

**RULES
OF
INTER-CONNECTED
STOCK EXCHANGE
OF INDIA LTD.**

ARRANGEMENT OF CHAPTERS

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RULES

INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED

1. DEFINITIONS AND INTERPRETATIONS

- 1.1. In these Rules, unless in the context it is explicitly stated otherwise, all words and expressions used herein but not defined, and defined in the following statutes, shall have the meanings respectively assigned to them therein:
- 1.1.1. Securities Contracts (Regulation) Act, 1956 and the Rules framed thereunder,
 - 1.1.2. Securities and Exchange Board of India Act, 1992 and the Rules and Regulations framed thereunder,
 - 1.1.3. Bye-Laws of the Inter-connected Stock Exchange of India Ltd.,
 - 1.1.4. The Companies Act, 1956, and includes every statutory modification or replacement thereof, for the time being in force.
 - 1.1.5. In case a term is defined in more than one statute, then its meaning as defined in that statute, which precedes the others mentioned hereinabove, shall prevail, unless in the context it is explicitly stated otherwise.
- 1.2. With regard to the Bye Laws of the Exchange, if not inconsistent with or repugnant to the subject or context hereof, the following words and expressions shall have the following meanings:
- 1.2.1. "The Articles" mean and include the Articles of Association of the Company for the time being in force.
 - 1.2.2. "Board", "Board of Directors" or "the Directors" mean the Board of Directors of the Inter-Connected Stock Exchange of India Limited (ISE) or the Directors of ISE collectively. All the said terms shall be used interchangeably.
 - 1.2.3. "Bye-Laws" mean Bye-Laws of the Company for the time being in force and unless the context indicates otherwise include provisions which enable Regulation and control of contracts. The Bye-Laws of the Company shall be subject to the provisions of the Securities Contracts (Regulation) Act, 1956 & the Rules made thereunder and the Securities and Exchange Board of India Act, 1992 and the Rules made thereunder.
 - 1.2.4. "Client" or "Constituent" means a person on whose instruction and on whose account the Trader or Dealer enters into a contract for the purchase or sale of any tradeable security or does any act in relation thereto.

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- 1.2.5. "Company" means "Inter-connected Stock Exchange of India Limited", also referred to as "ISE" which is for the time being recognized as a Stock Exchange by the Securities and Exchange Board of India under Section 4 of the Securities Contracts (Regulation) Act, 1956. All the said terms shall be used interchangeably.
- 1.2.6. "Dealer" means any person admitted as a "Dealer" with the Company in accordance with the Rules, Bye-Laws and Regulations prior to the Corporatisation and Demutualisation of ISE.
- 1.2.7. "Deals", "Transactions" and "Contracts" shall have the same meaning for the purpose of these Rules, Bye-Laws and Regulations unless the context indicates otherwise. All the said terms shall be used interchangeably.
- 1.2.8. "Issuer" includes a Government Body, Corporate or other entity, whether incorporated or not, which issues any security or other instrument, or draws or accepts a negotiable instrument which is admitted for dealing on the Official List of ISE.
- 1.2.9. "Market Maker" means a Trader or Dealer registered as such with ISE to perform market making operations in the specified security or securities. [Explanation: There may be more than one class of Market Makers registered with the Company, as may be determined by the Board from time to time.]
- 1.2.10. "Member" or "Member of the Company" or "Member Exchange" means and includes subscribers to the Memorandum of Association and Articles of Association and such other Members of the Company as may be admitted as such who shall undertake to contribute to its assets for the purposes mentioned in Clause III of the Memorandum of Association as provided therein. All the said terms mentioned herein shall be used interchangeably.
- 1.2.11. "Month" means a calendar month.
- 1.2.12. "Official List of ISE" means the list of securities listed on ISE or on any other recognized Stock Exchange in India which are admitted for trading on the Official List of ISE.
- 1.2.13. "Participant" means a person registered as such by the relevant authority from time to time under the Rules, Bye-Laws and Regulations of the Exchange.
- 1.2.14. "Participating Stock Exchange" or "Participating Exchange" or "Member Exchange" means a recognized Stock Exchange in India admitted as member of the Inter-connected Stock Exchange of India Limited in accordance with the Rules, Bye-Laws and Regulations subject to such terms and conditions as may be prescribed from time to time by the relevant authority. The said terms shall be used interchangeably.
- 1.2.15. "Register" shall mean the register of members to be kept pursuant to Section 150 of the Act.

- 1.2.16. "Registered Office" shall mean the Office as Registered for the time being under the Companies Act, 1956.
- 1.2.17. "Rules" unless the context indicates otherwise, means rules as mentioned hereunder for regulating the activities and responsibilities of trading members of ISE and as prescribed by the relevant authority from time to time for the constitution, organisation and functioning of the Exchange and these rules shall be subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules and SEBI Act.
- 1.2.18. "Regulations" means Regulations of ISE for the time being in force and unless the context indicates otherwise includes Business Rules, Code of Conduct and such other Procedures, Circulars, Directives, Orders, Notices and Regulations prescribed and issued by the Board, the Executive Committee or any other relevant authority from time to time subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules made thereunder and Securities and Exchange Board of India Act, 1992 and the Rules made thereunder.
- 1.2.19. "Relevant Authority" means General Body of ISE, the Board, Executive Committee or any person as may be relevant for a particular purpose under the Rules, Bye-Laws, Regulations and Articles of Association or such other authority as may be constituted from time to time for a specified purpose under the Rules, Bye-Laws and Regulations.
- 1.2.20. "SC(R) Act" shall mean the Securities Contracts (Regulation) Act, 1956 and include any statutory modification or re-enactment thereof for the time being in force and the Rules made thereunder.
- 1.2.21. "Seal" shall mean the 'Common Seal' for the time being of the Company.
- 1.2.22. "SEBI Act" shall mean the Securities and Exchange Board of India Act, 1992 and include any statutory modification or re-enactment thereof for the time being in force and the Rules made thereunder.
- 1.2.23. "SEBI" means the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992.
- 1.2.24. "Stock Exchange" means a Stock Exchange in India which has been granted recognition under Section 4 of the Securities Contracts (Regulation) Act, 1956.
- 1.2.25. "Tradeable Security" means any Security admitted for dealing on the Official List of ISE.
- 1.2.26. "Trader" or "Member Broker" shall mean a Member of a Participating Stock Exchange registered as a "Trader" with the Company in accordance with the Rules, Bye-Laws and Regulations prior to the Corporatisation and Demutualisation of ISE

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- 1.2.27. "Trading Member" means an individual or a partnership firm or a company (as defined under the Companies Act) or a body corporate carrying on the business of stock broking on ISE and registered in accordance with the Rules, Bye-Laws and Regulations of ISE for the time being in force and amended from time to time and includes a Trader or a Dealer of ISE admitted as such prior to the Corporatisation and Demutualisation of ISE.
- 1.2.28. "Trading Segments" or "Segments" mean the different segments or divisions comprising ISE securities as may be classified and specified by the Board or relevant authority from time to time.
- 1.2.29. "Trading System of the ISE" means a system which makes available to trading members and the investing public, by whatever method, quotations in ISE securities and disseminates information regarding trades effected, volumes, etc. and such other notifications as may be placed thereon by the Executive Committee.
- 1.2.30. "Writing" includes printing, typewriting, lithography and any other usual substitutes for writing.
- 1.2.31. "Year" shall mean Financial Year of the Company i.e. 1st April to 31st March.
- 1.2.32. Words importing persons include Companies, Corporations, Firms, Hindu Undivided Families (HUFs), Joint Families or Bodies, Associations of Persons, Societies, Trusts, Public Financial Institutions, Subsidiaries of any of the Public Financial Institutions or Banks or Companies;
- 1.2.33. Words importing the masculine gender shall include the feminine gender and vice-versa and neutral gender in the case of companies, corporations, firms, etc.
- 1.2.34. Words importing the singular include the plural and vice-versa.
- 1.2.35. Unless otherwise defined in these presents or unless the context requires or indicates a different meaning, any words or expressions occurring in these presents shall bear the same meaning as in the Companies Act, 1956, the SC(R) Act, 1956 and the SEBI Act, 1992 or any modifications or reenactments thereof or any Rules and Regulations framed thereunder.
- 1.2.36. Marginal notes shall not affect the construction thereof.

2. BOARD

- 2.1 The Board of Directors (hereinafter referred to as the Board) of Inter-connected Stock Exchange of India Limited (ISE), constituted in accordance with the provisions of the Articles of Association of the Company, may organize, maintain, control, manage, regulate and facilitate the operations of ISE and of securities transactions by Trading Members of the Exchange, subject to the provisions of the Securities Contracts (Regulation) Act, 1956, & Rules made thereunder, Securities and Exchange Board of India Act, 1992 & any directives issued thereunder and the Trading Regulations which RBI may prescribe, from time to time.
- 2.2 The Directors of the ISE shall be appointed in accordance with the provisions of the Articles of Association of the Company as amended from time to time. Any such appointment of Directors shall be considered as one being made under the provisions of these Rules.
- 2.3 Subject to the provisions of the Securities Contracts (Regulation) Act, 1956 & the Rules made thereunder, the Securities and Exchange Board of India Act, 1992 & any directives issued thereunder, and the Trading Regulations which RBI may prescribe from time to time, the Board is empowered to make Rules, Bye-Laws and Regulations from time to time, for all or any matters relating to the conduct of business of ISE, the business and transactions of Trading Members between Trading Members inter-se, as well as the business and transactions between Trading Members and persons who are not Trading Members, and to control, define and regulate all such transactions and dealings and to do such acts and things which are necessary for the purposes of regulating ISE.
- 2.4 The composition of the Board shall consist of the following categories namely Public Interest Directors, Trading Member Directors, Shareholder Directors and SEBI may nominate Directors on the Board of Directors of the Company as and when deemed fit. The Chief Executive shall be an ex-officio Director on the Board.
- 2.5 **Board Composition**
The composition of Board shall be as under:
- a) Three Public Interest Directors from amongst the persons in the panel constituted by SEBI,
 - b) Not more than two representatives from among the stock brokers of the Company, who shall be called Trading Member Directors,
 - c) Not more than six representatives from among the Shareholders, who shall be called Shareholder Directors; Provided further that if the Company has Strategic Partners/Majority Shareholders, at least one-third of the Shareholder Directors shall be non-executive Independent Directors, and

- d) A Managing Director
- e) In case SEBI nominates Directors on the Board of ISE, then the SEBI Nominee Director shall be duly absorbed on the Board by appropriately readjusting/altering the strength of Trading Member Directors than Shareholder Directors.

2.6 General Requirements

- a) The Directors except the Public Interest Directors and the Chief Executive such as Chief Executive Officer, Executive Director, Managing Director, etc. shall be elected by shareholders.
- b) No Director shall hold the office for more than two consecutive terms.
- c) 'Trading Member Directors' shall be elected from amongst the Trading Members.
- d) 'Shareholder Directors' shall be elected from amongst the Persons who are not Trading Members or Associates of the Trading Members
- e) 'Associate' in relation to a Trading Member, individual, body corporate or firm, shall include a person-
 - i. who, directly or indirectly, by himself, or in combination with other persons, exercises control over the Trading Member, whether individual, body corporate or firm or holds substantial share of not less than 15% in the capital of such entities, or
 - ii. in respect of whom the Trading Member, individual or body corporate or firm or holds substantial share of not less than 15% in the capital of such entities, or
 - iii. in respect of whom the Trading Member, individual or body corporate or firm, directly or indirectly, by itself or in combination with other persons, exercises control, or
 - iv. whose director or partner is also a director or partner of the Trading Member, body corporate or the firm, as the case may be.
The expression 'control' shall have the same meaning as defined under clause (c) of Regulation 2 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
- f) 'Public Interest Directors' shall be selected by the Board from amongst the Persons in the SEBI constituted panel. A person shall not act as 'Public Interest Director' on more than one Stock Exchange simultaneously.

- g) The Chairman shall be elected by the Board from amongst the non-executive non-trading member directors. If, for some reason, it is not possible for the Board to elect a Chairman, the Board may elect a Chairman for every meeting of the Board from amongst the non-executive non-trading member directors of the Board.
- h) The manner of election, appointment, tenure, resignation, vacation, etc. of Directors (except the Chief Executive) shall be governed by the Companies Act, 1956 save as otherwise specifically provided under or in accordance with Securities Contracts (Regulation) Act, 1956.
- i) The Chief Executive shall be an ex-officio Director on the Board.
- j) No approval of SEBI shall be required for an appointment of any Director on the Board except for the Chief Executive.
- k) SEBI may nominate Directors on the Board as and when deemed fit.

2.7 **Chief Executive**

The appointment, renewal of appointment and the termination of service of the Chief Executive shall be subject to prior approval of SEBI. However, the Exchange shall determine the manner of selection, terms and conditions of the appointment and other procedural formalities associated with the selection/appointment of the Chief Executive. The Exchange shall carry out necessary due diligence with respect to verification of antecedents, credentials and experience of the proposed person as Chief Executive. The Exchange shall constitute a committee for the selection of Chief Executive. The Committee shall generally consist of four persons, one representative from the Exchange, two outside experts and one Public Interest Director. However, constitution of the said Committee shall not require SEBI approval

2.8 **Criteria to become Director on Board of ISE**

2.8.1 The person shall be 'fit and proper person' and for deciding such person as fit and proper person, the Board of ISE may take account of any consideration as it deems fit including but not limited to the following criteria:

- a) Financial integrity;
- b) Absence of convictions or civil liabilities;
- c) Competence;
- d) Good reputation and character;
- e) Efficiency and honesty
- f) Absence of any disqualification as mentioned in sub-rule 2 of this Rule (i.e. General requirements)

- 2.8.2 A person shall not be 'fit and proper person' to become a Director on the Board of ISE if he incurs any of the following disqualifications:-
- a) If he has been convicted by a Court for any offence involving moral turpitude, economic offence, securities laws or fraud;
 - b) If he has been declared as insolvent and has not been discharged;
 - c) An order, other than an order of suspension of registration as an intermediary, restraining, prohibiting or debaring him from dealing in securities in the capital market, or from accessing the capital market, has been passed by SEBI or any other regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed;
 - d) An order canceling his certificate of registration has been passed by SEBI on the ground of his indulging in insider trading, fraudulent and unfair trade practices or market manipulation and a period of three years from the date of the order has not elapsed;
 - e) An order withdrawing or refusing to grant any license/ approval to him which has a bearing on the Capital Market, has been passed by SEBI or any other regulatory authority and a period of three years from the date of the order has not elapsed;
 - f) He is financially not sound;
 - g) Any other reason which in the opinion of the SEBI renders such person unfit to operate in the capital market.
- 2.8.3 The elected directors shall not interfere in the day to day management of the Exchange, particularly relating to surveillance and risk management functions.
- 2.8.4 Besides the Board it shall be the duty of the Chief Executive to give effect to the directives, guidelines and other orders issued by SEBI in order to implement the applicable provisions of law, rules, regulations as also the Rules or the Articles of the Association, Regulations and Byelaws of the stock exchange. Any failure in this regard will make him liable for removal or termination of services by the Exchange with the prior approval of SEBI or on receipt of direction to that effect from SEBI, subject to the concerned Chief Executive being given an opportunity of being heard against such termination.
- 2.8.5 Without prejudice to the generality of the foregoing, the Board is empowered to make Regulations, subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and Rules thereunder, the Securities and Exchange Board of India Act, 1992 and any directives thereunder and the trading regulations which RBI may prescribe from time to time, for all or any of the following matters:

2.8.6 Conditions for admission to membership of Exchange;

Conditions for any arrangement with another stock exchange pursuant to the proviso to Section 13 of the Securities (Regulation) Act, 1956 and all matters relating thereto:

- a) Conduct of business of the Exchange;
- b) Conduct of trading members with regard to the business of Exchange;
- c) Penalties for disobedience or contravention of the Rules, Bye laws and Regulations of the Exchange or of general discipline of the Exchange, including expulsion or suspension of the trading members;
- d) Declaration of any trading member as a defaulter or suspension or resignation or expulsion from trading membership of the Exchange and the consequences thereof;
- e) Conditions, levy for admission or subscription for admission or continuance of trading membership of the Exchange;
- f) Charges payable by trading members for transaction in such securities as may be laid down from time to time;
- g) Investigation of the financial condition, business conduct and dealings of the trading members;
- h) Appointment of Committee or Committees for any purpose of the Exchange;

Such other matters in relation to the Exchange as may be prescribed under the provisions of the Articles of Association, Bye Laws or these Rules or as may be necessary or expedient for the organization, maintenance, control, management, regulation and facilitation of the operations of the Exchange. The Board is empowered to delegate, from time to time, to the Executive Committee or to the Managing Director or to any person, such of the powers vested in it and upon such terms, as it may think fit, to manage all or any of the affairs of the Trading Platform of ISE and from time to time, to revoke, withdraw, alter or vary all or any of such powers.

- 2.8.7 The Board may, from time to time, constitute one or more Committees comprising Members of the Board or such other persons as the Board may in its discretion deem fit or necessary and delegate to such Committees such power as the Board may deem fit and the Board may from time to time revoke, such delegation. The Committees constituted by the Board may inter alia include: Screening Committee for admission of trading members of the Exchange or for any other matter which the Board may think fit

- 2.8.8 The Board shall have the authority to issue directives from time to time to the Executive Committee or any other Committees or any other person or persons to whom any powers have been delegated by the Board. Such directives issued in exercise of this power, which may be of policy nature or which may include directives to dispose of a particular matter or issue, shall be binding on the concerned Committee(s) or person(s).
- 2.8.9 Subject to the provisions of the Securities Contracts (Regulation) Act, 1956, and Rules thereunder, the Securities and Exchange Board of India Act, 1992 and any directives thereunder and the trading regulations which RBI may prescribe from time to time the Board is empowered to vary, amend, repeal or add to the Rules, Bye-Laws and Regulations framed by it.
- 2.8.10 The Members of the Board and of such committees as may be identified by the Ethics Committee shall adhere to the Code of Conduct as may be prescribed by the Board or Ethics Committee from time to time.

2.9 Code of conduct for the Directors on the Governing Board

2.9.1 Meetings and Minutes

The Directors shall –

- a) Not participate in the discussion on any subject matter in which any conflict of the interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting;
- b) Not encourage the circulation of agenda papers during the meeting, unless circumstances so require;
- c) Offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes ;
- d) Insists on the minutes of the previous meeting being placed for approval in subsequent meeting;
- e) Endeavour to have date of next meeting fixed at each Board Meeting in consultation with other members of the Governing Board; and
- f) Endeavour that in case all the items of agenda of a meeting were not covered for want of time, the next meeting is held within 15 days for considering the remaining items.

2.9.2 Strategic Planning

The Directors shall-

- a) Participate in the formulation and execution of strategies in the best interest of the Exchange and contribute towards pro-active decision making at Board level; and
- b) Give benefit of their experience and expertise to the Exchange and provide assistance in strategic planning and execution of decision

2.9.3 Regulatory Compliances

The Directors shall-

- a) endeavour to ensure that the Exchange abides by all the provisions of the SEBI Act, 1992, Securities Contracts (Regulation) Act, 1956, Rules, Regulations framed thereunder and the circulars, directions issued by the Government/SEBI from time to time;
- b) endeavour compliance at all levels so that the regulatory system does not suffer any breaches;
- c) endeavour to ensure that the Exchange takes commensurate steps to honour the time limit prescribed by SEBI for corrective action; and
- d) not support any decision in the meeting of the Board which may adversely affect the interest of the investors and shall report forthwith any such decision to SEBI

2.9.4 General Responsibility

The Directors shall-

- a) place priority for redressing Investor Grievances and encourage fair trade practice, so that Exchange becomes an engine for the growth of the securities market;
- b) endeavour to analyse and administer the Exchange issues with professional competence, fairness, impartiality, efficiency and effectiveness;
- c) submit the necessary disclosures/statement of holdings/dealings in securities as required by the Exchange from time to time as per the Rules or Articles of Association;
- d) unless otherwise required by law, maintain confidentiality and shall not divulge/disclose any information obtained in the discharge of their duty. Further, no such information shall be used for personal gains;
- e) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in the discharge of their duties in order to inspire public confidence and shall not engage in acts discreditable to their responsibilities;
- f) perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;
- g) perform their duties with a positive attitude and constructively support open communication, creativity, dedication and compassion;
- h) not engage in any act involving moral turpitude, dishonesty, fraud, deceit or misrepresentation or any other act prejudicial to the administration of the Exchange.

3. EXECUTIVE COMMITTEE

3.1 CONSTITUTION OF EXECUTIVE COMMITTEE

- 3.1.1 One or more Executive Committee(s) shall be appointed by the Board for the purposes of managing the day to day affairs of the different trading segment(s).
- 3.1.2 The Executive Committee constituted by the Board of the Company shall consist of:
- i) Managing Director of the Company.
 - ii) Not more than four trading members as may be nominated by the Board as per the Rules laid down in this regard,
 - iii) two ex-officio senior officers of the Company,
 - iv) The maximum strength of the Executive Committee shall be 7.
- 3.1.3 The Managing Director of the Company shall be the Chief Executive of the Exchange.
- 3.1.4 Notwithstanding anything contained herein, the SEBI circulars or directives dealing with the constitution, composition of the Executive Committee(s) of different trading segments shall be complied with.

3.2 Powers of Executive Committee

- 3.2.1 The Board may delegate from time to time to the Executive Committee such of the powers vested in them and upon such terms as they may think fit, to manage all or any of the affairs of ISE from time to time, may revoke, withdraw, alter or vary all or any of such powers delegated to the Executive Committee.
- 3.2.2 The Executive Committee of each trading segment shall have such responsibilities and powers as may be delegated to it by the Board from time to time which without restricting the generality of the foregoing may, inter-alia, include the following responsibilities and powers to be discharged in accordance with the provisions of the Rules, Bye-Laws and Regulations:
- (a) approving securities for admission to the relevant Official List of ISE;
 - (b) admitting or registering trading members in trading segment;
 - (c) approving, market-makers to act as such.
 - (d) supervising the Trading Platform of ISE and promulgating such Business Rules and Codes of Conduct as it may deem fit;
 - (e) determining from time to time fees, deposits, margins and other monies payable to ISE by trading members and Companies whose securities are admitted or are to be admitted to the Official List of ISE and the scale of brokerage chargeable by trading members;
 - (f) prescribing, from time to time, networth, capital adequacy and other norms which shall be required to be maintained by trading members
 - (g) prescribing, from time to time, and administering and effecting penalties, fines and other consequences, including suspension or expulsion for defaults or

violations of any requirements of the Rules, Bye-laws and Regulations and Codes of Conduct and criteria for re-admission, if any, promulgated thereunder;

- (h) norms, procedures and other matters relating to arbitration;
- (j) power to take disciplinary action and proceed legally against any Trading Member
- (k) dissemination of information and announcements to be placed on the trading system
- (l) listing requirements and conditions to be complied with by the Issuer.
- (m) listing fees payable by the company whose securities are admitted to dealings on the Exchange
- (n) continuance of listed status of the Company whose securities are admitted to dealings on the Exchange; and
- (o) any other matter delegated by the Board.

3.2.3 The Executive Committee may from time to time constitute such sub-committees to carry on business complying with all Regulations and guidelines laid down by the Executive Committee. The constitution, quorum and responsibilities of such sub-committees will be determined by Executive Committee.

3.2.4 The Executive Committee may, from time to time, authorise the Managing Director or such other person(s) 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 discharging the powers delegated to it by the Board.

3.2.5 The Executive Committee shall be bound and obliged to carry out and implement any directives issued by the Board, from time to time and shall be bound to comply with all conditions of delegation and limitations on the powers of the Executive Committee as may be prescribed.

3.2.6 A copy of the minutes of every meeting of the Executive Committee shall be sent to every Member of the Executive Committee and Directors of the Board after the same are confirmed by the Executive Committee or earlier, if prescribed by the Committee or desired by the Board.

3.3 **SEBI REPRESENTATIVE**

3.3.1 The SEBI may nominate on the Executive Committee from time to time, not more than one person each to be referred to as "SEBI Nominee".

3.3.2 Any vacancy caused by resignation, withdrawal of nomination, death or otherwise of such a nominated Representative shall be filled in by a similarly nominated person.

3.4 Trading Members

3.4.1 Subject to the provisions of the Rules of ISE, the Board shall nominate on the Executive Committee from time to time not more than four trading members the person so nominated shall be eligible for re-nomination.

3.4.2 Any vacancy caused by resignation, removal, death or otherwise of such a nominated person shall be filled in by a similarly nominated person.

3.5 Other Nominees

The Board shall nominate on the Executive Committee from time to time two senior officers of the Company. The persons so nominated shall hold office for a period of one year and shall be eligible for re-nomination.

3.5.4 Any vacancy caused by resignation, removal, death or otherwise of such a nominated person shall be filled in by a similarly nominated person.

3.6 Vacation of the office of the Nominees of the Board

3.6.1 The office of the nominees of the Board including that of the Public Representatives, trading members and other nominees on the Executive Committee shall ipso facto be vacated if:

- (a) he is adjudicated insolvent;
- (b) he has applied to be adjudicated insolvent;
- (c) he is convicted by any Court in India for any offence and sentenced in respect thereof to imprisonment for not less than 30 days;
- (d) he abstains himself from three consecutive meetings of the Executive Committee or for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Committee Meetings;
- (e) in the case of Trading Members, if he ceases to be a Trading Member of ISE or if he, by notice in writing addressed to the Executive Committee, resigns his office or if he is suspended or expelled or if his membership is terminated;

Provided however that if at any time the Board is satisfied that circumstances exist which render it necessary in public interest to do so, the Board may revoke the nomination of such person.

3.7 Eligibility of a Trading Member to become Executive Committee Member

3.7.1 No Trading Member shall be eligible to be nominated as a Member of an Executive Committee:

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- (a) Unless he satisfies the requirement, if any, prescribed in that behalf under the Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992
- (b) Unless he is a trading member of the relevant trading segment for such period as may be decided by the Board from time to time;
- (c) If he is a partner with a trading member who is already a member of that Executive Committee;
- (d) If he has at any time been declared as defaulter or failed to meet his liabilities in ordinary course or compounded with his creditors; or

3.7.2 No trading member shall be eligible to continue or be nominated on the Executive Committee:-

- (a) if his certificate of registration as a stock broker has been cancelled by the Securities and Exchange Board of India or he has been expelled by the Exchange;
- (b) if his certificate of registration as a stock broker or his trading rights have been suspended by the Securities and Exchange Board of India or the Exchange as the case may be or his membership rights have been suspended by the Exchange on account of any disciplinary action taken against him under the Rules, Regulations or Bye-laws of the Exchange and two years have not elapsed from the date of expiry of such suspension of certificate of registration, trading rights or membership rights;
- (c) if he falls in the category of Notified Persons as per the Special Courts (Trial of Offences Relating to Transaction in Securities) Act, 1992 and two years have not elapsed from the date the member is notified under the said Act.

3.7.3 A trading member nominated for two consecutive years as a member on an Executive Committee shall not be eligible to be nominated to the Executive Committee unless a period of two years has elapsed since his last nomination.

3.8 Office Bearers of Executive Committee

3.8.1 The Executive Committee shall from time to time have the following office bearers namely, the Chairman and the Vice Chairman.

3.8.2 The Managing Director of the Company shall be the Chairman of the Executive Committee(s).

3.8.3 The Executive Committee shall elect one among themselves as the Vice Chairman.

3.8.4 The Vice Chairman so elected shall hold office for a period of one year and shall be eligible for re-election.

3.8.5 In the event of any casual vacancy arising in the office of the Vice-Chairman due to death, resignation or any other cause, the Executive Committee shall nominate a successor from among the members of the Executive Committee.

3.8.6 The persons nominated/elected as above in any casual vacancy shall hold office for the same period for which the office-bearer in whose place he was appointed would have held office if it had not been vacated as aforesaid.

3.9 Meetings of the Executive Committee.

- 3.9.1 The Executive Committee may meet at-least once in every calendar month for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit, and may determine the quorum necessary for the transaction of business.
- 3.9.2 The quorum of a meeting of the Executive Committee shall be one-third of the total strength of the Executive Committee, with any fraction being rounded off as one or four Members, whichever is higher. 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, shall be the quorum for the meeting.
- 3.9.3 The Chairman or the Vice Chairman or any two members of the Executive Committee may at any time convene a meeting of Executive Committee.
- 3.9.4 Questions arising at any meeting of the Executive Committee shall be decided by a majority of the votes cast excepting in cases where a larger majority is required by any provision of the Rules, Bye-Laws and Regulations of the Company. Each Member of the Committee shall have one vote. In the case of equality of votes on matters which can be decided by a majority of votes, the Chairman presiding over the meeting shall have a second or casting vote.
- 3.9.5 At all meetings of the Executive Committee, the Chairman shall ordinarily preside and in his absence, the Vice Chairman shall preside. If the Vice Chairman also is not present at the meeting, the members of the Executive Committee present shall choose one from among themselves to be Chairman of such meeting.
- 3.9.6 Subject to the conditions stated elsewhere every member of the Executive Committee shall have only one vote whether on show of hands or on poll except that in the case of poll resulting in equal votes, the Chairman who presides over the meeting shall have a casting vote.
- 3.9.7 No vote by proxy shall be allowed either on show of hands or on poll in respect of any matter.

3.10 CHAIRMAN AND VICE CHAIRMAN

3.10.1 The Chairman may assume and perform all such powers and perform all such duties as may be delegated to him by the Executive Committee from time to time as provided in the Rules, Bye-Laws and Regulations of ISE.

3.10.2 In the absence of the Chairman or on his inability to act, the Vice Chairman, and in his absence or inability to act, his functions and powers shall be exercised by the senior available officer of the Company under the directions of the Executive Committee.

3.10.3 The Chairman and in his absence the Vice Chairman, shall be entitled to exercise any or all of the powers exercisable by the Executive Committee whenever he be of the opinion that immediate action is necessary subject to such action being confirmed by the Executive Committee within twenty-four hours.

3.10.4 The Chairman and/or delegated authority shall represent ISE officially in all public matters.

Provided that the Executive Committee may direct that on any matter or occasion, the Chairman and/or other Members or Members of the Executive Committee shall represent ISE.

3.10.5 A meeting of the Executive Committee for the time being, at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion for the time being vested in or exercisable by the Executive Committee generally.

4. STATUTORY COMMITTEES

- 4.1 As per the provisions of the SC(R)A, 1956 & the Rules made thereunder and the SEBI Act, 1992 and the Rules made thereunder and the provisions of Articles, Rules, Bye-Laws and Regulations of the Company, the Company shall have four Statutory Committees, namely, the Arbitration Panels, the Disciplinary Action Committee, the Defaults Committee and the Investors Services Committee. These Committees shall be constituted by the Board in the form and manner as specified by SEBI from time to time. The Board shall have power to initiate and review matters pertaining to these Committees and provide guidelines for their functioning over and above such powers as assigned to the Executive Committee or provided in the Articles, Rules, Bye-Laws and Regulations of ISE. The Board may also empower from time to time the Statutory Committees in matters relating to them with such Rules and Regulations as needed for their efficient and effective functioning, including, power for appointment of agents for secretarial, audit and legal assistance, procedure for conduct of meeting, fixation of time limits and area of jurisdiction, seeking information, levying fines and penalties, including disciplinary actions, etc.

4.1.1 ARBITRATION PANEL

- (a) The Board shall constitute at ISE, a Panel of arbitrators, which shall comprise persons of eminence from the legal, judicial, or accountancy fields as well as from Trading Members, provided that not more than two persons should be from Trading Members
- (b) The Company shall constitute a Panel of Arbitrators at Mumbai / Navi Mumbai called the Central Arbitration Panel consisting of not less than 10(ten) Members, 20% (twenty percent) of whom shall be drawn from the Trading Members of the Company and 80%(eighty percent) shall be persons of eminence from the legal, judicial, financial or accountancy fields and who shall not be Member Brokers of any Stock Exchange. The Managing Director shall be the ex-officio Members of the Panel.
- (c) The Board of the Company may increase the number of Arbitrators on the Central Arbitration Panel from time to time, having regard to the number of cases submitted for arbitration and such increased size of the Central Arbitration Panel shall not violate the ratio of 20:80 between the Trading Members and others.
- (d) The Board shall similarly constitute 3 Regional Arbitration Panels consisting of not less than **5 (Five)** Members at Delhi, Kolkata and Coimbatore, 20% (twenty percent) of whom shall be drawn from Trading Members of ISE and the remaining 80% (eighty percent) shall be persons of eminence from the legal, judicial, financial or accountancy fields and shall not be Trading Member of ISE.
- (e) The Board of the Company may increase the number of Arbitrators on the Regional Arbitration Panel from time to time, having regard to the number of cases submitted for arbitration and such increased size of the Regional

Arbitration Panel shall not violate the ratio of 20:80 between the Trading Members and others.

- (f) The panel may seek assistance of any official or administrative machinery of ISE to which the matter pertains at its discretion. Such assistance will be provided without any delay or further sanctions
- (g) The Board shall specify the related Regulations for conduct of meeting, minutisation, award, fine, penalty, fees and all such matter connected with the efficient and effective functioning of the Central Arbitration Panel and Regional Arbitration Panel provided it does not contravene any statutory provision. In case of any contravention proper clarification of relevant authority shall be taken before implementing the contravening amendment

4.1.2 DISCIPLINARY ACTION COMMITTEE

- (a) The Board shall constitute a Disciplinary Action Committee consisting of five persons out of whom four persons shall be persons of eminence from the legal, judicial, financial or accountancy fields who shall not be Members of any Stock Exchange and the remaining two persons shall be from among Trading Members. In addition, the Managing Director will be the ex-officio members of the Committee.
- (b) The term of the Members of the Disciplinary Action Committee so constituted will be as per the provisions laid down in the Companies Act, 1956. The outgoing Members shall however, continue to function after the AGM until the new representatives are nominated on the Committee
- (c) The quorum for the Disciplinary Action Committee shall be not less than one-third of the total number of Members rounded off to next higher number with minimum two public representatives being present in any Committee meeting
- (d) The Committee shall decide on the procedure to be followed for Disciplinary Action, make such Rules and Regulations as deemed fit for its functioning and take such regulatory or disciplinary action against the Trading Members and other Participants as considered appropriate in a specific matter referred to it, provided it is not in contravention of any statutory provision of SC(R)A, 1956, SEBI Act, 1992 and the provisions of the Articles, Rules, Bye-Laws and Regulations or any such decision of the Board which is in the nature of a guideline.
- (e) The Committee may seek the assistance of any official or administrative machinery of ISE to which the matter pertains at its discretion. Such assistance will need to be provided without any delay or further sanctions
- (f) The Committee shall prescribe the related Regulations for conduct of meeting, minutisation, award, fine, penalty, fees and all such matters connected with the efficient and effective functioning of the Committee provided they do not contravene any statutory provisions

4.1.3 DEFAULTS COMMITTEE

- (a) The Board shall constitute a Defaults Committee consisting of five persons, out of which four persons shall be persons of eminence from the legal, judicial, financial or accountancy fields and who shall not be Members of any Stock Exchange and the remaining one person shall be among the Trading Members. In addition, the Managing Director will be ex-officio members of the Committee.
- (b) The term of the Members of the Committee so constituted will be as per the provisions laid down in the Companies Act, 1956. The outgoing Members shall, continue to function after the AGM until the new representatives are nominated on the Committee.
- (c) The quorum for the Defaults Committee shall be three out of which at least two shall be from amongst the Public Representatives.
- (d) The Committee shall decide on the procedure to be followed in any specific matter related to the defaults in obligations and commitments in Trading Platform of ISE or to the Company by a Trading Member or other Participants and shall make such Rules and Regulations and take such decisions as may be considered necessary in the specific matter referred to it and for the proper functioning of the Committee, including recovery of dues through such measures which may include attachment of any rights, privileges, assets or properties of the Trading Members or other Participant, provided they are not in contravention of any statutory provisions of SC(R)A, 1956, SEBI Act, 1992, and the provisions of the Articles, Rules, Bye-Laws and Regulations or any such decisions of the Board which are in the nature of guidelines.
- (e) The Committee may seek assistance of any official or administrative machinery of ISE to which the matter pertains at its discretion. Such assistance will need to be provided without any delay or further sanctions.
- (f) The Committee shall prescribe the related Regulations for conduct of meeting, minutisation, award, disposal of a case of default by the Member, Trading Member or other Participants in Trading Platform of ISE or to the Company and all such matters connected with the efficient and effective functioning of the Committee provided they do not contravene any statutory provisions.

5. TRADING MEMBERSHIP

5.1 The rights and privileges of a trading member, shall be subject to the, Rules, Bye-Laws and Regulations of ISE.

5.2 All trading members of ISE shall have to register themselves prior to commencing operations on ISE, with the Securities and Exchange Board of India (SEBI) in accordance with the Rules, Bye-laws and Regulations as prescribed by SEBI from time to time.

5.3 ELIGIBILITY

The following persons shall be eligible to become the trading members of the Exchange:

- (a) individuals
- (b) registered firms
- (c) bodies corporate
- (d) companies as defined in the Companies Act, 1956 and
- (e) such other persons or entities as may be permitted under the Securities Contracts (Regulation) Rules, 1957 as amended from time to time.

5.4 No person shall be admitted as a trading member of the Exchange if such proposed member:

- (a) is an individual who has not completed 21 years of age;
- (b) is an individual who is engaged as a principal or employer in any business other than that of securities except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such business;
- (c) is a body corporate who has committed any act which renders the person liable to be wound up under the provisions of the law;
- (d) is a body corporate who has had a provisional liquidator or receiver or official liquidator appointed to the person;
- (e) 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;
- (f) has been convicted of an offence involving a fraud or dishonesty;
- (g) has compounded with his creditors for less than full discharge of debts;

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- (h) has been at any time expelled or declared a defaulter by any other Stock Exchange;
- (i) has been previously refused admission to membership unless a period of one year has elapsed since the date of rejection;
- (j) incurs such disqualification under the provisions of the Securities Contracts (Regulation) Act, 1956 or Rules made thereunder as disentitles such person from seeking membership of a Stock Exchange.

5.5 No individual person shall be eligible for admission to trading membership of the Exchange unless:

- (a) he has worked for not less than two years as a Partner with, or as an authorised assistant or authorised clerk or apprentice to a member of any recognised stock exchange and is duly registered with that Exchange, or
- (b) he agrees to work for a minimum period of two years as a partner or representative member with another member of the Exchange and to enter into transactions on the Exchange not in his own name but in the name of that member under whom he is working; or
- (c) he succeeds to the established business of a deceased or retiring member of the Exchange who is his father, uncle, brother or any other person who is in the opinion of the relevant authority, a close relative;

Provided that the relevant authority may waive compliance with any or all of the foregoing conditions contained in this Rule and at its discretion waive the requirements set out above, if it is of the opinion that the person seeking is considered by the relevant authority to be otherwise qualified to be admitted as a member by reason of his means, position, integrity, knowledge and experience of business in securities.

5.6 No person shall be eligible to be admitted to the trading membership of the Exchange unless the person satisfies:

- (a) the requirements prescribed in that behalf under the Securities Contracts (Regulation) Act, 1956, and the Rules framed thereunder and under the Securities and Exchange Board of India Act, 1992, and
- (b) such additional eligibility criteria as the Board or relevant authority may prescribe for the different classes of trading members and trading segments from time to time

5.6.1 Certification

No person shall be eligible to be admitted to the trading membership of the Exchange unless he has passed the Certification Programme conducted by the Exchange for such Trading segment of the Exchange as it may determine from time to time.

5.7 Unless otherwise specified by the relevant authority, membership for any person shall be restricted to only one trading segment.

5.8 Trading member of any trading segment may trade in ISE securities applicable to that segment.

5.9 Admission

Any person desirous of becoming a trading member shall apply to the Exchange for admission to the trading membership of the relevant trading segment of the Exchange. Every applicant shall be dealt with by the relevant authority who shall be entitled to admit or reject such applications at its discretion.

5.10 The application shall be made in such formats as may be specified by the relevant authority from time to time for application for admission of trading members to each trading segment.

5.11 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.

5.12 The applicant shall have to furnish such declarations as may be specified from time to time by the relevant authority.

5.13 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, to furnish any additional guarantee or to require the deposit of any building fund, computerisation fund, training fund or fee as the relevant authority may prescribe from time to time.

5.14 The relevant authority may admit the applicant to the trading membership of the Exchange provided that the person satisfies the eligibility conditions and other procedures and requirements of admission. The relevant authority may at its absolute discretion reject any application for admission without communicating the reason thereof.

5.15 If for any reason the application is rejected, the admission fee shall be refunded to the applicant, without any interest.

5.16 The relevant authority may at any time from the date of admission to the trading membership of the Exchange cancel the admission and expel a trading 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:

- a) made any willful misrepresentation; or
- b) suppressed any material information required of him as to his character and antecedents; or
- c) has directly or indirectly given false particulars or information or made a false declaration.

5.17 When a person is admitted to the trading membership of the Exchange, intimation of the person's admission shall be sent to the person and to the Securities and Exchange Board of India. If the person admitted to the membership of the Exchange and after intimation of his admission is duly sent, does not become a member by complying with acts and procedures for exercising the privileges of membership as may be prescribed by the relevant authority within a specified time period from the date of dispatch of the intimation of admission, the admission fee paid by him shall be forfeited by the Exchange.

5.18

- (a) Every trading member of the Exchange shall, upon being admitted as a trading member of the Exchange be issued a certificate or entitlement slip as proof of having been admitted to the benefits and privileges of the trading membership of the Exchange. Such a certificate or entitlement slip shall not be transferable or transmittable except as herein mentioned.
- (b) Subject to such terms and conditions as the relevant authority may prescribe from time to time and to the prior written approval of the relevant authority, transfer of the certificate / entitlement slip, may be effected as follows:
 - (i) by making nomination under these Rules;
 - (ii) by an amalgamation or merger of a trading member company;
 - (iii) by takeover of a trading member company;
 - (iv) by transfer of the trading membership of a trading member firm to a new firm, in which, all the existing partners are not partners; and
 - (v) by two or more trading members / trading member firms coming together to form a new partnership firm/company.
- (c) A Trading Member or his successor(s) may make a nomination to the certificate/ entitlement slip of trading membership. The nomination(s) made by a trading member or successor(s) of a trading member shall be subject to the following conditions, namely:
 - (i) The nominee(s) shall, at the time when the nomination becomes effective, be person(s) who shall be qualified to be admitted as trading member(s) of the Exchange;

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- (ii) The nominee(s) shall give to the relevant authority his/their unconditional and irrevocable acceptance of his/their nomination;
 - (iii) A trading member shall nominate one or more of his successor(s) as per the applicable succession laws. If the trading member has no successor(s) willing to carry on the trading membership, then, the trading member may nominate person(s) other than his successor(s);
 - (iv) If the trading member has not nominated any person and is rendered incompetent to carry on his business on the Exchange on account of physical disability, then the trading member may, within a period of six months, make a nomination as per the provisions of sub-clause (iii) above;
 - (v) If the trading member has not nominated any person, the successor(s) of the trading member may nominate one or more persons from among themselves within six months from the date of the death of the trading member;
 - (vi) If the nomination of the trading member is such that it cannot be given effect to by the relevant authority, at the time when the nomination would have become effective, then the successor(s) of such a trading member may nominate any other person(s) within six months from the date on which the nomination would have become effective;
 - (vii) If more than one person(s) are nominated by the trading member or the successor(s), then such nominated person(s) shall be required to form a company to carry on the trading membership;
 - (viii) A nomination made by a trading member or successor(s) may be revoked with the prior written approval of the relevant authority and subject to such terms and conditions as the relevant authority may prescribe from time to time. No such revocation shall be permitted after the nomination becomes effective; and
 - (ix) The nomination shall become effective in the case of a nomination made by a trading member, from the date of his death or physical disability or from the date of approval by the relevant authority, whichever is later and in the case of a nomination made by successor(s), from the date on which such nomination is made or from the date of approval by the relevant authority, whichever is later.
- (d) The relevant authority may permit the transfer of the certificate / entitlement slip in the following circumstances:

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- (i) Death of a trading member;
 - (ii) If in the opinion of the relevant authority, the trading member is rendered incompetent to carry on his business on the Exchange on account of physical disability;
 - (iii) Upon amalgamation or merger of a trading member company;
 - (iv) Upon takeover of a trading member company; and
 - (v) Upon the death of or resignation or notice of dissolution by a partner of a trading member firm, and re-alignment, if any, by the partners in such firm or by the partners in such firm and the nominee(s)/successor(s) of the outgoing partner or by the partners in such firm and person(s) other than the nominee(s)/successor(s) of the outgoing partner in a new firm, within a period of six months from the date of such death or resignation or notice of dissolution.
- (e) The relevant authority may, while permitting the transfer, prescribe from time to time such transfer fee as it deems fit in the following circumstances viz.,
- (i) nomination by a trading member of a person other than successor(s) under the applicable laws;
 - (ii) nomination by the successor(s) of a trading member, if the nominee(s) is/are not from amongst the successors;
 - (iii) amalgamation or merger of a trading member company with a non trading member company resulting in the loss of majority shareholding and/ or control of management by the majority shareholders of the trading member company;
 - (iv) takeover of the trading member company by non trading member(s) resulting in the loss of majority shareholding and/ or control of management by the majority shareholders of the trading member company; and
 - (v) in the case of sub-clause (v) of clause (d), if the person(s) other than the nominee(s)/successor(s) of the outgoing partner hold atleast 51% of share in the profits & losses of the new firm and /or atleast 51% of share in the capital of the new firm.

Explanation I

For the purpose of sub-clauses (iii) and (iv) above, the term “loss of majority shareholding” means a shareholder or a group of shareholders holding 51% or more shares/interest in the trading member company ceases to hold 51% of shares/interest in the trading member company or in the amalgamated company which shall take up trading membership upon amalgamation of the trading member company with a non trading member company.

Explanation II

For the purpose of sub-clauses (iii) and (iv) above, the term “loss of control in management” means the loss of the right to appoint majority of the directors or to control the management or policy decision exercisable by person or persons acting individually or in concert, directly or indirectly including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

- (f) For the purpose of the clauses (b) to (e), the term ‘trading member’ shall to the extent applicable, include a partner of a trading member firm or a shareholder of a trading member company. The term successor(s) shall to the extent applicable, include successor(s) of a partner of a trading member firm or successor(s) of a shareholder of a trading member company.
- (g) Without prejudice to any other provision of the Rules, the trading membership may be suspended, for such period as the relevant authority may deem fit, in the following circumstances:
- (i) Upon the individual trading member or a partner of a trading member firm or a shareholder of a trading member company, in the opinion of the relevant authority, being rendered incompetent to carry on his business on account of physical disability;
 - (ii) Upon the mental disability of the individual trading member or a partner of a trading member firm provided the partner holds atleast 51% of share in the profits & losses of and/or atleast 51% of share in the capital of such firm or a shareholder of a trading member company provided the shareholder is a majority shareholder in such trading member company;
 - (iii) Upon the death of an individual trading member or a partner of a trading member firm provided the partner holds atleast 51% of share in the profits & losses of and / or atleast 51% of share in the capital of such firm or a shareholder of a trading member company, provided the shareholder is a majority shareholder in such trading member company and during the six month period within which successor(s) of such individual trading member or partner or shareholder, may nominate person(s) to take up the stake/ shares of such deceased individual trading member or partner or shareholder;
 - (iv) Upon the dissolution of a trading member firm and during the six month period as referred to in sub clause (v) of clause (d); and
 - (v) Upon any deadlock in the management of a trading member firm or trading member company, which, in the opinion of the relevant

authority will affect the ability of such trading member firm or trading member company to carry on its business. The trading member shall be entitled for an opportunity for representation before the relevant authority, before being suspended under this sub-clause, but the decision of the relevant authority shall be final.

Explanation I

For the purposes of this sub-clause, the term “Deadlock in the Management “ means a situation wherein there is a loss of confidence or disagreement among the partners of a trading member firm or among the directors/shareholders of a trading member company, which, in the opinion of the relevant authority, will affect or is likely to affect the conduct of business by the trading member firm or trading member company, as the case may be or an equality of vote at a meeting of the directors or shareholders of a trading member company.

- (h) Without prejudice to any other provision of the Rules, the trading membership may be terminated by the relevant authority if an acceptable nomination or realignment, as the case may be, does not take place to the satisfaction of the relevant authority, within the said period of six months.
- (i) The nominee(s), successor(s), partners of a trading member firm or such other persons, as the case may be shall be entitled for an opportunity for representation before the relevant authority, before being terminated under clause (h) above, but the decision of the relevant authority shall be final.

Conversion of legal status of the trading member.

- (j) Subject to such terms and conditions as the relevant authority may prescribe from time to time and to the prior written approval of the relevant authority, conversion of the legal status of a trading member may be effected as follows:
 - (i) by conversion of an individual trading member into a partnership firm/company;
 - (ii) by conversion of a Trading Member firm into a company.
- (k) The relevant authority may permit the conversion of the legal status of the trading member in the following circumstances:
 - (i) In the case of sub-clause (i) of clause (j), if the individual trading member holds and continues to hold atleast 51% of the share in the profits/losses and/or atleast 51% of share in the capital of the partnership firm, or atleast 51% of shareholding / interest in the

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company, which shall take up the trading membership of the Exchange.

- (ii) In the case of sub-clause (ii) of clause (j), if the partners holding atleast 51% of share in the profits / losses and /or atleast 51% of share in the capital of the trading member firm hold and continue to hold atleast 51% of shareholding / interest in the company which shall take up the trading membership of the Exchange.

5.19 The entitlement slip does not confer any ownership right as a member of the Company. The original of the entitlement slip shall stand deposited with the relevant authority. An authenticated photocopy or duplicate of such entitlement slip shall remain in the possession of the trading member as a proof of the trading membership of the Exchange.

5.20 A trading member shall not assign, mortgage, pledge, hypothecate or charge his right of membership or any rights or privileges attached thereto and no such attempted assignment mortgage, pledge, hypothecation or charge shall be effective as against the Exchange for any purpose, nor shall any right or interest in any trading membership other than the personal right or interest of the trading member therein be recognised by the Exchange. The relevant authority shall expel any trading member of the Exchange who acts or attempts to act in violation of the provisions of this Rule.

6. REGISTRATION

6.1 Trading Member

- 6.1.1 Any person desirous of registering as a Trading Member as such with ISE shall apply for registration as Trading Member of the relevant trading segment of ISE. Every applicant shall be dealt with by the relevant authority which shall be entitled to register or reject such applications at its discretion.
- 6.1.2 The Application shall be made in such formats as may be specified by the relevant authority from time to time for application for registration as Trading Member to each trading segment.
- 6.1.3 The application for registration of Trading Member will be processed by the relevant authority of ISE. ISE may in the ordinary circumstances process the application for registration and decide on the registration within 30 days from the date of receipt of completed application.
- 6.1.4 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.
- 6.1.5 The application shall have to be furnished with such declarations as may be specified from time to time by the relevant authority.
- 6.1.6 The relevant authority shall have the right to call upon the applicants to pay such fees or deposit, such additional security in cash or kind, to furnish any additional information or guarantee or to require the deposit of any building fund, computerization fund, training fund or fees as the relevant authority may prescribe from time to time.
- 6.1.7 The relevant authority may admit the applicant as Trading Member of the respective ISE segment provided that the person satisfies the eligibility conditions and other procedures and requirements of application and admission. The relevant authority may at its absolute discretion reject any application for registration without communicating the reason thereof.
- 6.1.8 The relevant authority may at any time from the date of registration of the Trading Member on ISE cancel the registration and expel a Trading Member if he has in or at the time of his application for registration as Trading Member or during the course of the inquiry made by the relevant authority preceding his registration:
- (a) made any willful misrepresentation; or
 - (b) suppressed any material information required of him as to his character and antecedents; or

- (c) has directly or indirectly given false particulars or information or made a false declaration.
- 6.1.9 When a person is registered as a Trading Member of ISE, an intimation of the person's registration shall be sent to them. If the person registered as Trading Member of ISE, after intimation of his admission is duly sent, does not become a Trading Member. by complying with acts and procedures for exercising the privileges as may be prescribed by the relevant authority within a specified time period from the date of dispatch of the intimation of registration, then the registration fee paid by him shall be forfeited by ISE.
- 6.1.10 Every Trading Member of ISE shall, upon being registered as Trading Member on ISE, be issued a certificate or entitlement slip as proof of having been registered and entitled to the benefits and privileges of the Trading Member of ISE. Such a certificate or entitlement shall not be transferable or transmittable.
- 6.1.11 The certificate or entitlement slip does not confer any ownership right as a Member of the Company.
- 6.1.12 A Trading Member shall not assign, mortgage, pledge, hypothecate or charge his right of trading or any rights or privileges attached thereto and no such attempted assignment, mortgage, pledge, hypothecation or charge shall be effective against ISE for any purpose, nor shall any right or interest as Trading Member other than the personal right or interest of the Trading Member therein be recognized by ISE. The relevant authority shall expel any Trading Member of ISE who acts or attempts to act in violation of the provisions of this Rule.

6.2 PARTNERSHIP

- 6.2.1 No Trading member shall form a partnership or admit a new partner to an existing partnership or make any change in the name of an existing partnership without intimation and prior approval of the relevant authority in such form and manner and subject to such requirements as the relevant authority may specify from time to time; these requirements may, inter alia, include deposits, declarations, guarantees and other conditions to be met by and which may be binding on partners of the firm who are not trading members.
- 6.2.2 No Trader who is a partner in any partnership firm shall assign or in any way encumber his interest in such partnership firm
- 6.2.3 Further, no Trader shall, at the same time be a partner in more than one Partnership Firm which is a trading member on ISE.
- 6.2.4 The partnership firm shall register with the Registrar of Firms as well as with the Income-Tax Authorities and shall produce a proof of such registration to ISE.

- 6.2.5 The partners of the firm shall do business only on account of the firm and jointly in the name of the partnership firm.
- 6.2.6 The Members of the partnership firm must communicate to ISE in writing under the signatures of all the partners or surviving partners any change in such partnership either by dissolution or retirement or death of any partner or partners.
- 6.2.7 Any notice to ISE 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 partners of his or their responsibility for such outstanding contracts and liabilities.

6.3 TERMINATION OF MEMBERSHIP

Any trading member may cease to be a member, if one or more of the following apply;

- (a) By resignation;
- (b) By Death;
- (c) By expulsion in accordance with the provisions contained in the Articles, Rules, Bye-Laws, and Regulations;
- (d) By being declared a defaulter in accordance with the Bye Laws, Rules and Regulations of the Exchange;
- (e) By dissolution in case of partnership firm;
- (f) By winding up or dissolution of such company in case of a limited company;

6.4 Resignation

- 6.4.1 A trading member who intends to resign from trading membership of ISE shall give to it a written notice to that effect.
- 6.4.2 Any Member of ISE objecting to any such resignation shall communicate the grounds of his objection to the relevant authority from time to time.
- 6.4.3 The relevant authority may accept the resignation of a member either unconditionally or on such conditions as it may think fit or may refuse to accept such resignation and in particular may refuse to accept such resignation until it is satisfied that all outstanding transactions with such member have been settled.

6.5 Death

On the death of a member, his legal representatives and authorized representatives, if any, shall give due intimation thereof to relevant authority in writing

6.6 Failure to pay Charges

Save as otherwise provided in the Rules, Bye-Laws, and Regulations of ISE if a member fails to pay his annual subscription, fees, charges or other monies which may be due from him to ISE or to the Clearing House within such time as the

relevant authority may prescribe from time to time after notice in writing has been served upon him by ISE, he may be suspended by the relevant authority until he makes payment and if within a further period of fifteen days he fails to make such payment, he may be expelled by the relevant authority.

6.7 Continued Admittance

The relevant authority shall from time to time prescribe conditions and requirements for continued admittance to trading membership which may, inter-alia, include maintenance of minimum networth and capital adequacy, renewal of certification, if any, etc. The trading membership of any person who fails to meet these requirements shall be liable to be terminated.

6.8 Re- admission of Defaulters

- 6.8.1 A trading member's right of membership shall lapse and vest with ISE immediately he is declared a defaulter. The member who is declared a defaulter shall forfeit all his rights and privileges as a member of the Exchange, including any right to use of or any claim upon or any interest in any property or funds of ISE, if any.
- 6.8.2 The relevant authority may re-admit a defaulter as a trading member subject to the provisions as may be prescribed by relevant authority from time to time.
- 6.8.3 The relevant authority may re-admit only such defaulter who in its opinion:
- (a) has paid up all dues to ISE , other trading members and constituents;
 - (b) has no insolvency proceedings against him in a Court or has not been declared insolvent by any Court;
 - (c) has defaulted owing to the default of principals whom he might have reasonably expected to be good for their commitments;
 - (d) has not been guilty of bad faith or breach of the Bye-Laws, Rules and Regulations of ISE.
 - (e) has been irreproachable in his general conduct.

7 DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND EXPULSION

7.1 Disciplinary Jurisdiction

The relevant authority may expel or suspend and/ or warn and/or withdraw any of the membership rights of a trading member if it be guilty of contravention, non-compliance, disobedience, disregard or evasion of any of Bye-laws, Rules and Regulations of ISE or of any resolutions, orders, notices, directions or decisions or rulings of Exchange or relevant authority, or of any other Committee or officer of the Exchange authorised in that behalf or of any conduct, proceeding or method of business which the relevant authority in its/his absolute discretion deems dishonorable, disgraceful, or unbecoming of a trading member of ISE or inconsistent with just and equitable principles of trade or detrimental to the interests, good name or welfare of ISE or prejudicial or subversive to its objects and purposes.

7.2 Penalty for Misconduct, Unbusiness like Conduct and Unprofessional Conduct

In particular and without in any way limiting or prejudicing the generality of the provisions in Rule 1 above, a trading member shall be liable to expulsion or suspension or withdrawal of all or any of his membership rights and/or to payment of a fine and / or to be censured, reprimanded or warned for any misconduct, unbusiness like conduct or unprofessional conduct in the sense of the provision in that behalf contained herein.

7.3 Misconduct

A trading member shall be deemed guilty of misconduct for any of the following or similar acts or omissions namely:

- a) **Fraud:** If he is convicted of a criminal offence or commits fraud or a fraudulent act which in the opinion of the relevant authority renders him unfit to be a Trading Member;
- b) **Violation:** If he has violated provisions of any Statute governing the activities, business and operations of ISE securities business in general;
- c) **Improper Conduct:** If in the opinion of the relevant authority, it is guilty of dishonorable or disgraceful or disorderly or improper conduct on ISE of willfully obstructing the business of ISE.
- d) **Breach of Articles, Rules, Bye-laws and Regulations:** If he shields or assists or omits to report information about any trading member whom it has known to have committed a breach or evasion of any Rule, Bye-law and Regulation of ISE or of any resolution, order, notice or direction thereunder of the Board of Directors or of other Committees or the Managing Director of ISE authorized in that behalf;

- e) **Failure to comply with Resolutions:** If he contravenes or refuses or fails to comply with or abide by any resolution, order, notice, direction, decision or ruling of the Board of Directors or of other Committees or the Managing Director of ISE authorized in that behalf under the Bye-laws, Rules Regulations of ISE ;
- f) **Failure to submit to or abide by Arbitration:** If he neglects or fails or refuses to submit to arbitration or to abide by or carry out any award, decision or order of the relevant authority or the Arbitration Committee, or the Arbitrators made in connection with a reference under the Articles, Rules, Bye-laws and Regulations of ISE.
- g) **Failure to testify or give information :** If he neglects or fails or refuses to submit to the Board of Directors or of other Committees or the Managing Director of ISE, such books, correspondence, documents and papers or any part thereof as may be required to be produced or to appeal and testify before or cause any of his partners attorney, agents, authorized representatives or employees to appear and testify before the Board of Directors or of other Committees or the Managing Director of ISE;
- h) **Failure to submit special returns:** If he neglects or fails or refuses to submit to the relevant authority within the time notified in this behalf special returns in such form as the relevant authority may from time to time prescribe 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 trading members;
- i) **Failure to submit audited accounts:** If he neglects or fails or refuses to submit his audited accounts to ISE within such time as may be prescribed by the relevant authority from time to time;
- j) **Failure to compare or submit accounts with Defaulter:** If he neglects or fails to compare its accounts with/to the Defaults Committee of ISE or to submit a statement of its accounts with a Defaulter or a certificate that it has no such account or if he makes a false or misleading statement therein;
- k) **False or misleading returns:** If he neglects, fails or refuses to submit or makes any false or misleading statement in his clearing forms or returns required to be submitted to ISE under the, Bye laws, Rules and Regulations of ISE;
- l) **Vexatious complaints:** If he or his agent brings before the relevant authority or a Committee or an officer of ISE or other person authorized in that behalf a charge, complaint or suit which in the opinion of the relevant authority is frivolous, vexatious or malicious;

- m) **Failure to pay dues, fees and charges:** If he fails to pay to ISE his subscription, fees, transaction charges, contribution towards Settlement Guarantee Fund or Investor Protection Fund or Investors Services Fund, arbitration charges and/or other charges or any other money which may be due from him or any fine or penalty imposed on it.

7.4 **Unbusiness like Conduct**

A trading member shall be deemed guilty of unbusiness like conduct for any of the following or similar acts or omissions namely:

- a) **Fictitious names:** If he transacts his own business or the business of his client(s) in fictitious names or if he carries on business in more than one trading segment of ISE under fictitious names;
- b) **Fictitious dealings:** If he makes fictitious transaction(s) or gives an order for the purchase or sale of securities, the execution of which involves no change of ownership or executes such an order with knowledge of its character;
- c) **Circulation of rumours:** If he, in any manner, circulates or causes to be circulated, any rumours;
- d) **Prejudicial business:** If he 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 situation in which prices will not fairly reflect market values;
- e) **Market manipulation and rigging:** If he, directly or indirectly, alone or with other persons, effects series of transactions in any security to create actual or apparent active trading 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;
- f) **Unwarrantable business:** If he engages in reckless or unwarrantable or unbusiness like dealings in the market or effects purchases or its constituent's account or for any account in which it is directly or indirectly interested, which purchases or sales are excessive in view of its constituent's or his own means and financial resources or in view of the market for such security;
- a) **Compromise:**
If he connives at a private failure of a trading member or accepts less than full and bona fide money payment in settlement of a debt due by a trading member arising out of transaction in securities;

- b) **Dishonored cheque:**
If he issues to any other trading member or to its constituents a cheque which is dishonored on presentation(s) for whatever reasons;
- c) **Failure to carry out transactions with constituents:**
If he fails in the opinion of the relevant authority to carry out his committed transactions with its constituents.

7.5

Unprofessional Conduct

A trading member shall be deemed guilty of unprofessional conduct for any of the following or similar acts or omissions namely:

- a) **Business in securities in which dealings not permitted:**
If he enters into dealings in securities in which dealings are not permitted;
- b) **Business for defaulting constituent:**
If he deals or transacts business directly or indirectly or executes an order for a constituent who has within his knowledge failed to carry out engagements relating to securities and is in default to another trading member unless such constituent shall have made a satisfactory arrangement with the trading member who is its creditor;
- c) **Business for Insolvent:**
If without first obtaining the consent of the relevant authority, he is directly or indirectly interested in or associated in business with or transacts any business with or for any individual who has been bankrupt or insolvent even though such individual shall have obtained his final discharge from an Insolvency Court;
- d) **Business without permission when under suspension:**
If without the permission of the relevant authority, it does business on its own account or on account of a principal or on any other account with or through a trading member during the period it is required by the relevant authority to suspend business on ISE;
- e) **Business for or with suspended, expelled and defaulter trading members:**
If without the special permission of the relevant authority, it shares broker age with or carries on business or makes any deal for or with any trading member who has been suspended, expelled or declared a defaulter;

- f) **Business for Employees of other trading members:**
If he transacts business directly or indirectly for or with or executes an order for an authorized representative or employee of another trading member without written consent of such employing trading members;
- g) **Business for Exchange Employees:**
If it makes a speculative transaction in which an employee of ISE or is directly or indirectly interested;
- h) **Advertisement:**
If it advertises for business purposes or if it issues regularly circular or other business communication to persons other than its own constituents, trading members of ISE, Banks and Joint Stock markets without the prior written permission of the Exchange or in contravention of the advertisement code prescribed by the Exchange or publishes pamphlets, circulars or any other literature or report or information relating to the stock markets without the prior written permission of the Exchange or in contravention of the advertisement code prescribed by the Exchange
- i) **Evasion of Margin Requirements:**
If he willfully evades or attempts to evade or assists in evading the margin requirements prescribed in the Rules, Bye-laws and Regulations of ISE.
- j) **Brokerage Charge:**
If he willfully deviates from or evades or attempts to evade the Rules, Bye-laws and Regulations relating to charging and sharing of brokerage.
- k) **Dealings with entities 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 entity, which has been prohibited by SEBI to buy or sell or deal in the securities mark.

7.6 Suspension on failure to provide margin deposit and/or Capital Adequacy requirements

The relevant authority shall require a trading member to suspend its business when it fails to provide the margin deposit and/or meet capital adequacy norms as provided in these Bye Laws, Rules and Regulations and the suspension of business shall continue until it furnishes the necessary margin deposit or meet capital adequacy requirements. The relevant authority may expel a trading member acting in contravention of this provision.

7.6.1

Suspension of business:

The relevant authority may require a trading member to suspend its business in part or in whole:

- b) a) **Prejudicial Business**: When in the opinion of the relevant authority, the trading member conducts business in a manner prejudicial to ISE by making purchases or sales of securities or offers to purchase or sell securities for the purpose of upsetting equilibrium of the market or bringing about a condition of destabilization in which prices will not fairly reflect market values, or
- c) **Unwarrantable Business**: When in the opinion of the relevant authority, it engages in unwarrantable business or effects purchases or sales for its constituent's account or for any account in which it is directly or indirectly interested where purchases or sales are excessive in view of its constituent's or its own means and financial resources or in view of the market for such security, or
- d) **Unsatisfactory Financial Condition**: When in the opinion of the relevant authority, it is in such financial condition that it cannot be permitted to do business with safety to his creditors or ISE.

7.6.2

Penalty for Contravention

A trading member who is required to suspend its business shall be expelled/suspended/declared as defaulter by the relevant authority if he acts in contravention of this provision.

7.6.3

Explanation before expulsion or suspension or declaration as defaulter

A trading member shall be entitled to be summoned before the relevant authority and afforded an opportunity for explanation before being suspended or expelled but in all cases the findings of the relevant authority shall be final and conclusive.

7.6.4

Temporary Suspension from Trading Membership rights

Notwithstanding what is contained in clauses herein above, if in the opinion of the Managing Director, it is necessary to do so, he may, for reasons to be recorded in writing, temporarily suspend a trading member from, pending completion of the proceedings for suspension under this chapter by the relevant authority and no notice of hearing shall be required for such temporary suspension shall have the same consequences of suspension under this chapter:

- (a) A notice to show cause shall be issued to the trading member within five working days of such temporary suspension.
- (b) Any such temporary suspension may be revoked at the discretion of the Managing Director, for reasons to be recorded in writing, if the

Managing Director is satisfied that the circumstances leading to the formation of opinion of the Managing Director or Whole-time Director or relevant authority to effect temporary suspension, have ceased to exist or are satisfactorily resolved.

- (c) A trading member aggrieved by the temporary suspension may appeal to the relevant authority, provided that such appeal shall not automatically stay the temporary suspension unless otherwise directed by the relevant authority.

7.6.5 Effect of suspension of registration by SEBI

Notwithstanding anything contained in any of the Byelaws and Rules of the Exchange, if the registration of a Trading Member is suspended by SEBI, such Trading Member shall *ipso facto* stand suspended from the trading membership of the Exchange for the period of suspension, so imposed by SEBI or till such suspension is in force.

7.6.6 Consequence of Suspension

The suspension of a Trading Member under the circumstances stated under the Rules shall have the following consequences, namely:

- a) **Suspension of membership Rights:** The suspended Trading member shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of membership including the right to attend or vote at any meeting of the general body of trading members of the relevant segment, but it may be proceeded against by the relevant authority for any offence committed by it either before or after its suspension and the relevant authority authorized in that behalf shall not be debarred from taking cognizance of and adjudicating on or dealing with any claim made against it by other trading members.
- b) **Rights of creditors unimpaired:** The suspension shall not affect the rights of the trading members who are creditors of the suspended Trading Member;
- c) **Fulfillment of Contracts:** The suspended trading member shall be bound to fulfill contracts outstanding at the time of his suspension;
- d) **Further business prohibited:** The suspended trading member shall not during of its suspension make any trade or transact any business with or through a trading member provided that it may with the permission of the relevant authority close-out with or through trading member the transactions outstanding at the time of his suspension;

- e) **Trading Member not to deal:** No trading member shall transact business for or with or share brokerage with a suspended trading member during the terms of his suspension, except with the previous permission of the relevant authority.

7.6.7 Consequences of Expulsion

The expulsion of a trading member shall have the following consequences, namely:

- (a) **Trading Membership Rights forfeited:** The expelled trading member shall forfeit to ISE his right of trading membership and all rights and privileges as a trading member of ISE including any right to the use of or any claim upon or any interest in any property or funds of ISE but any liability of any such trading member of ISE shall continue and remain unaffected by his expulsion;
- (b) **Office vacated:** The expulsion shall create a vacancy in any office or position held by the expelled trading member.
- (c) **Rights of Creditors unimpaired:** The expulsion shall not affect the rights of the trading members which are creditors of the expelled trading member;
- (d) **Fulfillment of Contracts:** The expelled trading member shall be bound to fulfill transactions outstanding at the time of his expulsion and it may with the permission of the relevant authority close-out such outstanding transactions with or through other trading members;
- (e) **Trading Members not to deal:** No trading member shall transact business for or with or share brokerage with the expelled trading member except with the previous permission of the relevant authority.
- (f) **Consequences of declaration of defaulter to follow:** The provisions of Chapter 19 of the Bye-laws pertaining to default shall become applicable to the Trading Member expelled from the Exchange as if such Trading Member has been declared a defaulter.

7.6.8 Consequences of suspension from doing business

Suspension from doing business under the circumstances stated under Rule shall have the following consequences:

- a) **Suspension of right to trade:** The suspended Trading Member shall during the continuance of suspension from doing business be deprived of and excluded from all the rights and privileges of trading in Trading Platform of ISE, but he shall be bound to settle all outstanding transactions as on that date as per Rules, Bye-laws and Regulations of ISE

and for the restricted purpose of such outstanding settlement and fulfillment of his outstanding obligations and commitments, he shall participate in the delivery, pay-in and pay-out notwithstanding his suspension from doing business.

- b) **Rights of creditors unimpaired:** The suspension shall not affect the rights of the Traders / Dealers who are creditors of the suspended Trading Members;
- c) **Further business prohibited:** The suspended Trading Member shall not during the terms of his suspension from doing business make any trade or transact any business with or through a Trading Member provided that he may with the permission of the relevant authority close-out with or through Trading Member the transactions outstanding at the time of his suspension;
- d) **Trading Member not to deal:** No Trading Member shall transact business for or with or share brokerage with a suspended Trading Member during the terms of his suspension, except with the previous permission of the relevant authority.

7.6.9 Permission necessary for Legal Representation

Person shall have the right to be represented by professional counsel, attorney, advocate or other representative in any investigation or hearing before the relevant authority, unless the relevant authority or any other Committee unless the relevant authority or other Committee so permits.

7.6.10 Decision of relevant authority final and binding

After service of show cause notice and giving an opportunity of hearing to the concerned Trading Member, the relevant authority shall take final decision in accordance with the provisions stated in the Articles, Rules, Bye-laws and Regulations of ISE and all such decisions whatsoever shall be binding on the Trading Member.

7.6.11 Appeal

The Trading Member aggrieved with the decision of the relevant authority may file an Appeal before the Board and in such cases the Board shall, after considering the circumstances of the case and other facts, take decision in the matter, which may include reducing or revising the penalty or period of suspension or expulsion or confirming the same decision. All such decisions taken by the Board shall be final and binding on the Trading Member.

Provided that during the pendency of the Appeal before the Board, the original decision of the relevant authority shall remain effective unless otherwise decided by the Board.

7.6.12 Notice of Penalty and Suspension of Business

Notice shall be given to the trading member concerned and to the trading member in general by a notice on the trading system of ISE of the expulsion or suspension or default of or of the suspension of business by a trading member or of any other penalty imposed on it or on its partners, attorneys, agents, authorised representatives or other employees. The relevant authority may in its absolute discretion and in such manner as it thinks fit, notify or cause to be notified to the trading members of ISE or to the public that any person who is named in such notification has been expelled, suspended, penalized or declared a defaulter or has suspended his business or ceased to be a trading member. No action or other proceedings shall under any circumstances, be maintainable by such person against the Exchange or the relevant authority or any Officer or employee of ISE for the publication or circulation of such notification and the application for trading membership or the application for registration as the constituted attorney or authorized representative or by the person concerned shall operate as license and the Articles, Rules, Bye-laws and Regulations shall operate as leave to print, publish or circulate such advertisement or notification and be pleadable accordingly.

The Relevant authority for the purpose of this Chapter shall be the Disciplinary Action Committee as may be constituted by the Board of Directors from time to time. At any point in time, not less than eighty percent of the members of the Disciplinary Action Committee shall be from among non-trading members, who shall be nominated by the Exchange.

7.6.13 Consequence of suspension

The suspension of a trading member shall have the following consequences namely:

- (a) **Suspension of Membership Rights:** The suspended trading member shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of membership including the right to attend or vote at any meeting of the general body of trading members of the relevant segment, but it may be proceeded against by the relevant authority for any offence committed by it either before or after its suspension and the relevant authority shall not be debarred from taking cognizance of and adjudicating on or dealing with any claim made against it by other trading members;

- (b) **Rights of creditors unimpaired:** The suspension shall not affect the rights of the trading members who are creditors of the suspended trading member;
- (c) **Fulfillment of Contracts:** The suspended trading member shall be bound to fulfill contracts outstanding at the time of its suspension;
- (d) **Further business prohibited:** The suspended trading member shall not during the terms of its suspension make any trade or transact any business with or through a trading member provided that it may with the permission of the relevant authority close with or through a trading member the transactions outstanding at the time of its suspension;
- (e) **Trading Members not to deal:** No trading member shall transact business for or with or share brokerage with a suspended trading member during the terms of its suspension except with the previous permission of the relevant authority.

7.6.14 Consequence of expulsion

The expulsion of a trading member shall have the following consequences namely:

- (a) **Trading membership Rights forfeited:**
The expelled trading member shall forfeit to the Exchange its right of trading membership and all rights and privileges as a trading member of the Exchange including any right to the use of or any claim upon or any interest in any property or funds of the Exchange but any liability of any such trading member to the Exchange or to any trading member of the Exchange shall continue and remain unaffected by its expulsion;
- (b) **Office vacated:**
The expulsion shall create a vacancy in any office or position held by the expelled trading member;
- (c) **Rights of Creditors unimpaired:**
The expulsion shall not affect the rights of the trading members who are creditors of the expelled trading member;
- (d) **Fulfillment of Contracts:**
The expelled trading member shall be bound to fulfil transactions outstanding at the time of his expulsion and it may with the permission of the relevant authority close such outstanding transactions with or through a trading member;

(e) **Trading members not to deal:**

No trading member shall transact business for or with or share brokerage with the expelled trading member except with the previous permission of the relevant authority.

(f) **Consequences of declaration of defaulter to follow:**

The provisions of Chapter 19 of the Byelaws pertaining to default shall become applicable to the Trading Member expelled from the Exchange as if such Trading Member has been declared a defaulter.

7.6.15 Expulsion Rules to Apply

When a trading member ceases to be as such under the provisions of these Bye-laws, otherwise than by death, default or resignation, it shall be as if such trading member has been expelled by the relevant authority, and in that event all the provisions relating to expulsion contained in the Rules, Bye-laws and Regulations shall apply to such trading member in all respects.

7.6.16 Suspension of Business

(a) The relevant authority shall require a trading member to suspend its business when it fails to maintain or provide further security as prescribed in the Bye Laws and Regulations and the suspension shall continue until it pays the necessary amount by way of security.

(b) **Penalty for Contravention:** A trading member who is required to suspend its business under clause (a) shall be expelled by the relevant authority if it acts in contravention of the provisions of the Bye-laws.

7.6.17 Trading member's responsibility for Partners, Agents and Employees

A trading member shall be fully responsible for the acts and omissions of its, authorized officials, attorneys, agents, authorized representatives and employees and if any such act or omission is held by the relevant authority to be one which if committed or omitted by the trading member would subject it to any of the penalties as provided in the Rules, Bye-laws and Regulations of ISE, then such trading member shall be liable thereof to the same penalty to the same extent, as if such act or omission had been done or omitted to be done by itself.

7.6.18 Removal of Suspension

The suspension of business under the Rules shall continue until the Trading Member has been allowed by the relevant authority to resume business on

his paying such or deposit or on its doing such act or providing such thing as the relevant authority may require.

7.6.19 Removal or revocation of suspension or expulsion

The Board may frame rules and procedures for removal or revocation of expulsion or suspension of a Trading Member from Trading Membership rights and also the conditions and consequential effects relating thereto. The Board may decide that after revocation of expulsion/ suspension, such Trading Member shall make an additional deposit of such amount as may be prescribed by the relevant authority or that such Trading Member shall be subject to such cooling period, as may be prescribed by the relevant authority, before resuming trading rights or that such of the rights, as may be prescribed by the relevant authority, shall not be available to such Trading Member in future.

7.7 Trading members and others to testify and give information

A trading member shall appear and testify before and cause his partners, attorneys, agents, employees and authorized representatives to appear and testify before the relevant authority, or before other Committee(s) or any Officer of ISE authorized in that behalf, shall produce before the relevant authority or before other Committee(s) or an officer of the Exchange authorised in that behalf, such books, correspondence, documents, papers and records or any part thereof which may be in his possession and which may be deemed relevant or material to any matter under inquiry or investigation.

7.8 Imposition of Penalties

The penalty of suspension, withdrawal of any or all of the membership rights fine, censure or warning a may be inflicted singly or conjointly by the relevant authority. The penalty of expulsion may be inflicted by the relevant authority.

7.9 Pre-determination of Penalties

The relevant authority shall have the power to pre-determine the penalties, the period of any suspension, the withdrawal of particular membership rights and the amount of any fine that would be imposed on contravention, non-compliance, disobedience, disregard or evasion of any Article, Rules, Bye-laws or Regulations of ISE or of any resolution, order, notice, direction, decision or ruling thereunder of the Exchange, relevant authority or of any other Committee of the Exchange authorized in that behalf.

7.10 Commutation

Subject to the provisions of the Securities Contract (Regulation) Rules, 1957, the relevant authority in its discretion may in any case suspend a trading member in lieu of the penalty of expulsion or may withdraw all or any of the membership rights or impose a fine in lieu of the penalty of suspension or expulsion and may direct that the guilty trading member be censured or warned or may reduce or remit any such penalty on such terms and conditions as it deems fair and equitable.

7.10 Reconsideration / Review

Subject to the provisions of the Securities Contract (Regulation) Rules, 1957, the relevant authority may of its own motion or on appeal by the trading member reconsider and may rescind, revoke or modify its resolution withdrawing all or any of the membership rights or fining, censuring or warning any Trading Member. In the same manner, the relevant authority may rescind, revoke or modify its resolution expelling or suspending any Trading Member.

7.11 Failure to pay fines and penalties

If a trading member fails to pay any fine or penalty imposed on it within such period as prescribed from time to time by the relevant authority after notice in writing has been served on it by the Exchange it may be suspended/expelled/declared as defaulter by the relevant authority until it makes payment and if within a further period as prescribed from time to time it fails to make such payment it may be expelled by the relevant authority.