

RULES

INDEX

Rule No.	Subject	Page no.
1	PRELIMINARY & DEFINITIONS	1
	MANAGEMENT OF THE CLEARING CORPORATION	
2	General Powers Of The Board of Directors	4
3	Delegation Of Powers	6
4	Constitution Of Committees	6
5	Tenure Of Members Of Committee	7
6	Delegation By Committee	7
7	Disqualification Of Member	7
8	Chairman Of The Committee	7
9	Committee May Regulate Its Proceedings	7
10	Quorum For Meetings Of The Committee	7
11	Who May Convene And When	8
12	Decisions At The Meeting	8
13	Proceedings At Committee Meetings	8
14	Delegation Of Powers By Relevant Authority	10
	CLEARING MEMBERSHIP	
15	Multiple Categories	11
16	Admission And Fees	11
17	Eligibility	11
18	Conditions Precedent For Admission	12
19	Additional Eligibility Criteria	13
20	Admission	13
21	Transfer Of Clearing Membership	14
22	Nomination	16
23	Bye-Laws	19
24	Conditions	20
25	Compulsory Termination Of Clearing Membership	20
26	Composite Clearing Membership	21
27	Partnership	21
28	Cessation Of Clearing Membership	21
29	Re-admission	22
	DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND EXPULSION	
30	Disciplinary Jurisdiction	24
31	Clearing Member's Responsibility For The Acts Of His/Its Partners And Employees	28
32	Clearing Members And Others To Testify And Give Information	28
33	Permission necessary For Legal Representation	28
34	Temporary Suspension	28
35	Withdrawal Or Restriction Of Facilities Extended To The Clearing Member	29
36	Effect Of Suspension Of Registration By SEBI	29

37	Disciplinary Action(s) May Be Single Or Co-joint	29
38	Specification Of Penalty Structure	29
38	Commutation	30
40	Failure To Pay Fines And Penalties	30
41	Consequences Of Suspension	30
42	Consequences Of Expulsion	31
43	Expulsion Rules To Apply	31
44	Consequences of Cessation of Membership Right by reason of Death	31
45	Notification Of Penalty Imposed	32

CHAPTER – I

PRELIMINARY & DEFINITIONSPRELIMINARY**Short Title**

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

Applicability of the Securities Laws

These Rules shall be subject to the provisions of the Securities Laws.

1. DEFINITIONS

In these Rules, unless the context otherwise requires,

- (a) “Board of Directors” or “Board” means Board of Directors of the Indian Clearing Corporation Limited or wherever the context requires the Board of Directors of the Specified Exchange;
- (b) “Body Corporate” means a body corporate as defined under section 2 of the Companies Act, 1956 (1 of 1956);
- (c) “Bye-Laws” means bye-laws of Indian Clearing Corporation Limited for the time being in force and any amendments made thereto from time to time;
- (d) “Clearing Bank(s)” is such bank(s) as the Clearing Corporation may appoint to act as a funds settling agency, for the collection of margin money for all deals cleared through the Clearing Corporation and any other funds movement between Clearing Members and the Clearing Corporation and between Clearing Members inter se’ as may be directed by the Clearing Corporation from time to time;
- (e) “Clearing Corporation” means Indian Clearing Corporation Limited;
- (f) “Clearing Member” shall mean all existing members of the Clearing House, and all Trading Members of Equity segment of the Specified Exchange (as defined hereinafter) , a member of the Clearing Corporation and includes all categories of members that may be admitted by the Clearing Corporation as the clearing members and the term “Clearing Membership” shall be construed accordingly; however does not denote the shareholder of the Clearing Corporation;

Explanation: The words “Clearing House and Trading Member” shall have meaning assigned to them in the Bye-laws of the Specified Exchange.

- (g) "Clearing Segments" means the different segments or divisions for clearing and settlement of deals as may be classified by the Relevant Authority from time to time;
- (h) "Client" or "Constituent" means a person on whose instructions and on whose account the Clearing Member settles deals on the Clearing Corporation or as may be permitted by the Clearing Corporation and may also be called as investor;
- (i) "Committee" means a committee constituted by the Relevant Authority and/or the Board of Directors, comprising of its own members or otherwise, and includes a committee constituted by the Managing Director or a committee constituted by the committee of the Board of Directors and a sub-committee of any such committees;
- (j) "Contract" means a contract for or relating to the purchase or sale of a security through the Exchange or any other mode permitted by the Exchange and may also be called as deal, transaction, dealing or bargain;
- (k) "Deals" means, unless the context indicates otherwise, deals which are admitted to be cleared and settled through the Clearing Corporation;
- (l) "Exchange" means any stock exchange recognised under the SCRA as a stock exchange and shall include the Specified Exchange wherever the context so admits or requires;
- (m) "Managing Director" means the Managing Director of the Indian Clearing Corporation Limited;
- (n) "Regulations" means Regulations of Indian Clearing Corporation Limited and shall include business rules, code of conduct, circulars, guidelines and directives, as may be issued or specified by Relevant Authority from time to time, inter alia, for the operations of the Clearing Corporation;
- (o) "Relevant Authority" shall include the Managing Director and, a Committee;
- (p) "Rules" means Rules of Indian Clearing Corporation Limited for the time being in force and includes any amendments made thereto from time to time;
- (q) "SEBI Act" means Securities and Exchange Board of India Act, 1992 (Act No.15 of 1992);
- (r) "SEBI" means Securities and Exchange Board of India established under Section 3 of Securities and Exchange Board of India Act, 1992;
- (s) "SCRA" means Securities Contracts (Regulation) Act, 1956 (Act No.42 of 1956);
- (t) "SCRR" means Securities Contracts (Regulation) Rules, 1957;

- (u) "Securities" shall have the meaning assigned to it in SCRA;
- (v) "Securities Laws" includes the SCRA, SEBI Act, and the Rules and Regulations framed thereunder and any statutory modification or re-enactment thereto, the circulars, notifications, directives, guidelines made or issued thereunder by Central Government or SEBI from time to time;
- (w) "Settlement Guarantee Fund" means a fund established and maintained in accordance with the relevant provisions of the Bye- Laws of Clearing Corporation;
- (x) "Specified Exchange" mean the BSE Limited;
- (y) "Trading Member" means a Stock Broker or Trading Member of any segment of any Exchange and registered with SEBI as such under the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 and the term "Trading Membership" shall be construed accordingly;
- (z) "Trading Segment" means the segment as may be classified by the Exchange;
- (aa) All other words and expressions used but not defined in these Rules, but defined in the Regulations and Bye-laws of the Clearing Corporation, BSE (Corporatisation & Demutualisation) Scheme, 2005, SCRA, SEBI Act, Companies Act, Depositories Act, 1996 or in the Rules and Regulations made thereunder shall have the same meaning respectively assigned to them in such Bye-Laws and Regulations, Acts or the Rules or the Regulations made thereunder or the Scheme or any statutory modification or re- enactment thereto, as the case may be;
- (ab) In case a term is defined in more than one of the above, then its meaning as defined in that, which precedes the others mentioned hereinabove, shall prevail, unless necessitated otherwise;
- (ac) Headings shall not affect the construction or interpretation of any Rule;
- (ad) Words importing masculine gender shall include feminine gender and vice versa and neutral gender in the case of companies, corporations, firms, etc, unless the context otherwise requires.

CHAPTER – II

MANAGEMENT OF THE CLEARING CORPORATION**2. General Powers Of The Board of Directors**

- (a) Subject to the provisions of the Securities Laws, the Board of Directors shall have complete and absolute jurisdiction over all matters of the Clearing Corporation and all Clearing members and shall have supervisory jurisdiction over any and all subjects and matters referred to any Committee or employee(s) of the Clearing Corporation and may direct and control their actions or proceedings at any stage thereof. The Board of Directors shall have absolute power and right to interpret the Rules, Bye-Laws and Regulations of the Clearing Corporation and to decide all points, questions and disputes relating to the Clearing Corporation matters and relating to the administration, functions, working and affairs of the Clearing Corporation and relating to the conduct of Clearing Members. Any interpretation made or decision taken by the Board of Directors shall be final and conclusive and binding on the parties concerned without prejudice to the powers of the Board of Directors to review, revise, rescind or clarify the same.
- (b) Without prejudice to the generality of the foregoing powers, the Board of Directors may exercise powers, inter alia, in respect of all or any of the following matters:
- (i) Organising, maintaining, controlling, managing, regulating and facilitating the conduct of the business in the Clearing Corporation;
 - (ii) Making or amending the Rules, Bye-Laws and Regulations of the Clearing Corporation for all or any matters relating to the regulation and control of Clearing Members and regulation and control of Settlement of deals;
 - (iii) Admission of Clearing Members, conditions for continued admittance of Clearing Members, procedure for application and admission and for the said purpose to specify conditions for admission, continued admission, including but not limited to constitution and structure, qualification, education and training, experience, capital adequacy, fees, levies, charges, deposits, security deposits, margins and other funds payable and the matters similar or incidental or relating thereto;
 - (iv) Conduct of the business in the Clearing Corporation;
 - (v) Conduct of the Clearing Members;
 - (vi) Withdrawal or restriction of clearing or other facilities, suspension, declaration of default, expulsion, compulsory termination of clearing membership, surrender of clearing membership;

- (vii) Revocation of cessation of clearing membership;
- (viii) Re-admission after cessation of clearing membership;
- (ix) Prescription for maintenance of records, documents and books of accounts by Clearing Members, inspection and audit of records, books of accounts and affairs of Clearing Members;
- (x) Investigation of affairs, financial conditions, business conduct and dealings of Clearing Members;
- (xi) Disciplinary action against Clearing Members for non-compliance, violation, contravention, disregard, disobedience or evasion of Rules, Bye-Laws and Regulations, circulars, directives, orders, notices and resolutions passed or issued by the Clearing Corporation and/ or SEBI;
- (xii) Norms, procedures, forms and conditions of contracts to be entered into, and the time, mode and manner of performance of contracts between Clearing Members inter-se or between Clearing Members and their clients;
- (xiii) Norms and procedures for clearing and settlement of contracts/deals or other arrangements for clearing and settlement including through a Clearing Corporation and for providing guarantee of settlement;
- (xiv) To maintain and deal with the Settlement Guarantee Fund;
- (xv) Norms and procedures in respect of, and incidental or consequential to, closing out of contracts/deals;
- (xvi) Settlement of disputes, complaints, claims arising between Clearing Members inter-se or between Clearing Members and clients arising out of or relating to any transactions in securities including settlement by conciliation or arbitration and norms and procedures thereof including implementation of arbitration awards;
- (xvii) Dissemination of information through, web site or any other mode;
- (xviii) Code of Conduct for the members of the Relevant Authority and any other persons identified by the Relevant Authority; implementation and monitoring of the Code of Conduct, consequence of non-adherence and the matters incidental or relating thereto;
- (xix) Appointment and dissolution of Committee or Committees for any purpose of the Clearing Corporation;
- (xx) Manner of operation and interfacing with Exchanges, custodians depository, clearing banks(s);

- (xxi) Holding and conducting meeting/s for the dispatch of business, adjourn and otherwise regulate its meetings in such manner as it may be deem fit, and as may be specified in Rules, Bye-laws and Regulations or Articles of Association of Clearing Corporation, from time to time.
 - (xxii) Such other matters in relation to the Clearing Corporation as may be specified under the provisions of Rules, Bye-Laws and Regulations or as may be necessary or expedient for the organization, maintenance, control, management, regulation and facilitation of the operations of the Clearing Corporation, Clearing Members, Clearing Banks etc. and generally for conduct of business of the Clearing Corporation.
- (c) The Board of Directors may make regulations in respect of all or any of the matters relating to the functioning and operations of the Clearing Corporation and the Clearing Members of the Clearing Corporation in general and in respect of all or any of the matters specified in Rule 2(b) as above, in particular. The Board of Directors may, without prejudice to the powers to make regulations, issue guidelines, norms, procedures, terms and conditions, directives, orders, notices, decisions, rulings and the like in respect of any or all such matters.

3. Delegation Of Powers

The Board of Directors may, subject to such conditions and limitations, as it may deem fit, delegate such of its powers, except the power to make, amend, add to and rescind Rules, Regulations or Bye-Laws of the Clearing Corporation to such person/s, including the Relevant Authority, as it may deem fit and proper, with power to such person to sub-delegate, all or any of the powers vested in it, upon such terms, conditions, limitations and to such extent as it may deem fit, to manage all or any of the affairs of the Clearing Corporation and to revoke, withdraw, alter or vary all or any of such powers.

4. Constitution Of Committees

- (a) The Relevant Authority may constitute one or more Committees for such purpose, as it may deem fit, including for the purpose of managing all or any of the affairs of the Clearing Corporation or for advising thereon. Such Committees may, unless otherwise specified to the contrary by SEBI, include one or more of the following category of persons, namely the Managing Director/CEO or other employee of the Specified Exchange, one or more members of the Board of Directors, such persons of eminence in the field of finance, accounting, law, capital markets, risk management, information technology, telecommunications or other discipline; and Clearing Members; provided that if Clearing Members are included in the Committee, then the number of such Clearing Members in the Committee shall not exceed such strength, if any, that may be specified by SEBI or Relevant Authority.

- (b) A Committee so constituted may constitute, subject to the terms and conditions of its constitution, such sub-committees for such purposes as it may deem fit. The constitution, powers and responsibilities of such sub-committee(s) may be determined by the Committee which constitutes such sub-committee(s).
- (c) The Managing Director/CEO or a Committee may also constitute a Committee or Committees as he or it may deem fit in the manner laid down under Rule 4.
- (d) The Board of Directors shall constitute such committees as shall be prescribed/ required by SEBI, from time to time. All such committees shall function/ operate in such manner to be in accordance with the provisions appearing in rule 4 to rule 13 herein under, to the extent that such provisions are not contrary to those specified by SEBI/ Clearing Corporation from time to time.

5. Tenure Of Members Of Committee

The tenure of the members of a Committee shall be for a period as may be specified in case of Committees, by the Relevant Authority and in case of sub-committees, by the Committee constituting such sub-committees.

6. Delegation By Committee

The Committees may, within the scope of its delegated powers and responsibilities, authorise the Managing Director/CEO or one or more officials of the Clearing Corporation or such other person(s) as such Committees may deem fit to carry out such acts, deeds and functions in accordance with such provisions as may be laid down in this regard for fulfilling the responsibilities and exercising the powers delegated to it by the Relevant Authority.

7. Disqualification Of Member

No person shall be eligible to be appointed as a member of a Committee, if he suffers any disqualification applicable to a member of the Relevant Authority as specified in the Rules, Regulations & Bye-Laws or the Articles of Association of the Clearing Corporation or as specified by the Board of Directors and a member of the Committee shall, ipso facto, vacate the office, if he suffers any such disqualification.

8. Chairman Of The Committee

The members of the Committee may elect a Chairman from amongst themselves.

9. Committee May Regulate Its Proceedings

A Committee may meet at such intervals as it may decide, adjourn and otherwise regulate its meetings and proceedings as it think fit.

10. Quorum For Meetings Of The Committee

The quorum for a meeting of the Committee shall be one-third of the total strength of such Committee (any fraction being rounded off as one) or two, whichever is higher, unless any higher quorum is specified by the appointing authority; provided that where at any time the number of interested members exceeds two-thirds of the total strength, then the number of remaining members, i.e., the number of members not interested, being not less than two, shall be the quorum for the meeting.

11. Who May Convene And When

The Chairman of a Committee or any employee of the Clearing Corporation under the authority of the Chairman may at any time convene a meeting of such Committee.

12. Decisions At The Meeting

Decisions at any meeting of the Committees shall be taken by a majority of the members. Every member of the Committee shall have only one vote except that in the case of an equality of votes, the Chairman of the Committee who presides over the meeting shall have a second or casting vote.

13. Proceedings At Committee Meetings

- (a) At all meetings of the Committee, the Chairman of the Committee shall ordinarily preside and in his absence, the members of the Committee present may choose one from among themselves to be the Chairman of such meeting in accordance with the manner prescribed, if any, by SEBI/Clearing Corporation. Any member of the Committee shall disclose the interest in the business, if any, before the meeting and shall abstain from discussions, voting and decisions on the said matter. If Chairman is having such interest, he shall abstain from chairing the meeting.
- (b) No attendance or voting by proxy shall be allowed in a Committee meeting in respect of any matter.
- (c) The Committee at its meeting at which a quorum is present, shall be competent to exercise all or any of the powers and discharge functions vested in or exercisable by such Committee.
- (d) Without prejudice to the generality of the foregoing powers and to any power or authority impliedly and expressly conferred by any Rules, Bye-Laws and Regulations for the time being in force, the Relevant Authority shall have the following duties and powers in accordance with the policy laid down by the Clearing Corporation from time to time:
- (e) Implementing the decisions or policies specified by the Clearing Corporation on all matters relating to market regulation and compliance of the measures taken concerning the following matters and levy of penalties

for non-compliance, excluding the specific areas assigned to any Committee by the Relevant Authority:

- (i) Disciplining a Clearing Member in all aspects of his dealing and settlement on the Clearing Corporation and in relation to any or all of its business transactions in securities,
 - (ii) Settlement of all transactions in securities entered by a Clearing Member with its clients,
 - (iii) Imposition of various types of margins including special margins,
 - (iv) Withdrawal or restriction of the clearing facility of a Clearing Member for non fulfillment of obligations relating to clearing membership, margin and settlement or due to surveillance measures,
- (f) Causing to maintain registers, documents and records as required by the Rules, Bye-Laws and Regulations;
 - (g) Receiving and resolving complaints and making such enquiry and collecting such information as may be required and initiating necessary action as provided in the Rules, Bye-Laws and Regulations;
 - (h) Taking consequential action pursuant to any circulars, directives or inspection report issued by SEBI;
 - (i) Signing and issuing or causing to sign and issue all notifications and press releases;
 - (j) Enforcing the directives, orders, guidelines, norms and circulars issued by Government of India or SEBI or Relevant Authority, from time to time, and under the Rules, Bye-Laws and Regulations;
 - (k) Recovering of various amounts due and payable by Clearing members to the Clearing Corporation/SEBI by debiting the accounts of Clearing Members;
 - (l) Approving change of status or constitution and transfer in respect of clearing membership;
 - (m) Calling upon attendance and information including books, papers, documents and other records or information from any Clearing Member who are already admitted as Clearing Members or from members which are seeking admission to the Clearing Corporation;
 - (n) Taking suitable measures relating to clearing so as to safeguard and protect the interests of the Clearing Corporation, Clearing Members and their Clients;

- (o) Calling upon for examination and investigation of the business and conduct and dealings of the Clearing Members;
- (p) Representing the Clearing Corporation as its official representative in all matters;
- (q) Performing such other duties and functions as are incidental and ancillary for the performance of the above duties and exercising such other powers as may be delegated to him by the Relevant Authority or as may be entrusted to him by SEBI.

14. Delegation Of Powers By Relevant Authority

The Relevant Authority may delegate his powers, duties and functions to any one or more of the employees of the Clearing Corporation or any one or more of the Committees of employees of the Clearing Corporation as may be necessary for the conduct of business and subject to such restriction as he may deem fit and to revoke or withdraw powers, duties and functions delegated by him. The Relevant Authority may also provide for the appointment of any person or persons for the management of the affairs of the Clearing Corporation and confer on such person, such powers as the Relevant Authority may deem fit and remove and to appoint another or others in place of any person or persons so removed. A person aggrieved by a decision of any person who has been delegated the powers as aforesaid, may prefer an appeal to Board of Directors within such time as may be specified.

CHAPTER - III

CLEARING MEMBERSHIP**15. Multiple Categories**

The rights, privileges duties and responsibilities of a Clearing Member shall be subject to and in accordance with the Securities Laws, Rules, Bye Laws and Regulations of the Clearing Corporation. The Relevant Authority may define and admit more than one category of Clearing Members for the same segment or for different segments and may specify different norms including eligibility, admission and cessation of membership for each type of Clearing Members.

16. Admission And Fees

- (a) The Relevant Authority may specify different requirements regarding qualification, net worth, infrastructure and other relevant norms for different categories of Clearing Members;
- (b) The Relevant Authority may specify pre-requisites, conditions, formats and procedures for application for admission, termination, re-admission, etc. of Clearing Members to all or any of the segments of the Clearing Corporation. The Relevant Authority may, at its absolute discretion, refuse permission to any applicant to be admitted as a Clearing Member to all or any of the segments;
- (c) The Relevant Authority may, from time to time, provide for payment or provision by the Clearing Member at the time of admission and subsequently during the currency of its membership, such fees, charges, security deposits, margin money, contribution, collateral security, sureties, and other amounts as may be specified by it.

17. Eligibility

The following persons shall be eligible to become Clearing Members of the Clearing Corporation:

- (a) Individuals;
- (b) Firms registered under the Indian Partnership Act, 1932;
- (c) A public financial institution as defined in section 4A of the Companies Act, 1956 (1 of 1956);
- (d) A bank included for the time being in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);
- (e) A foreign bank operating in India with the approval of the Reserve Bank of India;

- (f) A state financial corporation established under the provisions of section 3 of the State Financial Corporations Act, 1951 (63 of 1951);
- (g) An institution engaged in providing financial services, promoted by any of the institutions mentioned in sub clause (c) to (f) jointly or severally;
- (h) A custodian of securities who has been granted a certificate of registration by the Board under sub- section (1A) of section 12 of the SEBI Act;
- (i) Stock broker who has been granted a certificate of registration by the Board under sub-section (1) of section 12 of the SEBI Act ;
- (j) A company as defined under the Companies Act, 1956 or in any statutory modification or re-enactment thereof;
- (k) A registrar to an issue or share transfer agent and who has been granted a certificate of registration by the Board under sub – section (1) of Section 12 of the SEBI Act.];
- (l) A limited liability partnership formed and registered under the Limited Liability Partnership Act, 2008, or any statutory modification or re-enactment thereof.
- (m) Any other entity permitted by the Clearing Corporation and/or SEBI.

18. Conditions Precedent For Admission

- (a) The Clearing Corporation may admit a person as a Clearing Member of the Clearing Corporation, if such person:
 - (i) is not disqualified under the Securities Laws from becoming a clearing member of a Clearing Corporation;
 - (ii) fulfills the requirements prescribed under the Securities Laws;

Provided however, the following persons shall not be entitled to become Clearing Member of the Clearing Corporations; if he/it:

 - (iii) Is an individual who has not completed 21 years of age;
 - (iv) Has been adjudged bankrupt or a receiving order in bankruptcy has been made against the person or the person has been proved to be insolvent even though he has obtained his final discharge;
 - (v) Has compounded with his creditors for less than full discharge of debts;
 - (vi) Has been convicted of an offence involving a fraud or dishonesty;
 - (vii) Is a body corporate which has committed any act which renders it liable to be wound up under the provisions of the law;

- (viii) Is a body corporate in respect of which a provisional liquidator or receiver or official liquidator has been appointed;
- (ix) Has been at any time expelled or declared a defaulter by any stock exchange, depository or other clearing corporation, or;
- (x) Has been previously refused admission to Clearing Membership of the Clearing Corporation unless the period of one year has elapsed since the date of rejection;
- (xi) Is not a fit and proper person as prescribed by SEBI from time to time.

19. Additional Eligibility Criteria

The Relevant Authority may, in addition to the above, prescribe from time to time, for different classes of Clearing Members and clearing segments, further and other criteria for eligibility for admission to, or retention of Clearing Membership. No person shall be eligible to be admitted to the Clearing Membership of the Clearing Corporation unless the person also satisfies such additional eligibility criteria.

Provided however that the Relevant Authority may waive compliance with any or all of the admission conditions and at its discretion waive the requirements set out as above, if it is of the opinion that the person seeking admission is considered by the Relevant Authority to be otherwise qualified to be admitted as a Clearing Member by reason of his means, position, integrity, knowledge and experience of business in securities.

20. Admission

- (a) Any person desirous of becoming a Clearing Member shall apply to the Clearing Corporation for admission to the Clearing Membership of the relevant segment of the Clearing Corporation. Every application shall be dealt with by the Relevant Authority, which shall be entitled to admit or reject such applications at its discretion.
- (b) The application for admission of Clearing Members to each segment shall be made in such formats as may be specified by the Relevant Authority from time to time.
- (c) The application shall have to be submitted along with such fees, security deposit and other monies in such form and in such manner as may be specified by the Relevant Authority from time to time.
- (d) The applicant shall furnish such declarations, undertakings, certificates, confirmations and such other documents or papers as the Relevant Authority may specify from time to time.
- (e) The Relevant Authority shall have the right to call upon the applicant to pay such fees or deposit such additional security in cash or kind, deposit or

contribution to Settlement Guarantee Fund and any other fund that may be maintained by the Clearing Corporation from time to time, to furnish any additional guarantee or to require contribution to fund established for training or fee as the Relevant Authority may prescribe from time to time.

- (f) The Relevant Authority may provisionally admit the applicant to Clearing Membership provided that the applicant satisfies the eligibility conditions and other procedures and requirements of application subject to such terms and conditions as may be specified by the Relevant Authority. Upon the Relevant Authority being satisfied that all other terms and conditions and other requirements for the Clearing Membership have been complied with, the applicant may be admitted as a Clearing Member. The grant of provisional membership shall not entitle the applicant to any privileges and rights of Clearing Membership.
- (g) The Relevant Authority may at its absolute discretion reject any application for admission without giving any reasons therefor.
- (h) If for any reason the application is rejected, the application fee or admission fee if any as the case may be or part thereof as may be decided by the Relevant Authority in its discretion, may be dealt with in such manner as the Relevant Authority deems fit.
- (i) The Relevant Authority may at any time from the date of admission to the Clearing Membership of the Clearing Corporation revoke the admission and expel a Clearing Member if he has in, or at the time of his application for admission to membership or during the course of the inquiry made by the Relevant Authority preceding his admission:-
 - (i) Made any willful misrepresentation; or
 - (ii) Suppressed any material information required of him as to his character and antecedents; or
 - (iii) Has directly or indirectly given false particulars or information or made a false declaration.

21. Transfer Of Clearing Membership

- (a) The Clearing Membership shall not be transferable or transmittable except as mentioned herein. Without prejudice to the generality of the foregoing, a Clearing Member shall not assign, mortgage, pledge, hypothecate or charge his right of membership or any rights or privileges attached thereto nor shall he have the right to give license or grant power of attorney in respect of such rights and privileges and no such attempted assignment, mortgage, pledge, hypothecation or charge or license or power of attorney shall be effective as against the Clearing Corporation for any purpose, nor shall any right or interest in any Clearing Membership other than the personal right or interest of the Clearing Member therein be recognised by the Clearing Corporation. The Relevant Authority may suspend any Clearing Member of the Clearing Corporation who acts or attempts to act

in violation of the provisions of this rule or take any other disciplinary action as it may deem fit.

- (b) Subject to the provisions of the Securities Laws and other terms and conditions as the Clearing corporation may specify in this regard, Clearing Membership may be transferred with prior written approval of the Clearing Corporation in the following circumstances:
- (i) Merger or amalgamation of the Clearing Member with another company or body corporate;
 - (ii) In the event of loss of majority holding in or control of management of a Clearing Member, directly or indirectly, in such manner and to such extent as may be specified by the Specified Exchange;
 - (iii) Induction of a new partner or partners in the Clearing Member, whether on death or retirement of any partner or reconstitution of the firm, whereby the new partner (not being heir or legatee of the deceased partner) together with any of the other partners (not being heirs or legatees of any deceased partner) introduced to the partnership, simultaneously or at any time during the previous five years, holds more than 25% of the share in the profits of the firm;
 - (iv) Demerger of Clearing membership from the Clearing Member company;
 - (v) By takeover of a Clearing Member company by any person which may or may not be a Clearing Member;
 - (vi) By dilution of existing holding in or control of management of a Clearing Member;
 - (vii) By two or more Clearing Members coming together to form a new Clearing Member entity;
 - (viii) By transfer of the clearing membership of a Clearing Member to another person;
 - (ix) By making nomination under these Rules and on the nomination becoming effective;

Explanation:

For the purpose of Clause 21 (b) above, “transfer of Clearing Membership” means transfer of clearing membership from a Clearing Member to any person or entity and also includes, unless otherwise provided for, change in status or constitution arising out of amalgamation, merger, de-merger, takeover or loss of holding or control in management of the Clearing member or dilution of holding or control in the management of the Clearing Member in such manner and to such extent as specified by the Relevant Authority.

- (c) Notwithstanding anything contained in these Rules but subject to (b) (ii) above, change in status or constitution arising out of amalgamation, merger, de-merger or takeover or loss of holding or control in management of the Clearing member or dilution of existing holding in or control in management or transfer of clearing membership to another person shall not be deemed to be a transfer for the purpose of these Rules, unless it results in the loss of majority in, and / or control of management of, directly or indirectly, the Clearing Member in such manner and to such extent as specified by the Relevant Authority.
- (d) The Clearing Corporation may, while permitting a transfer or nomination, specify such conditions as it may deem fit, including payment of transfer fee, deposits, past dues or other funds, settlement of investor grievances and implementation of arbitration awards, constitution and structure for the person taking up the clearing membership.
- (e) Without prejudice to any other provision of these Rules, the clearing membership may be suspended or the clearing facility may be withdrawn or restricted, for such period as the Relevant Authority may deem fit, upon a Clearing Member or a partner of the Clearing Member firm, having such interest in the firm as may be specified by the Relevant Authority, or a shareholder of a Clearing Member company, having such holding in the company as may be specified by the Relevant Authority, in the opinion of the Relevant Authority, being unable to carry on his business on account of physical or mental disability or infirmity or continued non-availability or death or dissolution or deadlock in the management.

Explanation:

For the purposes of Clause (e) above, the term “Deadlock in the Management” means a situation wherein there is a loss of confidence or disagreement among the partners of a Clearing Member firm or among the directors or shareholders of a Clearing Member company, which in the opinion of the Relevant Authority, will affect or is likely to affect the conduct of business by the Clearing Member firm or the Clearing Member company, as the case may be, or an equality of vote at a meeting of the directors or shareholders of a Clearing Member company.

22. Nomination

- (a) Subject to the provisions of these Rules, an individual clearing member shall have the right of nomination, which shall be personal and non-transferable.
- (b) The right of nomination shall not be exercised by a former member who has been expelled or who has ceased to be a member under any Rules, Bye-Laws or Regulations of the Clearing Corporation for the time being in force.

- (c) On the death or default of an individual clearing member his right of nomination shall cease and vest in the Clearing Corporation.
- (d) When a right of membership is forfeited to or vests in the Clearing Corporation under any Rule, Bye-Law or Regulation of the Clearing Corporation for the time being in force it shall belong absolutely to the Clearing Corporation free of all rights, claims or interest of such member or any person claiming through such member and the Relevant Authority shall be entitled to deal with or dispose of such right of membership as it may think fit.
- (e) A member of not less than three years' standing who desires to resign from Clearing Membership may nominate a person eligible under these Rules for admission to membership of the Clearing Corporation as a candidate for admission in his place;

Provided that a member of less than three years' standing who desires to resign may with the sanction of the Relevant Authority nominate any person eligible under these Rules for admission to membership of the Clearing Corporation as a candidate for admission in his place;

Provided further that the Relevant Authority may, at its absolute discretion and in exceptional cases and for cogent reasons to be recorded in writing, permit by a special resolution, a member of less than three years' standing, who desires to resign, to nominate a person as a candidate for admission in his place, subject to such terms and conditions as the Relevant Authority may in its absolute discretion think fit to impose.

Provided further that a member of less than three years' standing, may resign and exercise his right of nomination in favour of a company with the sanction of the Relevant Authority on the following conditions namely;

- (i) He shall be a director of such Company for a period of such number of years as would have brought him three years standing had he not resigned from the membership;
 - (ii) He shall hold not less than 51% of the paid up equity capital of the company for the period mentioned in sub clause (i); and
 - (iii) The company is eligible for membership in accordance with Securities law and Rules, Bye-laws and Regulations of the Clearing Corporation.
- (f) The legal representatives of a deceased member or his heirs may with the sanction of the Relevant Authority nominate any person eligible under these Rules for admission to membership of the Clearing Corporation as a candidate for admission in the place of the deceased member. In the case of any disagreement or dispute amongst the legal representatives and/or his heirs (as case may be) with regard to the nomination, or in considering any difficulty in determining a nominee under this Rule, the Relevant Authority shall prescribe such course of action to be taken by the

- concerned person(s) as it may in its absolute discretion and in the interest of the Clearing Corporation, deem fit and proper.
- (g) The forfeited right of membership of a defaulter shall be restored to him if he be re-admitted as a member within six months from the date of default but if an application by a defaulter for re-admission be rejected by the Relevant Authority or if no such application be made within six months of the declaration of default, the Relevant Authority may at any time exercise the right of nomination in respect of such membership.
 - (h) If a nominee be not eligible under these Rules or if a nominee be rejected by the Relevant Authority, a fresh nomination may be submitted to the Clearing Corporation.
 - (i) The nomination shall be in such form as the Relevant Authority may from time to time prescribe and the form shall only be issued on receipt of a written application signed by the nominator/s and containing the full name of and signed by the nominee.
 - (j) A notice of the proposed nomination shall be posted on the notice board or website of the Clearing Corporation for not less than fifteen days. Within fourteen days of the posting of such notice, the Clearing Members shall file their claims against such Clearing Member by or in respect of whom the nomination has been made and any claim not so filed may not be considered by the Relevant Authority.
 - (k) The Relevant Authority shall not approve a nomination unless the nominating member or in the case of a deceased member his legal representatives or heirs or any other person on his behalf shall have paid and satisfied in full:
 - (i) such subscriptions, debts, fines, fees, charges and other monies as shall have been determined by the Relevant Authority to be due to the Clearing Corporation by the nominating or deceased member; and
 - (ii) such debts, liabilities, obligations and claims arising out of any contracts made by such member subject to the Rules, Bye-laws and Regulations of the Clearing Corporation as shall have been admitted by the Relevant Authority; and
 - (iii) all amounts due or payable by the nominating or deceased member to the Settlement Guarantee Fund.
 - (l) (a) When as provided in these Rules, the Relevant Authority has exercised the right of nomination in respect of a membership vesting in the Clearing Corporation the consideration received thereof shall be applied to the following purposes and in the following order of priority namely:

- (i) first - the payment of such subscriptions, debts, fines, fees, charges and other monies as shall have been determined by the Relevant Authority to be due to the Specified Exchange and/or the Exchange, to the Clearing Corporation or to the Settlement Guarantee Fund by the former member whose right of membership vests in the Clearing Corporation;
- (ii) second - the payment of such debts, liabilities, obligations and claims arising out of any contracts made by such former member subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation as shall have been admitted by Relevant Authority;

Provided that if the amount available be insufficient to pay and satisfy all such debts, liabilities, obligations and claims in full they shall be paid and satisfied pro rata; and

- (iii) third - the payment of the surplus shall be applied or disposed of in such manner as the Clearing Corporation may deem fit.
- (b) The provisions of clause (a) of this Sub-rule shall not apply in cases where the Relevant Authority has exercised the right of nomination in respect of a membership, which has vested in the Clearing Corporation upon a member having been declared a defaulter on or subsequent to such date as the Relevant Authority may specify in this behalf.
- (m) When the Relevant Authority has exercised the right of nomination in respect of a membership which was vested in the Clearing Corporation upon a member having been declared a defaulter on or subsequent to the date to be specified by the Relevant Authority as referred to in clause (b) of this Sub-rule, the consideration received therefore shall be paid by Relevant Authority to the Defaulters' Committee to be applied for the purposes and in the order of priority specified in the Bye-Laws and the Regulations of the Clearing Corporation.

23. Suspension of Clearing Membership rights.

Without prejudice to any other provision of the Rules, the operation of the Clearing Member may be suspended, for such period as the Relevant Authority may deem fit, in the following circumstances:

- (a) In the event of the Clearing Member not paying the fees, margins, deposits required to be paid by the Clearing Member to the Clearing Corporation;
- (b) In the event of the Clearing Member being in any breach or default of these Rules, Bye-Laws or Regulations;

- (c) In the event of any court, tribunal, forum or any other authority, duly authorized in that behalf ordering and directing the Clearing Corporation to do so;
- (d) In the event of death of a Clearing Member or on his being rendered incapable of carrying on business on account of any permanent physical disability or failing to fulfill the fit and proper person criteria as may be prescribed by SEBI from time to time.
- (e) In the event of any of the partners of the Clearing Member being declared insolvent or bankrupt;
- (f) In the event of any provisional liquidator being appointed or winding up petition being admitted against the Clearing Member;
- (g) In any circumstances in which the Relevant Authority may consider it necessary to suspend the operations of the Clearing Member in the interest of the securities market or in the interest of investors;

The Clearing Member shall be entitled to an opportunity to make a representation before the Relevant Authority, before a final decision on suspension of the Clearing Member is taken by the Relevant Authority.

24. Conditions

- (a) Clearing Members shall adhere to the Rules, Bye-Laws and Regulations of the Clearing Corporation and shall comply with such operational parameters, rulings, notices, guidelines, circulars and instructions of the Relevant Authority as may be issued by the Relevant Authority from time to time.
- (b) All contracts issued for admitted deals shall be in accordance with and subject to Rules, Bye-Laws and Regulations of the Clearing Corporation.
- (c) Clearing Members shall furnish declarations, undertakings, confirmation and such other documents and papers relating to such matters and in such forms as may be prescribed by the Relevant Authority from time to time.
- (d) Clearing Members shall furnish to the Clearing Corporation such audited and/or unaudited financial or qualitative information and statements and in such manner as may be required by the Relevant Authority from time to time.
- (e) Clearing Members shall comply with such requirements as may be prescribed by the Relevant Authority from time to time with regard to advertisements, booklets and issue of circulars in connection with their activities as Clearing Members.
- (f) Clearing Members shall extend full cooperation and furnish such information and explanation and in such manner as may be required by the Relevant Authority or authorised person of the Clearing Corporation for

inspection or audit or in regard to any dealings, settlement, accounting and/or other related matters.

25. Compulsory Termination Of Clearing Membership

Without prejudice to any other provision of these Rules, the clearing membership may be compulsorily terminated by the Clearing Corporation if an acceptable nomination or restructuring of the entity, as the case may be, does not take place to the satisfaction of the Clearing Corporation within such period as may be permitted by the Clearing Corporation.

26. Composite Clearing Membership

The Clearing Corporation may permit a Clearing Member to acquire more than one clearing membership of the Clearing Corporation in the same name, subject to such eligibility criteria, terms and conditions, as it may specify and any such clearing membership shall be governed by the Rules specified by the Clearing Corporation. In such an event, the aggregate of all such clearing memberships of a Clearing Member shall be called a Composite Clearing Membership and such Clearing Member shall be called a Composite Clearing Member. Each such clearing membership forming part of such Composite Clearing Membership shall be called a Component Clearing membership and such Clearing Member shall be called a Component Clearing Member.

27. Partnership

- (a) The partners of the Clearing Member firm shall do business only on account of the firm and jointly in the name of the partnership firm and all the partners shall be liable jointly and severally in respect of all dealings of the firm.
- (b) No person who is a partner in any Clearing Member firm shall assign or in any way encumber his interest in such partnership firm.
- (c) The partners of the Clearing Member firm must communicate, to the Clearing Corporation, Specified Exchange and/or the Exchange as the case may be in writing under the signatures of all the partners or surviving partners on account of any change in such partnership firm either by dissolution or retirement or death of any partner or partners.
- (d) Any notice to the Clearing Corporation intimating dissolution of a partnership shall contain a statement as to who undertakes the responsibility of settling all outstanding contracts and liabilities of the dissolved partnership firm but that shall not be deemed to absolve the other partner or partners of his or their responsibility for such outstanding contracts and liabilities.

28. Cessation Of Clearing Membership

- (a) A clearing membership of a Clearing Member may cease, if any of the following apply:

- (i) by surrender of clearing membership in accordance with such procedure and subject to such terms and conditions as may be specified by the Clearing Corporation;
 - (ii) by death;
 - (iii) by insolvency;
 - (iv) by dissolution;
 - (v) by winding up;
 - (vi) by expulsion;
 - (vii) by being declared a defaulter;
 - (viii) by compulsory termination of clearing membership in case of inability or failure of the Clearing Member to meet the continued admission norms or if an acceptable nomination or restructuring of the entity as mentioned in Rule 25 does not take place;
 - (ix) by cancellation of Certificate of Registration by SEBI as a stock broker.
 - (x) by the violation of any Securities Law which warrants the cessation of membership right.
- (b) On cessation of clearing membership of a Clearing Member, the clearing membership extinguishes, provided however, all the obligations and liabilities incurred, while the person was a Clearing Member shall continue.
- (c) Without prejudice to the right of the Clearing Corporation to take any other action under these Rules including suspension, withdrawal or restriction on clearing rights or other facilities of the Clearing Member, the Clearing Corporation may compulsorily terminate the clearing membership of a Clearing Member, if such Clearing Member fails to meet the conditions of continued admission specified by the Relevant Authority from time to time.

29. Re-Admission

- (a) The Clearing Corporation may at its discretion re-admit, a Clearing Member declared as a defaulter or a person whose clearing membership has been compulsorily terminated, as a Clearing Member subject to such terms and conditions as may be specified by the Clearing Corporation. However, the Clearing Corporation shall not re-admit a Clearing Member expelled due to disciplinary action taken against him.
- (b) The Clearing Corporation may, at its discretion, re-admit only such defaulter or such person, whose clearing membership has been

compulsorily terminated and who, in the opinion of the Clearing Corporation:

- (i) has paid up all the dues, crystallized or admitted, to SEBI and Clearing Corporation;
- (ii) has paid up all the dues, crystallized or admitted, to other Clearing Members, clients and such other persons as may be specified by the Clearing Corporation;
- (iii) has no insolvency or dissolution or winding up proceedings pending against him or it;
- (iv) has defaulted owing to the default of clients whom he might have reasonably expected to be good for their commitments;
- (v) has not been guilty of material breach of the Rules, Bye-Laws and Regulations of the Clearing Corporation;
- (vi) has been irreproachable in his general conduct;
- (vii) meets all the eligibility criteria for admission as a Clearing Member.

CHAPTER – IV**DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND EXPULSION****30. Disciplinary Jurisdiction**

- (a) The Clearing Corporation may expel or suspend or censure or warn or reprimand any Clearing Member or impose fine or penalty on any Clearing Member, or withdraw or restrict all or any of its clearing membership rights or facilities, if it is found guilty of contravention, non-compliance, disobedience, disregard or evasion of any of the Rules, Bye-Laws and Regulations of the Clearing Corporation or circulars, orders, notices, directions, decisions or rulings of the Relevant Authority or the Clearing Corporation or of any conduct, proceeding or method of business which the Clearing Corporation in its absolute discretion deems dishonourable, disgraceful or unbecoming of a Clearing Member of the Clearing Corporation or inconsistent with just and equitable principles of trade or detrimental to the interests, good name or welfare of the Clearing Corporation or prejudicial or subversive to its objects and purposes.

- (b) Penalty for Misconduct, Un-businesslike conduct and Unprofessional Conduct

In particular and without in any way limiting or prejudicing the generality of the provisions in Clause (a) above, the Clearing Corporation may expel or suspend, censure, warn, reprimand any Clearing Member or impose fine or penalty on any Clearing Member or withdraw or restrict all or any of the clearing membership rights or facilities for any misconduct, un-business like conduct or unprofessional conduct in the sense of the provisions contained herein and in the Securities Laws.

- (c) Misconduct: A Clearing Member shall be deemed to be guilty of misconduct for any of the following or similar acts or omissions namely:

- (i) Fraud: If he is convicted of a criminal offence or if it has committed fraud or a fraudulent act which in the opinion of the Clearing Corporation renders it unfit to be a Clearing Member;

- (ii) Violation of Securities Laws: If it has violated or contravened provisions of the Securities Laws, code of conduct for Clearing Members, directions, orders, guidelines, notices or circulars issued by the Clearing Corporation governing the activities, business and operations of the Clearing Corporation in particular, and of the securities business in general;

- (iii) Abetment of the Breach of Rules, Bye-laws and Regulations: If it abets or shields or assists or omits to report any Clearing Member whom it has known to have committed a breach or evasion of any Rule, Bye-law and Regulation of the Clearing Corporation or circular, order, notice, direction, decision or ruling of the Clearing Corporation;

- (iv) Failure to comply: If it contravenes or refuses or fails to comply with or abide by any circular, order, notice, direction, decision or ruling of the Clearing Corporation and Relevant Authority;
- (d) Improper conduct: If in the opinion of the Relevant Authority, it is guilty of dishonourable or disgraceful or disorderly or improper conduct on the Clearing Corporation or of willfully obstructing the business of the Clearing Corporation including the below:
 - (i) Failure to submit to or abide by arbitration: If it neglects or fails or refuses to submit to arbitration or to abide by or carry out any award of Arbitrators, decision or order of the Clearing Corporation made in connection with a reference under the Rules, Bye-laws and Regulations of the Clearing Corporation;
 - (ii) Failure to testify or produce document: If it neglects or fails or refuses to submit to the Relevant Authority within the time specified by it, such books, correspondence, documents, data and papers or any part thereof as may be required to be produced or to appear and testify before or cause any of its partners, attorneys, representatives or employees to appear and testify before the Relevant Authority or such Committee or employee of the Clearing Corporation or other person authorised in that behalf;
 - (iii) Failure to submit information: If it neglects or fails or refuses to submit to the Relevant Authority within the time specified in that behalf returns, documents, certificates, declarations, audited or un-audited accounts in such form as the Relevant Authority may specify together with such other information as the Relevant Authority may require whenever circumstances arise which in the opinion of the Relevant Authority make it desirable that such special returns or information should be furnished by any or all the Clearing Members;
 - (iv) False or misleading submissions: If it submits any false or misleading returns, documents, certificates, declaration, audited or un-audited accounts required to be submitted to the Relevant Authority or makes any false or misleading statement therein;
 - (v) Vexatious complaints: If it brings before the Relevant Authority, a complaint, which in the opinion of the Relevant Authority is frivolous, vexatious or malicious;
 - (vi) Failure to pay dues and fees: If it fails to pay subscription fees, charges, levies, recoveries, deposits, arbitration charges or any other money which may be due from it or any fine or penalty imposed on it within the time specified by the Relevant Authority;
 - (vii) Non co-operation and threat: If it neglects or fails or refuses to co-operate with the Relevant Authority or threatens or causes any

harm to the Clearing Corporation or to the employees or representatives of the Clearing Corporation or obstructs the Clearing Corporation or its employees or representatives in the performance of duties or fails or neglects or refuses to allow access to its premises, records, the computer and other information systems and telecommunication systems.

- (viii) False or misleading returns:
If he neglects or fails or refuses to submit or makes any false or misleading statement in his clearing forms or returns required to be submitted to the Clearing Corporation under the Bye-laws, Rules and Regulations;
- (e) Un-businesslike Conduct: A Clearing Member shall be deemed guilty of un-businesslike conduct if it acts or omits to act in un-businesslike manner, inter alia, in the following eventualities:
- (i) Fictitious Names: If it transacts its own business or the business of its clients in fictitious names or if it carries on business on the Clearing Corporation under fictitious names;
- (ii) Fictitious dealings: If it makes a fictitious transaction of dealing in securities;
- (iii) Circulation of rumors: If it, directly or indirectly in any manner, circulates or causes to be circulated, any rumors;
- (iv) Prejudicial business: If it makes or assists in making or with such knowledge is a party to or assists in carrying out any plan or scheme for the making of any purchases or sales or offers of purchase or sale of securities for the purpose of upsetting the equilibrium of the market or bringing about a condition in which prices will not fairly reflect market values;
- (v) Market manipulation and price rigging: If it, directly or indirectly, alone or with other persons, effects series of transactions in any security to create actual or apparent active clearing in such security or raising or depressing the prices of such security for the purpose of inducing purchase or sale of such security by others or for its benefit or for the benefit of any other person in any manner;
- (vi) Misleading transactions: If it, with an intention of creating false or misleading appearance with respect to the market or the price of any security, places orders for purchase or sale of securities or enters any order for the purchase or sale of any security with knowledge that an order at substantially the same size, price and time for sale or purchase of such security has been or will be entered by or for the same or different parties or places orders for purchase and sale of securities at substantially the same size, price and time for sale and purchase of such security;

- (vii) Unwarranted business: If it engages in reckless or unwarranted or un-businesslike dealings in the market or effects purchases or sales for its client's account or for any account, in which it is directly or indirectly interested, and if such purchases or sales are excessive in view of its client's or its own means and financial resources or in view of the market for such security;
 - (viii) Failure to carry out transactions for clients: If it fails to carry out transactions for its clients without sufficient cause;
 - (ix) Parting with rights and privileges: If it assigns, pledges, hypothecates or charges its right of clearing membership or any other rights or privileges attached thereto or it attempts to assign, pledge, hypothecate or charge its right of clearing membership or any other rights or privileges attached thereto.
- (f) Unprofessional Conduct: A Clearing Member shall be deemed to be guilty of unprofessional conduct for any of the following or similar acts or omissions namely:
- (i) Business in securities in which dealings not permitted: If it is settling deals and securities which dealings are not permitted;
 - (ii) Business for defaulting client: If it transacts business directly or indirectly or executes an order for a client who has within its knowledge failed to carry out obligations relating to securities transactions and is in default to another Clearing Member, unless such client has made a satisfactory arrangement with the Clearing Member who is its creditor;
 - (iii) Business for insolvent: If, without first obtaining the consent of the Clearing Corporation, associates itself in business or transacts any business with or for any individual who has been bankrupt or insolvent even though such individual may have obtained its final discharge from a competent court;
 - (iv) Business without permission when under suspension: If without the permission of the Clearing Corporation, it does business on its own account or on account of a principal with or through a Clearing Member during the period it is suspended by the Clearing Corporation;
 - (v) Business for or with suspended, expelled and defaulter Clearing Members/trading member: If without the permission of the Clearing Corporation, it deals with any Clearing Member/trading member who has been suspended, expelled or declared a defaulter;
 - (vi) Business for employees of other Clearing Members: If it transacts business directly, or indirectly, for or with employee of another Clearing Member without the written consent of such employing Clearing Member;

- (vii) Advertisement: If it advertises for business purposes or issues regularly circular or other business communications to persons other than its own clients, or publishes pamphlets, circular or any other literature or report or information relating to the stock markets in contravention of the advertisement code as may be specified by the Clearing Corporation;
- (viii) Evasion of margin requirements: If it evades or attempts to evade or assists in evading the margin requirements specified by the Clearing Corporation;
- (ix) Dealings with persons prohibited to buy or sell or deal in securities market: If it deals, directly or indirectly, in the course of its business with or transacts any business with or for any person, which has been prohibited by SEBI to buy or sell or deal in the securities market;
- (x) Clearing outside the Clearing Corporation: If it transacts outside the clearing system of the Corporation, unless otherwise permitted.

31. Clearing Member's Responsibility For The Acts Of His/Its Partners And Employees

A Clearing Member shall be responsible for the acts or omissions of its attorneys, representatives, employees and any other person authorised directly or indirectly by the Clearing Member and shall be liable therefor to the same penalty to the same extent as if such act or omission had been done or omitted by itself.

32. Clearing Members And Others To Testify And Give Information

A Clearing member shall appear and testify before and cause its partners, attorneys, representatives and employees to appear and testify before the Clearing Corporation and shall produce or cause to be produced before it, such books, correspondence, documents, papers and records or any part thereof which may be in its possession and which may be deemed relevant or material to any matter under inquiry or investigation or proceeding.

33. Permission Necessary For Legal Representation

No person shall have the right to be represented by counsel, attorney, advocate or other representative in any investigation or inquiry or proceeding or hearing before the Clearing Corporation, unless the Clearing Corporation permits.

34. Temporary Suspension

- (i) If in the opinion of the Relevant Authority it is necessary to do so, it may, for reasons to be recorded in writing, temporarily suspend a Clearing Member, pending completion of the disciplinary proceedings under this Chapter by the Clearing Corporation, and no hearing shall be required for

such temporary suspension and such temporary suspension shall have the same consequences of suspension under this Chapter.

- (ii) A notice to show cause shall be issued to the Clearing Member within a reasonable period of such temporary suspension.
- (iii) Any such temporary suspension may be revoked at the discretion of the Relevant Authority, for reasons to be recorded in writing, if the Relevant Authority is satisfied that the circumstances leading to the formation of opinion of the Relevant Authority to effect temporary suspension, have ceased to exist or are satisfactorily resolved.
- (iv) A Clearing Member aggrieved by the temporary suspension may appeal to the Board of Directors, provided that such appeal shall not automatically suspend the temporary suspension unless otherwise directed by the Relevant Authority.

35. Withdrawal Or Restriction Of Facilities Extended To The Clearing Member

Notwithstanding anything contained in these Rules, the Clearing Corporation, may withdraw or restrict any facilities including Clearing facility of a Clearing Member, or direct such Clearing Member to withdraw or restrict such facility, if the situation so warrants, for the reasons to be recorded in writing. No hearing shall be required for such withdrawal or restriction of facilities of Clearing Member.

36. Effect Of Suspension Of Registration By SEBI

Notwithstanding anything contained in any of the Rules, Regulations and Bye-Laws of the Clearing Corporation, if the registration of a Clearing Member is suspended by SEBI, such Clearing Member shall ipso facto stand suspended from the clearing membership of the Clearing Corporation for the period during which such suspension is in force.

37. Disciplinary Action(s) May Be Single Or Co-Joint

The disciplinary action of expulsion or suspension, fine or penalty, censure, warning, reprimand or withdrawal of all or any of the clearing membership rights of a Clearing Member may be imposed singly or co-jointly by the Clearing Corporation.

38. Specification Of Penalty Structure

The Clearing Corporation may specify the penalty structure for imposing of fines, the period of any suspension, the withdrawal of particular clearing membership rights and the amount of any fine or penalty, censure, warning, reprimand that would be imposed on contravention, non-compliance, disobedience, disregard or evasion of any Rules, Bye-Laws or Regulation of the Clearing Corporation or circular, order, notice, direction, decision or ruling thereunder and may authorise any employee of the Clearing Corporation to impose penalties in accordance with the penalty structure specified as above. However, such pre-specification will not

restrict the powers of the Clearing Corporation to impose additional or higher penalties, if the circumstances so warrant.

39. Commutation

- (a) The Clearing Corporation in its discretion may reduce or remit any disciplinary action taken against a Clearing Member, on such terms and conditions as it deems fit.
- (b) The Clearing Corporation may of its own motion or on an application by the Clearing Member concerned, review its decision and may rescind, revoke or modify any disciplinary action taken against that Clearing Member, provided however, that an application for review by a Clearing Member shall be filed within a period of one month of the date of receipt of the decision. The Clearing Corporation may, at its discretion, consider the application for review on such terms as it may deem fit, provided fine or penalty amount has already been paid or recovered or reject the same.

40. Failure To Pay Fines And Penalties

If a Clearing Member fails to pay any fine or penalty imposed on it within such period as specified by the Clearing Corporation after notice in writing has been served on it, it may be suspended by the Clearing Corporation or its facilities including the clearing facility may be withdrawn or restricted, until it makes payment and if within a further period as specified, it fails to make such payment, it may be expelled by the Clearing Corporation. Without prejudice to the power of the Clearing Corporation to take any of the above action, the Clearing Corporation may recover such fine or penalty amount from the other funds due to the Clearing Member.

41. Consequences Of Suspension

The suspension of a Clearing Member shall have the following consequences namely:

- (a) Suspension of Clearing membership rights: The suspended Clearing Member shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of Clearing membership, but it may be proceeded against by the Clearing Corporation for any offence committed by it either before or after its suspension and the Clearing Corporation shall not be debarred from taking cognizance of and adjudicating on or dealing with any claim made against it by any of its clients or creditors.
- (b) Fulfillment of contracts: The suspended Clearing Member shall be bound to fulfill contracts outstanding at the time of its suspension;
- (c) Further business prohibited: The suspended Clearing Member shall not during the term of its suspension make any trade or transact any business with or through a Clearing Member provided that it may with the permission

of the Clearing Corporation close with or through a Clearing Member the transactions outstanding at the time of its suspension.

- (d) Rights of Creditors Unimpaired: The suspension shall not affect the rights of the members who are creditors of the suspended Clearing Member.
- (e) Collateral Suspension of all Segments: The membership right of all segments of the Clearing Corporation shall be suspended during the period of suspension of his/its membership right as a Clearing Member.
- (f) Collateral Suspension of Clearing Rights: If the membership right of an Exchange in favour of a Clearing Member is suspended, then the Relevant Authority may, as it deems fit and as may be determined by it on a case to case basis, call for suspension of his/its Clearing Membership during the period of such suspension.

42. Consequences Of Expulsion

The expulsion of a Clearing Member shall have the following consequences namely:

- (a) Extinguishments of Clearing membership rights: The clearing membership of the expelled Clearing Member shall extinguish and such member shall cease to be a member of the Clearing Corporation but any liability of any such Clearing Member to the Clearing Corporation, SEBI or to any client or creditor of such Clearing Member shall continue and remain unaffected by its expulsion;
- (b) Fulfillment of contracts: The expelled Clearing Member shall be bound to fulfill transactions outstanding at the time of his expulsion and it may with the permission of the Clearing Corporation close such outstanding transactions with or through a Clearing Member;
- (c) Consequences of declaration of defaulter to follow: In the case of expulsion or compulsory termination of a Clearing Member, the provisions of the Bye-laws pertaining to default and Settlement Guarantee Fund respectively shall become applicable as if such Clearing Member has been declared a defaulter.
- (d) Expulsion from All Memberships: The expelled Clearing Member shall cease to be a member of the Clearing Corporation and shall stand expelled from the membership of the Clearing Corporation and all segments of the Clearing Corporation and all his/its membership right/s with the Clearing Corporation shall stand cancelled.

43. Expulsion Rules To Apply

When a Clearing Member ceases to be a Clearing Member by reason of being expelled or pursuant to Rule 28 (a) (iii), (iv), (v), (viii) or (ix) hereinabove, the provisions contained in Rule 42 shall apply, unless specified otherwise.

44. Consequences of Cessation of Membership Right by reason of Death

- (a) On the death of a Clearing Member, his legal representatives or heirs or his employees or any member receiving information of the death shall immediately communicate this information in writing to the Clearing Corporation.
- (b) When a Clearing Member dies, all subscriptions, debts, fines, fees, charges and other monies as shall have been determined by the Relevant Authority to be due by him to the Clearing Corporation, all amounts as shall have been determined by the Defaulters' Committee to be due or payable by him to the Trade Guarantee Fund and all debts, liabilities, obligations and claims arising out of any contracts made by him subject to the Rules, Bye-laws and Regulations of the Clearing Corporation as shall have been admitted by the Relevant Authority shall be paid and satisfied in full before his legal representatives or heirs are allowed to exercise the right of nomination.

45. Notification Of Penalty Imposed

The Clearing Corporation may, in its absolute discretion and in such manner as it thinks fit, notify or cause to be notified to the Clearing Members of the Clearing Corporation or to the public that any person who is named in such notification has been expelled, suspended, penalised or declared a defaulter or ceased to be a Clearing Member. No action or other proceedings shall in any circumstances be maintainable by such person against the Clearing Corporation or any employee, officer, representatives of the Clearing Corporation for the publication or circulation of such notification.
