing Member shall also bring to the notice of his Constituents, any indictments, penalties, etc. imposed on him by the Clearing Corporation or any other regulatory authority.

19.4 Recommendations To The Constituents

19.4.1 A Clearing Member shall make adequate disclosures of relevant material information in its dealing with his Constituents.

19.4.2 No Clearing Member or person associated with the Clearing Member shall guarantee a Constituent against a loss in any securities transactions effected by the Clearing Member with or for such Constituent.

CHAPTER – XX

CODE OF CONDUCT FOR CLEARING MEMBERS

20.1 General Principles**20.1.1 Professionalism**

A Clearing Member in the conduct of his business, shall observe high standards of commercial honour of just and equitable principles of trade. A Clearing Member shall have and employ effectively the resources and procedures which are needed for the proper performance of his business activities.

20.1.2 Adherence to clearing practices

Clearing Members shall adhere to the Rules, Regulations and ByeLaws of the Clearing Corporation and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the Relevant Authority as may be applicable from time to time.

20.1.3 Honesty and fairness

In conducting his business activities, a Clearing Member shall act honestly and fairly, in the best interests of his constituents.

20.2 Settlement Principles

20.2.1 Clearing Members 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.

20.2.2 Clearing Members shall ensure that employees are adequately trained in the practices of the relevant clearing segment in which they deal, clear and settle, are aware of their own, and their organisation's responsibilities as well as the relevant laws governing the Clearing Member, the Rules, Bye-Laws and Regulations of the Clearing Corporation including any additions or amendments thereof.

20.2.3 When entering into transactions on behalf of Constituents, the Clearing Members shall ensure that they abide by the Code of Conduct and regulations as enumerated in the current chapter of these regulations.

20.2.4 No Clearing Member or person associated with a Clearing Member shall make improper use of the Constituents' securities/underlying or funds.

20.2.5 When entering into or arranging transactions, Clearing Members must ensure that, at all times, great care is taken not to misrepresent in any way the nature of transaction.

20.2.6 No Clearing Member shall exercise any discretionary power in respect of a Client's account unless such client has given prior written authorisation to the Clearing Member in that behalf.

20.3 General Guidelines

A Clearing Member shall desist from the following practices while conducting business on the Clearing Corporation:–

20.3.1 Shielding or assisting

No Clearing Member shall shield or assist or omit to report any Clearing member whom he has known to have committed a breach or evasion of any Rules, Bye Laws or Regulations of the Clearing Corporation or of any resolution, order, notice or direction thereunder of the Relevant Authority or Clearing Corporation in that behalf.

20.3.2 Use of information obtained in fiduciary capacity

A Clearing 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/underlying, shall under no circumstances make use of such information for the purpose of soliciting business except at the request and on behalf of the issuer.

CHAPTER – XXI

RECORDS, ANNUAL ACCOUNTS & AUDIT

21.1 Records

21.1.1 Every Clearing 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 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.

21.1.2 In addition to the requirements as per regulation, every Clearing Member shall comply with the following requirements and such other requirements as the Clearing Corporation may from time to time notify in this behalf relating to books of accounts, records and documents in respect of his membership to the relevant clearing segment of the Clearing Corporation. Further, where a Clearing Member holds membership of any other recognized stock exchange(s) or clearing corporation, or in a different segment of the Exchange or clearing corporation, such Clearing Member shall maintain a separate set of books of accounts, records and documents for each recognized stock exchange and Clearing Corporation.

21.1.3 Every Clearing Member of the Clearing Corporation shall maintain the following records relating to its business for a period of five years:–

- (a) Statements of fund and securities/underlying obligations received from the clearing(s).
- (b) Record of all statements received from the settling agencies and record of all correspondence with them.
- (c) Copies of all instructions obtained in writing from the Constituents.
- (d) Records in respect of interest received on securities of the Constituents, monies borrowed and loaned including monies received.
- (e) Records in respect of clearing charges collected separately from the Constituents.
- (f) A Register of transaction (or other records of original entry) containing an itemized daily record of all purchases and sales of securities including Commodity Derivatives, showing for each such deal cleared, the name of securities/underlying, value of securities/underlying, clearing charges and name of the Constituents.

21.1.4 Every Clearing Member shall keep such records and books of accounts, as may be necessary, to distinguish Client's securities/underlying from its own securities/underlying. Such records for client's securities/underlying shall inter-alia, provide for the following:

- (a) Securities/underlying fully paid for, pending delivery to clients;
- (b) Securities/underlying received for transfer or sent for transfer by the Clearing Member, in the name of client or his nominee(s) in respect of Non- Depository Deals;
- (c) Securities/underlying that are fully paid for and are held in custody by the Clearing Member as security / margin, etc. proper authorisation from client for the same shall be obtained by Clearing Member;
- (d) duly paid for client's securities/underlying registered in the name of Clearing Member, if any, towards margin requirements, etc.
- (e) instructions from Clearing Members to depository participants to effect accounts transfers;
- (f) such other records as the Relevant Authority may prescribe from time to time.

21.1.5 Every Clearing Member shall keep for a period of five years (unless a dispute has arisen, in which case the Clearing Member shall maintain for a period of five years after the final settlement or adjudication of the dispute) or for such period as may be prescribed, the books of accounts, as will be necessary, to show and distinguish, in connection with his business as a Clearing Member:

- (a) The moneys/securities/underlying received from or on account of and the moneys paid and securities/underlying delivered to or on account of each of his Constituents and Trading Members whose trades the Clearing Member has undertaken to clear and settle,
- (b) The moneys/securities/underlying received and the moneys paid and securities/underlying delivered on the Clearing Member's own account.
- (c) It shall be compulsory for all Clearing Members to keep the money of the Constituents and Trading Members in a separate account and their own money in a separate account. No payment or delivery for a transaction in which the Clearing Member is taking a position as a principal will be allowed to be made from the Constituents' or Trading Members' account.

21.1.6 Notwithstanding anything contained in this Chapter, every Clearing Member shall preserve the originals of the documents, copies of which have been

collected by enforcement agencies like the CBI, Police, Crime Branch, etc., during the course of their investigation till the trial is completed.

21.2 Transfers To And From Client Accounts

The transfer from client's account to Clearing Member's account shall be allowed under circumstances provided herein in the concerned Regulation.

21.2.1 Obligation to pay money into clients' account

Every Clearing Member who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the member in the title of which the word "Clients" shall appear (hereinafter referred to as "Clients' Account"). A Clearing Member may keep one consolidated clients account for all the clients or accounts in the name of each client, as he thinks fit; provided that when a Clearing Member receives a cheque or draft representing in part money belonging to the client and in part money due to the Clearing Member, he shall pay the whole of such cheque or draft into the client's account and effect subsequent transfer as laid down in the concerned Regulation herein.

21.2.2 Moneys to be paid into clients' account

No money shall be paid into clients' account other than:

- (a) money held or received on account of clients;
- (b) such moneys belonging to the Clearing Member as may be necessary for the purpose of opening or maintaining the account;
- (c) money for replacement of any sum which may by mistake or accident have been drawn from the account;
- (d) a cheque or draft received by the Clearing Member representing in part money belonging to the client and in part money due to the Clearing Member.

21.2.3 Moneys to be withdrawn from clients' account

No money shall be drawn from clients' account other than:

- (a) money properly required for payment to or on behalf of clients for or towards payment of a debt due to the Clearing Member from clients or money drawn on client's authority, or money in respect of which there is a liability of clients to the Clearing Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for each such client;
- (b) such money belonging to the Clearing Member as may have been paid into the client account as mentioned in the regulation above;

- (c) money which may by mistake or accident have been paid into such account.

21.3 Right to Lien, Set-Off Not Affected

Nothing in this Section shall deprive a Clearing Member of any recourse or right, whether by way of lien, set-off, counter-claim charge(s) or otherwise against moneys standing to the credit of clients account.

21.4 Record Maintenance

21.4.1 Every Clearing Member shall maintain permanently copies of agreements executed with each of its Constituent in accordance with the Clearing Corporation's requirements.

21.4.2 Every Clearing Member shall maintain permanently copies of agreements executed with each of the settling agencies or banks.

21.4.3 Every Clearing Member shall maintain for a period of five years or such other prescribed period after the closure of the account originals of all communications received and copies of all communications sent by such Clearing Member (including inter-office memo and communications) relating to its business as such. If a dispute has arisen, the Clearing Member shall maintain the aforesaid records for a period of five years or for such other prescribed period after the final settlement or adjudication of the dispute.

21.4.4 Every Clearing Member shall maintain for a period of five years after the closure of the account 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 the Clearing Member. If a dispute has arisen, the Clearing Member shall maintain the aforesaid records for a period of five years after the final settlement or adjudication of the dispute.

21.4.5 Every Clearing Member shall maintain for a period of five years after the termination thereof, of all written agreements (or copies thereof) entered into by that Clearing Member relating to its business as such, including agreements with respect to any account. If a dispute has arisen, the Clearing Member shall maintain the aforesaid records for a period of five years after the final settlement or adjudication of the dispute.

21.4.6 Every Clearing Member shall preserve, for a period of not less than five 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, date of modification thereof, date of termination and representatives of such Constituent who signed in each case.

21.4.7 A Clearing Member shall intimate to the Clearing Corporation the place where these records are kept and available for audit/inspection.

21.4.8 Each Clearing 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 Clearing Member and if the matter is referred to arbitration of the Clearing Corporation then the particulars thereof.

21.4.9 Every Clearing Member shall maintain details of securities/underlying which are the property of a Clearing Member showing with whom they are deposited and if held otherwise than by the Member, whether they have been lodged as collateral security for loans or advances.

21.4.10 The above requirements relating to maintenance of records shall apply not only to records of the Clearing Member's principal office but also to those of any branch office and to any nominee company owned or controlled by a Clearing Member for the purpose of conducting the business of the Clearing Member.

21.5 Annual Accounts And Audit

21.5.1 Each Clearing Member shall prepare annual accounts for each financial year ending on 31st March or such other date as advised to the Clearing Corporation.

21.5.2 The assets and liabilities of the Clearing Member's business shall be brought into account in the balance sheet at such amounts and shall be classified and described therein in such manner that the balance sheet gives a true and fair view of the state of affairs of such business as at the date to which it is made up.

21.5.3 Each Clearing Member shall furnish to the Clearing Corporation, its audited financial statement and such report shall be furnished not later than six months after the end of the Clearing Member's financial year; provided that when the Clearing Corporation is satisfied that circumstances warrant an extension of time, it may grant an extension of such time as it may deem fit in this behalf.

CHAPTER – XXII**INSPECTION****22.1 Inspection Authority**

- 22.1.1** Where it appears to the Clearing Corporation 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 Clearing Members including for any of the purposes specified in the concerned Regulation.
- 22.1.2** The inspecting authority appointed by the Clearing Corporation may be either its own officials or outside professionals.
- 22.1.3** When the Clearing Corporation appoints outside professionals as an inspecting authority, it shall notify the Clearing Member the names and addresses of the professionals or firms so appointed as an inspecting authority at the time of inspection.
- 22.1.4** When outside professionals are appointed as an inspecting authority in respect of a Clearing Member and such professionals are already related in any other capacity with the Clearing Member, then such member shall forthwith inform the Clearing Corporation of such relationship.
- 22.1.5** Where after appointment of any outside professional as an inspecting authority in respect of a Clearing Member, the Clearing 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 Clearing Member or any of its associates without prior consent of the Clearing Corporation.

22.2 Reasons For Inspection

The Clearing Corporation may cause a Clearing Member to be inspected for purposes which may include the following :

- (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 the Clearing Corporation's ByeLaws, Rules 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 Clearing Corporation or any other person on any matter having a bearing on the activities of the Clearing Member;
- (f) to investigate suo-moto, for any reason where circumstances so warrant an inspection into the affairs of the Clearing Member in public interest;
- (g) to examine whether any notices, circulars, instructions or orders issued by the Clearing Corporation from time to time relating to trading and other activities of Clearing 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.

22.3 Notice

Before undertaking any inspection as above, the Clearing Corporation shall give a reasonable notice to the Clearing Member for that purpose. Notwithstanding anything contained above, where the Clearing Corporation is of the opinion that no such notice should be given, it may direct in writing that the inspection of the affairs of the Clearing Member be taken up without such notice.

Clearing Corporation officials or the inspecting authority who is directed by the Clearing Corporation to undertake the inspection, shall undertake the inspection and the Clearing Member against whom an inspection is being carried out shall be bound to discharge his obligations as provided in the relative Regulation herein.

22.4 Obligations Of A Clearing Member On Inspection

22.4.1 It shall be the duty of every director, officer and employee of the Clearing 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 inspecting authority may require.

22.4.2 The Clearing Member shall allow the inspecting authority to have reasonable access to the premises occupied by him or by any other person on his behalf and also extend reasonable facilities for examining any books, records, documents and computerised data in his possession or any other person and also provide copies of documents or other materials which in the opinion of the inspecting authority are relevant.

22.4.3 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 Clearing Member or of any associate of such Clearing Member.

- 22.4.4** It shall be the duty of every director, officer and employee of the Clearing Member or where an associate is examined, such associate to give to the inspecting authority all assistance in connection with the inspection which the Clearing Member may be reasonably expected to give.
- 22.4.5** The inspecting authority shall be entitled to examine the records relating to the Clearing Member's financial affairs held with its bankers or any other agency which the inspecting authority may find it relevant.
- 22.4.6** The inspecting authority shall have access to accounts and other records relating to the Clearing Member or such access as authorised by the Clearing Corporation to accounts and other records relating to any associate of the Clearing Member as are within the power of the Clearing Member to provide.

22.5 Submission Of Report

- 22.5.1** The inspecting authority shall, as soon as possible submit an inspection report to the Clearing Corporation.
- 22.5.2** All documents, papers, returns or their copies submitted to the inspecting authority may be retained by it on behalf of the Clearing Corporation. 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 Clearing Corporation in this regard.
- 22.5.3** The Clearing Corporation shall after consideration of the inspection report communicate the findings to the Clearing Member to give him an opportunity of being heard before any action is taken by the Clearing Corporation on the findings of the inspecting authority.
- 22.5.4** On receipt of the explanation, if any, from the Clearing Member, the Clearing Corporation may call upon Clearing Member to take such measures as the Clearing Corporation may deem fit in public interest.
- 22.5.5** Notwithstanding anything contained as above, where the Clearing Corporation is of the opinion that no such hearing should be provided in certain circumstances, it may take action forthwith without giving any opportunity in such Clearing Member of being heard.

CHAPTER XXIII**ARBITRATION OTHER THAN BETWEEN MEMBERS****23.1 Forms**

The forms to be used in connection with a reference to arbitration under shall be such as are prescribed by the Clearing Corporation from time to time.

23.2 Application for Arbitration

In every case when a claim, difference or dispute required to be referred to arbitration under the Rules, Bye-laws and Regulations of the Clearing Corporation has arisen any of the parties concerned may submit to the concerned Regional Arbitration Centre of the Clearing Corporation an application for arbitration as per the forms prescribed stating therein the value of the claim for jurisdiction.

- A)** The Application for Arbitration shall be filed by the Applicant at the concerned Regional Arbitration Centre covering the State or Union Territory of India, within which the most recent address / registered office address of the constituent, as duly communicated in writing to the Member in accordance with law, is located. Provided in respect of a non-resident Indian constituent, the Seat of Arbitration shall be Regional Arbitration Centre which covers the States and Union Territories, in which lies the address or the registered office address, as the case may be, of the clearing member, depending upon corporate or non-corporate membership of the member. The hearings shall be held in the concerned Regional Arbitration Centre in which the Applicant has duly filed the Application for Arbitration

The Regional Arbitration Centre for filing Arbitration Reference shall be decided by the Clearing Corporation in consultation with the relevant Stock Exchange from time to time.

JURISDICTION OF COURTS

The Courts in Mumbai shall have exclusive jurisdiction in respect of all proceedings to which the Clearing Corporation is a party, and in respect of all other proceedings, the Courts having jurisdiction over the area in which the respective Regional Arbitration Centre is situated, shall have jurisdiction.

B) Pecuniary Jurisdiction of Arbitral Tribunals

An arbitration reference shall either be filed before the sole arbitrator or the three arbitrators on the basis of the parameters / pecuniary limits as provided by SEBI/Clearing Corporation from time to time.

Provided however that in the event of the arbitration reference where the claim and the counter claim is such that it cannot be heard either by a single arbitrator or the three arbitrators in accordance with the parameters laid down by SEBI / Clearing Corporation, such arbitration reference shall be placed before the arbitrator/s who is/are otherwise eligible to hear such

reference on the basis of claim made therein, to determine the arbitral tribunal which will be eligible to hear such arbitration reference.

23.3 Nomination and Notice of Appointment

An application for arbitration shall be accompanied by -

- (i) In the case of a sole arbitrator, duly completed notice proposing three names for appointment as arbitrators, from the concerned panel of arbitrator(s) prepared by the relevant authority, and calling upon the other parties to consent to the appointment of any of them as an arbitrator ;
- (ii) In case of three arbitrators duly completed notice appointing an arbitrator from the concerned approved panel of Arbitrator(s) and calling upon the respondent(s) to appoint an arbitrator from the concerned approved panel of arbitrator(s) (attached therewith) within such period as may be provided by the clearing corporation of the receipt of the notice.
- (iii)
 - (a) In case of sole arbitrator concise statement of the case in triplicate including certified true copies of statement of account, bills, contracts, documents pertaining to receipt/ delivery of shares in triplicate ;
 - (b) In case of three arbitrators, five sets of statement of the claim including five sets of certified true copies of the statement of account, bills, contracts, documents pertaining to receipt/ delivery of shares.
- (iv) In case of a claim for an amount above Rs.10,000/- or a claim against a defaulter, a copy of the applicant's income tax return, pan no. and balance sheet duly certified by a chartered accountant.
- (v) Institution and Arbitration fees.
- (vi) An accurate list of the documents produced.

23.4 Reply to Arbitration and Counterclaim

On receipt of an application for arbitration the clearing corporation shall forward the notice of appointment or the proposed names of the arbitrators together with a copy of the statement of the case including a copy of the statement of account to the other party or parties to the claim, differences or dispute. The other party or parties shall within such period as may be provided by the clearing corporation after service of written notice of appointment forward to the clearing corporation a reply to the application accompanied by –

- (i) In the case of a sole arbitrator, duly completed form of nomination consenting to the appointment of any of the three proposed arbitrators;
- (ii) In the case of three arbitrators, duly completed form appointing an arbitrator from the panel of arbitrators.

- (iii) (a) In case of a sole arbitrator, a statement in triplicate of the case in reply; and
- (b) In case of three arbitrators, five sets of a statement of the case in reply.
- (iv) (a) In case of sole arbitrator, a statement in triplicate of the set-off or counter claim (if any) including, in triplicate, a certified true copy of the statement of account, and certified true copies of bills, contracts, pertaining to receipt/ delivery of shares, in triplicate.
- (b) In case of three arbitrators, five sets of a statement of the setoff or counter claim (if any) including five sets of certified true copies of the statement of account, bills, contracts, documents pertaining to receipt / delivery of shares
- (v) In case of more than one applicant/respondent additional sets of the above mentioned statements, copies and documents in the same proportion

23.5 Reply to Counterclaim

A copy of the statement of the case in reply and of the set-off or counterclaim, if any, shall be forwarded by the concerned Regional Arbitration centre of the Clearing Corporation to the party making the application for arbitration who shall submit his reply to the set-off or counterclaim, if any, within seven days.

23.6 Appointment of Arbitrator (s)

- A)** (i) In case of a sole arbitrator, where the other party or parties consent(s) to any of the three proposed arbitrators, then the consented arbitrator ; and on refusal or failure to consent to any arbitrator, any person from the concerned panel of Arbitrators may be appointed as a Sole arbitrator by the Relevant Authority .
- (a) If a party to an arbitration reference is declared as a defaulter before such party has nominated or consented to the appointment of an arbitrator then such party shall not be entitled to nominate or consent to the appointment of an arbitrator. In such cases the Relevant Authority will appoint an Arbitrator in the reference.
- (ii) In case of three arbitrators, if the other party refuses or neglects to appoint an arbitrator within the stipulated time or within the extended time, the Relevant Authority may appoint an arbitrator from the concerned approved panel of arbitrators.
- (iii) In case of three arbitrators, the Relevant Authority shall appoint a person from the panel of arbitrators as the third arbitrator, who shall act as the presiding arbitrator.

- (iv) If a party to an arbitration reference is declared as a defaulter after such party has nominated or consented to the appointment of an arbitrator then the arbitrator already Nominated / Appointed by such party may continue with the Arbitration Proceedings unless changed or substituted by the Relevant Authority in his discretion in consultation with the Chairman of the Defaultersⁿ Committee.

B) Grounds for Challenge

The arbitrator (s) before entering into reference, shall disclose in writing any circumstances likely to give rise to justifiable doubts as to his/their independence or impartiality; and shall through-out the arbitral proceedings without any delay, disclose to the parties in writing any circumstances referred to above unless they have already been informed by him/them and shall keep a record thereof in the arbitration proceedings.

C) Challenge Procedure

- (i) A party who intends to challenge an arbitrator (s) shall within fifteen days after becoming aware of the constitution of arbitral tribunal or after becoming aware of any circumstances referred to above send a written statement of the reasons for the challenge to the arbitral tribunal.
- (ii) Unless the arbitrator challenged under Clause (i) withdraws from his office or the other party agrees to the challenge, the arbitral tribunal shall decide on the challenge.
- (iii) If the challenge is not successful, the arbitral tribunal shall continue the arbitral proceedings and make an arbitral award.
- (iv) Where an arbitral award is made under Clause (iii), the party challenging the arbitrator may make an application for setting aside such an arbitral award in accordance with Section 34 of the Arbitration and Conciliation Act, 1996.

D) Failure or Impossibility to act

The mandate of an arbitrator shall terminate if -

- (i) he becomes de jure or de facto unable to perform his functions or for other reason fails to act without undue delay.
- (ii) he withdraws from his office or the parties agree to the termination of his mandate.
- (iii) if the controversy remains concerning any of the grounds referred to in sub-clause (a) of Clause (i), a party may, unless otherwise agreed to by the parties, apply to the Relevant Authority to decide on the termination of the mandate and his decision shall be final.

23.7 Intimation Regarding Substitutes and Other Appointments

Any party to a reference, arbitrator/s may give an intimation to the concerned Regional Arbitration centre whenever circumstances arise in which the Relevant Authority may appoint an arbitrator but the Relevant Authority may make such appointment irrespective of whether such an intimation has been received or not.

A) Notice of Hearing

The arbitrator(s) shall fix the date, time and place for each hearing, notice of which will be given to the parties by the concerned Regional Arbitration centre of the Clearing Corporation. In arranging the hearings the time within which the award is required to be made and the time necessary to enable the parties to attend the hearing if they so desire shall be taken into consideration

- B) The arbitrator(s) shall fix the date, time and place for each hearing in advance. The arbitrator(s) shall endeavour to chalk out the programme of hearings in the first meeting by fixing various dates of hearing as the arbitrator(s) deem fit and proper. If the dates of hearings are announced at the meeting, no fresh notice of hearing shall be required to be given to any party who was present at the meeting where the dates were announced. The parties to the arbitration proceedings shall be bound to attend the hearing of the arbitration proceedings of all these dates without service of fresh notice for each hearing. The arbitrators shall endeavour to maintain a continuity of hearing without a substantial gap between the dates of hearings with a view to facilitate early disposal of arbitration proceedings. The arbitrators shall endeavour to ensure that to the extent possible the gap between two hearings is not more than one week.

23.8 Adjournment of Hearings

- A) The arbitrator(s) may adjourn the hearings from time to time upon an application of any party or at their or his own instance for sufficient cause. While adjourning the hearing, in case the arbitrator(s) informs the parties of the next date of hearing, it shall not be necessary for the arbitration secretary to give notice of the adjourned date-

- B) (i) The arbitrator(s) shall discourage unnecessary applications for adjournment even on payment of cost.
- (ii) The arbitrator(s) shall endeavour to complete the arbitration proceedings expeditiously and without unnecessary delays.

C) Evidence

The arbitrator(s) shall be entitled to decide a reference without recording oral evidence in such cases as the arbitrator(s) deem appropriate and may decide the reference on the basis of documents, books of accounts and the record of the case.

23.9 Extension of Time for Making Award

The arbitrator(s) may from time to time apply to the Relevant Authority for extension of time for making the award.

23.10 Appearance

The parties to the reference shall attend at the time and place appointed for the hearing of the reference either in person or subject to the provision in that behalf in these Bye-laws and Regulations by any person duly authorised by them acquainted with all the matters in dispute or in question and shall answer all material questions relating to the dispute or question.

23.11 Further Information

The arbitrator(s) shall have general authority to require from either or both of the parties to the reference such further statements, explanations and other information, evidence and material as they or he may consider necessary for the adjudication of the dispute or question.

23.12 Duties of Parties and Witnesses

The parties to the reference and any witness on their behalf shall -

- (i) submit to be examined by the arbitrator(s) on oath or affirmation in relation to the matter in dispute;
- (ii) produce before the arbitrator(s) all books, deeds, papers, accounts, bills, contracts, writings and documents in the possession or power which may be required or called for; and
- (iii) generally do all other things which during the pendency of the reference the arbitrator(s) may require.

23.13 Assistance in taking Evidence

- (i) The arbitral tribunal or a party with the approval of the arbitral tribunal, may apply to the court for assistance in taking evidence.
- (ii) The application shall specify -
 - (a) the names and addresses of the parties and the arbitrators.
 - (b) the general nature of the claim and the relief sought.
 - (c) the evidence to be obtained in particular –
 - 1. the name and address of any person to be heard as witness or expert witness and a statement of the subject matter of the testimony required;

2. the description of any document to be produced or property to be inspected.
3. the Court may, within its competence and according to its rules on taking evidence, execute the request by ordering that the evidence be provided directly to the arbitral tribunal.
4. The Court may, while making an order under subclause (3) issue the same process to witnesses as it may issue in suits tried before it.
5. Persons failing to attend in accordance with such process, or making any other default or refusing to give their evidence, or guilty of any contempt to the arbitral tribunal during the conduct of arbitral proceedings, shall be subject to like disadvantages, penalties, and punishments by order of the Court on the representation of the arbitral tribunal as they would incur for the like offences in suits tried before the Court.
6. The expression “processes” includes summonses and commissions for the examination of witnesses and summonses to produce documents.
7. The arbitral tribunal may require any one or both the parties to deposit such documents, and may require any one or both the parties to deposit such fee or fees to cover the costs of any such process as the arbitrator (s) shall consider necessary and in the event of any party who has been called upon to deposit such fees failing to do so may discuss such party’s case or deal otherwise with the matter as the arbitrator (s) may think just.

23.14 Penalty for Obstruction

The parties to a reference shall do all acts necessary to enable the arbitrator(s) to make a just award and shall not willfully do or cause or allow to be done any act to delay or to prevent the arbitrators from making an award and if any party shall do or cause or allow to be done any such act that party shall pay the other party or parties such costs as are deemed reasonable by the arbitrator(s).

23.15 Powers of Arbitrator(s)

The arbitrator(s) may -

- (i) retain or return copy or all of the books, documents or papers produced in any proceedings and may direct at any time that the books, documents or papers produced be returned to the parties or any of them on such terms and conditions as may in the absolute discretion of the arbitrator(s) be deemed proper ;

- (ii) administer oath or affirmation to the parties or witnesses appearing and giving evidence ;
- (iii) admit such evidence only as may in the absolute discretion of the arbitrator(s) be deemed proper ;
- (iv) administer to any party to the reference such interrogatories as may in the opinion of the arbitrator(s) be necessary.
- (v) make an interim award ;
- (vi) make any award conditional or in the alternative.
- (vii) correct in an award any clerical mistake or error arising from any accidental slip or omission.
- (viii) may award adjournment cost to be paid by the party seeking adjournment, to the other party.

23.16 Assessor & Expert Evidence

- A.** The arbitrator(s) may with the permission of the Relevant Authority at any time or times before making the final award consult and adopt the advice of counsel, attorney or advocate upon any question of law, evidence, practice or procedure arising in the course of the reference. The remuneration of such counsel, attorney or advocate shall be paid in advance by the parties to the reference and it shall be borne by them in the proportion stated in the award.
- B.**
 - (i)** Unless otherwise agreed by the parties, the arbitral tribunal may –
 - (a)** appoint one or more expert to report to it on specific issues to be determined by the arbitral tribunal; and
 - (b)** require a party to give the expert any relevant information or to produce or to provide access to, any relevant documents, **underlying**, or other property for his inspection.
 - (ii)** Unless otherwise agreed by the parties, if a party so requests or if the tribunal considers it necessary, the expert shall, after delivery of his written or oral report, participate in an oral hearing where the parties have the opportunity to put questions to him and to present expert witnesses in order to testify on the points at issue
 - (iii)** Unless otherwise agreed by the parties, the expert shall, on the request of a party, make available to the party for examination all documents, **underlying** or other property in the possession of the expert with which he was provided in order to prepare his report.

23.17 Ministerial Assistance

Unless the Relevant Authority specifically permits no person other than the Secretary or an employee or employees of the Clearing Corporation acting under his authority shall be present to assist the arbitrators in a ministerial or any other capacity during the hearing or determination of a reference.

23.18 Scale of Arbitration Fees and Charges

- (a) The fees, including institution fees, arbitration fees, clerkage, cost, charges and expenses of and incidental to the reference and the award (if any) shall be such and shall be payable in such manner as are prescribed by the SEBI and/or the clearing corporation from time to time.

The Arbitrator hearing the matter shall decide whether the reference has been filed within six months or within such other period as may be prescribed by SEBI / Clearing Corporation from time to time for the purpose of calculating the fees and shall direct the party/s to pay the additional amount, if any, to the clearing corporation.

- (b) The party requesting adjournment will be required to pay Rs.500/-, per adjournment, in case of a sole arbitrator and Rs.1500/-, per adjournment, in the case of three arbitrators, by a cheque / demand draft payable to the clearing corporation, along with the request for adjournment to the arbitrators.
- (c) In an exceptional situation, the arbitrator(s) may grant adjournment without imposing the cost under clause (b) on the party applying for adjournment
- (d) In addition to the institution fees, arbitration fees and adjournment costs the Relevant Authority shall have power to direct that such further sum of money as may be deemed fit shall be paid to or deposited with the clearing corporation as security for the fees, costs and expenses of the arbitration including photocopying expenses, postage charges and other out of pocket expenses incurred by the clearing corporation.

(e) **Refund on withdrawal of Cases**

In case the party instituting a reference withdraws it before a meeting of the arbitrator(s) has been summoned, the payments made by party (s) except Institution Fees shall be refunded.

(f) **Other Charges**

In addition to the fees mentioned hereinabove, the parties shall pay as and when demanded by the clearing corporation all other fees or charges incurred or to be incurred during the arbitration including photocopying expenses, postage charges and other out of pocket expenses incurred by the clearing corporation.

(g) Fees and Charges payable in Advance

All fees and charges shall be payable in advance and when there is failure, neglect or refusal on the part of a party or parties to pay accordingly the other party {may make} such payment in advance without prejudice however to his right if any to recover the same from such party or parties failing, neglecting or refusing to pay. It shall be condition precedent to the hearing of any reference that the prescribed fees and charges shall have been paid in advance to the concerned Regional Arbitration Centre of the clearing corporation by the party or parties to the reference.

(h) Collection and Payment of Fees and Charges

The concerned Regional Arbitration Centre of the clearing corporation shall collect all fees and charges and pay the fees to the arbitrators and make disbursements in connection with the other costs and expenses of the reference provided always that no larger sum shall be paid than actually collected.

23.19 Appeal against Arbitral Award

23.19.1 Form of Appeal : what to accompany memorandum:

- (i)** Every appeal shall be preferred in the form of memorandum signed by the appellant or his authorised representative and presented to the Arbitration Secretary. The memorandum shall be accompanied by ;

 - (a)** A copy of the award appealed from
 - (b)** Seven true copies of the appeal memo.
 - (c)** Seven true copies of the award.
- (ii)** Contents of Memorandum : The memorandum shall set forth concisely and under distinct heads, the grounds of objections to the award appealed from and such grounds shall be numbered consecutively. The memo of appeal shall be as per the prescribed form. .

23.19.2 Time for preferring Appeal :

The appeal memo shall be submitted by the party appealing or his authorised representative to the Arbitration Secretary within 30 (thirty) days of the receipt of the award of the Arbitral Tribunal. The appellant shall not be entitled to prefer an appeal from the arbitral award after the expiry of the aforesaid period of 30 days and the appeal, if any, filed after the expiry of the said period of 30 (thirty) days shall not be taken cognizance of by the Appeal bench.

23.19.3 Deposit of the amount and delivery of the securities/underlying as per the award of the arbitral tribunal :

- (i) An appeal shall not operate as stay of execution of the award of Arbitral Tribunal. The party appealing against the award, unless exempted by the Appeal Bench on application being made in that behalf, from paying the whole or part of the amount due under the award or the securities/underlying to be delivered thereunder, shall be required to deposit with the concerned Regional Arbitration Centre of the clearing corporation, the amount due under award or deliver the securities/underlying or the value thereof at the ruling market price of the securities/underlying. The party placing the deposit shall be deemed to have agreed that such deposit or the securities/underlying shall be handed over by the Clearing Corporation to the other party in accordance with the terms of decision in appeal.

- (ii) An application for exemption to pay or deposit the amount or deliver the securities/underlying under the award of the Arbitral Bench shall be submitted along with the appeal memo and after notice to the otherside it shall be disposed of by the Appeal Bench as far as possible within 15 days and the order passed thereon, in case it is not allowed wholly, shall be complied with by the appellant within 7 days of such order being communicated to him. In case the appellant fails to deposit the amount awarded or to deliver the securities/underlying or price thereof as per the award of the Arbitral Tribunal or to act as per the order passed by the Appeal Bench on his application for exemption, the appeal shall stand rejected.

23.19.4 No stay of execution of award:

The Appeal Bench shall not stay execution of the award appealed from unless the amount due under the award is deposited and in case of order for delivery of securities/underlying, such securities/underlying or the value therefore is deposited with the concerned Regional Arbitration Centre of the clearing corporation or solvent security for the compliance thereof to the satisfaction of the Appeal Bench, is furnished by the Appellant. Such deposit or security/underlying shall not have the effect of stopping the accrual of interest ordered by the award till the amount is actually paid or the securities/underlying delivered to the party in whose favour the award stands.

23.19.5 Constitution of Appeal Bench:

None of the arbitrators who heard the reference and passed the award nor any arbitrator interested or having dealings with any of the parties to the appeal shall be a member of the Appeal Bench and on such disclosure by the member or any of the parties to the appeal, the Relevant Authority, if satisfied of the validity of the objection, may replace him with another arbitrator.

23.19.6 Hearing of appeal and cross objection :

After all preliminaries are over and the appeal has been admitted for hearing, the notice of appeal in Form as prescribed shall be given to the respondent. The respondent on receiving notice, may put in his memo of appearance in Form as prescribed—The respondent within 15 days of the service of notice of appeal may submit cross objections and such cross objections shall be in form as prescribed. The Arbitration Secretary shall place the appeal papers and the record of reference out of which the appeal has arisen before the Appeal Bench, and the parties shall be given notice of the day, time and place of hearing in Form as prescribed. The Appeal Bench may hear the appeal on the same day or on some adjourned date of which due notice shall be given to the parties and the Appeal Bench shall make the award in writing giving reasons for the award. The award made by the Appeal Bench shall be deemed to be final and binding on the parties unless set aside by the Court on an application made under Section 34 of the Arbitration and Conciliation Act, 1996.

23.19.7 Hearing of cross objection in case the appeal is withdrawn or dismissed in default:

Where in any case in which the respondent has filed a memorandum of objection, the original appeal is withdrawn or is dismissed for default, the objection so filed may nevertheless be heard and determined after such notice to the other party as the Appeal Bench thinks fit.

23.19.8 Restoration of appeal dismissed in default of the appellant:

Without prejudice and subject to the maximum period provided in the By-laws for hearing and disposal of the appeal, in case the appeal is dismissed in default of the appellant at the hearing of the appeal, the Appeal Bench on application supported by an affidavit filed by the appellant within 15 days of the dismissal of appeal, may restore the appeal on its original number, after notice to the other side, on such terms as the Appeal Bench considers proper including the payment of costs to the other side; and may hear the appeal on the date of which notice shall be given to the respondent.

23.19.9 Setting aside ex-parte decision and rehearing of appeal:

Without prejudice and subject to the maximum period provided in the By-laws for hearing and disposal of the appeal, in case the appeal is heard ex-parte on failure of the respondent to appear and is decided ex-parte, the ex-parte decision may be set aside by the Appeal Bench and the appeal may be reheard, if the respondent files an application supported by affidavit within 15 days of the date of the ex-parte award when respondent was served with the notice of the appeal; and in case of notice of appeal is not served, within 15 days of the knowledge of the ex-parte award. When the respondent was not served with the notice and had no knowledge of the date of hearing of the appeal, the Appeal Bench may set aside the ex-parte award on such terms as it considers proper and may rehear and decide the appeal afresh.

23.19.10 Date and contents of award in Appeal:

- (i) The award of the Appeal Bench shall bear the date on which the judgment was pronounced.
- (ii) The award shall contain the number of the appeal, the names, the place and description of the appellant and respondent, and a clear specification of the relief granted or other adjudication made.
- (iii) The award shall also state the amount of the costs incurred in the appeal and by whom the costs in appeal and the costs in the Arbitral Tribunal from whose award the appeal was preferred, are to be paid.
- (iv) The award shall be signed and dated by the members who passed it. The dissenting members may not sign the award.

23.19.11 Copies of judgement and award to be furnished to the parties

The certified copies of the judgement and award shall be furnished to the parties and their acknowledgement with the date of the receipt of the copies shall be obtained.

23.19.12 Register of Appeals:

The Arbitration Secretary shall maintain a register of appeals in Form as may be prescribed or amended from time to time by the Relevant Authority.

23.19.13 Form of Notices in Appeals :

The various notices to be issued in appeal to the parties may be in such Forms as prescribed by relevant Authority from time to time

23.20 Request for Representation by an Advocate

- (i) Any party to a reference, may make a request in form as prescribed to the arbitrator(s) for allowing an advocate to represent it in the arbitration proceedings. The arbitrator(s) may allow or disallow the advocate to represent the party in the arbitration proceedings.
- (ii) The decision of the arbitrator(s) shall be conveyed, to the party making the request for representation through an advocate after the same is decided by the arbitrator(s). The decision of the Arbitrator(s) on the application to the reference for making representation by or through an advocate shall be final. In case one of the parties to a reference is permitted to be represented by an Advocate, the other party may also appoint an advocate to represent him.

In all cases where the Arbitrator(s) have permitted the parties to be represented by an advocate, the advocate shall be required to give an undertaking in form as prescribed to the effect that advocate shall continue

to appear in the arbitration proceedings till the proceedings are complete and the advocate shall not withdraw from the proceedings.}

- (iii) The claimant may make an application for permission to engage an advocate to represent his case at the time of institution of arbitration proceedings and not later on. The respondent may make similar application, if so, desired, along with his statement of defence and not later on. Provided that the arbitrator(s) may permit the claimant or the respondent to make such application subsequently if the arbitrator(s) is / are satisfied that there is good cause to permit the claimant or the respondent to do so.
- (iv) No party shall be entitled to seek an adjournment for appointing an advocate.
- (v) No adjournment shall be granted by the arbitrator(s) on the ground that the advocate representing a party has been recently appointed or is not present at the hearing.
- (vi) Where one or more parties are represented by an advocate, the, Relevant Authority may, at the request of the arbitrator(s), appoint an advocate who may remain present at the hearings and who the arbitrator(s) may consult for independent and impartial advice and assistance on any question of law. In all such cases, the parties to the arbitration proceedings shall be required to bear reasonable expenses of engaging such advocate as fixed by the Relevant Authority.
- (vii) Where the advocate withdraws from the proceedings with the permission of the Arbitrator(s), the arbitrators may not permit the concerned party to be represented by engagement of another advocate. The Arbitrators shall ensure that the proceedings are not delayed in the absence of Advocate.

23.21 Filing of Additional claims/ Counter Claims and/or Amendment of Claim / Counter Claim

- (i) The arbitrator(s) shall not allow a party to incorporate an additional claim or to amend a claim already filed except in an exceptional situation where the arbitrator(s) is/are of the opinion that the proposed incorporation or amendment is necessary in the interest of justice and the application for incorporation or amendment of the claim is made without undue delay.
- (ii) The arbitrator(s) shall not allow a party to file an additional defence or to amend a defence already filed except in an exceptional situation where the arbitrator(s) is of the opinion that the proposed filing or amendment is necessary in the interest of justice and the application for filing or amendment of the defence is made without undue delay.

23.22 Arbitration in Case of Defaulters

Where a party to an arbitration is declared a defaulter before the award is made,:-

- (i) The arbitrator(s) shall not make a consent award but shall be bound to inquire into and adjudicate upon the disputes on merits after serving notice on the defaulters' committee and scrutinizing the relevant records.
- (ii) The Defaulters' Committee shall be entitled to represent the defaulter in the arbitration proceedings through authorized representatives of the Defaulters' Committee and
- (iii) The defaulter may also remain present and make suitable representations before the arbitrator (s).

23.23 Issue of Procedural Guidelines

The Relevant Authority may from time to time issue procedural guidelines to the arbitrator(s) in respect of the conduct of arbitration(s) with a view to ensure proper, orderly and expeditious disposal of arbitrations. The guidelines shall relate to the conduct of arbitration(s) generally and shall not relate to any particular arbitration or arbitrations.

23.24 Service by Advertisement

The arbitrator/s appointed by default shall before proceeding with the arbitration, direct the applicant/s to advertise notice in form as prescribed in at least one daily news paper published where the last known address of the respondent is located, stating that upon expiry of the period specified in the notice if the respondent does not appear before the arbitrator/s at the time and place stated therein then such arbitrator shall proceed with the reference.

Provided however that in case the respondent appears before the Arbitrator, the arbitrator/s appointed by default shall be entitled to hear and determine the issue with regard to his/their appointment and the decision of the arbitrator/s on this issue shall be final and binding on the party raising such objection.

23.25 Register of Destroyed Documents:

The Secretary to Arbitration shall keep a Register of the destroyed documents in pursuance as provided in Bye - laws, and in the manner specified by the Relevant Authority from time to time.

CHAPTER: XXIV**WAREHOUSE SERVICE PROVIDER**

- 1 The Clearing Corporation will set out the criteria for empanelment of warehouse service provider, which criteria may be in addition to the criteria specified by the SEBI, from time to time. Only those warehouse service provider which comply with and/or fit the criteria laid down by the Clearing Corporation will be eligible to be empaneled with the Clearing Corporation. The Clearing Corporation will reserve the right to reject to empanel any warehouse service provider, which is otherwise meeting the criteria, in its sole and absolute discretion without assigning any reason for such rejection. The Clearing Corporation will also prescribe the procedure for application to be made by an applicant for its empanelment, its rejection, fees to be paid at the time of such application, its refund, if any, and all other procedural matters connected with such application.
- 2 Each applicant whose application for empanelment has been accepted by the Clearing Corporation will execute a Master Agreement with the Clearing Corporation, which may be amended from time to time, if required by the Clearing Corporation and the warehouse service provider will not refuse or object to such amendment or to execute fresh Master Agreement.
- 3 Each empaneled warehouse service provider will be bound to comply not only with the provisions of the Master Agreement executed by it with the Clearing Corporation but will also be bound by and comply with the Rules, Bye-laws and Regulations of the Clearing Corporation. Each such empaneled warehouse service provider will be also bound by the norms, directions or the circulars that the SEBI and the Clearing Corporation issues from time to time, inter alia, with regard to its operation, administration, management.
- 4 The Clearing Corporation will be entitled to terminate the empanelment of the warehouse service provider if it fails, refuses, neglects or is unable to fulfill either the terms of the Master Agreement or of any circulars, direction, norm, Rules, Bye-laws, Regulations or any other direction of either the SEBI or the Clearing Corporation.