

# **PUNE STOCK EXCHANGE LTD.**

## **Memorandum and Articles of Association**

**'Shivleela Chambers', 752 Sadashiv Peth,  
R. B. Kumthekar Marg, Pune - 411030.**

**The Companies Act, 1956**  
**Company Limited by shares**

**MEMORANDUM OF ASSOCIATION**  
**OF**  
**PUNE STOCK EXCHANGE LIMITED**

- i) The Name of the Company is PUNE STOCK EXCHANGE LIMITED
- ii) The Registered Office of the Exchange will be situated in the state of Maharashtra, within the jurisdiction of Registrar of Companies, Pune.

- iii) The object for which the company is established are ;
- A) The main objects of the company to be pursued by the Company on its incorporation ;
1. To facilitate the transaction of business in stocks, shares and like securities on the stock exchange and to establish and provide for and manage clearing house for the transactions of the members.
  2. To support and protect the character and status of brokers, dealers and jobbers in stocks, shares and like securities and to further the interest of both brokers and the public dealing in Pune and elsewhere in Maharashtra and in India in stocks, shares and like securities and in stock exchange to promote honourable practice, to discourage and to suppress malpractices, to settle disputes amongst brokers, dealers and jobbers to decide all questions of usage, custom or courtesy in conducting the business of brokers, dealers and jobbers.
- B) The objects incident or ancillary to the attainment of the main objects:
3. To make rules and bye-laws regulating the mode and conditions in and subject to which the business on the Stock Exchange shall be transacted and the conduct of the persons transacting the same and generally for the good order and government of members of the exchange and from time to time to amend or alter such rules and regulations or any of them and to make any new, amended or additional rules or regulations for the purposes aforesaid ;
  4. To establish just and equitable principals and to settle points or practice and to decide upon any questions of business usage or courtesy between or among members of the Exchange.
  5. To regulate and fix the scale of commission and brokerage to be charged by member of the Exchange ;
  6. To protect the member of the Exchange amongst persons whose character or circumstances render them unworthy of credit ;
  7. To erect, construct, extend and maintain in Pune a suitable building to use as a place for the transaction of the business of the Exchange or of its members and for such other purposes of the Exchange as may be determined upon, and to erect, construct and maintain such other building or buildings as may be considered necessary or desirable for the purposes of the Exchange or for the use of the members thereof.
  8. To acquire by purchase, taking on lease or otherwise lands and buildings and all other property movable and immovable which the Exchange may from time to time think proper to acquire.
  9. To sell, improve, manage, develop, exchange lease or let under lease or sub-let, mortgage, turn to, account or otherwise deal with all or any part of the property of the Exchange.
  10. To construct upon any premises acquired for the purposes of the Exchange and to alter add to or remove any building upon such premises.

11. To borrow or raise any moneys required for the purposes of the Exchange upon such terms and in such manner and on such securities as may be determined and in particular by the issue of debentures charged upon all or any of the properties of the Exchange including its uncalled capital ;
12. To subscribe, to become a member and cooperate with any other association, whether incorporated or not, whose objects are altogether or in part similar to those of this Exchange and to procure from and communicate to any such association such information as may be thought likely to forward the objects of the Exchange ;
13. To invest the money of the Exchange not immediately required in such securities as may from time to time be thought fit ;
14. To remunerate any person or company for services rendered in placing or assisting to place or guaranteeing the placing of any debentures or other securities of the Exchange ;
15. To establish and support, or aid in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit members or employees or ex-employees of the Exchange or ex-members of the Exchange or the dependents or connection of any such persons and to grant pensions and allowances and to make payments towards insurance and to subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public general or useful object ;
16. To undertake and execute any trusts, the undertaking of which may seem to the Exchange desirable ;
17. To underwrite, float or subscribe for conditionally or unconditionally purchase or otherwise acquire and to hold, dispose of the deal in government securities, stocks, shares and securities of any company or any body incorporated or unincorporated.
18. To take or otherwise acquire and hold shares in any other company having objects altogether or in part similar to those of the Exchange or carrying on any business capable of being conducted so as directly or indirectly to benefit the Exchange.
19. To enter into any arrangements with any State Government or other authorities supreme, municipal, local or otherwise or any other company or body that may seem conducive to the objects of the Exchange or any of them and to obtain from any such State Government of authority or company or body any rights, privileges and concessions which the Exchange may think it desirable to obtain and carry out exercise and company with such arrangements rights privileges and concessions ;
20. To enter into partnership or into any agreement for sharing profits, union of interests, cooperation, joint ventures, reciprocal concessions or otherwise or any with any person or company carrying on or engaged in or about to carry on or engage in any business of transaction which the Exchange is authorized to carry on or engage in any business or transaction capable of being conducted so as directly or indirectly to benefit the Exchange and to lend money to guarantee the contracts of or otherwise assist any person or company and to take or otherwise acquire shares and securities of any such company

- and to sell, hold, re-issue with or without guarantee or otherwise deal with the same;
21. To promote any company or companies for the purpose of acquiring all or any of the property rights and liabilities of the exchange or for any other purpose which may seem directly or indirectly calculated to benefit the Exchange.
  22. To sell or dispose of subject to the provisions of Companies Act 1956, the undertaking of the Exchange or part thereof for such consideration as the Exchange may think fit and in particular for shares, debentures or securities of any other company having objects altogether or in part similar to those of the exchange ;
  23. To carry on business as financiers, promoters, concessionaires, managers, secretaries, treasurers and any other business which may be conveniently carried on with the above ;
  24. To encourage the settlement of dispute by arbitration to act as or to nominate arbitrators or umpires on such terms and in such cases as may seem expedient ;
  25. To make, draw, accept, endorse cheques, bills of exchange, promissory notes and other mercantile or commercial instruments ;
  26. To promote the consideration an discussion of all questions affecting the business of the exchange or of its members and allied businesses and generally to watch over and protect the interests of brokers, dealers, jobbers and investors in stocks, shares and like securities.
  27. To give the government legislatures and public bodies and others facilities of conferring with and ascertaining the views of the Exchange as regards matters directly or indirectly affecting the interests of brokers, dealers, jobbers and investors in stocks, shares and like securities;
  28. To petition, if necessary, to the legislatures or promote deputation in relation to general and particular measures affecting the business of the Exchange its members or, investors in stocks, shares and like securities and to procure changes in law or in practice regarding the same ;
  29. To promote or oppose legislative and other measures affecting the commercial, industrial and investing interest ;
  30. To collect and circulates statistics and other information relating to stocks, shares and like securities ;
  31. To print, publish and circulate such papers, periodicals, books and circulars as may seem conducive to any of these objects ;
  32. To communicate with chambers of commerce and other mercantile bodies throughout the world and consult and promote measures for the protection and advancement of the objects of the Exchange ;
  33. To improve and elevate the technical and business knowledge of persons engaged in or about to be engaged in trade, banking, commerce or company administration or dealing in stocks, shares and like securities or in connection therewith and with a view thereto to provide for delivery of lectures and holding of classes and to test by examination or otherwise the competence of such persons and to award certificates and diplomas and to institute and establish scholarships grants and other benefactions ;

34. To receive moneys, securities and valuables of all kinds on deposits or safe custody with or without remuneration thereof and on such terms and conditions as the Exchange may deem fit ;
35. To make advances on the security of any bonds, shares or real and personal property of any kind and on such terms as the exchange may deem fit ;
36. To undertake and to act as clearing house for delivery and payment of shares, stocks, debentures, government securities and otherwise both for members as well as for the investing public and do all acts either banking or financial which may be required to be done in connection with the clearing house and to perform and carry out the various kinds of business incidental to and connected therewith ;
37. To do all or any of the above things in any part of the world and as principals, agents, contractors, trustees or otherwise and by or through trustees agents or otherwise and either alone or in conjunction with other;

C) Other objects – Nil.

AND IT IS HEREBY DECLARED that the objects set forth in any sub-clause of this clause shall not except where the context expressly so requires, be in anywise limited or restricted by reference to or inference from the terms of any other sub-clause or by the name of the Exchange. None of the sub-clauses of this clause nor the objects herein nor the power thereby conferred shall be deemed subsidiary or auxiliary merely to the objects mentioned in the first sub-clause of this clause but that the Exchange shall have full power to exercise all or any of the powers conferred by any part of this clause in any part of the world notwithstanding that the business undertaking property or acts proposed to be transacted acquired, dealt with or performed do not fall within the objects of the first sub-clause of this clause.

- iv) The liability of the members is limited.
- v) The Authorised Share Capital of the Company is Rs 25,00,000 (Rupees Twenty Five Lakhs only) divided into 25,00,000 (Twenty Five Lakhs) equity shares of Re.1 [ Rupee one each only] with power to increase and reduce the capital from time to time and divide the share capital of the company into several classes and to attach thereto respectively preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Company.

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this Memorandum of Association.

Dated this 01/06/11

**The Companies Act, 1956**  
**Company Limited by shares**

**ARTICLES OF ASSOCIATION**  
**OF**  
**PUNE STOCK EXCHANGE LIMITED**

1. Regulations in Table A in the first schedule to the Companies Act, 1956 shall apply to this Company except in so far as they are inconsistent with any of the provisions contained in these Regulations and except in so far as they are hereinafter expressly or impliedly excluded or modified.



**1 (a)**

“The Exchange” means The Pune Stock Exchange Limited.

**1 (b)**

“Member” means any individual and corporate body who is the trading member of the Pune Stock Exchange Limited holding trading rights unless the otherwise expressly stated.”

**1(c)**

“Office” means the Registered Office of the Exchange.

**1(d)**

“Rules “ include Memorandum and Articles of Association.

**1(e)**

“The Bye laws “ mean the Bye-law of the Exchange for the time being in force.

**1(f)**

“The Act” mans the Companies Act, 1956, or the Securities Contracts (Regulation) Act, 1956, whichever is applicable under the context and includes every statutory modification or replacement thereof.

**1(g)**

“The Register” means the Register of Members of the Exchange to be kept in pursuance to Sec. 150 of the Act.

**1(h)**

“Month” means English Calendar Month.

**1(i)**

“ Year” means English Calendar year commencing from 1<sup>st</sup> January and ending with 31<sup>st</sup> December.

**1(j)**

“ The Council” or “ Council of Management “ shall mean the Council of Management for the time being acting through at least a quorum of them or in such manner as may be provided for in these presents and includes a meeting of the Council of Management duly called and constituted and the Council of Management shall be deemed to be the Board of directors of the Exchange within the meaning of the Act.

**1 (k)**

“Seal” means the common seal for the time being of the Exchange.

**1(l)**

“In writing” includes printing, typewriting, lithography and any other usual substitute for writing.

**1(m)**

Words importing persons include corporations, firms, joint families or joint stock concerns.

**1(n)**

Words importing the masculine gender shall include the feminine gender and vice versa.

**1(o)**

Words importing the singular shall include the plural and vice versa.

**1(p)**

Unless otherwise defined in these presents or unless the context require or indicates a different meaning, any word or expression occurring in these presents shall bear the same meaning as in the Securities Contract (Regulation) Act 1956, and Securities & Exchange Board of India Act 1992 and or any statutory rules framed thereunder.

**1 (q)**

Unless otherwise defined in these presents or unless the context require or indicates a different meaning, the word Chairman or expression occurring in these presents shall bear the same meaning as President.

**1 (r)**

Unless otherwise defined in these presents or unless the context require or indicates a different meaning, the word Managing Director or expression occurring in these presents shall bear the same meaning as Executive Director.

**1 (s)**

Unless otherwise defined in these presents or unless the context require or indicates a different meaning, the word Governing Board or expression occurring in these presents shall bear the same meaning as Council or Council of Management.

**1 (t)**

“Trading member” means an individual or a partnership firm, a company (as defined under the Companies Act) or a body corporate carrying on the business of Stock Broking at the Stock Exchange.

**MEMBERSHIP :**

**2.** Individuals, Companies and Financial Institutions are eligible for membership of the Exchange. The maximum number of members shall be five hundred (500).

**ELECTION / SELECTION OF NEW MEMBERS / TRADING MEMBERS****3.1 Legal Requirements / Position**

**3.1.1 Number of Members / Trading Members**

Subject to the provisions of the SC(R) Act and SC(R) Rules and the provisions of the SEBI Act and the Rules and Regulations made there under:

**3.1.1.1** the membership of the Exchange shall consist of such number of members as the General Meeting of the Exchange may determine from time to time, and/ or

**3.1.1.2** the trading membership of the Exchange shall consist of such number of trading members as the General Meeting of the Exchange may determine from time to time.

**3.1.2 Membership / Trading Membership - a Personal Privilege**

The membership / trading membership shall constitute a personal permission from the Exchange to exercise the rights and privileges attached thereto subject to the Articles, Bye-laws and Regulations of the Exchange.

**3.1.3 Right of Membership / Trading Membership Inalienable**

A membership / trading membership shall not assign, mortgage, pledge, hypothecate or charge his right to membership / trading 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 membership / trading membership other than the personal right or interest of the member / trading member therein be recognised by the Exchange. The Governing Board shall expel any member / trading member of the Exchange who acts or attempts to act in violation of the provisions of this Articles.

**3.1.4 Forfeited or Lapsed Right of Membership / Trading Membership**

A member's /trading member's right of membership / trading membership shall lapse or forfeit to or vest in the Exchange ipso facto upon such member / trading member being declared a defaulter / deemed defaulter or expelled under the Articles, Bye-laws or Regulations of the Exchange for the time being in force, and it shall belong absolutely to the Exchange free of all rights, claims or interest of such member / trading member or any person or authority claiming through or against such member / trading member, and the Governing Board shall be entitled to deal with or dispose off such right of membership / trading membership, as it may think fit.

**Explanation:** In case where a member / trading member had obligations, engagements or dues outstanding and such member / trading member expires before his fulfilment to the Exchange / Clearing House/Clearing Corporation/ Settlement Guarantee Fund, such member / trading member shall be declared a deemed defaulter by the Governing Board, if the legal heirs or legal representatives of the deceased member/trading member fail to fulfil such obligations, engagements or dues as per the stipulated and pre-notified schedule. As a result, the same consequences shall follow as in case of declaration of a defaulter.

**3.1.5 Failure to Pay Subscription and Other Fees**

Save as otherwise provided in the Articles, Bye-laws and Regulations of the Exchange, if a member/trading member fails to pay his annual subscription, fees, charges or other monies which may be due by him to the Exchange/Clearing House/Clearing Corporation/Settlement Guarantee Fund, within two months after notice, in writing, has been served upon him by the Officer of the Exchange authorised in that behalf, he may be suspended by the Disciplinary Action Committee until he makes payment, and if within a further period of six months he fails to make such payment, he renders himself liable for expulsion by the Governing Board.

	<p><b>3.1.6 Membership / Trading Membership Selection Committee</b>  The Governing Board shall nominate a Membership/Trading Membership Selection Committee, with the previous approval of SEBI, consisting of such number of persons as maybe decided by the Governing Board subject, however, to the ration of 40:60 between persons who are members of the stock exchange and persons who are not members of the stock exchange, with a specific responsibility to screen the applications for admission to membership / trading membership of the Exchange.</p>
	<p><b>4.1 Conditions Precedent for Eligibility</b></p> <p><b>4.1.1 For Individuals</b>  No person shall be eligible to be qualified as a member / trading member, if such person is less than 21 years of age;</p> <p><b>4.1.2 Non - Citizens of India</b>  A person, who is not a citizen of India, is eligible to be admitted as a member / trading member, if he complies with laws and rules of the country of which he is a citizen, applicable to such a person, besides laws, rules, bye-laws and regulations applicable to such a person in India.</p> <p><b>4.1.3 For Firms</b>  A partnership firm as such shall not be eligible for membership / trading membership of the Exchange.</p> <p><b>4.1.4 For Companies/Bodies Corporate</b>  A company / body corporate shall be eligible to be admitted / selected as a member / trading member of the Exchange, if such a company / body corporate fulfils the following legal and financial requirements and other norms for admission.</p> <p><b>4.1.4.1 Legal Requirements</b>  A company as defined in the Companies Act, 1956 (1 of 1956) shall be eligible to be elected / selected as a member / trading member of the Exchange if -</p> <p><b>4.1.4.1.1</b> such company is formed in compliance with the provisions of Section 322 of the said Act;</p> <p><b>4.1.4.1.2</b> a majority of the directors of such company are shareholders of such company and also members / trading members; and</p> <p><b>4.1.4.1.3</b> the directors of such company, who are members / trading members of the Exchange, have unlimited liability in such company; Provided that where the Securities and Exchange Board of India makes a recommendation in this regard the Governing Board of the Exchange shall, in relaxation of the requirements of this clause admit as member / trading member, the following corporations, companies or institutions (collectively referred to as “the financial corporation”) namely</p> <p><b>i.</b> The Industrial Finance Corporation of India established under the Industrial Financial Corporation Act, 1948 (15 of 1948);</p> <p><b>ii.</b> The Industrial Development Bank Of India established under the Industrial Development Bank of India Act, 1964 (18 to 1964);</p> <p><b>iii.</b> The Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 to 1956)</p> <p><b>iv.</b> The General Insurance Corporation of India constituted under the General Insurance Corporation (Nationalisation) Act, 1972 (57 of 1972);</p> <p><b>v.</b> The Unit Trust of India, established under the Unit Trust of India Act, 1963 (52 of 1953);</p> <p><b>vi.</b> The Industrial Credit and Investment Corporation of India Limited, a company registered under the Companies Act, 1956 (1 of 1956); and</p>

vii. The subsidiaries of any of the corporations or companies specified in (i) to (vi) above and any subsidiary of the State Bank of India or any Nationalised Bank set up for providing merchant banking services, buying and selling securities and other similar activities.

**4.1.4.2** A company as defined in the Companies Act, 1956 (1 of 1956) shall also be eligible to be elected / selected as a member / trading member of a Stock Exchange, if –

**4.1.4.2.1** such company is formed in compliance with the provisions of Section 12 of the said Act; and

**4.1.4.2.2** such company undertakes to comply with such financial requirements and norms as may be specified by the Securities and Exchange Board of India for registration of such company under sub-section (I) of Section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

#### **4.1.4.3 Disqualification of Designated Directors/Nominees**

The designated directors/ nominees of a company/body corporate are not disqualified to be eligible for being members / trading members of a stock exchange under clause (1) [except sub-clause (b) or sub-clause (f) thereof] or clause (3) (except sub-clause (a) and sub-clause (f) thereof] of Rule 8 of the SC(R) Rules and the designated directors/nominees of the company/body corporate had not held the office of the designated directors/nominees in any company/body corporate, which has been a member / trading member of the Stock Exchange and had been declared defaulter or expelled by the Stock Exchange.

#### **4.1.4.4 Age of Designated Directors/ Nominees**

In the case of a company/body corporate, whose affairs are being managed by the designated directors/ nominees and who are accountable and responsible to the Exchange, the retiring age for such directors / nominees shall be as per the provisions of the Companies Act or the relevant law, as the case may be.

#### **4.1.4.5 Minimum Experience**

Not less than two directors /nominees of the company/body corporate, acting as designated directors /nominees, shall possess a minimum of two years' experience-

**4.1.4.5.1** in dealing in securities; or

**4.1.4.5.2** as portfolio managers; or

**4.1.4.5.3** as investment consultants

#### **4.1.4.6 Other Business**

A designated director /nominee of a company/body corporate which is a member/trading member of the Exchange shall not carry on any business either as a sole proprietor or as a designated partner of a firm or as a designated director /nominee of any other company/body corporate, which is a member/trading member of the Exchange, or hold office or place of profit as a designated director/nominee of any other company/body corporate as long as he acts as a designated director/ nominee of the company/body corporate.

#### **4.1.4.7 Financial Requirements**

##### **4.1.4.7.1 Minimum Paid-up Capital**

A company seeking admission as a member / trading member of the Exchange shall have a minimum paid-up capital as may be specified by SEBI from time to time in addition to the value / consideration paid for acquiring membership / trading

membership right of the Exchange.

#### **4.1.4.7.2 Maintenance of Net Worth**

A member / trading member shall, at all times, maintain a net worth (i.e., the aggregate of paid up capital + free reserves) which shall conform to and be computed as per the norms as may be specified by SEBI from time to time.

#### **4.1.4.7.3 Additional Financial and Other Requirements**

A member / trading member shall, in addition to the Prescribed Articles in these presents in these presents, also satisfy such other financial requirements as may be specified by SEBI and / or by the Exchange from time to time.

#### **4.1.4.8 Promoters' Identity and Undertaking**

A company/body corporate seeking admission as a member / trading member shall be required to disclose the identity of its promoters who are individuals. In case such a company is a subsidiary as defined under the Companies Act, then the identity of promoters of the holding company and if there is a chain of holding companies, then the identity of promoters of each of the holding companies in the chain is required to be disclosed. Such company/body corporate shall ensure that the promoters are not disqualified, from being a member / trading member of the Exchange under clause (1) [except sub-clause (b) or sub-clause (f) thereof] or clause (3) [except sub-clause (a) and sub-clause (f) thereof] of Rule 8 of the SC(R) Rules, or under the conditions of eligibility prescribed herein above, in respect of a new member / trading member.

#### **4.1.4.9 Approval from the Exchange for Change in Shareholding Pattern**

Subject to such terms and conditions as the Governing Board may prescribe from time to time and with the prior written approval of the Governing Board, transfer of the membership/trading membership right may be effected as follows:

**4.1.4.9.1** by making nomination under these Articles;

**4.1.4.9.2** by an amalgamation or merger of a member/ trading member company/ body corporate;

**4.1.4.9.3** by take-over of a member / trading member company;

**4.1.4.9.4** by transfer of the membership / trading membership of a member / trading member firm to a new firm, in which, all the existing partners are not partners; and

**4.1.4.9.5** by two or more members / trading members coming together to form a new partnership firm / company.

#### **4.1.5 General Conditions**

No person shall be eligible to be qualified as a member / trading member, if such person

##### **4.1.5.1 Educational Qualification**

has not passed graduation / degree examination of a recognised university from any discipline or such higher qualification, as may be prescribed by the Governing Board from time to time; provided wherever any member / trading member with less qualification has already been admitted prior to these Articles coming into force, such member / trading member would be allowed to continue without acquiring the prescribed qualification.

##### **4.1.5.2 Professional Qualification**

has not passed the Certificate / Diploma course or examination as may be recognised by SEBI from time to time;

##### **4.1.5.3 Past Experience**

has not worked for not less than two years as partner with or as a sub-broker / remisier, or as an assistant in the dealing room or in the back office of a member / trading member, or as a dealer in securities, or as a portfolio manager, or as an investment consultant; or does not succeed to the established business of a deceased or retiring member / trading member, who is his family member, where he has worked for a minimum period of two years, unless he agrees to work for a minimum period of two years or such period short of the period of two years specified above, as a partner or to work for such period as a representative member/representative trading member with another member / trading member and enter into transactions on the automated trading system of the Exchange not in his own name but in the name of such other member / trading member.

**4.1.5.4 Common Applicability of Conditions**

the general conditions referred to in Prescribed Articles in these presents in these presents shall apply, in like manner, in case of a partnership firm to atleast two of its designated partners and in the case of a company / body corporate, to its designated directors/nominees.

**4.1.5.5 Financial Soundness**

does not have a minimum net worth, does not possess a minimum working capital of cash and / or marketable securities, and does not possess assets belonging to himself and / or his spouse or children of such nature and value as the Governing Board may from time to time determine and consider acceptable;

**4.1.5.6 Bankruptcy**

has been adjudged bankrupt or a receiving order in bankruptcy has been made against him or he has been proved to be insolvent even though he has obtained his final discharge;

**4.1.5.7 Compounded with Creditors**

has compounded with his creditors unless he has paid 100 paise in a Rupee;

**4.1.5.8 Fraud**

has been convicted of an offence involving fraud or dishonesty;

**4.1.5.9 Unsound Mind**

has been found to be of unsound mind, by a court of competent jurisdiction;

**4.1.5.10 Insolvent**

has applied to be adjudicated as an insolvent and the application is pending;

**4.1.5.11 Moral Turpitude**

has been convicted by a court of competent jurisdiction of any offence involving fraud or dishonesty or moral turpitude and sentenced in respect thereof to imprisonment for more than six months, and a period of five years has not elapsed from the date of expiry of the sentence;

**4.1.5.12 Other Business**

has been engaged as principal or employee in any business other than that of securities or stock broking except as a broker or agent not involving any personal financial liability unless he undertakes to sever his connection with such business within a period of not more than three months from the date this requirement comes into force.

**4.1.5.13 Expelled Member / Trading Member or Defaulter**

has been at any time expelled or declared a defaulter by any other stock exchange;

**4.1.5.14 Guilty of Contravention**

has been punished for contravention of any of the provisions of the SC(R) Act and/or the SEBI Act or any rules or regulations made thereunder or any other applicable Act or any rules or regulations made thereunder and a period of two years or any longer period, as may have been specified by SEBI in its order, has not elapsed from the date

of order of punishment, and in case such person is sentenced to imprisonment by a competent Court of Law, a period of five years has not elapsed from the date of expiry of sentence.

#### **4.1.5.15 Previous Rejection**

has been previously refused admission to membership/trading membership unless a period of one year has elapsed since the date of such rejection; Provided that the Governing Board may waive compliance with conditions under Prescribed Articles in these presents in these presents, if the person seeking admission is in respect of means, position, integrity, knowledge and experience of business in securities considered by the Governing Board to be otherwise qualified for membership / trading membership.

### **4.2 Other Norms**

#### **4.2.1 Other Financial Requirements And Norms**

The company undertakes to comply with such financial requirements and norms as may be specified by SEBI for registration of such company under sub-section 1 of Section 12 of the SEBI Act.

#### **4.2.2 Specifying Stock-broking and Allied Activities as Main Objects**

The main objects in the objects clause of the Memorandum of Association of the company / body corporate should be confined mainly to stock-broking business. However, the main objects may also include allied matters such as acting as underwriter, broker to the issue, dealer in securities, buying and selling of shares and securities, merchant banking, market maker, registrar to the issue, share transfer agent, investment business, portfolio management, investment counsel, fixed deposit broker, financial consultant, financial and discount broker, and adviser / manager / co-manager to the issue.

#### **4.3 Branch Office**

No member / trading member of the Exchange shall open a Branch office anywhere without the prior approval of the Exchange.

#### **4.4 Compliance Officer**

Every member / trading member of the Exchange shall appoint a compliance officer, who shall be solely accountable for ensuring compliance of all the statutory requirements of the member / trading member, as may be prescribed by the Exchange / SEBI from time to time. If any member / trading member fails to appoint a compliance officer, the individual in the case of an individual member / trading member or the designated partners in the case of a partnership firm or the designated directors / nominees in the case of a company / body corporate, as the case may be, shall be deemed to have assumed himself / themselves the accountability of the compliance officer until such time the compliance officer is appointed. The name of the compliance officer should be communicated to the Exchange.

### **5. ELECTION OF MEMBERS :**

#### **5(a)**

Every application for election shall be made in writing in accordance with the form prescribed by the Council of Management and signed by the applicant.

#### **5 (b)**

The application shall be accompanied by sum of Rs.5,000/- as Annual Subscription and Rs. 25,000/- as admission fees which shall be appropriated by the Exchange as follows :



- i) If for any reason the application is rejected, the amount shall be refunded to the applicant.
- ii) If the applicant is elected for admission, the sum shall be adjusted towards the membership subscription.
- iii) If the applicant having been elected for admission does not choose to become a member by performing such acts as are prescribed under these presents in that behalf within 2 months from the date of election the said sum shall be forfeited to the Exchange ; provided that if any person is nominated under the provisions of Articles, then the admission fee payable by such applicant shall be Rs. 100/-.
- iv) Admission and Annual Subscription to be paid by financial corporation shall be at twice the rate payable by a individual member.

**5 (c).**

All applications for election for membership shall be forwarded to the secretary of the Exchange who shall cause the name of the applicant to be posted on the Notice Board of the Exchange not less than 10 days previous to the date of the meeting at which the application for election shall be considered by the Council of Management. Any objections for the applicant being elected, may be communicated in writing by any member, to the secretary for the information of the council within 9 days of the posting of the said notice. All such communications shall be treated as strictly private and confidential.

**5 (d)**

after the expiry of the period prescribed for communicating the objections to an application for election, the application together with all objections and reports relating to such application, which may have been received shall be placed before the Council.

**5(e)**

The candidate for election and his recommenders shall if required by the Council appear personally before any meeting of the council and answer all questions which may be put to him.

**5(f)**

On the expiration of the period of 10 days set out in Article 6 (a) above and after considering any objections received from any member or any other objection which may come to the knowledge of the Council by inquiry or otherwise the Council shall then decide on the application.

**5(g)**

The Council may elect the applicant for admission provided that he satisfies the conditions set out in Article 6, or the Council may at its absolute discretion reject any application for election without assigning any reason. The Council shall act by majority of votes cast, of not less than two-third of the members of the Council present subject to a minimum of three votes, fractions to be rounded off as one.

**5(h)**

Where, however, a retiring member or the legal heirs of a deceased member nominates a person eligible for election for admission under these presents, to succeed

to the established business of the retiring or deceased member who is his father, uncle, brother or any other person who in the opinion of the Council is a close relative, such nominee shall be elected for admission provided he is otherwise qualified and eligible for election for admission under these presents.

**5(i)**

The Council may at any time from the date of election cancel the election and expect a member if he has in or at the time of his application for election or during the course of the inquiry made by the council of management preceding his election.

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

**5(j)**

When an applicant is elected, intimation of his election shall be sent to him and also posted on the notice board of the Exchange.

**5(k)**

The applicant elected for admission shall as condition precedent to his registration as a member :

- i) acquire and submit to the council for registration a certificate for making payment towards the admission fees of the Exchange.
- ii) Pay to the Exchange a deposit hereinafter referred to as the security deposit of Rs. 20,000/-
- iii) Furnish to the Exchange a bank guarantee as a part of the Security Deposit for an amount of Rs. 50,000/- or of such amount as may be decided from time to time.

Provided that any additional deposit which may be required to be deposited by any member, under any provision of the Bye-laws and Regulations shall be deposited by him within such time and on such occasion as the Bye-laws and Regulations may prescribed and any member who fails to make such additional deposit shall on default be suspended from the privilege of membership. Any additional deposit shall be deemed to be a part of the security deposit.

## **6. Admission Fee / Annual Subscription**

### **6.1.1 Admission Fee**

A newly admitted member / trading member shall, on admission, whether nominated or not, pay, within such period as decided by the Governing Board, the admission fees as the Governing Board may determine from time to time.

### **6.1.2 Annual Subscription**

A newly admitted member/trading member shall, on admission, pay, within fifteen calendar days of receipt of intimation of such admission, the annual subscription for the year of admission as decided by the Governing Board from time to time. The annual subscription for the relevant financial year shall be payable by the member/trading member within thirty calendar days of the commencement of the financial year.

### **6.1.3 Failure to Pay Admission Fee or Annual Subscription**

If a newly admitted member / trading member fails to pay, admission fee or annual subscription, within the stipulated period, his election/selection shall be deemed null and void and such person, whether an individual or a partnership firm or a company/body corporate, shall be deemed never to have been elected / selected a member / trading member.

### **6.1.4 Other Charges or Fees**

A member / trading member / designated partner shall pay such other charges and / or fees at such time and in such manner as may be determined by the Governing Board from time to time.

## **6.2 For Members / Trading Members or Designated Partners of Partnership Firms, Representative Members/Trading Members**

### **6.2.1 Base Minimum Capital / Security Deposit**

#### **6.2.1.1 Provision as to Base Minimum Capital / Security Deposit**

A new member/trading member shall, not later than thirty calendar days from the date of intimation in writing by the Exchange conveying about admission, shall provide Security Deposit in the form of base minimum capital of a sum as may be decided by the Governing Board or be specified by SEBI from time to time and shall maintain

such base minimum capital / Security Deposit with the Exchange or the Clearing Corporation at all times, except when working as a representative member / trading member. Provided, however, that if a member's/trading member's family member be admitted to partnership firm which is admitted as member/trading member, such person shall not be required to provide any amount towards base minimum capital/ Security Deposit during the period such person continues to be a designated partner with the partnership firm of the concerned member/trading member.

**6.2.1.2 Form of Base Minimum Capital/Security Deposit for Members / Trading Members, Designated Partners, Representative Members / Trading Members**

The base minimum capital / Security Deposit to be paid by a member/trading member or designated partner or representative member/ trading member shall be provided by depositing cash, deposit receipt of an approved bank or bank guarantee of an approved bank or in approved securities subject to such terms and conditions as the Governing Board or SEBI may from time to time stipulate. The proportion in which cash, fixed bank deposit, bank guarantee and approved securities be provided, the proportion of cash deposit that shall not carry any interest and the percentage of margin for the purpose of valuation of approved securities deposited to meet with the requirements of the base minimum capital / Security Deposit shall be as decided by the Governing Board or SEBI from time to time.

**6.2.1.3 Manner of Holding of Base Minimum Capital / Security Deposit**

Fixed Bank Deposit Receipts and approved securities, required to be maintained by a member/trading member, shall be transferred to and held in the name of a Clearing Bank authorised by the Governing Board or in the name of the Exchange or in the name of the Clearing Corporation, where the clearing and settlement operations of the Exchange are managed by the Clearing Corporation. Such deposits shall be entirely at the risk of the member/trading member providing the base minimum capital/ Security Deposit but it shall be held by the Bank or the Exchange or the Clearing Corporation, as the case may be, solely for and on account of the Exchange at the absolute discretion of the Exchange without any right whatever on the part of such member/trading member, or those in his right, to call in question the exercise of such discretion.

**6.2.1.4 Manner of Holding Base Minimum Capital / Security Deposit of Representative Member / Trading Member**

Fixed Bank Deposit Receipts and approved securities, required to be maintained by a representative member/ trading member, shall be transferred to and held in the name of a Clearing Bank authorised by the Governing Board or in the name of the Exchange or in the name of the Clearing Corporation where the clearing and settlement operations of the Exchange are managed by the Clearing Corporation. Such deposits shall be entirely at the risk of the representative member/ trading member providing the base minimum capital but it shall be held by the Bank or the Exchange or the Clearing Corporation, as the case may be, solely for and on account of the authorising member. Provided, however, that the authorising member/trading member shall have a subsequent charge and/or lien on the base minimum capital / Security Deposit after the charge and/or lien of the Exchange for the due fulfilment of the engagements, obligations and liabilities of the representative member/ trading member as provided in the Articles, Bye-laws and Regulations of the Exchange.

**6.2.1.5 Value of Base Minimum Capital / Security Deposit to be Maintained**

The member/trading member or designated partner or representative member/ trading member, providing base minimum capital / Security Deposit in the form of approved securities, shall always maintain the value thereof at not less than the sum prescribed by the Governing Board or SEBI under Prescribed Articles in these presents in these presents and the member/trading member or designated partner or representative member/ trading member shall be required to deposit deficient amount, if any, within a maximum period of five working days from the date of intimation in writing by the officer of the Exchange authorised in that behalf to such member/trading member or designated partner or representative member / trading member.

**6.2.1.6 First Charge/Paramount Lien on Base Minimum Capital / Security Deposit**

The base minimum capital/ Security Deposit provided by a member/trading member or designated partner or representative member/ trading member shall be subject to a first charge and paramount lien on any sum due to the Exchange or to the Clearing House by him or by the partnership of which he is a designated partner or by the company/body corporate in which he is a designated director/nominee or holds a place of profit or has holding in share capital as one of the promoters. Such base minimum capital / Security Deposit shall also be subject to further charge and paramount lien for the purpose of fulfillment of his engagements, obligations and liabilities or of the partnership of which he is a designated partner or of the company/body corporate in which he is a designated director/nominee or holds a place of profit or holds share capital as one of the promoters, arising out of or incidental to any transactions made subject to the Articles, Bye-laws and Regulations of the Exchange or anything done in pursuance thereof.

**6.2.1.7 Change of Securities**

A member/trading member or designated partner or representative member/trading member may withdraw any approved security provided by him, once in every calendar quarter, if he first provides in lieu thereof other approved security of sufficient value and as notified by the Exchange.

**6.2.1.8 Conditions of Other Approved Securities**

All further and other approved securities provided by a member / trading member or designated partner or representative member / trading member shall be subject to the same conditions as the approved securities originally provided.

**6.2.1.9 Return of Base Minimum Capital / Security Deposit to Members / Trading Members or Designated Partners or Representative Members/ Trading Members**

On the termination of his membership/trading membership or on his surrender of membership/trading membership or on buyback of his membership/trading membership or on his death, the base minimum capital/ Security Deposit not applied under the Articles, Bye-laws and Regulations of the Exchange shall, at the cost of the member/trading member or designated partner or representative member/ trading member, be repaid subject to such terms and conditions as may be decided by the Governing Board from time to time and transferred either to him or as directed by him or in the absence of such direction to his legal heirs/legal representatives.

**6.2.1.10 Suspension on Failure to Maintain Base Minimum Capital / Security Deposit**

When a member/trading member or designated partner or representative member /

trading member fails to provide base minimum capital / Security Deposit as provided under Prescribed Articles in these presents in these presents, the Managing Director shall order deactivation of the trader work station/s suspending his business forthwith. A broadcast message of such deactivation shall immediately be released for information of other members/trading members and such deactivation shall continue until further capital is provided by the defaulting member/trading member to meet with the requirement of base minimum capital.

#### **6.2.1.11 Letter of Declaration**

A member / trading member or designated partner or representative member / trading member providing base minimum capital under the provisions of the Articles of the Exchange shall sign a letter of declaration in the form prescribed to these Articles for individual members/trading members and for persons other than individual members / trading members.

#### **6.2.1.12 Nomination Form for Return of Base Minimum Capital/ Security Deposit and Other Credit Amounts / Securities Lying with the Exchange/Clearing Corporation**

A member / trading member may lodge with the Exchange nomination in the form prescribed for repaying / returning the base minimum capital / Security Deposit and other credit amounts / securities / collateral lying with the Exchange / Clearing Corporation.

### **6.3 For Remisiers**

#### **6.3.1 Annual Fee**

A member / trading member shall be required to pay the annual fee as the Governing Board may prescribe from time to time within two working days of admission of a remisier appointed by him.

#### **6.3.2 Other Charges or Fees**

A remisier shall pay such other charges and / or fees at such time and in such manner as may be determined by the Governing Board, from time to time.

#### **6.3.3 Base Minimum Capital / Security Deposit**

##### **6.3.3.1 Provision as to Base Minimum Capital / Security Deposit**

The employing member/trading member shall require a remisier to provide base minimum capital / Security Deposit of such sum as may be decided by the Governing Board or SEBI from time to time immediately upon registration and shall maintain such base minimum capital / Security Deposit with the Exchange at all times during the period he continues to be a remisier with such member/trading member.

##### **6.3.3.2 Form of Base Minimum Capital / Security Deposit**

The proportion in which cash, fixed deposit receipt of an approved bank, bank guarantee or approved securities, the proportion of cash deposit that shall not carry any interest and the margin for the purpose of valuation of approved securities deposited to meet with the requirement of the base minimum capital/ Security Deposit shall be as may be decided by the Governing Board or SEBI from time to time.

**6.3.3.3 Manner of Holding of Base Minimum Capital / Security Deposit**

Fixed Bank Deposit Receipts and approved securities, required to be maintained by a remisier, shall be transferred to and held in the name of a Clearing House authorised by the Governing Board or in the name of the Exchange or in the name of the Clearing Corporation where the clearing and settlement operations of the Exchange are managed by the Clearing Corporation. Such deposits shall be entirely at the risk of the member/trading member providing the base minimum capital but it shall be held by the Bank or the Exchange or the Clearing Corporation, as the case may be, solely for and on account of the member/trading member for whom remisier is working.

**6.3.3.4 First Charge or Paramount Lien on Base Minimum Capital / Security Deposit**

The member/trading member for whom a remisier is working shall have a first charge or paramount lien on the base minimum capital for the due fulfilment of his engagements, obligations or liabilities arising out of or incidental to any transaction made with him or on his behalf or with or on behalf of his clients subject to the Articles, Bye-laws and Regulations of the Exchange or anything done in pursuance thereof.

**6.3.3.5 Letter of Declaration**

A remisier providing base minimum capital under the provisions of the Articles of the Exchange shall sign a letter of declaration in the form prescribed to these Articles.

**6.3.3.6 Return of Base Minimum Capital / Security Deposit**

On the termination of his employment or on his resignation or in the event of his death, base minimum capital / Security Deposit not applied under the Articles, Bye-Laws and Regulations of the Exchange shall, at the cost of the remisier, be repaid and transferred to him or as directed by him in the form prescribed to these Articles or in the absence of such direction to his legal heirs/legal representatives.

**6.4 Approved Users****6.4.1 Annual Subscription**

The member/trading member employing approved users operating the trader work station/s shall pay to the Exchange the annual subscription as the Governing Board may from time to time prescribe in this behalf.

**6.4.2 Other Charges/Fees**

The employing member/trading member shall pay to the Exchange such charges/fees in respect of approved users operating the trader work station/s at such time and in such manner as may be determined by the Governing Board from time to time.

**6.5 Remuneration of Agents and Employees**

No agent or employee of a member/trading member shall be paid any remuneration other than a fixed salary. The salary shall not vary with the business though it may be supplemented by a reasonable bonus or a share of the commission on the business introduced by him in the manner provided in the Articles, Bye-laws and Regulations of the Exchange.

	<p><b>7. ANNUAL SUBSCRIPTION :</b> Every member shall pay an annual subscription as may be fixed by the Council of Management from time to time. And for the time being the annual subscription shall be Rs. 5000/- for every member. Such subscription shall be payable on or before the last working day of April for each year for which the subscription is due.</p>
	<p><b>8. PARTNERSHIPS</b></p> <p><i>Who May Form Partnership</i></p> <p><b>8.1.1</b> No partnership shall be formed except –</p> <p><b>8.1.1.1</b> between two or more members/trading members of the Exchange; or</p> <p><b>8.1.1.2</b> between a member/trading member of the Exchange and any one or more of his / her family members;</p> <p><b>8.1.1.3</b> between two or more members/trading members of the Exchange and any one or more of their family members.</p> <p><b>8.1.2 Other Business</b> Neither the partnership firm nor any of its partners shall engage itself or himself as principal or employee in any business other than that of securities or stock-broking except as a broker or agent not involving any personal liability unless the firm or the partner concerned undertakes prior to admission to sever such business, within a period of not more than three months from the date this requirement comes into force or from the date of admission or if in employment, on the date of admission itself.</p> <p><b>8.1.3 Partner in One Firm Only</b> No person shall at the same time be a designated partner in more than one partnership firm.</p> <p><b>8.1.4 Partnership with Non-members / Non-trading Members Forbidden</b> No person, who is not a member/trading member of the Exchange or who is not a family member of such member/trading member, shall be admitted a partner of any partnership firm and a member/trading member of the Exchange, entering into partnership with any such person shall, on proof thereof before the Governing Board and upon a resolution of the Governing Board to that effect, cease to be a member/trading member of the Exchange.</p> <p><b>8.1.5 Partnership with Suspended/Surrendered Members/Trading Members Forbidden</b> A member/trading member shall not, without the special permission of the Governing Board, form a partnership with a member/trading member who has been suspended from, and/or surrendered the membership/trading membership, and/or given up the membership / trading membership under the scheme of buyback and/or been declared a defaulter by any one or more of the stock exchanges or who has been expelled or whose registration under the SEBI Act is either suspended or cancelled by SEBI.</p> <p><b>8.1.6 Contingent Partnership</b> A member/trading member shall not borrow money or securities from a non-member on terms that the lender shall receive a rate of interest varying with the profits or shall receive a share of the profits.</p>



**8.1.7 Partnership Interest not to be Assigned**

No partner in any partnership firm shall assign or in any way encumber his interest in such firm.

**8.1.8 Fictitious Partnership Names Forbidden**

Save as otherwise provided in these Articles, no member / trading member shall conduct business under a firm name unless he shall have atleast one designated partner.

**8.1.9 Misleading Names**

The Governing Board shall refuse to allow a partnership firm to carry on business under a name which it considers misleading.

**8.1.10 Transactions With Individual Partners**

A member/trading member shall not transact any business or make any bargain for and on behalf of a partner of a partnership firm and such partnership firm shall not be liable for any business transacted by a member/trading member in the name of only one of the partners of the partnership firm.

**8.1.11 Governing Board Sole Judge of Partnership**

The Governing Board shall be the sole judge as to what constitutes partnership within the meaning of these Articles and its decision shall be final.

**8.1.12 Permission Necessary**

No member/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 the prior approval of the Governing Board/Managing Director.

**8.1.13 Changes in Partnership**

The members/trading members constituting the partnership must communicate to the Managing Director in writing under the signatures of all the partners or surviving partners who are members/trading members of the Exchange any change in such partnership either by dissolution or retirement or death of any partner or partners or on account of any other reason affecting continuation of the partnership.

**8.1.14 Intimation in Prescribed Form**

The Governing Board may from time to time prescribe forms for the purpose. The notice to the Managing Director, intimating dissolution of a partnership, shall contain a statement as to who undertakes the responsibility of settling all outstanding liabilities but that shall not be deemed to absolve the other partner or partners of his or their responsibility for such liabilities.

**8.1.15 Notice of Formation of and Changes in Partnership**

On the Governing Board giving its sanction where necessary, a notice of the partnership and the names of the partners and of any change therein shall be posted on the notice board of the Exchange or broadcast through the automated trading system of the Exchange and no partnership shall be considered formed, altered or dissolved until it is so notified.

**8.1.16 Withdrawal of Permission**

The Governing Board, in its absolute discretion, may at any time by a special

	<p>resolution terminate any permission, which it may have given with respect to a partnership and the partners affected shall conform to such directions forthwith as the Governing Board may make with respect thereto.</p> <p><b>8.1.17 Names to be Printed</b> A partnership firm shall state on all communications and circulars relating to Stock Exchange business and on all contract notes the name of the firm and the names of all partners therein.</p> <p><b>8.1.18 Liability of Member/Trading Member Partners</b> All members/trading members of the Exchange, who are partners of a firm which is guilty of any act of commission or omission, which, if done by an individual member/trading member, shall render any such member/trading member liable to expulsion, suspension or any other penalty, shall be liable to be expelled, suspended or penalised, as the case may be.</p> <p><b>8.1.19 Liability of Partners</b> During the continuance of any partnership, the Governing Board may, at any time, inquire into the conduct of a partner and hold him liable to discipline in the same manner and to the same extent as if he were a member/trading member of the Exchange.</p> <p><b>8.1.20 Joint and Several Liability</b> Business by a partnership firm shall be done in the name of the firm and all the partners of the firm shall be liable jointly and severally in respect of all dealings of the firm.</p> <p><b>8.1.21 Member / Trading Member Working in Firm Name</b> A member / trading member, who is a surviving or continuing partner of a partnership firm, may, with the permission of the Managing Director, continue business in the name of the firm of which he was a partner.</p> <p><b>8.1.22 Partnership Dissolved on Declaration of a Defaulter</b> The partnership firm shall ipso facto get dissolved upon it being declared a defaulter by the Governing Board as provided in the relevant Articles, Bye-laws and Regulations of the Exchange.</p> <p><b>8.1.23 Register of Partnership Firms</b> A register of partnership firms shall be maintained by the Exchange under the authority of the Managing Director, in which shall be entered the names of partnerships and the names and addresses of the partners and any change in such partnerships or names together with the relevant dates.</p>
	<p><b>9. BUSINESS NAMES OF FIRMS</b></p> <p><b>9(a)</b> The Council shall refuse to allow a partnership firm to carry on business under a name which it considers misleading or undesirable.</p> <p><b>9(b)</b> A partnership firm shall state on all correspondence relating to transaction of business and on all contracts notes the name of the firm and the names of all partners therein.</p>

**9(c)** Any member desirous of carrying on business under a name and style different from his own name shall apply to the Council of Management for permission to do so.

**9(d)**

The Council shall refuse permission to a member to carry on business under a business name and style, which it considers misleading or undesirable.

**9(e)**

A member who is a surviving or continuing partner of a partnership firm may, with the permission of the Council, continue business in the name of which he was a partner.

**9(f)**

Every member carrying on business and under a business name as aforesaid shall state on all correspondence relating to transactions of business and all contract notes in addition to the business name, the name of the member who is the sole proprietor thereof.

**9(g)**

Where any member has obtained the permission of the Council to carry on business under a business name and style or a firm name, the particulars thereof shall be entered in the register of business names.

**10. Representative Member/Trading Member**

**10.1 Who May Authorise**

A member/trading member carrying on business on the Exchange may, with the prior permission of the Governing Board/Managing Director, authorise another member to act as a representative member/trading member.

**10.2 Number of Representative Members/Trading Members**

The Governing Board may from time to time fix the number of representative members/trading members a member/trading member shall be entitled to authorise.

**10.3 Approval or Rejection of Application**

The Governing Board, in its discretion, may approve or reject any application for authorisation of a representative member/trading member.

**10.4 Termination**

The Governing Board, in its discretion, may at any time terminate its approval of the authorisation given to a representative member/trading member, whereupon the authorising member/trading member shall discontinue the authorisation of the representative member/trading member concerned.

**10.5 Notice of Termination**

The authorising member/trading member and the representative member/trading member shall give prompt notice to the Exchange when the representative member/trading member ceases to work in that capacity with the authorising member/trading member.

	<p><b>10.6 Register of Representative Members/Trading Members</b> A register of representative members/trading members shall be maintained by the Managing Director in which shall be entered the names of representative members/trading members and the names of the members/trading members who authorised such representative members/trading members together with the dates on which they commence and cease to work as such representative members/trading members.</p> <p><b>10.7 Registration and Removal</b> The Governing Board/Managing Director shall have full power to refuse registration or to remove the name of any representative member/trading member from the register without assigning any reason.</p>
	<p><b>11. Transactions in the Market by Representative Member/Trading Member</b></p> <p><b>11.1.1 Transactions Not in Own Name</b> A representative member/trading member shall be entitled to enter into transactions in the market in the name of the authorising member/trading member but he shall not enter into such transactions either in his own name or in the name of any other member/trading member.</p> <p><b>11.1.2 Authorising Member's/Trading Member's Responsibility</b> A member/trading member, authorising a representative member/trading member, shall be responsible for all the transactions made in the market by such representative member/trading member, whether in the name of the authorising or representative member/trading member or in the name of any other member/trading member, and he shall perform such transactions according to the Articles, Bye-laws and Regulations of the Exchange in the same manner as if such transactions had been made personally by him.</p> <p><b>11.1.3 Representative Member's/Trading Member's Business</b> A representative member/trading member shall transact all business, whether on his own account or on behalf of his clients, and execute all orders for his clients only through or with the authorising member/trading member and not directly or indirectly through or with any other member/trading member.</p> <p><b>11.1.4 Indemnity</b> In the absence of an agreement in writing to the contrary, the representative member/trading member shall be deemed to have agreed to give a full and complete indemnity to the authorising member/trading member for any loss which such authorizing member/trading member may sustain by the default of the clients (provided such clients are not members/trading members of the Exchange) introduced by him in fulfilling their obligations and the provisions in the Articles, Bye-laws and Regulations in this behalf applicable to any person sharing brokerage shall apply mutatis mutandis to the representative member/ trading member.</p> <p><b>11.1.5 Representative Member/ Trading Member When to Issue Contract Notes</b> A representative member / trading member shall be entitled to issue to his clients contract notes in his own name provided he has deposited with the Exchange the</p>

prescribed base minimum capital and additional base capital and continues to maintain such base minimum capital and additional base capital upto the expiry of one month or such other longer period as may be decided by the Governing Board or SEBI from time to time, from the date on which he notifies the Exchange that he has ceased issuing contract notes to his clients.

## **11.2 Composite Member / Trading Member and Component Members / Trading Members**

### **11.2.1 One or More Additional Membership/Trading Membership**

A member / trading member may acquire one or more additional membership / trading membership of the Exchange, subject to the fulfilment of all applicable terms and conditions specified under the Articles, Bye-laws and Regulations of the Exchange. In such an event, all such memberships / trading memberships at the Exchange shall be called as composite membership / trading membership and each such membership / trading membership forming part of such composite membership / trading membership shall be called as component membership / trading membership.

### **11.2.2 Fulfilment of All Eligibility Criteria**

A composite member / trading member shall fulfill all eligibility criteria for admission of membership / trading membership and for continuation of membership / trading membership as is applicable to members / trading members of the Exchange and also such other criteria as the Exchange and /or SEBI may prescribe from time to time.

### **11.2.3 Limit on Number of Memberships/Trading Memberships**

A composite member / trading member shall not hold more than such number of memberships / trading memberships as may be decided by the Governing Board of the Exchange from time to time.

### **11.2.4 Payment of Fees**

The composite member / trading member shall pay the, admission fee and annual subscription payable to the Exchange and fees payable to SEBI in respect of each component membership / trading membership.

### **11.2.5 Networth Requirement**

The networth of the composite member / trading member shall be computed in the manner as may be prescribed by SEBI from time to time and no value shall be assigned to the component memberships / trading memberships for computing the networth of the composite member / trading member.

### **11.2.6 Number of Votes**

A composite member shall be entitled to have as many votes as the number of its component memberships at meetings of the members of the Exchange but shall have only one representative on the Governing Board or any Standing Committee of the Exchange for all the component memberships in accordance with the Articles, Bye-laws and Regulations of the Exchange.

### **11.2.7 Trading Right**

The composite member / trading member shall have only one trading right in accordance with the Articles, Bye-laws and Regulations of the Exchange.

**11.2.8 Disassociation**

A composite member / trading member may disassociate itself with any one or more of its component memberships / trading membership only after a period of two years from the date of association of that component membership / trading membership with the composite member / trading member. The liabilities, if any, relating to the component membership / trading membership in respect of which the composite member / trading member has disassociated will continue to be borne by composite member / trading member.

**11.2.9 Joint and Several Liability**

Any one or more component members / trading members may disassociate itself / themselves from the composite membership / trading membership only after a period of two years from the date of association with the composite member / trading member. The liabilities, if any, whether relating to component member / trading member or composite member / trading member, shall, however, be borne jointly and severally by the composite member / trading member and severally by each of the component members / trading members.

**11.2.10 Books of Accounts**

A composite member / trading member shall be entitled to maintain separate accounts of each of the component members / trading members as is required under law and at the same time shall maintain one consolidated account for the purposes of the Exchange.

**11.2.11 Action to Operate Against All**

Any action by the Exchange / SEBI against the composite member / trading member, whether by way of censure, warning, fine, limitation, withdrawal or suspension of membership / trading membership rights, expulsion or declaration of defaulter or otherwise, shall operate against all the component memberships / trading memberships of the composite member / trading member.

**Clarification:** Without prejudice to the generality of this Article, it is clarified that on declaration of defaulter or expulsion of a composite member / trading member, for any reason whatsoever, the composite member / trading member shall cease to be a member / trading member of the Exchange in respect of all its component memberships / trading memberships, and all the component memberships / trading memberships and the rights of nomination in respect of all such memberships / trading memberships shall vest in the Exchange in accordance with the provisions of the Articles, Bye-laws and Regulations of the Exchange.

**11.2.12 When Ceases to be a Member/Trading Member**

If a composite member / trading member is dis-entitled to or disqualified from continuing as a member / trading member of the Exchange for any reason, the composite member / trading member shall cease to be a member / trading member of the Exchange in respect of all the component memberships / trading memberships and the right of nomination in respect of all such memberships / trading memberships shall cease and vest in the Exchange in accordance with the provisions of the Articles, Bye-laws and Regulations of the Exchange.

**11.2.13 Liability How Crystallises**

Where a member / trading member of the Exchange is entitled to any right or privilege or is liable to pay any amount to the Exchange or discharge any liability or obligation to the Exchange and the Articles, Bye-laws and Regulations of the Exchange do not stipulate whether a composite member / trading member is entitled to such right or privilege or is liable to pay such amount or discharge, the Governing Board may, by resolution, stipulate in this regard that such liability or obligation in proportion to the component memberships / trading memberships, notwithstanding the component memberships / trading memberships, the composite member / trading member is entitled or liable only to the same extent as a member / trading member who is not a composite member / trading member.

**11.3 Additional Membership / Trading Membership Rights**

An individual or partnership firm or body corporate or company / body corporate can acquire such number of additional membership / trading membership rights at the same Exchange as may be permitted by the Governing Board from time to time.

**11.4 Multiple Membership / Trading Membership – Eligibility Criteria****11.4.1 Disclosure**

The onus of disclosure of holding of multiple memberships / trading memberships of various stock exchanges shall rest with the respective member / trading member.

**11.4.2 Requirements to be Fulfilled**

Where a member / trading member seeks admission to become a member / trading member of one or more stock exchanges, other than the one where he is a member / trading member, the requirements mentioned herein shall be fulfilled in respect of each of such other stock exchanges. Further separate and segregated accounts shall be maintained by such member / trading member in respect of each of such stock exchanges.

**11.4.3 Books of Accounts**

For the purpose of the Exchange / SEBI, a member / trading member shall be required to maintain the books of accounts and other records relating to trading operations in a consolidated manner so as to project overall obligations of the member / trading member.

**11.4.4 Conditions Precedent For Multiple Membership**

A member / trading member should have operated his membership / trading membership for a period of atleast five years before seeking membership / trading membership of another stock exchange.

**11.4.5 Criteria for Applying for Multiple Membership / Trading Membership**

Any person, who is a member/trading member of one stock exchange but for a period less than five years, may apply for membership/trading membership of another stock exchange on the condition that he shall, before accepting the membership/trading membership of the latter stock exchange, relinquish the membership/trading membership of the former stock exchange.

**11.4.6 Non-Applicability of Criteria When Net Worth Criteria Met**

The requirements under Prescribed Articles in these presents in these presents shall not be applicable to an individual or a partnership firm or a company / body corporate, provided such entity meets the net worth criteria separately for each of the stock exchanges.

#### **11.4.7 Exchange of Report Between Stock Exchanges**

A member / trading member rendering himself frequently to disciplinary action by the original stock exchange should normally not be entitled to be a member / trading member of any other stock exchange. The original stock exchange should give to other stock exchange, on demand in writing from other stock exchange whose membership / trading membership is sought by the applicant member / trading member, a report regarding the conduct and behaviour of the member/trading member which shall be considered privileged and confidential.

#### **11.4.8 Entrance Fee, Admission Fee, Annual Subscription And Base Minimum Capital**

The entrance fee, admission fee, annual subscription and base minimum capital in respect of multiple member / trading member shall be the same as are applicable at the respective stock exchanges for their members / trading members,

#### **11.4.9 Number of Stock Exchanges**

An individual member / trading member of a stock exchange may be permitted to have membership / trading membership in other stock exchanges, after a careful scrutiny of his financial position and appraisal of past performance as a member / trading member and subject to the condition that at least one authorised representative of the member / trading member shall normally be resident at each additional stock exchange where he is a member / trading member. A partnership firm may be permitted to have membership / trading membership in other stock exchanges subject to the condition that at each stock exchange where the partnership firm is a member / trading member atleast one designated partner of the firm shall normally be resident. The body corporate or a company may also be permitted to have membership / trading membership in other stock exchanges subject to the condition that at each stock exchange where it is a member / trading member, at least one of its designated directors / nominees shall normally be resident.

#### **11.4.10 Governing Board And Standing Committees**

No individual member shall be allowed to be on the Governing Board or Standing Committees of more than one stock exchange. If, however, the membership entity has more than one member, then such entity may be permitted to be on the Governing Board or Standing Committees of as many stock exchanges as the number of memberships, provided the same person is not on the Governing Board or Standing Committees of more than one stock exchange.

#### **11.5 Clearing Member**

Clearing member means a member of the Clearing Corporation or the Clearing House of the Exchange, who shall undertake the responsibility of clearing and settlement of all the obligations outstanding in the Exchange in respect of those trading members who opt to operate through him as the trading members and also for the obligations created by such trading members, directly and / or on behalf of his clients, and such clearing member may be a 'trading-cum-clearing member' or a 'custodian clearing



member' or a 'professional clearing member' or a 'trading-cum-professional clearing member'.

### **11.5.1 Categories of Clearing Members**

The Clearing members shall be as specified hereunder:

#### **11.5.1.1 Trading-Cum-Clearing Member**

Trading-cum-clearing member means a person who is admitted as the member/trading member by the Exchange conferring a right to trade and is admitted by the Clearing Corporation / Clearing House of the Exchange as a clearing member and who may be allowed to make deals for himself as well as on behalf of his clients and clear and settle such deals only.

#### **11.5.1.2 Custodian Clearing Member**

Custodian clearing member means and includes a custodian and other persons admitted by the Clearing Corporation / Clearing House of the Exchange as a custodian and who may be allowed to clear and settle deals of the clients carried out by the members/trading members of the Exchange in the manner prescribed from time to time.

#### **11.5.1.3 Professional Clearing Member**

Professional clearing member means a person who is admitted by the Clearing Corporation / Clearing House of the Exchange as a professional clearing member and who may be allowed to clear and settle deals either on his own account and/or on account of his clients and/or on account of members/trading members and/or on account of clients of the members/trading members.

#### **11.5.1.4 Trading-Cum-Professional Clearing Member**

Trading-cum-professional clearing member means a person who is admitted as the member/trading member by the Exchange conferring a right to trade and is admitted by the Clearing Corporation / Clearing House of the Exchange as a clearing member and who may be allowed to make deals for himself as well as on behalf of his clients and clear and settle all deals made by himself, by his clients, by members/trading members and by clients of members/trading members.

### **11.6 Continuous Requirements for Membership / Trading Membership**

#### **11.6.1 Refresher Course**

**11.6.1.1** A person admitted to membership / trading membership is required to undergo, at least at an interval of every three calendar years, a refresher course on the syllabus covering the stock market / capital market, as may be prescribed by the Governing Board and/or SEBI.

**11.6.1.2** In the case of a partnership firm, formed between two or more members / trading members of the Exchange, the condition stipulated in Prescribed Articles in these presents shall be applicable to the two designated partners of the firm who are members / trading members of the Exchange and in the case of a partnership firm which has only one member / trading member, there shall be an additional designated partner of the firm. In the case of a company / body corporate, this condition shall be applicable to the two designated directors/nominees of the

company/body corporate.

#### **11.6.2 Capital Adequacy**

A person, admitted to membership / trading membership of the Exchange, even if he is inactive, is required to maintain at any time the base minimum capital, as may be prescribed by the Governing Board and / or SEBI from time to time and such other additional base capital and / or margins as may be required and payable in accordance with the Articles, Bye-laws and Regulations of the Exchange and the resolutions or orders issued in that regard, and also pay his dues to the Settlement /Trade Guarantee Fund of the Exchange, as may be prescribed by the Governing Board, from time to time.

#### **11.6.3 Fund Based Activities**

A person, admitted to membership / trading membership of the Exchange, shall not undertake any of the fund based activities at any time.

#### **11.6.4 Right of Nomination For Deceased Members**

In the case of deceased members / trading members where no recorded nomination exists, the legal heirs / legal representatives will be given a notice of a maximum period of two years to exercise the right to nominate and if the legal heirs / legal representatives fail to do so, the right of nomination shall vest in the Governing Board. The Governing Board shall then cause to dispose off the right of membership / trading membership of the deceased member / trading member and release to the legal heirs / legal representatives of the deceased member / trading member the amount of realisation after recovering any cost or expenses incurred in the process of disposal of such right and other liabilities, if any, of the deceased member/trading member.

#### **11.6.5 Payment of Dues**

A person, admitted to membership / trading membership of the Exchange, is required to pay within the prescribed time all the dues payable to the Exchange including the dues to the Settlement Guarantee Fund / Investor Protection Fund or any other fund that may be established by the Exchange.

### **11.7 Buy-back / Surrender of Membership / Trading Membership**

#### **11.7.1 Special Authorisation by the Governing Board**

Notwithstanding anything contained in any other Articles, Bye-laws and Regulations of the Exchange, the Governing Board, by a special resolution, may decide to buy- back the memberships / trading memberships of the Exchange from its members / trading members, willing to surrender their rights, on such terms and conditions as may be decided by the Governing Board. The resolution so adopted shall not be effective until it is approved by SEBI.

#### **11.7.2 Prohibition to Re-issue Buy-back / Surrender Right**

The right of membership / trading membership surrendered by any member / trading member under any scheme announced by the Governing Board, whether called buy back, surrender or otherwise, shall not be issued / re-issued by the Governing Board to any member / trading member at any time.

#### **11.7.3 Notice of Surrender**

Any member/ trading member, willing to surrender his membership / trading membership right of the Exchange, shall serve a written notice to that effect on the Exchange and the Exchange shall either post such notice on the notice board or broadcast it through the automated trading system of the Exchange. Provided that in case of a member / trading member which is a company / body corporate, such notice shall be accompanied by a copy of the resolution passed at a meeting of the Board of Directors of such company / body corporate containing the decision to surrender the membership / trading membership of the Exchange, and such copy shall be certified as true by the Chairman, if any, or by a designated director / nominee of the company/body corporate, as the case may be.

#### **11.7.4 Acceptance or Refusal of Surrender**

The Governing Board may accept the surrender of membership / trading membership of a member / trading member, either unconditionally or on such conditions as it may think fit or may, refuse to accept such surrender and in particular may refuse such surrender until such member / trading member settles all outstanding transactions and other liabilities, if any, in accordance with the scheme approved by the Governing Board to the satisfaction of the Managing Director.

### **11.8 Notice of Resignation**

#### **11.8.1 Written Notice Required**

A member / trading member wishing to resign from the membership / trading membership of the Exchange shall serve on the Exchange a written notice to that effect which shall be posted on the notice board / broadcast through the automated trading system of the Exchange.

Provided that in case of a member / trading member which is a company / body corporate, such notice shall be accompanied by a copy of the resolution passed at a meeting of the Board of Directors of such company / body corporate containing the decision to resign and such copy shall be certified as true by the Chairman, if any, or by a designated director / nominee of the company / body corporate, as the case may be.

#### **11.8.2 Objection**

A member / trading member objecting to any resignation that has been notified shall communicate the grounds of his objection to the Managing Director by letter within fourteen days of the posting / broadcast of such notice.

#### **11.8.3 Acceptance or Refusal of Resignation**

The Governing Board may accept the resignation of a member / trading 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 such member / trading member settles all outstanding transactions and other liabilities, if any, to the satisfaction of the Managing Director.

### **11.9 Termination of Membership / Trading Membership**

No member / trading member shall continue as such if:

#### **11.9.1 Adjudged Bankrupt**

he is adjudged bankrupt or a receiving order in bankruptcy is made against him or he is

proved to be insolvent;

#### **11.9.2 Convicted of Fraud**

he is convicted of an offence involving fraud or dishonesty;

#### **11.9.3 Engaged In Other Business**

he engages either as principal or employee in any business other than that of securities except as a broker or agent not involving any personal financial liability: Provided that the Governing Board may, for reasons to be recorded in writing, permit a member to engage himself as principal or employee in any such business if such member ceases to carry on business on the Exchange either as an individual or as a designated partner in a firm;

#### **11.9.4 Minimum Networth, Working Capital And Assets**

ceases to have or possess the minimum networth, the minimum working capital and the assets, as may be determined by the Governing Board from time to time;

#### **11.9.5 Company / Body Corporate**

being a company / body corporate, it ceases to maintain or have the characteristics of eligibility under the provisions of Prescribed Articles in these presents.

#### **11.9.6 Eligibility Criteria Not Maintained**

being a designated director / nominee of a company / body corporate, ceases to possess any one or more of eligibility criteria in force.

#### **11.9.7 Expulsion Rules to Apply**

11.9.7.1 When a member / trading member ceases to be such under the provisions of Prescribed Articles in these presents, it shall be as if such member / trading member has been expelled by the Governing Board and in that event the provisions relating to expulsion contained in the Articles, Bye-laws and Regulations of the Exchange shall apply to such member / trading member in all respects.

11.9.7.2 On a member/trading member being expelled, his right of membership / trading membership shall stand forfeited forthwith and ipso facto vest in the Governing Board and all rights and privileges as a member/trading member of the Exchange including any right to the use or any claim upon or any interest in any property or funds of the Exchange shall cease to exist but any liability of such expelled member / trading member to the Exchange or to any other member/s/trading member/s of the Exchange shall continue and remain unaffected.

#### **11.10 Intimation of Death of Member/Trading Member**

On the death of a member / trading member, his legal heirs / legal representative or heirs or his employees or any member / trading member receiving information of the death shall immediately communicate this information in writing to the Exchange.

#### **11.11 Claims Against Deceased Member/Trading Member**

##### **11.11.1 Conditions Precedent Before Exercise of Right of Nomination**

When a member/trading member dies, all subscriptions, debts, fines, fees, charges and other monies as shall have been due and payable by him up to the date of death of such member/trading member, either to the Exchange or to the Clearing House / and all the amounts as shall have been determined by the Committee for Settlement of Claims

Against Defaulters to be due and payable by him to the Settlement Guarantee Fund and all debts, liabilities, obligations and claims arising out of any contracts made by him subject to the Articles, Bye-laws and Regulations of the Exchange, as shall have been due and payable by such member/trading member, or such other amounts or claims as may be determined and admitted by the Governing Board / Membership / Trading Membership Selection Committee, shall be paid in full to the satisfaction of the Managing Director before his legal heirs / legal representatives are allowed to exercise the right of nomination.

#### **11.11.2 Conditions Precedent Applicable to Liquidation or Dissolution**

The provisions of Prescribed Articles in these presents shall apply, mutatis mutandis, to a member / trading member, which is a company / body corporate going into liquidation or dissolution.

#### **11.12 Payment of Deceased Member's / Trading Member's Obligations**

If the legal heirs / legal representatives of a deceased member / trading member or any other person on his behalf do not or are unable to pay and satisfy his dues, debts, liabilities, obligations and claims as provided in the Articles, Bye-laws and Regulations of the Exchange, the Governing Board or a Committee consisting of the members of the Governing Board or the Managing Director may, in such an event, declare such deceased member / trading member a deemed defaulter and shall exercise the right of nomination in respect of such membership / trading membership and the consideration received therefor shall be applied in the manner provided in these Articles.

#### **11.13 Continuance of Deceased Member's / Trading Member's Business**

If, on the death of a member / trading member, his legal heirs / legal representatives desire that his business should be continued for some time for the benefit of the family members of the deceased member / trading member by any specified person who is eligible for membership / trading membership and intimate their desire by a letter to the Managing Director, the Governing Board or the Managing Director, may in its or his discretion, permit such business to be carried on by such person on behalf of the legal heirs / legal representatives or heirs for such period not exceeding six months, as may be deemed proper, subject to such terms and conditions relating to fresh commitments involving liabilities, as may be prescribed by the Governing Board / Managing Director.

#### **11.14 Additional Terms in the Case of a Company / Body Corporate**

##### **11.14.1 Articles of Association**

The Articles of Association of a member / trading member, which is a company / body corporate, shall contain such provisions as the Governing Board may from time to time require. The list of shareholders of the company / body corporate shall be furnished to the Exchange at such intervals as may be specified by the Governing Board from time to time. The shareholders for the time being shall be persons acceptable to the Governing Board.

##### **11.14.2 Shareholding**

In the case a private limited company, the designated directors of the company shall always hold atleast 51 percent of the issued capital of the company which is a member / trading member and in the case of a public limited company, the designated directors

of the company and their family members shall always hold atleast 40 percent of the issued capital of the company.

#### **11.14.3 Alteration in Structure**

The name, the Memorandum and Articles of Association and the capital and shareholding pattern of such a company shall not be altered without the prior consent of the Governing Board.

#### **11.14.4 Expulsion of Member Company**

If there is a change in the shareholding of the company, which is not acceptable to the Governing Board, or a person is appointed as a designated director who is not acceptable to the Governing Board, the Governing Board may expel the member company.

#### **11.15 Remisiers**

A person, who is engaged by a member/trading member primarily to solicit commission business in securities, shall be called a remisier.

##### **11.15.1 Remisier Not to be Another's Employee**

A remisier may be an individual or a firm or a company / body corporate but must not be in the employment of any individual or firm or company / body corporate.

##### **11.15.2 Remisier to Act for One Member/Trading Member Only**

No person shall be registered as a remisier to more than one member/trading member.

##### **11.15.3 Ex-members/Trading Members as Remisiers**

A member/trading member may, with the special consent of the Governing Board / Managing Director, employ as his remisier a person who has ceased to be a member/trading member under the Articles, Bye-laws and Regulations of the Exchange.

##### **11.15.4 Remisier Not to Engage in Forward Business**

The Managing Director may refuse permission to a person desirous of working as a remisier unless he gives an undertaking that forthwith on registration as remisier he will cease to engage himself as principal or employee in, and not be directly or indirectly connected with, any other kind of forward business.

##### **11.15.5 Procedure**

###### **11.15.5.1 Application**

A member/trading member desirous of employing a remisier shall apply for the permission of the Managing Director in such form as the Governing Board may from time to time prescribe. Such form shall be signed both by the member/trading member and the proposed remisier.

###### **11.15.5.2 Discharge Certificate**

An application by a member/trading member to employ a remisier, who previously had been acting as a remisier with another member/trading member, must be accompanied by a discharge certificate from the former employer or employers. Such discharge certificate shall be in such form as the Governing Board may from time to time

prescribe and it shall show whether the remisier left his former employer or employers clear of all debts and outstanding liabilities and whether his conduct while in that employment was satisfactory.

#### **11.15.5.3 Absence of Discharge Certificate**

When a discharge certificate is not attached to an application as required under Prescribed Articles in these presents, the proposed remisier shall submit an explanation therefore and the Managing Director shall then decide whether and on what conditions the requirement relating to the discharge certificate shall be waived and if there be any dispute between the proposed remisier and his former employer, the Managing Director may refer it to conciliation or arbitration for its adjudication in accordance with the Bye-laws and Regulations of the Exchange relating to conciliation and arbitration.

#### **11.15.6 Permission Necessary**

No member/trading member shall employ any remisier without first having such appointment approved by the Managing Director.

#### **11.15.7 Approval or Rejection of Application**

The Managing Director, in his discretion, may approve or reject any application for appointment of a remisier.

#### **11.15.8 Commission Terms**

A member/trading member shall be entitled to remunerate remisiers with a share not exceeding fifty percent of the brokerage charged to the principals they introduce.

#### **11.15.9 Annual Fee**

A member/trading member shall be required to pay such annual fee and within such time as the Governing Board may prescribe from time to time in respect of remisiers.

#### **11.15.10 Remisier not to Sign Contract Notes**

A remisier shall give the names of his clients in whose name contract notes are to be rendered by the member/trading member for whom the remisier acts. The remisier shall not sign contract notes in his own or any other name nor shall he sign on behalf of his employer.

#### **11.15.11 Remisier not to Advertise**

A remisier shall not advertise or issue price lists or circulars to any person other than his own clients.

#### **11.15.12 Remisier's Personal Business**

If a remisier does any business on his personal account, he shall not be entitled to any allowance in the brokerage.

#### **11.15.13 Sub-agent**

If a remisier in whatever circumstances, directly or indirectly, divides or shares his brokerage with his client or sub-agent, his name shall be forthwith removed from the register.

#### **11.15.14 Remisier not to Share Brokerage with Clients**

A member/trading member shall be responsible to ensure that remisiers make no allowance or return of brokerage, directly or indirectly, to the clients they introduce or to any other person or agent.

#### **11.15.15 Refusal to Registration**

The Managing Director shall have full power to refuse registration to any remisier without assigning any reason.

#### **11.15.16 Suspension**

The Managing Director may, in his absolute discretion, suspend at any time the registration of a remisier without assigning any reason.

#### **11.15.17 Cancellation**

The Managing Director may, in his absolute discretion, at any time, without assigning any reason, cancel the registration of a remisier whereupon the member / trading member shall forthwith discontinue the employment of the remisier concerned and the name of the remisier concerned shall consequently be removed from the Register of Remisiers.

#### **11.15.18 Termination**

Each member/trading member shall give prompt notice to the Exchange of the termination of the employment of a remisier.

#### **11.15.19 Register of Remisiers**

A register of remisiers shall be maintained under the authority of the Managing Director in which shall be entered the names of all remisiers together with the dates of their appointment and discharge and the names of the members / trading members employing them.

#### **11.15.20 Inspection of Register**

The register shall not be open to inspection generally.

### **11.16 Approved Users**

#### **11.16.1 Appointment**

A member/trading member carrying on business on the Exchange shall be entitled to appoint persons who are in his own exclusive employment or are his sub-brokers registered with SEBI as approved users for operating the trader work stations connected with the automated trading system of the Exchange and entering orders in such system/segment on behalf of such member/trading member.

#### **11.16.2 Number of Trader Work Stations**

The Governing Board shall determine from time to time the number of Trader Work Stations that may be provided to a member/trading member and the number of approved users a member/trading member shall be entitled to employ.

#### **11.16.3 Minor Ineligible**

No person shall be admitted as an approved user who is under eighteen years of age.

#### **11.16.4 Defaulter or Expelled Member / Trading Member Ineligible**



	<p>No member/trading member shall take into, or continue in, his employment as an approved user a member/trading member who has been declared a defaulter or has been expelled.</p> <p><b>11.16.5 Suspended Member/Trading Member</b> No member/trading member shall, take into, or continue in his employment as an approved user a member/trading member who is under suspension.</p> <p><b>11.16.6 Permission of Managing Director Necessary</b> No member/trading member shall employ an approved user without first having such appointment approved by the Managing Director.</p> <p><b>11.16.7 Common Applicability of Provisions</b> The provisions in relation to application, discharge certificate, absence of discharge certificate, approval of appointment, approval or rejection of appointment, admission during good behaviour, not to enter into transactions, not to sign contract notes, not to advertise, refusal to registration, suspension, cancellation, termination, register and inspection of register, as are applicable in case of remisiers, shall be applicable, mutates mutandis, to approved users.</p> <p><b>11.17 Sub-brokers</b></p> <p><b>11.17.1 Appointment</b> A member / trading member may, with the prior permission of the Managing Director of the Exchange, appoint as many sub-brokers as he desires.</p> <p><b>11.17.2 Compliance With the Provisions</b> A member / trading member appointing a sub-broker shall ensure that the sub-broker so appointed complies with the various provisions of SEBI (Stock Brokers and Sub-Brokers) Rules and Regulations, 1992 and the various directives, orders, guidelines, norms and circulars of SEBI and the Exchange that may be in force from time to time</p> <p><b>11.17.3 Non-compliance of Requirements</b> If a sub-broker appointed by a member/trading member is found to be violating the provisions of Prescribed Articles in these presents, the member / trading member shall render himself liable for disciplinary action.</p> <p><b>11.17.4 Common Applicability of Provisions</b> The provisions in relation to application, approval of appointment, approval or rejection of appointment, commission terms, annual fee, suspension, refusal to registration, cancellation, termination, register and inspection of registers, as are applicable in case of remisiers, shall be applicable, mutatis mutandis, to sub- brokers.</p>
	<p><b>12. Nomination / Transfer</b></p> <p><b>12.1.1 Nomination by Member / Trading Member</b> Subject to the provisions of these Articles, a member / trading member shall have a right of nomination which shall be personal and non-transferable.</p> <p><b>12.1.2 Standing of Minimum Years</b> A member / trading member of not less than three years' standing who desires to resign</p>

may nominate a person eligible under the Articles of the Exchange for admission to the membership / trading membership of the Exchange as a candidate for admission in his place; Provided that a member / trading member of less than three years' standing who desires to resign may with the sanction of the Governing Board nominate his own son eligible under these Articles for admission to the membership / trading membership of the Exchange as a candidate for admission in his place; Provided further that the Governing Board may, in its absolute discretion and in exceptional cases and for cogent reasons to be recorded in writing, permit by a special resolution, a member / trading member of less than three years' standing, who desires to resign, to nominate a person as a candidate for admission in his place, subject to such terms and conditions as the Governing Board may in its absolute discretion think fit to impose.

Provided further that a member / trading member of less than three years' standing may resign and exercise his right of nomination in favour of a company with the sanction of the Governing Board on the following conditions:

**12.1.2.1** He shall be a director of such company for a period of such number of years as would have brought him three years' standing had he not resigned from the membership.

**12.1.2.2** He, alongwith his family members, shall hold not less than fifty one per cent of the paid up equity capital of the company for the period mentioned in Prescribed Articles in these presents.

**12.1.2.3** The company is eligible for membership / trading membership in accordance with Prescribed Articles in these presents.

**12.1.2.4** If a composite member / trading member desires to resign from its component membership/s / trading membership/s, the composite member / trading member may, in accordance with and subject to other provisions of the Articles, Bye-laws and Regulations of the Exchange and such conditions as the Governing Board may from time to time stipulate, nominate a person/s eligible under these Articles as a candidate / candidates for admission to the m/s / trading membership/s of the Exchange from which the composite member / trading member is resigning, and the composite member / trading member may continue in respect of the remaining component membership/s / trading membership/s, if any.

**12.1.2.5** A composite member / trading member may, in accordance with and subject to other provisions of the Articles, Bye-laws and Regulations of the Exchange and such other conditions as the Governing Board may from time to time stipulate, resign and nominate in respect of one, some or all of its component memberships / trading memberships.

**12.1.2.6** If a composite member / trading member desires to resign and nominate in respect of only one or some (but not all) of its component memberships then, in accordance with and subject to the other provisions of the Articles, Bye-laws and Regulations of the Exchange and such other conditions as the Governing Board may from time to time stipulate, the composite member / trading member may nominate a person in respect of only each such component membership / trading membership or memberships / trading memberships from which it is resigning as a candidate for admission as a member / trading member in its place, and the composite member / trading member shall continue to be member / trading member of the Exchange in respect of the remaining component memberships / trading memberships from which it is not resigning.

**12.1.2.7** If a composite member / trading member desires to resign and nominate in respect of two or more of the component membership/s / trading membership/s, in

accordance with and, subject to the provisions of the Articles, Bye-laws and Regulations of the Exchange and such other conditions as the Governing Board may from time to time stipulate, the composite member / trading member may nominate the same person or different persons in respect of each of the membership/s / trading membership/s in respect of which it is resigning and nominating.

### **12.1.3 Right of Membership / Trading Membership and Right of Nomination of Deceased Member / Trading member or Defaulter or Deemed Defaulter**

On the death of a member/trading member or declaration of a defaulter or a deemed defaulter of a member / trading member, his right of membership / trading membership shall ipso facto cease and vest in the Exchange, and his right of nomination shall be exercised as provided here-under:

#### **12.1.3.1 Nomination in Case of Defaulter / Deemed Defaulter**

The right of nomination, in respect of the forfeited right of membership / trading membership of a defaulter / deemed defaulter vested in the Exchange, shall be exercisable by the Governing Board and such right shall not be restorable to the defaulter and / or to legal heirs/legal representatives of a deemed defaulter at any time and under any circumstances.

#### **12.1.3.2 Right of Nomination Not to be Exercised by Former Member / Trading Member.**

The right of nomination shall not be exercised by a former member / trading member who has been expelled or who has ceased to be a member / trading member under any Article, Bye-law or Regulation of the Exchange for the time being in force.

#### **12.1.3.3 Right of Nomination in Case of Death**

Subject to the provisions of the Articles, Bye-laws and Regulations of the Exchange, in case of death of a member / trading member, his legal heirs/legal representatives shall have the right of nomination which shall be personal and non-transferable and which shall be required to be exercised within a period not exceeding two years from the date of death of a member / trading member. In case where the legal heirs/legal representatives fail to exercise the right within the aforesaid period, such right shall be deemed to have vested in the Exchange. The Exchange shall dispose of such right within a period of one year of such right vesting in the Exchange in the same manner as provided in case of the right vesting in the Exchange on account of declaration of a defaulter/deemed defaulter.

#### **12.1.3.4 Nomination in Case of Deceased Member / Trading Member**

The legal heirs/legal representatives of a deceased member / trading member may, with the sanction of the Governing Board, nominate any person eligible under the Articles, Bye-laws and Regulations of the Exchange for admission to membership / trading membership of the Exchange, as a candidate for admission in the place of the deceased member / trading member.

## **12.2 Forms of Applications**

### **12.2.1 By Individual**

An application by an individual seeking admission as a member / trading member shall be in the form prescribed to these Articles or in such other form as the Governing

Board may from time to time prescribe and shall be signed by the candidate and the recommending members.

#### **12.2.2 By Company / Body Corporate**

An application by a company registered under section 322 of the Companies Act, 1956 / body corporate seeking admission as a member / trading member shall be in the form prescribed and a like application by a company registered under Section 12 of the Companies Act, 1956 shall be in the form prescribed or in such other forms as the Governing Board may from time to time prescribe and shall be signed by the authorised signatory/ies of the company / body corporate.

#### **12.2.3 By Partnership Firm**

The member/trading member desirous of carrying on business in partnership or admitting a new partner or new partners shall apply for permission to the Managing Director/Governing Board giving the names of the partners and the name of the partnership firm in the form prescribed .

#### **12.2.4 Application for Permission**

Every application for permission shall be accompanied by such information in connection therewith as may be required by the Governing Board and by a copy of the proposed deed of partnership, if any. Thereupon, the Governing Board may approve the partnership and when the partnership is entered into, a signed copy of the deed of partnership, if any, shall be delivered to the Exchange for the purpose of record.

### **12.3 Forms of Nomination**

#### **12.3.1 Form for Member / Trading Member Nominating During His Life Time**

A member / trading member may lodge with the Exchange nomination in the form prescribed, tendering his resignation from membership / trading membership. This nomination in favour of a person other than a family member shall be valid if lodged with the Exchange during the life time of the member / trading member and shall automatically get revoked, if the member / trading member expires before this nomination form is lodged with the Exchange.

#### **12.3.2 Form of Nomination in Favour of a Family Member**

A member / trading member may lodge with the Exchange nomination in the form prescribed, tendering his resignation from membership / trading membership. This nomination lodged by a member / trading member during his lifetime in favour of a family member shall be valid until substituted by a fresh nomination.

#### **12.3.3 Form for Legal Heirs / Legal Representatives**

Legal heirs / legal representatives shall be required to lodge with the Exchange nomination in the form prescribed, exercising right of nomination vested in them in respect of the deceased member/deceased trading member.

#### **12.3.4 Nomination Irrevocable**

The nomination form lodged with the Exchange as required shall be irrevocable provided it is given in favour of a person other than a family member and lodged with the Exchange as above.

**12.4 Notice of Nomination**

A notice of the proposed nomination shall be posted on the notice board or notified by way of broadcast through the automated trading system of the Exchange. Within 15 calendar days of the posting / notifying, as the case may be, of such notice, any person or any member / trading member may file claims against the member / trading member in respect of whom the nomination has been made and / or the persons in whose favour the nomination has been made and any claim not so filed, within the said period, shall be rendered liable for summary rejection and may not be considered by the Governing Board.

**12.5 Candidates to be Recommended**

A candidate seeking admission must be recommended by two members / trading / trading members of the exchange for such minimum period as may be decided by the Governing Board in this behalf. None of the recommending members / trading members shall be an elected member of the Governing Board. The recommending members / trading members must have such personal knowledge of the candidate and of his past and present circumstance as shall satisfy the Governing Board.

**12.6 Objections**

The member / trading member and / or any person intending to object to the admission of the candidate shall communicate the grounds of his objection to the Managing Director by letter within fourteen days of publishing of the notice of the application for admission as member / trading member. Any such communication shall be deemed privileged and confidential.

**12.7 Member's / Trading Member's Duty to Report**

It shall be deemed to be incumbent on any member / trading member, who may know or who shall have received credible information of any fact or circumstance relating to such candidate or relating to his conduct or character or financial / commercial dealings which may render such candidate disqualified or unfit to be a member / trading member, to report to the Managing Director. Any such report shall be deemed privileged and confidential.

**12.8 Dues and Claims**

The Governing Board shall not approve a nomination unless the nominating member / trading member, and in the case of a deceased member, his legal heirs/legal representatives or the person/s in whose favour the nomination has been made, shall have paid and satisfied in full:

**12.8.1 Dues of the Exchange**

such subscriptions, debts, fines, fees, charges and other monies due to the Exchange and/or the Clearing House and/or SEBI payable by the nominating member / trading member or by the legal heirs/legal representatives on behalf of the deceased member/trading member;

**12.8.2 Liabilities Relating to Contracts**

such debts, liabilities, obligations and claims arising out of any contracts made by the nominating or deceased member / trading member, subject to the Articles, Bye-laws and Regulations of the Exchange, as shall have been admitted by the Governing Board or the Membership/Trading Membership Selection Committee and all amounts due or

payable by the nominating or deceased member / trading member to the Settlement Guarantee Fund.

### **12.9 Consideration of Application**

All objections received against an application upto the prescribed period shall be placed before the Membership/Trading Membership Selection Committee / Governing Board, alongwith a report thereon.

### **12.10 Inquiry**

A candidate for admission and his recommending member / trading member shall, if required by the Governing Board, appear personally before any meeting of the Membership / Trading Membership Selection Committee / Governing Board and shall answer all questions, which may be put to them.

### **12.11 Admission of New Members / Trading Members**

Selection of new member / trading member shall be done by a Membership/Trading Membership Selection Committee nominated by the Governing Board with the previous approval of SEBI. The Committee shall consist of such number of persons as may be decided subject however, to the ratio of 40:60 between persons who are members of the stock exchange and persons who are not members of the stock exchange being maintained. The Membership/Trading Membership Selection Committee shall follow the procedure contained or selection of new members / trading members and where the candidate has attained the requisite marks, in accordance with the guidelines prescribed by SEBI in that regard, the Governing Board shall normally accord its approval to admission and where the Governing Board is of the considered opinion that it is not desirable in the interest of trade and business to admit such person as a member / trading member, it shall record its reasons, in writing, for rejection of such candidate for admission and shall cause intimation to that effect being sent to the applicant within seven calendar days from the date of the meeting where such decision is taken.

### **12.12 Admission Under Misrepresentation**

The Governing Board may expel a member / trading member, if in its opinion to be recorded in writing, such member/trading member has in or at the time of his application for admission to membership / trading membership or during the course of the inquiry made by the Governing Board preceding his admission –

**12.12.1** made any wilful misrepresentation; or

**12.12.2** suppressed / concealed any material information required of him as to his financial position, including financial liabilities, character and antecedents, or

**12.12.3** has directly or indirectly given false particulars or information or made a false declaration.

### **12.13 Fresh Nomination**

If a nominee be not eligible under the Articles of the Exchange or if a nominee be rejected by the Governing Board, a fresh nomination or nominations may be submitted to the Exchange, until a nominee is admitted as a member / trading member.

### **12.14 Payment of Entrance and Admission Fees and Annual Subscription**

A new member / trading member on admission shall not be entitled to exercise any of

	<p>the rights or privileges of membership / trading membership until he shall have paid in full the entrance fee, if any, applicable, and / or the admission fee and the annual subscription for the year of admission. Where such member fails to make such payment within 15 days of receipt of the intimation of his admission, his admission shall be deemed to have been cancelled ab initio and he shall be deemed never to have been admitted as a member / trading member.</p> <p><b>12.15 Intimation Letter for Election/Selection</b> When a new member/trading member is elected/selected, intimation of his election/selection shall be sent to him in the form prescribed.</p> <p><b>12.16 Certificate of Admission to Membership / Trading Membership</b> On due payment of requisite fees, subscription, base minimum capital and such other amounts as may be prescribed by the Governing Board from time to time and on compliance with all the requirements necessary before commencement of trading activity, including adequate facilities in back office, a certificate of admission to membership / trading membership shall be issued to the new member / trading member in the form prescribed or in such other form as the Governing Board may, from time to time, prescribe together with the intimation of the date from which he shall enjoy the rights and privileges and be subject to all the duties, liabilities and obligations of a member / trading member of the Exchange.</p> <p><b>12.17 Publication of Notice</b> When a member/ trading member is admitted and a certificate of admission as provided in Prescribed Articles in these presents is issued to the member / trading member, notice of such admission shall be published on the notice board of the Exchange or notified by way of broadcast through the automated trading system to the members / trading members of the Exchange.</p>
	<p><b>13. ADMISSION OF NOMINATED MEMBERS :</b> The Council recognize the Executor or administrator of the estate of the deceased member as the person entitled to nominate in accordance with these Rules provided that where there is no executor or Administrator of the estate of the deceased member, the Council may recognize the claim of any person to be the heir of the deceased member for the purpose of making the nomination as aforesaid on such evidence and subject to such conditions as to indemnify and security as the Council may consider satisfactory.</p>
	<p><b>14. Defaulter</b></p> <p><b>14.1 Declaration of Defaulter</b> A member / trading member shall be declared a defaulter by direction of the Governing Board, or a Committee consisting of the members of the Governing Board, or the</p>

Managing Director, where the monies, securities and bank guarantees deposited with the Exchange / Clearing Corporation are not adequate to discharge the member's obligations and liabilities and more than a period of three months has passed since these obligations / liabilities are pending, on happening of any one or more of the following reasons -

1. if he is unable to fulfil his engagements or obligations; or
2. if he admits or discloses his inability to fulfil or discharge his engagements, obligations or liabilities; or
3. if he fails or is unable to pay within the specified time the damages and the money difference due on a closing out effected against him under the Bye-laws / Regulations of the Exchange / Clearing Corporation; or
4. if he fails to pay any sum due to the Clearing Corporation / House or to deliver to the Clearing Corporation / House any security on the due date; or
5. if he fails to pay / reimburse to the Settlement Guarantee Fund of the Exchange / Clearing Corporation in respect of the amount used from it for the purpose of fulfilling settlement obligations on his behalf ; or
6. if he fails to pay or deliver such money and / or securities arising out of an award given by the Arbitrator under the Arbitration proceedings provided in the Bye-laws of the Exchange / Clearing Corporation; or
7. if he fails to pay or deliver such money and/or securities arising out of a transaction executed on the Exchange, provided such obligation is not disputed by the member / trading member; or
8. if he fails to pay or deliver to the Committee for Settlement of Claims Against Defaulters all monies, securities and other assets due to a member / trading member who has been declared a defaulter within such time as directed by the Managing Director.

#### **14.2 Declaration of Deemed Defaulter**

A member / trading member shall be declared a deemed defaulter by direction of the Governing Board, or a Committee consisting of the members of the Governing Board, or the Managing Director - If the legal heirs / legal representatives of a deceased member / trading member or any other person on his behalf do not or are unable to pay and satisfy his dues debts, liabilities, obligations and claims as provided in the Articles, Bye-laws and Regulations of the Exchange / Clearing Corporation.

#### **14.3 Declaration of Defaulter Automatically**

A member / trading member, who has been adjudicated an insolvent or is declared a defaulter / deemed defaulter by any other stock exchange or if he falls within the definition of an "associate" in relation to a stock broker who is declared a defaulter by any other stock exchange or if any member / trading member of the Exchange having multiple membership / trading membership is declared a defaulter / deemed defaulter by any other stock exchange, shall ipso facto be declared a defaulter, on receipt of written communication or a public notice appearing in any of the daily newspapers stating the name of a member / trading member having been declared a defaulter / adjudicated an insolvent, by direction of the Governing Board or a Committee consisting of the members of the Governing Board or the Managing Director, although he may not at the same time be a defaulter on the Exchange. Explanation: The criteria stipulated in the definition of multiple membership / trading membership as given in Prescribed Articles in these presents shall be followed for determination of multiple membership, for the purpose of invoking provisions of automatic declaration of



defaulter / deemed defaulter.

#### **14.4 Member's Duty to inform**

A member / trading member shall be bound to notify the Exchange immediately if there be a failure by any member / trading member to discharge his liabilities in full.

#### **14.5 Compromise Forbidden**

A member / trading member guilty of accepting from any member / trading member anything less than a full and bonafide money payment in settlement of a debt arising out of a transaction in securities shall be suspended for such period as the Governing Board may determine.

#### **14.6 Post Declaration of Defaulter Process**

On a member / trading member being declared a defaulter, a notice to that effect shall be posted forthwith on the notice board of the Exchange, and the Exchange who has declared a defaulter shall intimate in writing to all the other stock exchanges and SEBI together with details of shareholding pattern where the defaulter was a corporate member / trading member and names of partners where the membership/trading membership was in partnership firm. The Exchange shall place such details on their respective websites.

##### **14.6.1 Defaulter's Books and Documents**

When a member / trading member has been declared a defaulter, the Committee for Settlement of Claims Against Defaulters shall take charge of all his books of accounts, documents, papers and vouchers to ascertain the state of his affairs and the defaulter shall hand over such books, documents, papers and vouchers to the Committee for Settlement of Claims Against Defaulters.

##### **14.6.2 List of Debtors and Creditors**

The defaulter shall file with the Committee for Settlement of Claims Against Defaulters, within such time of the declaration of his default as the Governing Board or the Managing Director may direct by a written statement containing a complete list of his debtors and creditors and the sum owing by and to each.

##### **14.6.3 Defaulter to Give Information**

The defaulter shall submit to the Committee for Settlement of Claims against Defaulter such statement of accounts, information and particulars of his affairs as the Committee may from time to time require and if the Committee so desires, the defaulter shall appear before the Committee at its meeting in connection with his default.

#### **14.7 Assets to Vest in the Committee and Procedure to be Applicable**

Ipsa facto on declaration of a defaulter/ deemed defaulter / defaulter automatically as provided hereinabove, all monies, securities, bank guarantees lying with the Exchange / Clearing Corporation in respect of a defaulter shall vest in the Committee for Settlement of Claims Against Defaulters for the benefit and on account of the creditors, who may have a tenable claim and the Committee for Settlement of Claims Against Defaulters shall deal with such monies, securities or bank guarantees and claims, as provided in the relevant Articles herein and specifically as provided.

#### **14.8 Consequences of Declaration of Defaulter:**

**14.8.1 Cessation of Membership / Trading Membership at Once**

A member/trading member who is declared a defaulter / deemed defaulter shall at once cease to be a member/ a trading member of the Exchange and as such cease to enjoy any of the rights and privileges of membership/trading membership but the rights of his creditors, arising out of or incidental to the transactions, against him shall remain unimpaired as provided herein.

**14.8.2 Lapse of Membership/Trading Membership Right**

A member's / trading member's right of membership/trading membership shall lapse or forfeit to and vest in the Exchange ipso facto upon such member/trading member being declared a defaulter/deemed defaulter.

**14.8.3 Prohibition to Re-admission**

**14.8.3.1** No person who was a member/trading member and declared a defaulter or expelled by the Exchange shall be readmitted to the membership / trading membership of the Exchange for a minimum period of five years from the date he is declared a defaulter / expelled by the Governing Board of the Exchange.

**14.8.3.2** No person who was a member / trading member of any other stock exchange and who has been declared a defaulter or expelled by the other stock exchange shall be admitted as a member / trading member of the Exchange.

**14.9 Surrender of Names of Clients and Books - a Condition of Eligibility**

A defaulter shall not be eligible for re-admission if he fails to give the names of any clients indebted to him or if he fails to deliver to the Committee for Settlement of Claims Against Defaulters soon as he is so required to do, his original books and accounts and all other papers, vouchers, documents and records and any information, explanations and statements he is called upon to submit.

**14.10 Full Payment - a Condition of Eligibility**

A defaulter shall not be eligible for re-admission unless, within such time as may be specified by the Governing Board, he has made full payment of all amounts payable by him to the Exchange, to the Clearing House / Clearing Corporation or to the Settlement Guarantee Fund and also of all amounts payable by him to SEBI and all other creditors (whether they be members/trading members of the Exchange or not) arising out of, or in connection with and / or incidental to the contracts made subject to the Articles, Bye-laws and Regulations of the Exchange for which the decision of the Committee for Settlement of Claims Against Defaulters shall be final and binding; provided that where a claim of a creditor other than the Exchange, the Clearing House / Clearing Corporation or the Settlement Guarantee Fund is the subject matter of an arbitration proceeding under the Articles, Bye-laws and Regulations of the Exchange which is pending, the Governing Board may, in its discretion, consider the defaulter to be eligible for re-admission if he deposits with the Exchange a sum equal to the amount of such disputed claim. The sum so deposited shall be paid to the claimant to the extent of which the arbitration award is in favour of the claimant and the balance may be refunded to the defaulter, if there is no other liability.

**14.11 Defaulter When not to be Re-admitted**

A defaulter shall not be readmitted if his default has been contributed to by reckless dealings on his own account or if his conduct has been marked by indiscretion and by

the absence of reasonable caution.

#### **14.12 Conditions of Re-admission for Defaulters**

The Governing Board may, subject to the following conditions, re-admit a member/trading member, who has been declared a defaulter:

14.12.1 has made an application to the Managing Director after a lapse of five years from the date of notice of declaration of a defaulter served on the concerned member/trading member;

14.12.2 has paid all the dues in full to the Exchange, Clearing Corporation, Clearing House of the Exchange, SEBI, other members/trading members, clients and other creditors recognised under the Articles, Bye-laws and Regulations of the Exchange;

14.12.3 has no insolvency proceedings against him in a Court or has not been declared an insolvent by any Court;

14.12.4 has defaulted owing to the default of his principals whom he might have reasonably expected to be good for their commitments;

14.12.5 has not been guilty of bad faith or breach of the Articles, Bye-laws and Regulations of the Exchange;

14.12.6 has kept his business within a reasonable proportion of his means or resources;

14.12.7 has been irreproachable in his general conduct and behaviour; and

14.12.8 has agreed to the prevalent terms and conditions of membership/trading membership and undertakes to fulfil such other requirements, as may be specified by the Governing Board from time to time.

#### **14.13 Expelled Member/Trading Member Not to be Re-admitted**

A member/trading member, who has been expelled by the Governing Board, shall not be re-admitted under any circumstances unless expelled for non-compliance of continued membership/trading membership requirements.

#### **14.14 Re-admitted Defaulter Ineligible for Holding Positions**

A member who has been declared a defaulter at any time shall not be eligible to be elected a member of the Governing Board or of any standing or other committee or as an office-bearer of the Exchange.

#### **14.15 Defaulter Provisions Applicable to Director in case of Company / Body Corporate**

The provisions of Prescribed Articles in these presents shall apply, mutatis mutandis, to a member / trading member being a company / body corporate provided that re-admission of a defaulter which is a company / body corporate shall be subject to such other conditions which the Governing Board may, in its absolute discretion, impose and communicate to the defaulter; Provided further that default by a member / trading member being a company shall be deemed to be the default of all its Directors and the provisions of these Articles relating to a defaulter shall also apply to all such Directors.

#### **14.16 Exercise of Right of Nomination by the Governing Board Where Right of Membership / Trading Membership Vested in the Exchange**

The Governing Board shall exercise the right of nomination in respect of the membership / trading membership vesting in the Exchange and complete the process of nomination within six months from the date of declaration of defaulter / deemed defaulter through the process of public notice and having best realisation of consideration, by following the eligibility criteria for selection of a member / trading

member as in vogue from time to time.

#### **14.17 Apportionment of Consideration Realised / Other Realisation of Receivables**

The consideration received against disposal of the right of membership right vesting in the Exchange shall be merged with the security deposit or base minimum capital, and any other securities / monies lying to the credit of the member / trading member prior to declaration of a defaulter/deemed defaulter, together with any realisation that may have been made by the Committee for Settlement of Claims Against Defaulters, and shall be applied to the following purposes and in the following order of priority:

##### **14.17.1 Dues of the Exchange/Clearing House/ Clearing Corporation/SEBI**

First - payment of such subscriptions, debts, fines, fees, charges and other moneys due to the Exchange, Clearing House, Clearing Corporation, Settlement Guarantee Fund and SEBI by the member/trading member prior to declaration of such member / trading member a defaulter / deemed defaulter on a pro-rata basis.

##### **14.17.2 Liabilities Relating to Contracts**

Second - payment of such debts, liabilities, obligations and claims arising out of any contract made by such member/trading member, prior to declaration of defaulter/deemed defaulter subject to the Articles, Bye-laws and Regulations of the Exchange, as shall have been admitted by the Committee for Settlement of Claims Against Defaulters. If the amount available be insufficient to pay and satisfy all such debts, liabilities, obligations and claims in full, they shall be paid and satisfied pro rata.

##### **14.17.3 Balance**

**First** - payment of the surplus, if any, to meet with any claims, which are found to be genuine and admitted by the Committee for Settlement of Claims Against Defaulters, not strictly arising on account of a transaction on the Exchange but incidental to such transaction, like issue of bank guarantee to such member/trading member by an approved banker of the Exchange/Clearing Corporation.

**Second** - claims of sub-brokers arising out of deposit of securities and/or cash deposits given in terms of the agreement executed between such member/trading member and the sub-brokers, provided such sub-brokers have obtained registration from SEBI through the Exchange.

**Third** - any other genuine claims against the defaulter/deemed defaulter payable either arising out of or incidental to the transaction done on the Exchange, but excluding loan transactions. If the balance amount available were insufficient to pay and satisfy all such claims in full, they shall be paid and satisfied pro rata.

**Fourth** – Any liability determined by any authority recognised by the Central Government and/or State Government under any law.

##### **14.17.4 Apportionment in Case of Defaulter / Deemed Defaulter in Relation to Multiple Membership / Trading Membership**

Apportionment of assets in case of defaulter / deemed defaulter in relation to multiple membership / trading membership vested in the Exchange shall be done strictly stock exchange-wise against the claims received by the respective stock exchanges. If, however, there is a surplus after application of the assets at any one or more stock exchange/s, such surplus amount shall be available for distribution on a pro-rata basis against shortages in claims admitted by the Committee for Settlement of Claims Against Defaulters of the respective stock exchange/s. The stock exchange, where the

	<p>member / trading member is first declared a defaulter / deemed defaulter, shall administer distribution of net surplus for satisfying the shortages in claims admitted by the Committee for Settlement of Claims Against Defaulters of the respective stock exchange/s and the concerned stock exchange/s shall proceed by either transferring the surplus amount or by forwarding the claims, admitted by the Committee for Settlement of Claims Against Defaulters of the respective stock exchange/s giving effect to the provision contained above, enabling the first stock exchange to administer distribution of the assets as stipulated herein.</p> <p><b>14.17.5 Surplus</b>  Payment of the surplus, if any, to the member/trading member and in a case where the member/trading member has expired, to his legal heirs/legal representatives, be released only after three years from the date of declaration of default.</p>
	<p><b>15. General Meetings</b></p> <p><b>15 a.</b> The Exchange shall in addition to any other meetings hold a general meeting which shall be styled its annual general meeting at intervals and in accordance with the provisions set out below.</p> <p><b>15 b.</b> The first annual general meeting shall be held within eighteen months of the date of incorporation of the Exchange.</p> <p><b>15 c.</b> The next annual general meeting of the Exchange shall be held within 9 months after the expiry of the financial year in which the first annual general meeting was held; and thereafter an annual general meeting shall be held by the Exchange within 6 months after the expiry of each financial year.</p> <p>Provided that where the Registrar of Companies has extended on application, the time within which any annual general meeting (not being the first annual general meeting) to be held it shall be held within that extended time.</p> <p><b>15 d.</b> Except in the case referred to in the foregoing proviso, not more than fifteen months shall elapse between the date of one annual general meeting and that of the next.</p> <p><b>15 e</b>  The Exchange in general meeting may from time to time decide the following matters, which shall be deemed to lie within its sole and exclusive jurisdiction and outside the purview of the Governing Board:</p>

**15 e(i) Number of Members/Trading Members**

The maximum number of members/trading members of the Exchange.

**15 e(ii) Adoption of Statement of Accounts**

Consideration of the preceding year's statement of income and expenditure and balance sheet together with the statutory auditor's report thereon.

**15 e(iii) Appointment and / or Removal of Statutory Auditor**

Appointment and / or removal of a statutory auditor and fixation of his remuneration for the ensuing year.

**15 e(iv) Election of Members to the Governing Board**

Election of members to the Governing Board as provided in these presents.

**15 e(v) Dealing with Immovable Property**

Acquisition, purchase, sale, exchange, creation of a charge, or other disposal, absolute or conditional, of the whole or part of any immovable property of the Exchange of the value exceeding Rupees Fifty lacs or such higher amount in any financial year as may be authorised by the general meeting.

**15 e(vi) Dealing with Funds**

Payment, disbursement, disposal of or dealing with any funds or property of the Exchange for contribution or payment exceeding Rupees five lacs or such higher amount in any financial year as may be authorised by the general meeting towards a charitable purpose provided a resolution for this purpose has been adopted at a general meeting called for the purpose at which a quorum of not less than one hundred members or one third of the strength of the members of the Exchange entitled to attend and vote, whichever is less, is present.

**15 e(vii) Distribution of Dividend, Bonus, etc.**

No stock exchange shall make any payment or disbursement, directly or indirectly, by way of dividend, bonus or otherwise by way of profit to the members of the Exchange or to any one or more of them or to any persons claiming through any one or more of them, except by the stock exchange, which is incorporated as a company limited by share capital and the stock exchange is neither covered under Section 25 of the Companies Act nor recognised as a trust or as an institution availing of income tax exemption as provided under the relevant sections of the Income Tax Act.

	<p><b>16.1 Meetings of Members</b></p> <p><b>16.1.1 Annual General Meeting</b></p> <p><b>16.1.2 When and Who May Convene</b> The Chairman or the Managing Director may convene a meeting of the members of the Exchange, to be called the Annual General Meeting of the Exchange, any time after the financial year of the Exchange is over but not later than the expiry of six months reckoned from the date of close of the financial year, on the basis of authorisation by the Governing Board, provided where the statement of accounts of the Exchange are not ready for any special reasons or circumstances, the Governing Board may extend the period of convening such meeting by one month or more as may be warranted by unusual circumstances subject to obtaining prior approval from SEBI and/or other concerned authorities.</p> <p><b>16.1.3 Business</b> No business shall be brought forward or transacted at the Annual General Meeting except the following:</p> <p><b>16.1.4 Balance Sheet and Auditor's Report</b> consideration of the preceding year's statement of income and expenditure or profit and loss account, as the case may be, and balance sheet together with the auditor's report thereon;</p> <p><b>16.1.5 Appointment of Statutory Auditor</b> appointing a statutory auditor; and</p> <p><b>16.1.5.1 Appointment and Duties of Statutory Auditor</b> The Exchange in Annual General Meeting shall appoint a Statutory Auditor and fix his annual remuneration. The auditor so appointed shall examine the accounts of the Exchange as well as the securities and other investments of the funds of the Exchange and all the necessary vouchers and papers and make his report which shall be submitted to the Annual General Meeting.</p> <p><b>16.1.5.2 Vacancy of Statutory Auditors</b> Any casual vacancy in the office of the Statutory Auditor shall forthwith be filled by the appointment of another Statutory Auditor</p> <p><b>16.1.6 Election of Directors by Rotation.</b> To elect members of Governing Board in place of those retiring by rotation or otherwise.</p> <p><b>16.1.7 Other Business</b> such other business as shall have been specified in the notice convening the meeting.</p>
	<p><b>17.1 Extra-ordinary General Meetings</b></p> <p><b>17.1.1</b> All meetings of the Exchange other than Annual General Meeting shall be called Extra-ordinary General Meetings.</p> <p><b>17.1.2 Not to Alter Governing Board Resolution</b> It shall not be competent to the Exchange in general meeting to add to, alter, vary or</p>

rescind any resolution passed by the Governing Board under the powers or authority conferred upon it by the provisions of any Article or Bye-law of the Exchange for the time being in force and all such resolutions shall, when they come into force, be deemed valid and binding upon all members/trading members of the Exchange, partners, designated directors/nominees in the case of a company/body corporate, approved users, authorised representatives, agents, sub-brokers, remisiers, employees and all persons dealing with or through them.

### **17.1.3 Requirement of Quorum**

#### **17.1.3.1 Quorum**

The quorum for any general meeting shall be five members present in person. Only members entitled to vote shall be counted for the purpose of the quorum.

#### **17.1.3.2 No Quorum – Adjournment of Meeting**

If within thirty minutes from the time appointed for the meeting, the quorum required by any Article or Bye-law of the Exchange for the time being in force be not present, the meeting, if convened upon a requisition of members, shall stand dissolved and in any other case, it shall stand adjourned to the same time and place on the same day in the next week or if such day be a holiday, to the next business day and if, at such adjourned meeting, no such quorum be present within fifteen minutes of the time appointed for the meeting, those members present shall constitute the quorum and may transact the business for which the meeting was called.

#### **17.1.3.3 Adjournment of Meeting**

The Chairman of a general meeting may, with the consent of the majority of the members present, adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

#### **17.1.3.4 Who May be Present at Meetings**

Members, the Chairman, the Managing Director, Legal Advisor, Auditors, SEBI Nominees, Public Representatives and officers of the Exchange shall be entitled and any other person may, with the permission of the Managing Director, be allowed to be present at a general meeting of the Exchange. A member before taking his seat shall sign his name in the book provided for the purpose.

#### **17.1.3.5 Who May Not be Entitled to be Present at Meetings**

Legal heirs/legal representatives of a deceased member, a defaulter declared by the Governing Board and a member who has either been expelled by the Governing Board or who has surrendered his membership by submitting an application therefor or who has opted to offer membership to the Exchange under the buyback scheme of the Exchange by submitting an application therefor, are not entitled to be present at a general meeting of the Exchange.

**17.1.3.6 Clarifications at Meetings** -- The Managing Director, Legal Advisor, Auditors, SEBI Nominees, Public Representatives and the officers of the Exchange shall be entitled to render clarification or reply to any query or question raised relating to the area of their responsibility.



**17.1.3.7 Suspended Member Not to be Present And Vote --** A member, who has been suspended, shall not be entitled to be present or to vote at any general meeting but a member shall not be dis-entitled to be present and vote merely because money is due and payable by him to the Exchange.

**17.1.3.8 Chairman of Meeting --** The Chairman of the Governing Board shall take the chair at every general meeting. If there be no Chairman or if at any meeting the Chairman be not present within fifteen minutes of the time appointed for such meeting or be unwilling to take the chair, the members present shall choose a member of the Governing Board to take the chair and if no member of the Governing Board be present or if all the members of the Governing Board present decline to take the chair, the members present shall choose one of the members present to take the chair.

**17.1.3.9 Decision of Majority --** Every question submitted to a general meeting shall be decided by a majority of the votes cast at the meeting unless a specified majority is required by the provisions of the Companies Act., for the time being in force, provided that if a fraction appears when so determining the specified majority, it shall be omitted.

**17.1.3.10 Validity of Votes**

The Chairman of any general meeting shall be the sole judge of the validity of any vote given at such meeting.

**17.1.3.11 Casting Vote**

In case of an equality of votes on a show of hands, the Chairman of the general meeting, at which the show of hands takes place, shall be entitled to a second or casting vote.

**17.1.3.12 Minutes**

Minutes of the proceedings of general meetings shall be maintained under the authority of the Managing Director and such minutes shall be signed by the Chairman of the meeting and the Managing Director and be available for inspection by members at such time and place, as the Governing Board may determine and notify.

**17.1.4 Extra-Ordinary General Meeting May Make Bye-laws**

**17.1.4.1** The Exchange in extra-ordinary General Meeting may without derogating from the powers of the Governing Board in that behalf and subject to the provisions of the Securities Contract (Regulation) Act, 1956 from time to time make, add to, vary at rescind any Bye-law or Byelaws to carry out the objects of the Exchange.

**17.1.4.2** No resolution for the purpose of Prescribed Articles in these presents shall be deemed to have been passed or be of any effect whatever unless it shall have been approved and adopted by a majority of 3/4 th of the members present at a general meeting called for the purpose at which a quorum of not less than 1/3 rd of the total strength of membership of the Exchange is present.

**18 FUNCTIONARIES****18.1 General Body**

The members of the Exchange, who are subscribers to the establishment of the Exchange or who have been admitted any time thereafter as members, shall constitute the general body of the Exchange or where the Exchange is promoted and established by the Financial Institutions or Stock Exchanges, such promoters shall constitute the General Body of the Exchange.

**18.2 Governing Board of the Pune Stock Exchange Limited**

18.2.1 Board Composition on and from Due Date mentioned in The Pune Stock Exchange Limited (Corporatisation and Demutualisation )Scheme, 2005 till Appointed Date On and from Due Date, as defined in clause 2.1 of the Pune Stock Exchange Limited (Corporatisation and Demutualisation) Scheme, 2005, the Composition of the Governing Board shall be as under:

18.2.1.a Trading Member Directors shall constitute a maximum of one- fourth of the total strength of the Governing Board.

18.2.1.b Public interest Directors shall constitute the balance of the Governing Board.

**Board Composition on and from Appointed Date**

On and from the Appointed Date, as may be notified by SEBI under Section 4A of the Securities Contracts (Regulation) Act, 1956, the composition of the Governing Board shall be as under:

	<p>18.2.2.a Trading Member Directors shall constitute a maximum of one-Fourth of the total strength of the Governing Board.</p> <p>18.2.2.b. Public Interest Directors shall constitute one-fourth of the total Strength of the Governing Board.</p> <p>18.2.2.c Shareholder Directors shall constitute the balance of the Governing Board.</p> <p><b>18.3 Standing Committees</b>  There shall be Standing Committees to discharge functions in the specific areas such as arbitration, claims against defaulters, disciplinary action and investors' services. Not more than twenty percent of the members of the Arbitration Committee, Disciplinary Committee, Defaults Committee and Investors Services Committee shall be trading members. However, the Arbitration Committee in case of disputes between a trading member and non-trading member shall not have representation of the trading members. The appointment of members on these committees shall not require SEBI approval.</p> <p><b>18.4 Audit Committee</b>  The Governing Board shall nominate an Audit Committee to oversee the operations of the Exchange in terms of adequacy of systems, procedures and authorisation of crucial activities.</p> <p><b>18.5 Selection Committee</b>  The Governing Board shall nominate an independent Selection Committee to select the Managing Director.</p> <p><b>18.6 Membership / Trading Membership Selection Committee</b>  The Governing Board shall nominate a Membership / Trading Membership Selection Committee, with the previous approval of SEBI, consisting of five person.</p> <p><b>18.7 Ethics Committee</b>  The Governing Board shall nominate an Ethics Committee, which shall be responsible for deciding and implementing the Code of Ethic</p> <p><b>18.8 Chairman</b>  There shall be a Chairman elected by the Governing Board as provided hereinafter and he shall be holding his position in a non-executive capacity.</p> <p><b>18.9 Administrative Set-up</b>  The Governing Board shall be responsible to provide adequate and competent administrative set-up, including the Company Secretary, headed by the Managing Director, to facilitate the administration to efficiently and effectively provide services to the investors at large, members/trading members, and listed companies, be responsive to the Government, SEBI and other regulatory bodies in ensuring timely implementation of various decisions taken and communicated, complying with their requirements of carrying out investigations, providing reports, and initiating actions when so desired, and implementing directives, orders, guidelines, norms and circulars communicated by them, and thus act as a self-regulating organization.</p>
	<p><b>19 Governing Board</b></p>

19A.1. The Directors except the Chief Executive such as Chief Executive Officers, ED, MD etc and the Public Interest Directors shall be selected by the Shareholders.

19A. 2. No Director shall hold office for more than two consecutive terms.

19 A 3. “Trading Member Directors” shall be elected from amongst the Trading Members.

19A. 4. Shareholder Directors shall be elected from amongst the Persons, who are not Trading Members or Associates of Trading Members.

Associate in relation to a Trading Member, individual, body Corporate or firm, shall include a person:

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 In respect of whom the Trading Member, individual or body Corporate or firm, directly or indirectly, by itself or in combination

With other persons, exercise control, or

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.

19A.5. ‘Public Interest Directors’ shall be selected by the Governing Board amongst the persons in the Securities and Exchange Board of India Constitutes panel. A person shall not act as ‘Public Interest Director’ on more than one Stock Exchange simultaneously.

19A.6. The Chairman shall be elected by the Governing Board from amongst the non-executive non-trading member directors.

19A.7. 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 specially provided under or in accordance with the Securities Contracts (Regulation) Act, 1956.

19A.8.The Chief Executive shall be an ex-officio Director on the Governing Board.

19A.9. No approval of SEBI shall be required for appointment of any Director expect for the Chief Executive.

19A.10. SEBI may nominate Directors on the Governing Board as and When deemed fit.

19A 11. Board Composition :

The provisions in the above paragraphs are presented in the following table

Cat ego ry	Stakehol ders	Designati on	Statu s	Who may represe nt	Who may elect /appoi	Extent of represe ntation.	Election, Removal Etc.
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						nt			
A	B	C	D	E	F	G	H		
1	Trading Members	Trading Member Director	Non-Executive	Trading Members	Shareholders	< 1/4	As per the companies Act, 1956, unless specifically provided in the SCRA		
2	Investors, Listed Companies, Society, etc.	Public Interest Director	Non-Executive	A person from the SEBI Panel	Selected by governing board	1/4 (rounded off to nearest numbers)			
3	Shareholders	Shareholder Director	Non-Executive / Executive	Any person who is not a Trading member or Associate of a Trading Member	Shareholders	Balance			
4	Exchange Administration	Chief Executive (MD/CEO/ED)	Executive	Professional	Board	One			
<p><b>NOTE:</b></p> <p>During the period between 'Due Date' and 'Appointed Date', category 3 shall merge with category 2.</p> <p>After the 'Appointed Date', in case the Exchange has strategic partner(s) / majority shareholders(s), at least one third of the Shareholder Directors shall be independent non-executive directors.</p> <p>The fractions in column 'G' refer to share in the total strength of the Board excluding the MD/CEO/ED.</p> <p>19A.12. Chief Executive</p>									

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 appointment and other procedural formalities associated with the selection / appointment of the Chief Executive. While recommending the names to SEBI the Exchange shall submit an undertaking that the necessary due diligence has been carried out by them with respect to the verification of antecedents, credentials and experience of the proposed persons.

19A.13. The Exchange shall frame and apply a set of criteria as near thereto the SEBI (Criteria for Fit and Proper Person) Regulations, 2004 to the Directors on the Governing Board of the Exchange.”

19 B The Minimum numbers of directors shall not be less than three and Maximum number of directors shall not exceed 15.

**19.1 Election of Members - Conditions of Eligibility**

No member shall be eligible to be elected a member of the Governing Board. At any point of time the number of broker Directors shall not exceed 25% of the total strength of the Governing Board.

**19.1.1 Nationality**

he be not a citizen of India;

**19.1.2 Standing**

he be a member of less than three years' standing on the last day for submission of proposals by candidates for election under Prescribed Articles in these presents;

**19.1.3 Default**

he has at any time been declared a defaulter or failed to meet his liabilities in ordinary course or compounded with his creditors;

**19.1.4 Suspended**

he is under suspension on account of non-compliance of any of the requirements specified by the Exchange and/or where registration granted by SEBI has been suspended by SEBI and a period of two years from the date of expiry of such suspension or suspension of registration by SEBI has not elapsed either during the time of proposing and/or at the time of voting;

**19.1.5 Cancellation of Registration**

his registration granted by SEBI has been cancelled by SEBI

**19.1.6 Criminal Prosecution**

he is convicted for criminal offence involving moral turpitude;

**19.1.7 Not Complying With Conciliation / Arbitration Award**

he fails to comply with the conciliation / arbitration award as provided in the Articles, Bye-laws and Regulations of the Exchange;

**19.1.8 Not Resolving Complaints of Investors**

he fails to take effective steps to resolve complaints of investors for non-receipt of payment for the securities sold and/or non-receipt of securities for the amount paid or fails to furnish necessary written explanation or statement of account in respect of complaints pending with the concerned member/trading member for more than a month to the satisfaction of the Investors' Services Committee, where the total amount works out to be Rs.One lakh or more; or

**19.1.9 Not Maintaining Base Minimum Capital / Security Deposit**

he does not maintain base minimum capital / Security Deposit with the Exchange and/or is not carrying on business. Any such member, who after his election to the

Governing Board, fails to maintain the base minimum capital / Security Deposit with the Exchange and/or ceases to carry on business on the Exchange, shall ipso facto and forthwith cease to be a member of the Governing Board.

**19.1.10 Member/s at the time of super cession of the Governing Board of the Exchange.**

A member of the Stock Exchange who was on the Governing Board of the Stock Exchange at the time of its super cession would not be eligible for re-election to the Governing Board of the Stock Exchange for a period of 2 years from the date of expiry of the order of supercession passed by SEBI.

**19.2 Designated Partner or Designated Director/Nominee as Member**

Not more than one designated partner of a partnership firm or a designated director/nominee of a company / body corporate shall be eligible to be a member of the Governing Board at the same time.

**19.3 Retiring Elected Members**

All the retiring elected members of the Governing Board shall be eligible for re-election provided that when a person has been a member elected for two consecutive terms on the Governing Board neither such person nor any other designated partner of the partnership firm represented by such person nor any other designated director / nominee of the company / body corporate represented by such person shall be eligible for re-election for a further period of two years thereafter.

**19.4 Retirement Age**

No person shall be eligible to hold office as a member of the Governing Board, if he completes the age of seventy-five years. In case of elected members of the Governing Board, such member shall not be eligible to contest election in the year in which such member is to complete the age of seventy five years and where such member has already been elected earlier, the term of such member shall expire on the date of the next Annual General Meeting of the Exchange preceding the date on which such member shall be completing the age of seventy five years.

**19.5 Retirement**

At every Annual General Meeting of the Exchange, as the case may be, one-third of the members elected to the Governing Board and if their number is not a multiple of three, then the number nearest to one-third shall retire from the office. The members elected to the Governing Board to retire each year by rotation at every Annual General Meeting, as the case may be, shall be those who have been longest in office or those who have completed three years in office since their last election, whichever is earlier, but as between persons who became members of the Governing Board on the same day, those who are to retire shall, in default of, and subject to, any agreement made, be determined by lot.

**19.6 Retirement Provisions Not to Apply**

Notwithstanding anything contained in the Companies Act in relation to retirement, the provisions relating to retirement contained herein shall not be applicable to SEBI nominees, Public Representatives and the Managing Director, nominated or appointed as provided under the Articles of the Exchange.

**19.7 Conditions Applicable to Company / Body Corporate**

A designated director / nominee of the company / body corporate, duly nominated by the Board of Directors of such company / body corporate, shall be eligible to be elected a member of the Governing Board subject to the provisions of Prescribed Articles in these presents. Such designated director / nominee shall cease to be a member of the Governing Board if he ceases to be a designated director / nominee of the company / body corporate, in which event, the company / body corporate, as the case may be, shall be entitled to replace such member by nominating another designated director / nominee in his place for the remaining period of the term of the originally elected member.

## **19.8 Public Representatives / Independent Directors**

### **19.8.1 Number**

The Governing Board of the Exchange shall have not more than four persons as the case may be who shall be public representatives / Independent Directors as provided herein under Prescribed Articles in these presents.

### **19.8.2 Qualification**

The public representatives on the Governing Board of the Exchange shall be persons of public eminence having necessary professional competence and experience in the areas related to the securities market like industry, commerce, economics, finance, accounts, law, etc.

### **19.8.3 Disqualification**

No person who is affiliated to a broker in securities market shall be eligible to be nominated as a public representative.

**Explanation:** A person shall be deemed to be affiliated to a broker (broker shall mean and include a broking business carried out under registration of SEBI by any member/trading member of any Stock Exchange, whether the structure of such business be a sole proprietorship, partnership or a company/body corporate) in securities, if such person falls within the definition of “affiliate” as prescribed.

### **19.8.4 Panel and Its Ratio**

For the purpose of nomination of public representatives, the Governing Board may, soon after election of elected members under Prescribed Articles in these presents consider names of the eligible persons and prepare a panel of atleast two persons for each of the vacant position for nomination as public representative in order of preference. The Managing Director shall forward the panel of persons to SEBI. SEBI shall nominate as soon as possible the persons as public representatives. The public representatives to be nominated by SEBI, however, may or may not be from amongst the panel of persons recommended by the Governing Board and SEBI shall have discretion to nominate any other persons as public representatives subject to the provisions of Prescribed Articles in these presents.

### **19.8.5 Failure to Recommend Panel**

If the Governing Board fails to recommend to SEBI a panel of persons for nomination of public representatives by SEBI within one month from the date of the first meeting of the Governing Board held after the election, SEBI may suo moto nominate persons as public representatives on the Governing Board of the Exchange subject to the provisions of Prescribed Articles in these presents.



**19.8.6 Term**

The public representatives to be nominated by SEBI shall hold office for such term as may be specified by SEBI or until the succeeding public representatives are nominated by SEBI, whichever is later. SEBI may, however, at any time, require a public representative to relinquish office and nominate another person in his place.

**19.8.7 Vacancy**

Any vacancy caused by resignation, removal, death or otherwise of a public representative shall be filled up in the same manner as provided in Prescribed Articles in these presents within a period of two months from the date of happening of such event and where the Exchange fails to do so, such vacancy shall be filled up as provided under Prescribed Articles in these presents.

**19.8.8 Report to SEBI**

SEBI may issue to the public representatives such directions and instructions as it may consider necessary with regard to the affairs of the Exchange and may also require them to report to SEBI in that behalf from time to time.

**19.8.9 Retirement Age**

A person shall not be eligible to be nominated as a public representative for the year in which such person will be completing the age of 75 years.

**19.9 Shareholder Directors****19.9.1 Number**

There shall be four Share holder Directors on the Governing Board who will be elected by the shareholders. (Note: Since there will be no Shareholder Director as a separate category as on the date of Demutualisation, the shareholder Director category may be filled by appointing Independent Directors on the Board. The Exchange shall ensure that at any point of time the number of broker Directors shall not exceed 25% of the total strength of the Governing Board.)

**19.9.2 -- Guidelines for Fair Practices/Code of Conduct for Public Representative and SEBI Nominee Directors**

Public Representative/SEBI Nominee Director shall

**(A) Meetings & minutes**

- a. endeavour to attend all the board meetings and shall be liable to vacate his office if he remains absent for three consecutive meetings of the Board of Directors or does not attend 75% of the total meetings of the Board in a calendar year.
- b. not participate in the discussion of any subject matter in which any conflict of 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.
- c. not encourage the circulation of agenda papers during the meeting, unless circumstances requires.

- d. meet themselves at least once in 6 months separately, if necessary, to exchange views on critical issues.
- e. offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes.
- f. insist on the minutes of the previous meeting being placed for approval in subsequent meeting.
- g. endeavour to have the date of next meeting fixed at each Board Meeting in consultation with other members of the Governing Board.
- h. endeavour that in case where all the items of the agenda of a meeting were not covered for want of those, the next meeting is held within 15 days for considering the remaining items.

**(B) Strategic Planning**

- a. participate in the formulation and execution of strategies in the best interest of the exchanges and contribute towards pro-active decision making at the Board level.
- b. give benefit of his experience and expertise to the exchange and provide assistance in strategic planning and execution of decisions when the Board is in the throes of a raging controversy.

**(C)Regulatory**

**Compliances**

- a. endeavour to ensure that the Exchange abides by all the provisions of the SEBI Act, Securities Contracts (Regulation) Act, Rules, Regulations framed there under 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.
- d. not support any decision in the meeting of the Governing Board which may adversely affect the interest of investors and shall report forthwith any such decision to SEBI.
- e. endeavour that the arbitral award is given within the period stipulated in the bye Laws, rules or regulations of the Exchange and in any case, the award is delivered within 15 days after the final meeting.

**(D)General**

**Responsibility**

- a. be punctual and participate actively in the proceedings of the

Meetings.

- b. place priority for redressing Investor Grievance, encourage fair trade practice, to become engine for the right growth of the securities industry.
- c. make use of every reasonable opportunity to enhance and improve his level of knowledge and endeavour to analyse and administer the exchange issues with professional competence, fairness, impartiality, efficiency and effectiveness.
- d. submit the necessary disclosures/statement of holdings/dealings in securities as required by the Exchange from time to time as per their Rules or Articles of Association.
- e. 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 gain.
- f. maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of his duties in order to inspire public confidence and shall not engage in acts discreditable to his responsibilities.
- g. avoid any interest or activity which is in conflict with the conduct of his official duties.
- h. perform his duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, his independence or objectivity.
- i. perform his duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion.
- j. not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the exchange.”

**19.10 Election Procedure for Elected Members**

**19.10.1 Notice of Election**

Any member who is not a retiring member of the Governing Board shall be eligible for appointment to the office of a member of Governing Board at any general meeting, if he or some other members intending to propose him has, not less than fourteen days before the meeting left at the registered office of the Exchange a notice in writing under his own hands signifying candidature for the office as a member of the Governing Board or the intention of such member to propose him as a candidate for that office as the case may be.

**19.10.2 Notice of Candidates**

A notice containing the names of all candidates for election, shall be posted on the notice board or broadcast through the automated trading system of the Exchange at least seven calendar days prior to the date of election.

**19.10.3 Ballot When not Necessary**

When the number of candidates, seeking election does not exceed the number of vacancies to be filled-up, no ballot shall be necessary and such candidates shall be deemed duly elected and if there be still a vacancy, the Governing Board elected to office shall fill up the same.

**19.10.4 Scrutineers**

The Managing Director shall appoint three members of the Exchange, not being members of the Governing Board or candidates for election, to act as scrutineers at elections and such scrutineers shall report the result of the ballot to the Managing Director. The Managing Director shall, immediately upon receiving the report from the Scrutineers, cause to issue a notice or broadcast through the automated trading system of the Exchange, announcing the results of election for information of the members.

**19.10.5 Voting**

No member shall be entitled to give more than one vote to any particular candidate. A member may, however, vote for a lesser number of candidates than the number of vacancies to be filled in.

**19.10.6 Elected Candidates**

Candidates receiving the highest number of votes shall be declared elected to the vacant positions and in case of an equality of votes, the election shall be decided by the scrutineers by drawing lots.

**19.10.7 Election of Chairman**

The Governing Board shall, either at the first meeting to be held within ten calendar days after Annual General Meeting of the Exchange, elect from amongst the members of the Governing Board, its non-executive Chairman who shall be ex-officio Chairman of the Exchange. The Chairman so elected shall hold office for one year or until the succeeding Chairman is elected, whichever is later. The Chairman shall be eligible for re-election, provided the person who held the office of Chairman for two consecutive terms shall not be eligible for re-election as Chairman unless a period of one year has elapsed since he last held such office.

**19.11 Vacancies in the Governing Board****19.11.1 Vacancy in the Office of Chairman**

In case a vacancy shall occur in the office of the Chairman, the Governing Board shall fill up the vacancy by election from the members of the Governing Board within a period not exceeding seven working days from the date of occurring of such vacancy. The Chairman so elected shall hold office for the remaining period of the term or until the succeeding Chairman is elected, whichever is later.

**19.11.2 Leave**

The Governing Board may give any member of the Governing Board leave of absence for a period not exceeding four months and may, by a resolution, co-opt any member of the Exchange eligible to be elected a member of the Governing Board in the place of such elected member for the duration of his leave.

**19.11.3 Vacancy**

The office of a member of the Governing Board shall ipso facto be vacated –

**19.11.3.1 Suspension of Payment**

If he suspends payment or is adjudicated an insolvent or if a petition be filed by him for winding up his affairs or those of his partnership firm or if he or his partnership firm or a company / body corporate, being a member / trading member in which he is a designated director / nominee, compounds with creditors, or is declared a defaulter, or

**19.11.3.2 Unsound Mind**

if he be found lunatic or becomes of unsound mind or incapable of efficient attention to business, or

**19.11.3.3 Absence**

if he absents himself from all the meetings of the Governing Board for a continuous period of two months without leave of absence from the Governing Board, or

**19.11.3.4 Death, Suspension or Expulsion**

if he dies or ceases to be a member of the Exchange or is suspended or expelled from the Exchange or registration granted by SEBI is suspended or cancelled by SEBI, or

**19.11.3.5 Criminal Prosecution**

if he is convicted for criminal offence involving moral turpitude, or

**19.11.3.6 Not Complying With the Arbitration Award**

if an arbitration award has been given against him and if he does not comply with the arbitration award.

**19.11.3.7 Not Resolving the Complaints of Investors**

if there are complaints of investors pending against him for more than a month for non-receipt of payment for the securities sold and/or non-receipt of securities for the amount paid and no effective step is taken by him to resolve such complaints by way of handing over the securities or handing over due payment or he fails to furnish necessary written explanation or statement of accounts to the satisfaction of the Investors' Service Committee where the total amount in respect of the complaints works out to be Rs. One lakh or more, or

**19.11.3.8 Not Maintaining Base Minimum Capital**

if he does not maintain a base minimum capital with the Exchange and/or is not carrying on business, or

**19.11.3.9 Resignation**

if he by notice, in writing, to the Governing Board resigns his office by handing over such letter to the Managing Director.

**19.12 Expulsion From the Governing Board**

The Governing Board may, by a special majority resolution, remove from the Governing Board any member of the Governing Board, who, in its discretion, is deemed to be guilty of improper conduct as provided in the Articles, Bye-laws and Regulations of the Exchange or, who, in its opinion, has a direct or indirect interest

	<p>(except brokerage) in any bull or bear syndicate or combination formed to rig up or depress the market or is deemed to be a partner or sub-partner or responsible representative of such syndicate or combination.</p> <p><b>19.13 Conversion Not Requiring Vacation</b> The office of a member of the Governing Board shall not be deemed to be vacated in case the member exercises the right of nomination in favour of a company in which he, alongwith his family members, continues to exercise control and of which he shall be a designated director. Such designated director shall continue to be a member of the Governing Board until the remaining period of the term.</p> <p><b>19.14 Filling up of Casual Vacancies – Elected Members</b> If the office of any member of the Governing Board appointed by the Exchange in general meeting is vacated before his term of office will expire in the normal course, the resulting vacancy may be filled by the Governing Board by co-option at the meeting of the Governing Board . Any such person appointed (co-opted) shall hold office only until the next Annual General Meeting.</p> <p><b>19.15 Powers of Surviving Members</b></p> <p><b>19.15.1 Where Quorum Exists</b> The surviving or continuing members of the Governing Board, notwithstanding any vacancy in their number, may act provided there exists a prescribed quorum.</p> <p><b>19.15.2 To Act to Make Quorum</b> If the surviving or continuing members of the Governing Board do not constitute a prescribed quorum, they shall exercise the powers of the Governing Board only for the purpose of filling up such vacancies in accordance with the Articles of the Exchange applicable thereto.</p> <p><b>19.16 Resignation of All Elected Members</b> In the event of all the elected-members of the Governing Board resigning all together, the non-elected members shall continue to hold office and exercise all the powers vested in the Governing Board, provided their number constitutes a prescribed quorum, and until the succeeding members are elected by ballot to the Governing Board in accordance with the Articles of the Exchange. Such election may either be announced within thirty calendar days of the elected-members resigning, if the available period reckoned from the date of resignation to the date of election due for the succeeding year is three months or more, by the Governing Board comprising of the surviving members after consultation with SEBI, or where the available period is less than three months, the Governing Board may not hold election.</p>
	<p><b>20. Powers Of The Governing Board</b></p> <p><b>20.1 Jurisdiction</b> The Governing Board shall have complete and absolute jurisdiction over all members/trading members of the Exchange and shall have supervisory jurisdiction over any and all subjects and matters referred to all standing and other committees and may direct and control their actions or proceedings at any stage thereof. The Governing Board shall have absolute power and right to interpret the Articles, Bye-laws and Regulations of the Exchange and to decide all points, questions and disputes relating to</p>

the Exchange matters and relating to the administration, functions, working and affairs of the Exchange and relating to the conduct of members/trading members towards each other or towards third parties. Any interpretation or decision made by the Governing Board shall be final and conclusive and binding on all the members/trading members, partners, designated directors/nominees in the case of a company/body corporate, approved users, authorised representatives, agents, sub-brokers, remisiers and employees and on all persons dealing through or with them.

### **20.2 General Powers**

The management of the functions, working and affairs and the control of the Exchange, the regulation of the conduct of members/trading members, partners, designated directors/nominees in the case of a company/body corporate, approved users, authorised representatives, agents, sub-brokers, remisiers and employees and promotion of the welfare, objects and purpose of the Exchange and the management and control of the properties and funds of the Exchange and of its income and expenditure shall, subject to the Articles, Bye-laws and Regulations of the Exchange, vest in the Governing Board. In the exercise of these powers, the Governing Board may, from time to time and subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and the Securities Contracts (Regulation) Rules, 1957, make such Articles and Bye-laws and adopt such Regulations and resolutions and issue such orders, notices and directions and take such decisions as it may deem appropriate. The Governing Board may, in addition to the powers and authorities expressly conferred by any Article, Bye-law or Regulation of the Exchange for the time being in force, exercise all such powers and do all such acts and things as may be exercised or done by the Exchange in general meeting assembled and which are not expressly required to be so exercised and done by the Exchange in general meeting. The Governing Board, in furtherance and not in limitation of the foregoing powers and without prejudice to the generality of the foregoing powers and to any power or authority impliedly or expressly conferred by any Articles, Bye-law or Regulation of the Exchange for the time being in force, is specially authorised, subject to any Articles or Bye-law for the time being in force, to exercise governmental and administrative powers in respect of policies in that behalf contained in these Articles.

### **20.3 Governmental Powers**

In the exercise of its governmental powers, the Governing Board shall be deemed empowered to do any of the following or similar acts or things or use any of the following or similar authorities:

#### **20.3.1 Chairman, Managing Director, Standing Committees Internal Auditor and Legal Advisor**

To elect Chairman and appoint the Managing Director, Internal Auditor and Legal Advisor and nominate Standing Committees as provided in these Articles.

#### **20.3.2 Casual Vacancies**

To fill casual vacancies of the elected members in the Governing Board or in a Standing Committee or of an Internal Auditor or of a Legal Advisor.

#### **20.3.3 Admission, Expulsion and Control of Members/Trading Members**

To admit members/trading members and expel them by a special majority resolution and to control, warn, censure, fine and suspend them, withdraw all or any of their

membership/trading membership rights and declare them defaulters/deemed defaulters.

#### **20.3.4 Imposition of Penalties**

To prescribe from time to time and impose penalties for violation of the Articles, Bye-laws and Regulations of the Exchange and for neglect or failure or refusal to comply with resolutions, orders, notices, directions or decisions of the Governing Board or the Managing Director or of any committee or officer of the Exchange authorised in that behalf or for any offence against the Exchange, the penalty for which is not specifically prescribed.

#### **20.3.5 Regulation of Business**

To determine from time to time the mode in and conditions subject to which the business on the Exchange shall be transacted.

#### **20.3.6 Regulations**

To make and from time to time add to, substitute, vary, modify or rescind any one or more Regulations prescribed under the Articles and Bye-laws of the Exchange.

#### **20.3.7 General Control**

To decide and from time to time adopt resolutions and issue orders, notices and directions in respect of matters not provided for in the Articles, Bye-laws and Regulations of the Exchange.

#### **20.3.8 Review**

To review, reconsider, modify or rescind any resolutions, orders, notices, directions and decisions.

#### **20.3.9 General Power**

Generally to supervise and direct all matters affecting the interest of the Exchange.

#### **20.4 Administrative Powers**

In the exercise of its administrative powers, the Governing Board shall be deemed empowered to do any of the following or similar acts or things or use any of the following or similar authorities:

##### **20.4.1 Fees and Charges**

To determine from time to time and collect, in addition to the dues and charges provided for in the Articles, Bye-laws and Regulations of the Exchange, such other charges or fees to be paid by members/trading members, including charges for the use of equipment or facilities or for any particular services or privileges granted as may be deemed necessary or desirable for the functioning of the Exchange.

##### **20.4.2 Borrowing**

To borrow or raise any monies required for the purpose of the Exchange upon such terms and in such manner and with or without security as may be determined and to borrow against and pledge all or any part of the securities not paid for and held by the Clearing House for the account of a defaulting member upto an amount not exceeding the value of such securities at the ruling market price for the purpose of making payment to members/trading members in respect of such securities.



**20.4.3 Dealing With Immovable Property**

To acquire, develop, purchase, lease or mortgage, either absolutely or conditionally, the whole or part of any immovable property, or to sell, exchange or otherwise dispose of any immovable property upto the value of Rupees Fifty lacs, or such higher amount as may be authorised by the general meeting without the consent of the Exchange in general meeting, and with the consent of the Exchange in general meeting, any immovable property exceeding the value of Rupees Fifty lacs or such higher amount as may be authorised by the Exchange in general meeting.

**20.4.4 Dealing With Funds**

To lay proper system and procedure in place authorising the Managing Director, any officer or a committee of the officers with specific responsibility to pay, disburse, dispose of or deal with any funds or other movable property of the Exchange for expenses necessary for carrying on the administration, functions, working and affairs of the Exchange and for contribution or payment towards a public purpose. The Governing Board shall authorise the executives of the Exchange, including the Managing Director, to sign cheques.

**20.4.5 Payment Towards Charitable Purpose**

To contribute or pay a sum not exceeding Rupees Five lacs, or such higher amount as may be authorised by the general meeting, towards a charitable purpose without the consent of the Exchange in general meeting, and with the consent of the Exchange in general meeting any amount exceeding Rupees Five lacs, or such higher amount as may be authorised by the general meeting.

**20.4.6 Investment of Surplus Funds**

To lay an objective and detailed policy and to prescribe norms to invest and deal with any of the monies of the Exchange, not immediately required for administration, functions, working and affairs of the Exchange and vary or realise such investments from time to time for guidance of the Managing Director or a committee of the officers, in such securities of the Government of India or any State Government or in Port Trust Bonds, Municipal Bonds, Bonds issued by any of the Financial Institutions or Public Sector Undertakings, which have been notified under the Public Trust Act or such other securities authorised by law for investment of trust funds or by deposit at a fixed rate of interest or in current account with any scheduled bank.

**20.4.7 Legal Proceedings**

To authorise the Managing Director or any officer holding the charge of the Legal Department to institute, conduct, prosecute, defend, compound or abandon all such actions, suits and proceedings, civil or criminal, by or against the Exchange or its employees or otherwise concerning the affairs of the Exchange as it may consider necessary and to compromise, compound or allow time for payment or satisfaction of any debts due and of any claims or demands by or against the Exchange or to submit to arbitration and to observe and perform the awards and to make, give, sign and execute all documents in that behalf.

**20.4.8 Personnel Policy for Employees**

To lay down personnel policy covering the scales, grades, increments, promotion and scholarship for higher studies for employees and their children, sponsoring of professional programmes for employees, to establish, maintain or subscribe to for their

benefits to any provident fund, pensions, gratuities, compensation and insurance schemes/policies, leave, notice period for resigning from the position, suspension, termination or removal from services and standing orders subject to which the employees shall be working in the Exchange and to review and alter such policy from time to time.

#### **20.4.9 Stock Exchange Facilities**

To provide from time to time such facilities as may be found necessary for administration, functions, working and affairs of the Exchange.

### **20.5 Legislative Powers**

#### **20.5.1 Power to Make Articles, Rules, Bye-laws and Regulations**

The Governing Board may, from time to time and subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules made thereunder, make, amend, add to or rescind any Article or Articles and/or Bye-law or Bye-laws and/or Regulation or Regulations of the Exchange.

#### **20.5.2 Amendments to Regulations**

Any amendments, additions or alterations to any Regulation made by the Governing Board in pursuance of the powers conferred by the Articles and Bye-laws together with a reference to the Articles or Rules and/or Bye-law or Bye-laws to which such regulations relate shall be communicated to SEBI of India by fax or electronic mail within twenty four hours. The Governing Board shall forthwith amend, alter or withdraw any such Regulation, if so desired by SEBI and such Regulation brought into force by direction of the SEBI shall not be subject to any alteration, addition or amendment by the Governing Board, but shall be subject to amendment, alteration or addition only by the SEBI.

#### **20.5.3 Suspension of Rules, Bye-laws and Articles of Association.**

The Governing Board may, by a special resolution, waive or dispense with the strict enforcement or suspend the operation in part or in whole of any Rule or Rules and/or Bye-law or Bye-laws and/or Article or Articles of Association of the Exchange and in regard to any person and/or persons and/or security or securities and/or matter or matters connected therewith; Provided that the Governing Board shall not waive or dispense with the strict enforcement or suspend the operation in part or in whole of any Rule or Rules and/or Bye-law or Bye-laws and/or Articles of Association, continuously for a period exceeding three working days except with the prior approval of SEBI; Provided further that when information regarding waiver and/or dispensation and / or suspension is so conveyed, in writing, as to reach SEBI in the normal course within twenty four hours of such decision having been taken by the Governing Board, such decision shall remain in force until the time the decision of SEBI is communicated, in writing, to the Exchange and the decision of SEBI, so communicated, shall prevail.

### **20.6 Other General Powers**

#### **20.6.1 Delegation of Powers**

The Governing Board may, subject to such conditions as it may think fit, delegate such of its powers, except the power to make, amend, add to and rescind Articles and/or Bye-laws of the Exchange, as it may from time to time delegate to the Managing Director or to a committee or committees appointed out of its own members.

**20.6.2 Review**

A person affected by a decision of the Managing Director or a committee acting under the powers delegated by the Governing Board as provided in Prescribed Articles in these presents may require a review by the Governing Board within seven days after the decision has been rendered.

**20.6.3 Delegation of Powers in Emergency**

Whenever the Governing Board in its discretion is of the opinion that an emergency exists, it may, by a special resolution, delegate all or some of its powers for such period as it may determine to a committee appointed out of its own members or to the Managing Director from whose decision, there shall be no appeal.

**20.6.4 Internal Auditor**

The Governing Board shall appoint an Internal Auditor to carry out internal audit of the activities, operations and accounts of the Exchange and fix his annual remuneration. The Internal Auditor so appointed shall examine adequacy of the proper infrastructure, system and procedures in place to ensure accurate and timely generation of reports through Management Information System and statement of accounts, besides implementing various directives, orders, guidelines, norms and circulars issued by SEBI from time to time. The Internal Auditor shall be independent of the Statutory Auditor and shall have qualifications as specified in the Companies Act for any auditor.

**20.6.5 Practising Company Secretary**

The Governing Board shall engage the services of a practising Company Secretary to examine and certify about compliance by the Exchange of the directives, orders, guidelines, norms and circulars issued by SEBI from time to time, and the report of the practising Company Secretary shall be placed before the Governing Board immediately in the succeeding meeting taking place after submission of such report to the Managing Director.

**20.6.6 Legal Advisor**

The Governing Board shall appoint a Legal Advisor to render legal services and counsel as may be required by the Administration, Governing Board and General Body. The person or agency so appointed shall be professionally competent, having eminence in the field of law.

**20.7 Decision of Governing Board Final**

In all matters brought under the consideration of the Governing Board, its decision, whether expressed by a resolution or otherwise, shall be final and binding and must be carried out forthwith by every member/trading member concerned and by his designated partners, designated directors/nominees in the case of a company/body corporate, approved users, authorised representatives, agents, sub-brokers, remisiers or any other employees.

**20.8 Governing Board as Trustees**

The Governing Board shall hold, on behalf of the Exchange as agent and in trust for a member/trading member, all sums of money paid and securities delivered by him to the Clearing House and all credits and securities to which he is entitled as appearing in his

account in the books of the Clearing House.

### **20.9 Indemnity to the Governing Board**

The Governing Board and its members shall, in no way either collectively or individually, be held liable by any person for any acts of commissions and / or omissions on its part or on the part of any employee of the Exchange done or omitted to be done in good faith in the due discharge of duties and in the execution or purported execution of their duties or of any powers, authorities or discretion vested in them including all liabilities, costs, losses or expenses consequent on any mistake, oversight or omission on their part and they shall be fully indemnified by the Exchange out of its funds for anything so done or omitted to be done.

### **20.10 Meetings of the Governing Board**

#### **20.10.1 Regulation of Meetings**

The Governing Board may meet for transacting business, adjourn and otherwise regulate its meetings, as it deems fit.

#### **20.10.2 Ordinary Meetings**

The Governing Board shall meet atleast once in every two calendar months and the gap between any two meetings shall not be more than 60 calendar days.

### **20.11 Special/Urgent/Emergency Meetings**

#### **20.11.1 Special Meeting**

The Chairman or the Managing Director may call a special meeting of the Governing Board.

**20.11.2** A special meeting of the Governing Board may, at any time, be called by the Chairman or the Managing Director and, in the absence of the absence of the Managing Director, by the senior most officer of the Exchange holding the charge of the Managing Director, or on requisition, in writing, addressed to the Managing Director, by not less than one-third of members of the total strength of the Governing Board for the time being.

#### **20.11.3 Urgent and Emergency Meetings.**

In case of urgency, an urgent meeting may be called with less than twenty-four hours' notice and in case of emergency, one hour's notice of an emergency meeting shall be deemed sufficient.

#### **20.11.4 Notice of Special/Urgent/Emergency Meetings**

A notice calling a special meeting shall state the purpose for which it is called. In the case of an urgent or emergency meeting, the notice shall state the nature of the urgency or the emergency and the business to be transacted at the meeting and no other business shall be transacted at such meeting.

#### **20.11.5 Business When Not to be Stated**

Notwithstanding anything contained in Prescribed Articles in these presents, when the Chairman or the Managing Director is of the opinion that the matter is confidential or of a nature not advisable to disclose, he may direct that the notice, calling such a meeting, shall not state the business and/or the urgency or emergency of such meeting.

**20.11.6 Quorum**

The quorum for a meeting of Governing Board shall be one third of the total strength of the Governing Board, any fraction being rounded off as one, or two 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 that is the number of members not interested, shall be quorum for the meeting.

**20.11.7 Interested Member Not to be Included in Quorum**

An interested member of the Governing Board shall not be included while counting the quorum prescribed under the Articles and Bye-laws of the Exchange for dealing with the question in which the member is interested.

**20.11.8 Chairman to Preside**

The Chairman shall preside at all meetings of the Governing Board. If there be no Chairman or if at any meeting, the Chairman be not present within fifteen minutes of the time appointed for such meeting, the members of the Governing Board present shall choose a member of the Governing Board as Chairman of the meeting.

**20.11.9 Voting**

A member of the Governing Board shall not be entitled to take part in the relevant proceedings and shall not be entitled to vote-

**20.11.9.1 Personal Interest**

on any question, in which he is personally interested, directly or indirectly, the Chairman of the meeting being the final judge whether he is so interested or not;  
**Explanation:** While considering market situation, and regulatory measures, if any, emanating therefrom, all elected members shall be required to declare whether or not they are interested, directly or indirectly, and those elected members who are so interested shall neither be entitled to participate in the proceedings nor shall they be entitled to vote; or

**20.11.9.2 Member of Committee**

on the final decision in respect of any inquiry or dispute on which a decision has been given by a committee of which he has been a member except that no member of the Governing Board shall be so disqualified by reason of his being or having been a member of a committee which has made prior examination or investigation of the subject under consideration for the purpose of submitting a report; or

**20.11.9.3 Absence During Hearings**

on the decision in respect of any inquiry or dispute unless he has been present at every meeting of the Governing Board at which there has been a hearing of the inquiry or dispute.

**20.11.10 Majority**

Any question before the Governing Board shall be decided by a majority of the votes cast at a meeting of the Governing Board where each member, whether elected or non-elected, shall have one vote unless a specified majority is required by any Articles or Bye-law of the Exchange for the time being in force. Any fraction that appears when determining the required majority shall be omitted.

**20.11.11 Chairman to Have a Casting Vote**

In case of equality of votes, the Chairman of the meeting shall have a casting vote in addition to the vote to which he is entitled.

**20.11.12 Special Majority Resolution**

The quorum for a special majority resolution shall be, subject to prescribed Articles in these presents, not less than two-thirds of members of the total strength of the Governing Board, present at the meeting and for the special majority resolution to be effective not less than three-fourths of the members present should vote in favour of adoption of the special majority resolution. In case of fraction in computing two-thirds or three-fourths strength and / or majority, a higher integer has to be reckoned. Further, there should be a notice of at least seven calendar days for convening a meeting of the Governing Board for consideration of adoption of a special majority resolution.

**20.11.13 Ordinary Resolution by Circular**

An ordinary resolution, in writing, approved by not less than two-thirds of members of the total strength of the Governing Board shall be as valid and effective as if it had been passed at a meeting of the Governing Board duly called.

**20.11.14 Adjourned Meeting**

Any meeting of the Governing Board may be adjourned from time to time and there shall be no objection to any resolution passed or any decision arrived at such meeting that all or any of the members of the Governing Board present thereat were not present at the former meeting or meetings or that any of those present at any former meeting or meetings were not present at any adjourned meeting or meetings.

**20.11.15 Proceedings**

The Governing Board shall, unless otherwise provided, regulate and determine the manner and form in which its proceedings shall be conducted. Except as otherwise specially provided in the Articles of the Exchange, it may, with the consent of the Managing Director, consider and take action upon any matter at any ordinary or special or urgent or emergency meeting even though such matter has not been referred to in the notice of such meeting.

**20.11.16 Governing Board Need Not Give Reasons**

Save as provided in the Articles and Bye-laws of the Exchange, it shall not be necessary for the Governing Board to give any reason for or to record in its minutes the reasons or circumstances of any proceedings or decision and all proceedings and the information obtained in connection therewith shall be deemed confidential.

**20.11.17 Members / Trading Members And Others to Appear Before Meetings**

Members / trading members, their partners, designated directors/nominees in the case of a company / body corporate, approved users, authorised representatives, agents, sub-brokers, remisiers and employees shall appear before such meetings of the Governing Board or of any committee appointed by it, or before the Managing Director or any officer authorised by the Managing Director, as they may be directed to attend and they shall give all such information and produce all such records as may be in their possession relating to any matter before the Governing Board or such committee or the Managing Director or any officer authorised by the Managing Director.

	<p><b>20.11.18 Minutes</b> Minutes of the proceedings of the Governing Board shall be maintained under the authority of the Managing Director. Such minutes signed by the Chairman of the meeting and the Managing Director shall be deemed confidential, and shall not be available for inspection by members/trading members of the Exchange. It shall be obligatory on the part of the members of the Governing Board neither to disclose nor to make available in any form the agenda papers and minutes of the proceedings of the Governing Board to any member or any other person.</p>
	<p><b>21. Board of Directors</b> The present Board of Directors shall be the following :</p> <ol style="list-style-type: none"> <li>1. Shri Kishore Ramdas. Chandratre – Independent Director</li> <li>2. Shri.Divakar Krishnarao Abhyankar - Independent Director</li> <li>3. Shri.R.V.Dani - Independent Director</li> <li>4. Shri.Rajas Kamlakar Parchure - Independent Director</li> <li>5. Shri.Anant Vitthal Sardeshmukh - Shareholder Director</li> <li>6. Shri.Pradeep Venkatesh Apte - Shareholder Director</li> <li>7. Shri.Sameer Ramanlal Gandhi – Elected Broker Director</li> <li>8. Shri.Ashok Purshottam.Kamerkar – Elected Broker Director</li> <li>9. Shri.Amit Yeshwant Modak – Elected Broker Director</li> <li>10. Shri.Manish Janardan Rangari – Executive Director</li> </ol>
	<p><b>22 Co-option</b> <b>22(a)</b> If the office of any member of the Council of Management appointed by the Exchange in general meeting is vacated before his term of office will expire in the normal course, the resulting casual vacancy may be filled by the Council of Management by co-option at a meeting of the Council of Management.  <b>22(b)</b> Any person appointed shall hold office only until the next Annual General Meeting.</p>
	<p><b>23. Chairman</b> <b>23.1.1 Chairman to Preside</b> The Chairman elected by the Governing Board shall preside at any meeting of the Exchange, the Governing Board or any committee of which he is a member and shall have, in case of an equality of votes, a casting vote in addition to the vote to which he is entitled as a member. If there be no Chairman or if at any meeting, the Chairman be not present within fifteen minutes of the time appointed for such meeting, the members of the Governing Board present shall choose a member of the Governing Board as Chairman of the meeting.  <b>23.1.2 Chairman to Deal at Meetings only</b> The Chairman shall deal with any matter relating to the administration, functions, working and affairs of the Exchange only at the meetings of the Governing Board and shall not deal with any of the operational or administrative matters.  <b>23.1.3 Representative of the Exchange</b> The Chairman shall represent the Exchange officially in all public matters.  <b>23.1.4 Ex-Officio Member of Committees</b> The Chairman shall be ex-officio member of every committee, other than those</p>

	<p>standing committees nominated under these Articles by the Governing Board of the Exchange.</p>
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**23.1.5 Calling of Meetings**

The Chairman may call Annual and Extra Ordinary General Meetings of the Exchange.  
The Chairman may call Ordinary and Special Meetings of the Governing Board.



**24. Managing Director****24.1 Selection Through Independent Process**

Selection of the Managing Director of the Exchange shall be made independently by a Selection Committee constituted by the Governing Board.

**24.2 Terms and Conditions of Appointment**

The Governing Board shall prescribe the professional qualifications, experience, age limit, remuneration and terms and conditions of service for the post of the Managing Director and such other norms and procedures as it may decide for selection of the Managing Director. The recommendations of the Selection Committee for appointment of a person as the Managing Director of the Exchange shall be forwarded, in order of preference, to the Governing Board of the Exchange and the Governing Board of the Exchange shall in turn forward it to SEBI for prior approval of SEBI not later than fifteen calendar days from the date of submission of the recommendation by the Selection Committee to the Governing Board of the Exchange. SEBI shall communicate to the Exchange as soon as possible its approval to the name of the candidate to be appointed as the Managing Director of the Exchange.

**24.3 Appointment and Tenure**

The Managing Director shall be appointed by the Governing Board ordinarily for a tenure of five years and he shall not be liable to retire by rotation. The Governing Board may appraise performance of the Managing Director at the time of renewal of his term of appointment. The term of appointment of the Managing Director will normally be renewed subject to superannuation upon completion of sixty (60) years of age. In case of non-renewal of the terms of the Managing Director, prior approval of SEBI will be required to be obtained by the Governing Board and communicated to the Managing Director atleast 60 days before the expiry of the terms.

**24.4 Explanation from the Managing Director**

The Governing Board of the Exchange may call for an explanation from the Managing Director in respect of any alleged acts of commission or omission of a grave nature on the part of the Managing Director, if the Governing Board adopts a resolution in that behalf, supported by three-fourths majority of the strength of the Governing Board. The findings of the Governing Board, alongwith its recommendations, shall be forwarded to SEBI for such action, as it may deem fit, after giving to the Managing Director a reasonable opportunity of being heard. The decision of SEBI shall be final and binding.

**24.5 Not to Engage in Any Business**

The person appointed as the Managing Director shall not engage himself in any business, directly or indirectly, during the period he holds the office of the Managing Director nor shall he be a party to or be involved in any speculative dealing on the Exchange through or with any member/trading member of the Exchange. If a member/trading member of any stock exchange is appointed as the Managing Director, he shall resign his membership/trading membership forthwith.

**24.6 Managing Director**

Subject to the overall management of the affairs of the Exchange being vested in the

Governing Board –

#### **24.6.1 Day-to-Day Administration and Executive Powers**

The Managing Director shall be vested with the executive powers of the exchange to run the day-to-day administration including all managerial, operational and incidental matters and to enforce the Articles, Rules, Bye-laws and Regulations of the Exchange in force from time to time and the directives, orders, guidelines, norms and circulars issued by SEBI from time to time and shall exercise such powers in deciding all matters encompassing the activities of the Exchange and such further powers which may be delegated or entrusted to him by the Governing Board and/or SEBI from time to time. Any failure to enforce the Articles, Rules, Bye-laws or Regulations of the Exchange or directives, orders, guidelines, norms or circulars issued by SEBI will render the Managing Director liable for removal or termination of service by SEBI, subject to the Managing Director being issued a show cause notice and given an opportunity of being heard before such termination or removal.

#### **24.6.2 Delegation of Powers**

The Managing Director may delegate his powers, duties and functions by way of written orders to any one or more of the officers or any one or more of the committees of the officers as he may deem fit. A person affected by a decision of any officer of the Exchange who has been delegated the powers under these Articles, Rules and/or Bye-laws may require a review by the Managing Director within seven calendar days after the decision has been rendered.

#### **24.7 General Operational Powers**

The Managing Director shall exercise and perform, in addition to the powers and duties specified in the Articles, Bye-laws and Regulations of the Exchange, the following powers and duties without prejudice to the generality of the foregoing powers and to any power or authority impliedly and expressly conferred by any Prescribed Articles in these presents, Bye-law or Regulation of the Exchange for the time being in force:

**24.7.1** being the Chief Executive Officer, managing and attending to all correspondence;

**24.7.2** be in-charge of all the properties and records of the Exchange;

**24.7.3** causing to maintain registers, documents and records as required by the Articles, Bye-laws and Regulations of the Exchange;

**24.7.4** giving permission for admission to dealings of securities on the Exchange;

**24.7.5** approving and regulating the designated partners, designated directors/nominees in the case of a company/body corporate, approved users, authorised representatives, agents, sub-brokers, remisiers and employees of members/trading members and to warn, censure, fine, suspend and expel them except employees of members/trading members;

**24.7.6** calling upon for attendance and information including books, papers, documents and other records or information from any member/trading member and/or from any company whose securities are admitted to dealings on the Exchange or which are seeking admission to dealings of their securities on the Exchange;

**24.7.7** taking suitable measures relating to settlement of transactions so as to safeguard and protect the interest of the Exchange and/or other members/trading members and/or clients;

**24.7.8** Calling upon for examination and investigation of the business conduct and dealings of the members/trading members;

**24.7.9** receiving complaints and making such enquiry and collecting such information as may be required and initiating necessary action as provided in the Articles, Bye-laws or Regulations of the Exchange;

**24.7.10** making necessary arrangements for receiving monies due to the Exchange and also issuing receipts therefor;

**24.7.11** incurring all revenue and capital expenditure within the budget sanctioned by the Governing Board;

**24.7.12** causing proper accounts to be maintained and delivering of account books or furnishing information to the statutory/internal auditors appointed for the purpose of audit of the accounts of the Exchange;

**24.7.13** making and giving releases on behalf of the Exchange;

**24.7.14** investing surplus funds in securities/deposits in accordance with the policy approved by the Governing Board from time to time;

**24.7.15** considering all matters relating to appointment and/or removal of employees, including suspension and matters relating to terms and conditions of service, remuneration and benefits of the employees upto the general manager or its equivalent management cadre within the overall policy and service Articles approved by the Governing Board in that behalf;

**24.7.16** taking from time to time suitable regulatory measures such as imposing various types of margins, including scrip specific margins, adhoc margins and penal margins or margins of similar nature and broker specific margins, adhoc margins and penal margins or margins of similar nature, daily/weekly limits on price fluctuations of any one or more securities, imposing additional restriction on exposure limits, prohibiting long purchases and/or short sales, ordering liquidation of outstanding positions, fixing different making-up prices for sellers and buyers, fixing maximum and/or minimum prices, fixing carry over charges, withholding partially or fully pay-out of securities and/or funds and disposing of securities, calling for early pay-ins, suspension of trading in scrips, placing scrips on spot trading or trade for trade delivery basis, ordering analysis/investigation of dealings of members/trading members, their business conduct and financial dealings and such other measures as are considered expedient provided the reasons for these measures are recorded in writing and communicated to SEBI in writing within three working days and a report thereon is placed at the next meeting of the Governing Board;

**24.7.17** deciding on all matters relating to market regulation and compliance of the measures taken pursuant to Prescribed Articles in these presents and levy of penalties for non-compliance excluding the specific areas assigned to Disciplinary Action Committee and/or the Governing Board;

**24.7.18** taking consequential action pursuant to SEBI Inspection Report;

**24.7.19** calling meetings of General Body, Governing Board and committees;

**24.7.20** be ex-officio member of any committee nominated by the Governing Board or the Exchange other than the Standing Committees;

**24.7.21** signing and issuing all notifications/press releases on behalf of the Exchange / Governing Board, as required under the Articles, Bye-laws or Regulations of the Exchange;

**24.7.22** causing to keep the custody of the common seal of the Exchange with the senior most officer of the Exchange and to affix the same to any documents or instruments in accordance with the Articles, Bye-laws and Regulations of the Exchange;

**24.7.23** defending suits and legal proceedings, civil or criminal, against the Exchange or Governing Board or any of the members of the Governing Board or committees or

	<p>its employees or otherwise and initiating and interfering in legal proceedings for and on behalf of the Exchange or Governing Board or any member of the Governing Board or committee, or its employees or otherwise and to make, give, sign and execute all documents in that behalf;</p> <p><b>24.7.24</b> enforcing the directives, orders, guidelines, norms and circulars issued by SEBI from time to time and the Articles, Bye-laws and Regulations of the Exchange and to take disciplinary action in cognisance of offences committed thereunder;</p> <p><b>24.7.25</b> implementing the recommendations or advice given by the Audit Committee in the manner specified in the report;</p> <p><b>24.7.26</b> exercising control over the management of the Clearing House;</p> <p><b>24.7.27</b> representing the Exchange as its official representative in all public matters;</p> <p><b>24.7.28</b> causing recovery of various amounts due and payable by members/trading members to the Exchange by debiting the accounts of respective members/trading members;</p> <p><b>24.7.29</b> appointing operational committees comprising of the senior officers of the Exchange to bring in increased level of efficiency in the management of affairs of the Exchange through the process of interaction, collective wisdom and commitment; and</p> <p><b>24.7.30</b> performing such other duties and functions as are incidental and ancillary for the performance of the above duties and exercising such other powers as may be delegated to him by the Governing Board or as may be entrusted to him by SEBI.</p> <p><b>24.7.31 Scrutineers</b></p> <p>The Managing Director shall appoint scrutineers, not exceeding five, who shall be members of the Exchange but not members contesting the election or the elected members on the Governing Board, to render assistance in carrying out the process of voting and counting of votes during election of elected members to the Governing Board.</p>
	<p><b>25. Company Secretary</b></p> <p><b>25.1</b> The Governing Board shall appoint a Company Secretary of the Exchange. For the purpose of the Articles, Bye-laws and Regulations of the Exchange, the term Secretary includes Deputy Secretary and Assistant Secretary.</p> <p><b>25.2</b> The Company Secretary shall be the Secretary of the Governing Board and also the Secretary of each standing and other committee, unless any other officer of the Exchange is so designated on any committee.</p> <p><b>25.3</b> The Company Secretary shall, subject to any Regulations or direction of the Managing Director, have general charge and control over the employees of the Exchange and of all books, papers, documents, records and registers belonging to the Exchange.</p> <p><b>25.4</b> The Company Secretary shall send out all notices and agenda papers and attend all meetings of the Exchange and of the Governing Board, and, if necessary, of standing and other committees, and shall cause proper minutes to be kept of the proceeding of all such meetings.</p> <p><b>25.5</b> The Company Secretary shall maintain or cause to be maintained such records and registers as he may be directed by the Managing Director relating to members / trading members, partners in case of a partnership firm, directors in the case of a company / body corporate, approved users, authorized representatives agents, sub-brokers, remisiers and employees.</p> <p><b>25.6</b> All members / trading members of the Exchange, designated partners in the case of a partnership firm, designated directors / nominees in the case of a company / body corporate, approved users, authorized representatives, agents, sub brokers, remisiers and employees shall give to the Company Secretary all such information and produce</p>

	before him all such records as he may by direction of the Governing Board or the Managing Director require for carrying on the administration, functions, working and affairs of the Exchange.
	<b>26.</b> No employee of the Exchange shall be a party to or concerned in any speculative dealing on the Exchange or with any member of the Exchange.
	<b>27.</b> A meeting of the Council of Management, for the time being, at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion by or under the Articles of the Exchange, for the time being vested in or exercisable by the Council of Management generally.

## **28. Finance and Accounts**

### **28.1 Subscriptions and Receipts**

The Managing Director, or any one or more officers of the Exchange to whom such powers are delegated, shall recover and receive all subscriptions, donations, fees, fines, deposits, margin monies and all other monies due and payable to the Exchange and shall give receipts for the same.

### **28.2 Operation of Accounts**

A Current Account and a Safe Custody Account will be opened with any scheduled bank or banks in the name of the Exchange and such accounts shall be operated by the executives including the Managing Director, of the Exchange in accordance with the authority given to them under a Resolution of the Governing Board of the Exchange from time to time.

### **28.3 Expenses and Accounts**

The Managing Director or the officers of the Exchange authorised shall defray out of the funds of the Exchange all expenses incurred in accordance with the amounts provided for such heads of expenses in the budget for the relevant financial year approved by the Governing Board, on behalf of the Exchange and shall keep a full and detailed account of all receipts and disbursements. The Managing Director shall cause a full and detailed account to be kept of the income and expenditure and of the funds and investments of the Exchange by having a system in place to exercise budgetary control. The Managing Director shall have authority to incur the expenditure within the budgetary provisions. If there is, however, any upward revision from the budgetary provisions or an item of expenditure not provided for in the budget and / or is beyond the authorised limits to be incurred, the Managing Director shall obtain approval of the Governing Board for the same, unless the item of expenditure is of pure revenue nature and not exceeding Rs. One lakh per item and Rs. Ten lakhs in aggregate in a financial year or such higher amount as may be decided by the Governing Board from time to time.

### **28.4 Financial Statement and Balance Sheet**

The Managing Director shall cause the annual statement of income and expenditure and the balance sheet to be prepared and laid before the Governing Board and/or Annual General Meeting of the Exchange and the same shall be published for the information of the members of the Exchange and such statements shall then become public documents. The Managing Director shall also place before the Governing Board on a half-yearly basis details of size and utilisation of Settlement Guarantee Fund, Investors' Protection Fund, and Investors' Services Fund, number of cessation of membership rights, including declaration of defaulters and expulsions and number of surrender of membership rights, etc., alongwith the accounts of defaulters and expelled members approved by the Committee for Settlement of Claims Against Defaulters, and the amount of outstanding listing fees with the names of companies in default. The same shall then be published in a widely circulated national daily within 10 calendar days of the Governing Board taking on record, for the information of the members / trading members of the Exchange and the investors and the said information shall then become public documents. The annual statement of income and expenditure and the balance sheet and the half-yearly report shall be posted by the Exchange on its website and copies of these documents shall be made available to investors, intermediaries and

	<p>general public at a reasonable cost.</p> <p><b>29.</b> Subject to the provisions of Section 292 of the Act, the Council of Management may delegate any of its powers to Committee consisting of such number of members not less than two in number as the Council of Management /Governing Board may think fit. Any Committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may, from time to time, be imposed upon it by the Council of Management.</p>
	<p><b>30. Standing Committees</b></p> <p><b>30.1 Committee for Settlement of Claims Against Defaulters, Disciplinary Action and Investors' Services Committees and Conciliation and Arbitration Committee / Panels</b></p> <p>The Governing Board shall every year, at the first meeting after its election, nominate five persons comprising of 40 per cent from members of the Exchange and the balance 60 per cent from persons, who are not the members of the Exchange, with the prior approval of SEBI, on each of the Committee for Settlement of Claims Against Defaulters, Disciplinary Action Committee and Investors' Services Committee and Arbitration Committee. The non-members to be nominated on these Committees may or may not be from among the persons recommended by the Governing Board and SEBI shall have discretion to nominate any other person on these Committees.</p> <p><b>30.2 Alteration in Number of Members</b></p> <p>The Governing Board may, where the circumstances so warrant, increase or reduce the number of members of any one or more of these committees, maintaining the ratio of 40 per cent and 60 per cent of the members of the Exchange and members other than the members of the Exchange respectively with the prior approval of SEBI.</p> <p><b>30.3 Audit Committee</b></p> <p>The Governing Board shall nominate an Audit Committee comprising of three members of the Governing Board, who shall be an elected member, a public representative and a SEBI nominee, to oversee the operations of the Exchange in terms of adequacy of systems, procedures and authorisation of activities resulting in incurring of expenses and/or investment, prescription of standards for compliance of these matters and advising the Managing Director to initiate specific action.</p> <p><b>30.4 Investors' Services Committee</b></p> <p>The Investors' Services Committee shall supervise the working of the Investors' Services Cell of the Exchange and in suitable cases attend to the grievances of the investors personally.</p> <p><b>30.5 Ethics Committee</b></p> <p><b>30.5.1 Nomination :</b></p> <p>The Governing Board shall nominate an Ethics Committee which shall be responsible for deciding and implementing the Code of Ethics for members of the Governing Board and Functionaries of the Exchange as may be prescribed by the Governing Board and / or SEBI from time to time.</p> <p><b>30.5.2 Definitions :</b></p>

30.5.2.1 Functionaries: Functionaries of the Exchange to whom this Code shall be applicable shall be decided by the Governing Board but shall include all officials of the rank of manager and above.

30.5.2.2 Family: Family members will include dependent spouse, dependent children, and dependent parents.

30.5.2.3 Securities: Securities for the purpose of this Code shall not include Mutual Fund units, Government Securities, and any other security as may be specified by SEBI from time to time.

### **30.5.3 General Principles**

30.5.3.1 Elected members of the Governing Board and Functionaries shall endeavour to promote greater awareness and understanding of ethical responsibilities.

30.5.3.2 Elected members of the Governing Board and Functionaries, in the conduct of their business, shall observe high standards of commercial honour and just and equitable principles of trade.

30.5.3.3 The conduct of elected members of the Governing Board and Functionaries in business life should be exemplary which will set a standard for other members / trading members of the Exchange to follow.

30.5.3.4 Elected members of the Governing Board and Functionaries shall not use their positions to do or get favours from the executives or administrative staff of the Exchange, suppliers of the Exchange or any listed company on the Exchange.

30.5.3.5 Elected members of the Governing Board and Functionaries will not commit any act which will put the reputation of the Exchange in jeopardy.

30.5.3.6 Elected members of the Governing Board and of the committees of the Exchange and Functionaries of the Exchange shall comply with all the Rules and Regulations applicable to the securities market.

### **30.5.4 Prohibition of Dealings in Securities in Proprietary Account by Elected Members of the Governing Board**

Elected members of the Governing Board holding any office shall refrain from proprietary trades in securities, directly or indirectly, during the period of holding such office.

### **30.5.5 Disclosure of Dealings in Securities by Functionaries of the Exchange**

Functionaries of the Exchange shall disclose to the Governing Board / Ethics Committee / designated Compliance Officer on a periodic basis, as may be determined by the Governing Board of the Exchange from time to time (which could be monthly), all their dealings, direct or indirect, in securities for such amounts as may be specified by the Governing Board of the Exchange. The dealings in securities shall also be subject to trading restrictions for securities about which Functionaries in the Exchange may have non-public price sensitive information. Requirements laid down under SEBI (Insider Trading) Regulations, 1992 would have to be complied with for this purpose. All transactions must be of an investment nature and not speculative in nature. Towards this end, all securities purchased must be held for a minimum period of 60 days before they are sold. However, in specific / exceptional circumstances, sale can be effected anytime by obtaining prior clearance from the Compliance Officer or any other designated authority who will be empowered to waive this condition after recording in writing his satisfaction in this regard.



**30.5.6 Disclosure of Dealings in Securities by the Elected Members of the Governing Board.**

Elected members of the Governing Board shall disclose on a periodic basis, as may be determined by the Governing Board from time to time (which could be monthly), their proprietary trading, directly or indirectly, to the Ethics Committee. All elected members of the Governing Board shall also disclose on a periodic basis as fixed above, the trading conducted by firms / corporate entities in which they hold 20% or more beneficial interest or hold a controlling interest, to the Ethics Committee. Directors who are Government of India Nominees or Nominees of Government of India Statutory Bodies or Financial Institutions and who are governed by their own Codes shall be exempt from this requirement.

**30.5.7 Avoidance of Conflict of Interest**

No member of the Governing Board or member of any committee of the Exchange shall participate in any decision making / adjudication in respect of any person / matter in which he is in any way, directly or indirectly, concerned or interested. Determination as to whether there is any conflict of interest or not in a matter would be decided by the Governing Board of the Exchange.

**30.5.8 Disclosures of Beneficial Interest**

All elected members of the Governing Board and Functionaries shall disclose to the Governing Board of the Exchange, upon assuming office and during their tenure in office, whenever the following arises; - any fiduciary relationship of self and family members and directorship / partnership of self and family members in any broking outfit,- shareholding, in cases where the shareholding of the member of the Governing Board, directly or through his family, exceeds 5% in any listed company on the Exchange or in other entities related to the capital markets, - any another business interests.

**30.5.9 No Role of the Elected Members of the Governing Board in the Day-to-day Functioning of the Exchange.**

Elected members of the Governing Board shall not have any role whatsoever and shall not interfere in the day-to-day functioning of the Exchange and shall limit their role to decision making on policy issues as the Governing Board may decide. Elected members of the Governing Board shall abstain from influencing the employees of the Exchange in conducting their day-to-day activities and the assignments given by their superiors. Elected members of the Governing Board shall not be involved in the function of appointment and promotion of employees.

**30.5.10 Access of Information**

30.5.10.1 Elected members of the Governing Board shall call for information only as part of specific committees or as may be authorised by the Governing Board.

30.5.10.2 There shall be prescribed channels through which information shall move and further there shall be audit trail of the same. Any retrieval of confidential documents / information shall be properly recorded.

30.5.10.3 All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration / gain.

30.5.10.4 Any information relating to the business / operations of the Exchange, which may come to the knowledge of elected members of the Governing Board / Functionaries of the Exchange during performance of their duties shall be held in

strict confidence and, shall not be divulged to any third party and shall not be used in any manner except for the performance of their duties.

#### **30.5.11 Misuse of Position**

Elected members of the Governing Board / committees shall not use their position to obtain business or any pecuniary benefit (as intermediaries like brokers or in any other capacity like professionals or consultants) in the organisation for themselves or family members.

#### **30.5.12 Compliance Officer**

The Ethics Committee shall lay down procedures for the implementation of the Code and prescribe reporting formats for the disclosures required under the Code. The Governing Board of the Exchange / Ethics Committee may designate a senior officer of the Exchange as Compliance Officer for executing the requirements laid down by it.

#### **30.6 Limitation on Constituting Other Committees**

No committee, sub-committee or standing committee other than the standing committees under Prescribed Articles in these presents in these presents, the functions of which would either overlap or conflict with the functioning of the Managing Director, shall be constituted. However, the Governing Board may constitute such other committees other than the standing committees as they may consider necessary in respect of matters other than administrative and surveillance matters. The Managing Director of the Exchange may also, at his sole discretion, constitute an Executive Committee or other committees of the executives of the Exchange and independent experts to assist him and facilitate decision-making on administrative (including staff), operational and surveillance (including risk management) matters.

#### **30.7 Removal of Member**

The Governing Board may, for reasons to be recorded in writing, remove a member from any committee. However, where such member is other than the member of the Exchange, the Governing Board may remove him only with the prior approval of SEBI.

#### **30.8 Casual Vacancy**

If a casual vacancy arises in a committee by reason of death, resignation, removal, suspension, expulsion or absence for a period exceeding two months, such vacancy shall be filled by the Governing Board by nomination of a member of the Exchange in case where the vacancy has arisen in place of a member of the Exchange, and by the nomination of a person other than a member of the Exchange with the prior approval of SEBI in case the vacancy has arisen in place of a member other than the member of the Exchange, as the case may be, and the member so nominated shall continue in office till the next nomination and shall be eligible for re-nomination.

#### **30.9 Vacation of Office**

A member shall ipso facto and forthwith cease to be a member of any committee on happening of any one or more of the following:

**30.9.1** if he submits his application for nomination for transfer of membership/trading membership, or

**30.9.2** if he submits his application for surrender/buy-back of membership/trading membership, or

**30.9.3** if he was a member/trading membership of the Exchange at the time when he was nominated a member of any committee and he ceases to be a member/trading member of the Exchange for any reason whatsoever

### **30.10 Retiring Members**

30.10.1 All retiring members of a committee shall be eligible for re-nomination for a consecutive period not exceeding three years and become eligible for re-nomination after a gap of one year reckoned from the expiry of the date on which the office as a member for a consecutive period of three years comes to an end.

30.10.2 All retiring elected members of a committee shall continue in office until their successors are nominated.

### **30.11 Meetings Of Standing Committees**

**30.11.1 Who May Convene And When** - The meetings of any one or more committees shall be convened by the Managing Director to transact the matters submitted for its consideration or as may be directed by the Managing Director any time. Such meetings shall normally be convened within fifteen calendar days of reference made for any committee.

#### **30.11.2 Quorum**

A committee may from time to time determine its own quorum provided that such quorum shall not be less than two members of such committee where atleast one member of the committee shall be a non-elected member.

#### **30.11.3 Voting**

Any question before a committee shall be decided by a majority of the votes cast at a meeting and in case of an equality of votes, the Chairman of the committee shall have a casting vote in addition to the vote to which he is entitled.

#### **30.11.4 Proceedings**

Unless otherwise provided or directed, a committee shall conduct and regulate its proceedings in the same manner as the Governing Board.

#### **30.11.5 Leave**

A committee may give any member thereof leave of absence for a period not exceeding four months and may declare the office of such member temporarily vacated, in which event, the vacancy shall be filled by the Governing Board by co-opting a member where the office has become vacant on account of absence of a member and by nominating a non-member where the office has become vacant on account of absence of a non-member, with the prior approval of SEBI, and such member shall hold office until the original member intimates to the Exchange of his being available for the meeting of the respective committee.

#### **30.11.6 Custody of Minutes**

The Managing Director shall cause minutes of the meetings of all the meetings of General Body, Governing Board or any committee, whether standing or otherwise properly recorded and maintained. The minutes shall be initialled on each page and signed in full on the last page by both the Chairman of the respective meetings and the Managing Director.

## **31. DISCIPLINARY PROCEEDINGS**

### **31.1 Jurisdiction for Taking Disciplinary Action**

A member / trading member shall be liable to expulsion or suspension or withdrawal of all or any membership/trading membership rights and/or to payment of fine and/or to be censured, reprimanded or warned for contravening, disobeying, disregarding or willfully evading any of the Articles, Bye-laws and Regulations of the Exchange or any of the resolutions, orders, notices, directions, decisions or ruling thereunder of the Exchange or the Governing Board or the Disciplinary Action Committee or the Managing Director or any other committee or any officer of the Exchange or for any disreputable or fraudulent transactions or dealings with any person, whether a member/trading member or not, or for any conduct, proceeding or method of business which is considered to be unbecoming a member/trading member of the Exchange or inconsistent with just and equitable principles of trade or with the provisions incorporated in the SEBI (Stock Brokers and Sub-Brokers) Rules and Regulations, 1992 and any amendments made thereto.

### **31.2 The Governing Board May Expel Any Member/Trading Member**

#### **31.2.1 Upon Recommendation by the Disciplinary Action Committee**

If, in the opinion of the Disciplinary Action Committee, any member/trading member has violated or committed such acts of commissions and/or omissions which are so grave in their nature and consequences that such exemplary action is warranted in the interest of the investors or the trade or the Exchange. Provided, however, the Governing Board shall have discretion to expel a member/trading member even if the Disciplinary Action Committee forms an opinion that the acts of commission and/or omission are not so grave in their nature and consequences as to warrant expulsion. The Governing Board, while so deciding, shall record the reasons for expulsion in writing. Provided further that the Governing Board, in its absolute discretion, may decide to award a lower degree of punishment, even if the Disciplinary Action Committee is of the opinion that the acts of commission and / or omission by the member / trading member are so grave in their nature and consequences as to warrant expulsion of the member / trading member and while so deciding the Governing Board shall record its reasons in writing.

#### **31.2.2 For Admission Under Misrepresentation**

If, in the opinion of the Governing Board, a member/trading member has in or at the time of his application for admission to membership/trading membership or during the course of the inquiry made by the Governing Board preceding his admission:

**31.2.2.1** made any wilful misrepresentation; or

**31.2.2.2** suppressed any material information required of him as to his character and antecedents; or

**31.2.2.3** has directly or indirectly given false particulars or information or made a false declaration.

**31.2.2.4** In the case of a company/body corporate, which is a member/trading member, if the Governing Board is satisfied that-

**31.2.2.4.1** at the time of submission of the application for admission, the company/body corporate was not eligible for admission under the provisions of Prescribed Articles in these presents in these presents and admission had been secured by wilful misrepresentation; or

**31.2.2.4.2** at any time after admission, the company/body corporate has ceased to

maintain or have the characteristics of eligibility under the provisions of Prescribed Articles in these presents; or

**31.2.2.4.3** the company/body corporate contravenes or commits a breach of any of the provisions of these Prescribed Articles in these presents.

**31.2.3** Expulsion of a member/trading member being a company/body corporate as aforesaid under Prescribed Articles in these presents shall also operate as expulsion of each designated director of such company/body corporate which is a member/trading member of the Exchange.

**31.2.4 Expulsion by Special Majority Resolution Only**

Expulsion of a member / trading member of the Exchange by the Governing Board shall be valid only if the Governing Board adopts a special majority resolution expelling the member / trading member.

**31.2.5 Expulsion Rule to Apply**

When a member/trading member ceases to be such under the provisions of these Prescribed Articles in these presents otherwise than by death, resignation or declaration of a defaulter, it shall be as if such member/trading member has been expelled by the Governing Board and in that event all the provisions relating to expulsion contained in these Prescribed Articles in these presents shall mutatis mutandis apply to such member/ trading member in all respects.

**31.2.6 Explanation Before Expulsion**

A member/trading member shall be entitled to be summoned before the Disciplinary Action Committee and afforded an opportunity for explanation before being recommended for expulsion to the Governing Board and in such a case, the decision of the Governing Board on the findings of the Disciplinary Action Committee shall be final and conclusive and come into force forthwith.

**31.2.7 Consequences of Expulsion**

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

**31.2.7.1 Membership/Trading Membership Rights Forfeited**

The expelled member/trading member shall forfeit to the Exchange all rights and privileges as a member/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 or of the Settlement Guarantee Fund of the Exchange but any liability of any such member/trading member to the Exchange or to the Settlement Guarantee Fund of the Exchange or to any other member/trading member of the Exchange shall continue and remain unaffected by his expulsion.

**31.2.7.2 Lapse of Right of Nomination**

The right of nomination shall ipso facto vest in the Exchange and shall not be exercisable by the expelled member/trading member.

**31.2.7.3 Office Vacated**

The expulsion shall create a vacancy in office or position, if any, held by the expelled member/trading member.

**31.2.7.4 Rights of Creditors Unimpaired**

The expulsion shall not affect the rights of the members/trading members who are creditors of the expelled members/trading members.

#### **31.2.7.5 Fulfilment of Contracts**

The expelled member/trading member shall be bound to fulfill transactions outstanding at the time of his expulsion and it may, with the permission of the Managing Director or the Disciplinary Action Committee, close such outstanding transactions with or through a member/ trading member.

#### **31.2.7.6 Members/Trading Members Not to Deal**

No member/trading member shall transact business for or with or share brokerage with the expelled member/trading member except with the prior permission of the Governing Board.

#### **31.2.8 Withdrawal of Admission to Dealings on the Exchange**

Subject to the provisions of the Securities Contracts (Regulation) Rules, 1957, the Governing Board may withdraw the admission to dealings as provided in the relevant Bye-laws of the Exchange.

#### **31.2.9 Reconsideration/Review**

Subject to the provisions of the Securities Contracts (Regulation) Rules, 1957, the Governing Board may, of its own motion or on an application made by the aggrieved member/trading member or by a company, whose securities are withdrawn from the admission to dealings, reconsider and may rescind/revoke/modify its resolution.

#### **31.3 The Disciplinary Action Committee**

The Disciplinary Action Committee may take any one or more of the following actions against any member/trading member:

##### **31.3.1 Penal Actions**

**31.3.1.1** censure and/or warn any member/trading member, and/or ;

**31.3.1.2** impose a fine upon any member / trading member, and / or;

**31.3.1.3** withdraw any of the membership / trading membership rights of a member / trading member, and/ or;

**31.3.1.4** suspend the membership / trading membership of any member/trading member for a specific period or for a period contingent on the performance of a particular act, and/or

**31.3.1.5** if he be guilty of contravention or non-compliance of any of the provisions of the Articles, Bye-Laws and Regulations of the Exchange or of any resolutions, orders, notices, directions or decisions or rulings of the Exchange or of the Governing Board or of the Disciplinary Action Committee or of any other committee or of the Managing Director or of any officer of the Exchange authorised in that behalf or of any misconduct, unbusinesslike conduct or unprofessional conduct as provided herein, proceeding or method of business which the Disciplinary Action Committee in its absolute discretion deems inconsistent with just and equitable principles of trade or detrimental to the interests of the Exchange or prejudicial or subversive to its objects and purposes.

##### **31.3.2 Explanation Before Suspension**

A member / trading member shall be entitled to be summoned before the Disciplinary

Action Committee and afforded an opportunity for explanation before being suspended but in all such cases the findings and the decision of the Disciplinary Action Committee on such findings shall be final and conclusive and shall come into force forthwith.

### **31.3.3 Consequences of Suspension**

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

#### **31.3.3.1 Suspension of Membership/Trading Membership Rights**

The suspended member/trading member shall, during the period of his suspension, be deprived of and excluded from all the rights and privileges of membership/trading membership, including the right to attend and/or vote at any meeting of the Exchange, but he may be proceeded against by the Disciplinary Action Committee or the Managing Director for any contravention or non-compliance of any of the provisions of the Articles, Bye-laws and Regulations of the Exchange by him either before or after his suspension and the Disciplinary Action Committee or the Managing Director shall not be debarred from taking cognisance of and adjudicating on or dealing with any claim made against him by any other member/trading member and his clients.

#### **31.3.3.2 Rights of Creditors Unimpaired**

The suspension shall not affect the rights of the members/trading members who are creditors of the suspended member/trading member.

#### **31.3.3.3 Fulfilment of Contracts**

The suspended member / trading member shall be bound to fulfil contracts outstanding at the time of his suspension.

#### **31.3.3.4 Further Business Prohibited**

The suspended member/trading member shall not during the term of his suspension make any transaction through the automated trading system of the Exchange or transact any business with or through a member/trading member. He may, however, with the prior permission of the Managing Director close out, with or through a member/trading member, the transactions outstanding at the time of his suspension.

#### **31.3.3.5 Members/Trading Members Not to Deal**

No member / trading member shall transact business for or with or share brokerage with a suspended member / trading member during the term of his suspension except with the prior permission of the Managing Director.

### **31.3.4 Pre-determination of Penalties**

The Disciplinary Action Committee shall have the power to pre-determine the penalties that may be imposed for contravention and non-compliance of any of the provisions of the Articles, Bye-laws and Regulations of the Exchange or of any resolution, order, notice, direction, decision or ruling thereunder of the Exchange, or of the Governing Board, or of the Disciplinary Action Committee, or of any other committee, or of the Managing Director, or of any officer of the Exchange authorised in that behalf.

### **31.3.5 Imposition of Penalties**

The penalty of suspension, withdrawal of all or any of the membership/trading membership rights, fine, censure or warning may be inflicted singly or conjointly by

the Disciplinary Action Committee.

### **31.3.6 Commutation**

The Disciplinary Action Committee may, either suo moto or on a written representation made by the aggrieved member/trading member, commute the penalty imposed by it on such terms and conditions as it deems fair and equitable.

### **31.3.7 Failure to Pay Fines and Penalties**

If a member/trading member fails to pay any fine or penalty imposed on him within such period as prescribed from time to time by the Disciplinary Action Committee or the Managing Director, as the case may be, after notice in writing has been served on him by the officer authorised in that behalf, he may be suspended by the Disciplinary Action Committee or the Managing Director until he makes payment and if within a further period as may be prescribed from time to time, he fails to make such payment, the Disciplinary Action Committee may recommend to the Governing Board for his expulsion.

### **31.3.8 Re-consideration/Review**

Subject to the provision of the Securities Contracts (Regulation) Rules, 1957, the Disciplinary Action Committee may, of its own motion or on a written representation made by the aggrieved member/trading member, reconsider and may rescind, revoke or modify its resolution, withdrawing all or any of the membership/trading membership rights or fining, censuring or warning any member/trading member. In a like manner, the Disciplinary Action Committee may rescind, revoke or modify its resolution suspending any member/trading member.

### **31.3.9 The Managing Director**

The Managing Director may take any one or more of the following disciplinary actions against any member/trading member:

#### **31.3.9.1 Disablement / De-activation Until Compliance of Requirements**

Whenever a member/trading member fails to provide the base minimum capital/additional base capital and/or margin money, the Managing Director or any officer authorised in that behalf shall cause to disable/deactivate forthwith the trader work station of the member/trading member concerned. The disablement/deactivation of the trader work station of the member / trading member shall continue until such time the member/trading member complies with the requirement of depositing such amount towards base minimum capital / additional base capital and/or margin money.

#### **31.3.9.2 Action Not Subject to Appeal**

The action under Prescribed Articles in these presents shall come into force forthwith and shall be final, binding and conclusive and such action shall not be subject to any appeal before any authority.

### **31.4.1 Exclusive Powers in Disciplinary Matters**

31.4.1.1 The Managing Director shall have exclusive powers in matters, which concern -

31.4.1.1.1 disciplining of a member/trading member in all aspects of trading and settlement of member's/trading member's activities on the Exchange and in relation to any or all of his business transactions in securities,



31.4.1.1.2 the settlement of all transactions in securities entered into by him with other members/trading members of the Exchange and with members/trading members of other stock exchanges with particular reference to and including transactions of the member/trading member with his clients,

31.4.1.1.3 enforcement of the Articles, Bye-laws and Regulations of the Exchange in such matters,

31.4.1.1.4 imposition of various types of margins, including special margins on scrips,

31.4.1.1.5 deactivating the member's/trading member's trader work station/s for non-payment of the margin money and/or ad hoc margin money and amounts payable on account of settlement are deposited with the Exchange/Clearing House,

31.4.1.1.6 suspension of scrips from trading and duration thereof,

31.4.1.1.7 market surveillance including suspension of trading session,

31.4.1.1.8 expunging the market quotations,

31.4.1.1.9 the authority and the power to impose penalty not exceeding Rs. One lakh or such higher sum as may be decided by the Governing Board from time to time for which the Governing Board / Disciplinary Action Committee of the Exchange may lay down a schedule of penalties for contravention of the various provisions in the Articles, Bye-laws and Regulations of the Exchange or any of the resolutions, orders, notices, directions, decisions or rulings thereunder and contravention of other relevant statutory provisions, in proportion to the gravity of the offences, and

31.4.1.1.10 suspension of member/trading member from doing business for a period not exceeding seven days at a time, in case of violation of any of the Articles, Bye-laws and Regulations of the Exchange and/or the requirements specified by the Governing Board / SEBI from time to time and/or for non-compliance of any of his directions, orders, etc., after recording the reasons in writing.

#### **31.4.2 Appeal to the Governing Board**

Any member/trading member aggrieved by any direction or order of the Managing Director imposing on him any penalty by way of fine or suspension may prefer an appeal to the Governing Board in writing within seven calendar days of such decision being communicated in writing to such aggrieved member/trading member and the Governing Board may, after calling for the records of the case, confirm, modify or set aside the order, recording its findings accordingly. Where the order of the Managing Director is either modified or set aside, the Governing Board shall cause to inform SEBI of such decision of the Governing Board within seven calendar days of the decision of the Governing Board.

#### **31.4.3 Authority to Call for Information**

The Managing Director or any officer authorised by the Managing Director in that behalf may suo moto initiate such measures as are necessary and are incorporated herein so as to obtain adequate and material information, details, papers and documents from members/trading members and submit the observations arising therefrom to facilitate the Disciplinary Action Committee/Governing Board to take appropriate decision/action as provided herein.

#### **31.4.4 Withdrawal/Suspension of Admission and Re-admission to Dealings on the Exchange**

Subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and the Articles made there under, the Managing Director may withdraw admission to dealings on account of redemption or conversion or liquidation or merger or suspend at any time

the admission to the dealings on the Exchange granted to any security as provided in the Bye-laws and Regulations of the Exchange and may readmit the security to dealings on the Exchange as provided therein.

#### **31.4.5 Reconsideration/Review**

Subject to the provisions of the Securities Contracts (Regulation) Rules, 1957, the Managing Director may, on his own motion or on a written representation made by the aggrieved member/trading member/ aggrieved company, reconsider and rescind, revoke, or modify his decision or a decision taken by any officer of the Exchange who has been delegated the powers under the Articles and / or Bye-laws of the Exchange.

#### **31.5 Causes Requiring Disciplinary Action**

In particular and without in any way limiting or prejudicing the generality of the provisions contained in these Articles, a member/trading member shall be liable to expulsion or suspension or withdrawal of all or any of his membership/trading membership rights and/or to payment of a fine and/or to be censured, reprimanded or warned for violation of any of the provisions contained in SEBI (Prohibition of Fraudulent and Unfair Trade Practises Relating to Securities Market) Regulations, 1995 or for any misconduct, unbusinesslike conduct or unprofessional conduct in the sense of the provisions mentioned below:

##### **31.5.1 Misconduct**

A member/trading member shall be guilty of misconduct for any of the following acts of commissions and/or omissions:

###### **31.5.1.1 Fraud**

If he commits a fraud or a fraudulent act, which, in the opinion of the Disciplinary Action Committee, renders him, unfit to be a member/trading member.

###### **31.5.1.2 Commission of an Offence**

If he commits an offence which is punishable with imprisonment for a minimum period of one month.

###### **31.5.1.3 Violation**

If he has violated/contravened provisions of the Securities Contracts (Regulation) Act, 1956 and the Articles made thereunder, the Securities and Exchange Board of India Act, 1992 and the Articles, Rules & Regulations made thereunder, directives, orders, guidelines, notices or circulars issued by SEBI from time to time or of any Articles, Bye-law or Regulation of the Exchange governing the activities, business and operations of the Exchange in particular, and of the securities business in general.

###### **31.5.1.4 Improper Conduct**

If, in the opinion of the Disciplinary Action Committee, he is guilty of dishonourable or disgraceful or disorderly or improper conduct at the Exchange or before the Governing Board, any committee of the Exchange, the Managing Director or any officer of the Exchange.

###### **31.5.1.5 Aiding and/or Abetting the Breach of Articles, Bye-laws and Regulations**

If he abets or shields or assists or omits to report any member/trading member whom

he has known to have committed a contravention or non-compliance of any Articles, Bye-law and Regulation of the Exchange or of any resolution, order, notice, direction, decision or ruling thereunder of the Governing Board or of any committee or of the Managing Director or of any officer of the Exchange authorised in that behalf.

**31.5.1.6 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 Governing Board or of the arbitrators made in connection with a reference under the Articles, Bye-laws and Regulations of the Exchange.

**31.5.1.7 Failure to Testify or Give Information**

If he neglects or fails or refuses to submit to the Governing Board or to any committee or the Managing Director or any officer of the Exchange authorised in that behalf, such books, correspondence, documents and papers or any part thereof as may be required to be produced, or to appear and testify before or cause any of the designated partners, designated directors/ nominees in the case of a company/body corporate, approved users, authorised representatives, agents, sub-brokers, remisiers or employees to appear and testify before the Governing Board or any committee or the Managing Director or any officer of the Exchange authorised in that behalf to give information as may be required by such authority from time to time.

**31.5.1.8 Failure to Submit Special Returns**

If he neglects, fails or refuses to submit to the Managing Director within the time notified in that behalf special returns in such form as the Managing Director may from time to time prescribe together with such other information as the Managing Director may require whenever circumstances arise which in the opinion of the Governing Board or Disciplinary Action Committee, make it desirable that such special returns or information should be furnished by any or all the members/trading members.

**31.5.1.9 Failure to Submit Accounts**

If he neglects, fails or refuses to submit his audited or unaudited accounts to the Exchange within such time and in such form and manner as may be prescribed by the Managing Director from time to time.

**31.5.1.10 Failure to Compare or Submit Accounts with in Respect of Defaulters**

If he neglects or fails to compare his accounts with the Committee for Settlement of Claims Against Defaulters or to submit to it a statement of his accounts with a defaulter / deemed defaulter or a certificate that he has no such account or if he makes a false or misleading statement therein.

**31.5.1.11 False or Misleading Returns**

If he neglects or fails or refuses to submit or makes any false or misleading statement in his clearing forms or returns required to be submitted to the Exchange under the Articles, Bye-Laws and Regulations of the Exchange.

**31.5.1.12 Vexatious Complaints**

If he or his designated partners, designated directors/nominees in the case of a company/body corporate, approved users, authorised representatives, agents, sub-brokers, remisiers or employees bring before the Managing Director or any officer of

the Exchange a charge or complaint, which in the opinion of the Disciplinary Action Committee or the Managing Director, is frivolous, vexatious or malicious.

#### **31.5.1.13 Failure to Pay Dues and Fees**

If he fails to pay his subscription, fees, arbitration charges or any other money which may be due from him or any fine or penalty imposed on him within the time stipulated by the Governing Board or the Disciplinary Action Committee or the Managing Director or any officer of the Exchange authorised in that behalf.

#### **31.5.2 Unbusinesslike Conduct**

*A member/trading member shall be deemed guilty of unbusinesslike conduct for any of the following acts of commissions and/or omissions:*

##### **31.5.2.1 Fictitious Names**

If he transacts his own business or the business of his clients in fictitious names or if he carries on business on the Exchange under fictitious names.

##### **31.5.2.2 Fictitious Dealings**

If he makes a fictitious transaction or gives an order for the purchase or sale of securities the execution of which would involve no change of ownership or executes such an order with knowledge of its character.

##### **31.5.2.3 Circulation of Rumours**

If he, directly or indirectly in any manner, circulates or causes to be circulated, any rumours.

##### **31.5.2.4 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 condition in which prices will not fairly reflect market values:

##### **31.5.2.5 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.

##### **31.5.2.6 Unwarrantable Business**

If he engages in reckless or unwarrantable or unbusinesslike dealings in the market or effects purchases or sales for his client's account or for any account, in which he is directly or indirectly interested, and if such purchases or sales are excessive in view of his client's or his own means and financial resources or in view of the market for such security.

##### **31.5.2.7 Compromise**

If he connives at a failure of a member/trading member or accepts less than a full and bonafide money payment in settlement of a debt due by a member/trading member arising out of a transaction in securities.

**31.5.2.8 Dishonoured Cheque**

If he issues to any other member/trading member or to a sub-broker or to a remisier or to an approved user or to his clients a cheque in discharge of the obligation arising out of any transaction done on the Exchange which is dishonoured on presentation for whatever reasons.

**31.5.2.9 Failure to Carry out Transactions with Clients**

If he fails, in the opinion of the Disciplinary Action Committee or the Managing Director, to carry out his committed stock-broking transactions with his clients.

**31.5.3 Unprofessional Conduct**

A member/trading member shall be guilty of unprofessional conduct for any of the following acts of commissions and/or omissions:

**31.5.3.1 Kerb Trading**

If he calls out prices or makes bids or offers or trades in the street or at the entrances to or in the vicinity of the Exchange.

**31.5.3.2 Business in Securities in Which Dealings Not Permitted**

If he enters into dealings in securities in which dealings are not permitted.

**31.5.3.3 Business for Defaulting Client**

If he deals or transacts business, directly or indirectly, or executes an order for a client, who has within his knowledge failed to carry out engagements relating to securities and is in default to another member/trading member, unless such client shall have made a satisfactory arrangement with the member/trading member who is his creditor.

**31.5.3.4 Dealings with Clients**

If he deals with clients in an abnormal and unprofessional manner disregarding normal trade and market practices, customs and usages.

**31.5.3.5 Dealings with Unregistered Sub-brokers**

If he deals with sub-brokers who are not registered with SEBI under the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Rules and Regulations, 1992.

**31.5.3.6 Business for Insolvent**

If, without first obtaining the consent of the Managing Director, he, directly or indirectly, is 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 may have obtained his final discharge from a competent court.

**31.5.3.7 Business Without Permission When Under Suspension**

If, without the prior permission of the Managing Director, he does business on his own account or on account of a principal, with or through a member / trading member, during the period when he is suspended by the Exchange.

**31.5.3.8 Business For or With Suspended or Expelled Member/Trading Member or Defaulter**

If, without the prior permission of the Managing Director, he shares brokerage with or

carries on business or makes any deal for or with any member/trading member who has been suspended, expelled or declared a defaulter.

#### **31.5.3.9 Business For Employees of Other Members/Trading Members**

If he transacts business, directly or indirectly, for or with or executes an order for a designated partner, or designated director/nominee in the case of a company/body corporate or for an authorised representative or employee of another member/trading member without the written consent of such employing member/trading member.

#### **31.5.3.10 Business for Exchange Employees**

If he makes a speculative transaction in which an employee of the Exchange is directly or indirectly interested.

#### **31.5.3.11 Advertisement**

If he advertises for business purposes or issues regularly circulars or business communications to persons other than his own clients, members/trading members of the Exchange, banks and joint stock companies, or publishes pamphlets, circulars or any other literature or report or information relating to the stock markets in the public prints with his name attached unless such advertisements, circulars or other business communications, pamphlets, circulars or other literature or report or information relating to the stock markets and the material contained therein are in accordance with the provisions and guidelines as may be laid down by the Governing Board of the Exchange from time to time and copies thereof are submitted to the Exchange seven days before their issue.

#### **31.5.3.12 Evasion of Margin Requirements**

If he wilfully evades or attempts to evade or assists in evading margin requirements prescribed in the Byelaws and Regulations of the Exchange.

#### **31.5.3.13 Brokerage Charge**

If he wilfully deviates from or evades or attempts to evade the provisions contained in the Bye-laws and Regulations of the Exchange relating to charging and sharing of brokerage.

#### **31.6 Responsibility/Liability of Member/Trading Member for Designated Partners, Designated Directors/Nominees in the Case of a Company/Body Corporate, Approved Users, Authorised Representatives, Agents, Sub-brokers, Remisiers and Employees**

A member/trading member shall be fully responsible for the acts of commissions and/or omissions of his designated partners, designated directors/nominees in the case of a company/body corporate or approved users, authorised representatives, agents, sub-brokers, remisiers and employees and shall be liable for punishment as if such acts of commissions and/or omissions have been committed by the member/trading member himself.

#### **31.7 Liquidation and/or Suspension of Business**

The Managing Director may require a member/trading member to liquidate his outstanding business in part or in full and in any security or group of securities and the Disciplinary Action Committee or the Managing Director may require a member/trading member to suspend his business in part or in full in any security or

group of securities under the following circumstances:

**31.7.1 Prejudicial Business**

when, in the opinion of the Disciplinary Action Committee or the Managing Director, the member/trading member conducts business in a manner prejudicial to the Exchange by making purchases or sales of securities or offers to purchase or sell securities for the purpose of upsetting the equilibrium of the market or bringing about a condition of demoralisation in which prices will not fairly reflect market values, or by building up positions in any security or group of securities which may endanger the safety and integrity of the market, or

**31.7.2 Unwarrantable Business**

when, in the opinion of the Disciplinary Action Committee or the Managing Director, he engages in unwarrantable business or effects purchases or sales for his client's account or for any account in which he is directly or indirectly interested which purchases or sales are excessive in view of his client's or his own means and financial resources or in view of the market for such security, or

**31.7.3 Unsatisfactory Financial Condition**

when, in the opinion of the Disciplinary Action Committee or the Managing Director, he is in such financial condition that he cannot be permitted to do business with safety to his creditors or the Exchange, or which is likely to affect the clearing and settlement process.

**31.8 Members/Trading Members and Others to Testify and Give Information**

A member/trading member shall appear and testify before and cause his designated partners, designated directors/nominees in the case of a company/body corporate, approved users, authorised representatives, agents, sub-brokers, remisiers and employees to appear and testify before the Governing Board or the Disciplinary Action Committee or any other committee or the Managing Director or any officer of the Exchange authorised in that behalf and shall produce or cause to be produced before the concerned authority 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.

**31.9 Permission Necessary for Legal Representation**

No person shall have a right to be represented by professional counsel, attorney, advocate or representative in any investigation or hearing before the Governing Board, the Disciplinary Action Committee or any other committee or the Managing Director or any officer of the Exchange authorised in that behalf unless the concerned authority so permits.

**31.10 Notice of Penalty and Suspension of Business**

Notice shall be given to the member/trading member concerned and to the members/trading members in general affixed on the notice board or broadcast on the automated trading system of the Exchange relating to the expulsion or suspension or declaration of a defaulter/deemed defaulter of a member/trading member imposed on him or on his designated partners or designated directors/nominees in the case of a company/body corporate. The Disciplinary Action Committee or the Managing Director may, as the case may be, in its or his absolute discretion and in such manner

as it or he thinks fit, notify or cause to be notified/broadcast to the members/trading members of the Exchange or to the public that any person who is named in such notice/broadcast has been expelled, suspended or declared a defaulter/deemed defaulter. No action or other proceedings shall, in any circumstances, be maintainable by such person against the Exchange or the Governing Board or the Disciplinary Action Committee or any other committee or the Managing Director or any officer or employee of the Exchange for the publication or circulation of such notice/broadcast.

#### **BORROWING POWERS**

- 32.** The Council may from time to time, raise or borrow and may themselves lend and secure the payment of any sum or sums of money for the purposes of the Exchange.
- 33.** The Council of Management may subject to the provision of the Act raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of bonds, perpetual or redeemable debentures or debenture-stock or any mortgage charge or other security charges upon all or any part of the property of the Exchange both present and future.
- 34.** Debentures, debenture-stock, bonds or other securities may be made assignable free from equities between the Exchange and the person to whom the same may be issued.
- 35.** Any debentures, debenture-stock, bonds or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender and drawings.

#### **RULE MAKING POWERS**

- 36.** Subject to the provisions of the Securities Contracts (Regulation) Act, 1956, and Rules framed thereunder, the Council is empowered to make Rules, Bye-laws and Regulations from time to time, for any or all matters relating to the conduct of the business of the Exchange, the business and transactions of its members between members inter se as well as between its members and persons who are not members, and to control, define and regulate all such Stock Exchange transactions and without prejudice to the generality of the foregoing to make Rules, Bye-laws and Regulations for all or any of the following matters, namely;
- a. for the conduct of the business of the Exchange;
  - b. for the conduct of the business of the members of the Exchange with other members or with persons who are not members, and to govern all matters relating to all contracts for the sale and purchase of shares, securities, debentures and all Stock Exchange securities of all kinds between members and any person who is not a member and all contracts which are or have been made subject to the Rules, Bye-laws, Regulations or usages of the Pune Stock Exchange Ltd.;
  - c. to prescribe and define the consequences, effect and procedure to be followed on the suspension or expulsion of any member and on any member being declared a defaulter
  - d. to prescribe and provide that in the event of any member being suspended, expelled or declared defaulter, all pending contracts between such members and



all other members of the Exchange be adjusted and closed irrespective of the period of performance for the said contracts not having expired, to provide and regulate and empower the Council of Management or any Committee thereof to fix the prices and rates at which such contracts shall be adjusted and closed and to provide that all monies arising out of and becoming payable by other members on such adjustment and closing of contracts shall be paid into a "Special Fund" and that such "Special Fund" shall stand charged with and shall be utilised for payment of all debts, claims and dues by such defaulter, expelled or suspended member to any member in priority to all outside creditors.

#### **AMENDMENT OF RULES**

- 37.** Subject to the provisions of the Securities contracts (Regulation) Act, 1956 and the Rules framed thereunder, the Council shall have the power, from time to time, to vary, amend, or repeal or add to Rules, Bye-laws and Regulations framed in exercise of any powers conferred on the Council by these Articles and all such Rules, Bye-laws and Regulations shall come into force if the sanction of the Government, if any required by the Securities Contracts (Regulations) Act, 1956 and the Rules framed thereunder has been previously obtained immediately on passing the same and otherwise immediately on such sanction being received.

#### **OTHER POWERS**

- 38.** Without prejudice to the general powers conferred by the last preceding Article, and other powers conferred by these presents, it is hereby expressly declared that the Council of Management shall have the following powers that is to say, power -
- a. to purchase or otherwise acquire for the Exchange any property rights or privileges which the Exchange is authorised to acquire at such price and generally on such terms and conditions as it thinks fit, and subject to section 293 of the Act to sell, let, exchange or otherwise dispose of absolutely or conditionally any part of the property, privileges and undertaking of the Exchange upon such terms and conditions as it may think fit;
  - b. subject to the provisions of the Companies Act, 1956 at its discretion to pay for any property, rights, privileges acquired by or services rendered to the Exchange either wholly or partly in cash or in bonds, debentures, or other securities which may be specifically charged upon all or any part of the property of the Exchange;
  - c. to secure the fulfillment of the Contracts or engagements entered into by the Exchange by mortgage or charge of all or any of the property of the Exchange for the time being, or in such other manner as it may think fit, but subject to the sanction, if any, required under Articles 90 to 93.
  - d. to appoint and at its discretion suspend or remove Accountant, Cashier, Registrars, officers, Clerks and Servants for permanent, temporary or special services as it may, from time to time, think fit, and to determine their powers and duties and fix their salaries or emoluments if any and to require security in such instances and for such amount as it thinks fit.
  - e. to appoint any person or persons (whether incorporated or not), to accept and hold in trust for the Exchange any property belonging to the Exchange or in which it is interested and to execute and do all such deeds, documents and things as may be requisite in relation to any such trust and to provide for the

	<p>remuneration of trustee or trustees;</p> <p>f. to institute, conduct, defend, compound or abandon any legal proceedings by or against the Exchange or its officers or otherwise concerning the affairs of the Exchange and also to compound with and allow time for payment in satisfaction of any debts due and of any claims or demands by or against the Exchange;</p> <p>g. to refer any claims or demands by or against the Exchange to arbitration and observe and perform the awards;</p> <p><b>h.</b> to make and give receipts, releases and other discharges for money payable to the Exchange and for the claims and demands of the Exchange; it is hereby declared that unless and until otherwise determined by the Council all cheques drawn on any banking account of the Exchange and all transfer of Government or other securities shall be deemed to be sufficiently signed for and on behalf of the Exchange if signed by any two of the following namely, the President, the Vice- president, the Treasurer and the Secretary for the timee being, of the Exchange;</p> <p>i. to act on behalf of the Exchange in all matters relating to bankrupts and insolvents.</p> <p>j. to appoint any person to be the attorneys or agents of the Exchange with such powers and upon such terms as may be thought fit;</p> <p>k. subject to section 293 of the Act to invest and deal with any of the moneys of the Exchange not immediately required for purposes thereof upon such securities authorised by Law for investment of trust funds or in the first debentures of any reputable Joint Stock Company or by deposit with any reputable bank as it may think fit and from time to time, to vary or realise such investments;</p> <p>I. Subject to the provisions of the Companies Act, 1956 to execute in the name and on behalf of the Exchange in favour of any member of the Council or other person who may incur or be about to incur any personal liability for the benefit of the Exchange such mortgages of the Exchange's property (present and future) as it thinks fit and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed upon;</p> <p>m. to enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the Exchange as it may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Exchange;</p> <p>n. subject to section 293 of the Act to establish, maintain, support and subscribe to any charitable or public object and any institution, society or club which may be for the benefit of the Exchange or its employees or may be connected with any town or place where the Exchange carries on business to give pensions, gratuities or charitable aid to any member, or members or to any person or persons who have served the Exchange or to the wives, children, or dependents of such member or members, person or persons, that may appear to the Council just or proper, whether any such person, his widow, children or dependents have or have not a legal claim upon the Exchange with the sanction of the general body of members by a resolution;</p> <p>o. to make and alter Rules and Regulations concerning the time and manner of payment of the contributions of the employees or others and the Exchange respectively to any such fund and the accrual, employment, suspension and</p>
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	<p>forfeiture of the benefits of the said fund and the application and disposal thereof and otherwise in relation to the working and management of the said fund as the Council shall, from time to time. think fit.</p> <p>p. to appoint any advocate or attorney to be the standing counselor specifically for any case or matter and to pay such remuneration as it deems fit;</p> <p>q. subject to the provisions of the Securities Contracts (Regulation) Act 1956 and any Rules framed thereunder and the subject to the provisions of any statutory enactment or of Rules thereunder, from time to time, to make, vary and repeal Bye-laws and Regulations for the conduct of the business of the Exchange, its officers and servants and the relationships between members of the Exchange, and to make vary and repeal Rule Bye-laws and Regulations providing for the payment by members of recurring Subscriptions, entrance fees and like contributions;</p> <p>r. to examine and investigate the financial condition, business conduct and dealings of members</p> <p>s. to settle disputes, complaints, claims arising between members inter se as well as between members and persons who are not members relating to any transaction In securities made subject to the Rules. Bye-laws and Regulations and usages of the Exchange including settlement by arbitration in accordance with the Rules, Bye-laws and Regulations in force from time to time.</p> <p style="text-align: center;"><b>RESOLUTION BY CIRCULATION</b></p> <p><b>39.</b> Subject to section 292 of the Act, the Council of management and any committee thereof, may transact business and pass resolution in circulation, provided that no resolution shall be deemed to have been duly passed by the Council of Management or by a Committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the members of the Council of Management or to all the members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the council of Management or Committee, as the case may be) and to all other members at their usual address in India and has been approved by such of the members of the Council of Management or Committee as are then in India, or by a majority of such of them, as are entitled to vote on the resolution.</p> <p><b>40.</b> a. No person who is a member of the Exchange shall continue as such, if he fails to satisfy the requirements prescribed in that behalf or infringes any requirement prescribed in that behalf by the Securities Contracts (Regulation) Act, 1956 or any Rules made thereunder.</p> <p>b. Where a member ceases to be such under the provision of the clause (a) hereof it shall be as if such member has been expelled by the Council of Management and in that, event the provisions relating to expulsion contained in these Rules and Bye-laws shall apply to such member in all respects.</p> <p><b>41.</b> The Council may by a resolution passed by a majority of not less than two-thirds of the members of the Council of management present subject to a minimum of four votes, fractions to be rounded off as one, expel any member from his membership in the following cases</p>
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- a. Where a member fails or has failed to carry out any award made in arbitration proceedings held by the Exchange, or held under provisions of these presents, or under the Rules, Bye-laws and Regulations framed under these presents, within twenty-one days of the making of the said award or such further period as the Council may end on the written application of the party affected.
- b. Where a member has refused to submit to arbitration a dispute, which by the provisions of these presents, is required to be submitted to arbitration and institutes any suit or legal proceedings in contravention of the provisions of these presents.

#### **ATTACHMENT OF SECURITY DEPOSITS**

- 42.** Where any security deposit made by any member with the Exchange under these presents or any Rule, Bye-law or Regulation has been attached by an order of any Court or on behalf of any Income-tax authority, Revenue Officer or by any authority or Officer of the Government under any law, for the time being in force and if the member whose deposits have been so attached or encumbered fails to have such attachment cancelled or removed within seven days of a notice by the Exchange, notifying him of the service on the Exchange of such order of attachment and calling upon the member to have the said attachment removed or cancelled, the Council shall suspend the said member provided that any member whose deposit as aforesaid has been attached in the manner aforesaid pays into the hands of the exchange within the said period of seven days a sum equal to the amount attached or the amount of the Security Deposit so attached, the Council shall not exercise its powers to suspend him under this clause so long as the said additional deposit so made is free of any attachment.

The provisions of this clause shall apply to any attachment against the said additional deposit "made in the like manner as to the original security deposit.

- 43.**
1. The Articles of Association of a member which is a company shall contain such provision as the Council of Management may from time to time require. The list of shareholders shall be furnished to the Exchange.
  2. The majority of the directors always hold at least 40% of the paid up equity capital of the Company which is member of the Exchange.
  3. Any alteration in name, Memorandum and Articles of Association, the Capital and dominating share holding pattern of such company shall not be carried out without prior approval of the Council of Management.

Dominant shareholding pattern means the group, which holds by itself the maximum number of shares in the company at the time of admission. The shareholding of close relatives, namely parents, spouse, children and their decedents, brothers and sisters may also be counted for arriving at the dominant holding, provided such relatives give unqualified and irrevocable support in writing to the individual concerned in respect of such share holding.

#### **AUDIT**

	<p><b>44.</b> Once at least in every year the accounts of the Exchange shall be examined and the correctness of profit and loss or income and expenditure account and balance sheet ascertained by one or more auditor or auditors. The provisions of the Companies Act, 1956 as to Auditors shall apply.</p> <p><b>Auditors</b></p> <p><b>i) Appointment and Duties of Statutory Auditor</b> The Exchange in Annual General Meeting shall appoint a Statutory Auditor and fix his annual remuneration. The auditor so appointed shall examine the accounts of the Exchange as well as the securities and other investments of the funds of the Exchange and all the necessary vouchers and papers and make his report which shall be submitted to the Annual General Meeting.</p> <p><b>ii) Vacancy</b> Any casual vacancy in the office of the Statutory Auditor shall forthwith be filled by the appointment of another Statutory Auditor</p> <p><b>iii) Internal Auditor</b> The Governing Board shall appoint an Internal Auditor to carry out internal audit of the activities, operations and accounts of the Exchange and fix his annual remuneration. The Internal Auditor so appointed shall examine ensure adequacy of the proper infrastructure, system and procedures in place to accurate and timely generation of reports through Management Information System and statement of accounts, besides implementing various directives, orders, guidelines, norms and circulars issued by SEBI from time to time. The Internal Auditor shall be independent of the Statutory Auditor and shall have qualifications as specified in the Companies Act for any auditor.</p> <p><b>iv) Practicing Company Secretary</b> The Governing Board shall engage the services of a practicing Company Secretary to examine and certify about compliance by the Exchange of the directives, orders, guidelines, norms and circulars issued by SEBI from time to time, and the report of the practicing Company Secretary shall be placed before the Governing Board immediately in the succeeding meeting taking place after submission of such report to the Managing Director.</p> <p><b>v) Legal Advisor</b> The Governing Board shall appoint a Legal Advisor to render legal services and counsel as may be required by the Administration, Governing Board and General Body. The person or agency so appointed shall be professionally competent,</p>
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having eminence in the field of law.

**vi) Scrutineers**

shall The Managing Director shall appoint scrutineers, not exceeding five, who

members Be members of the Exchange but not members contesting the election or the elected members on the Governing Board, to render assistance in carrying out the process of voting and counting of votes during election of elected

to the Governing Board.

**COMMON SEAL**

45. The Council of Management shall provide for a common seal for purposes of the Exchange and shall provide for the safe custody of the common Seal, and the Common Seal shall never be used except by the authority of a resolution of the Council, and in the presence, of two members of the Council who shall sign every instrument to which the seal is affixed and every instrument shall be countersigned by the Secretary or some other persons appointed by the Council.

**NOTICES**

46. A notice may be given by the Exchange to any member either personally or by sending by post to him to his registered address.

Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and unless the contrary is proved, to have been effected at the time at which the letter would be delivered in the ordinary course of post.

**INDEMNITY**

47. Subject to the provisions of the Companies Act, 1956, every member of the Council of Management, Executive Director, Auditor, Secretary and other officer or servant of the Exchange shall be indemnified by the Exchange against and it shall be the duty of the Council of Management out of the funds of the Exchange to pay all costs, losses and expenses which any such member of the Council of Management, Executive Director, Officer or servant may incur or become liable to by reason of any contract entered into or acts or things done by him as such member of the Council of Management, Executive Director, Officer or servant in any way in the discharge of his duties including travelling expenses and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Exchange and have priority as between the members over all the other claims.

48. Subject to the provisions of the Companies Act, 1956, no member of the Council of Management, Executive Director, Auditor, or other officer of the Exchange shall be liable for the acts, receipts, neglects or defaults of any other member of the Council of Management, Executive Director or officer, or for joining in any receipt of other acts for conformity or for any loss or expense happening to the Exchange through the insufficiency or deficiency of title to any property acquired by order of the Council of Management for or on behalf

of the Exchange or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Exchange shall be invested or for any loss, damage, etc. arising from the bankruptcy, insolvency or tortuous act of any person with whom any moneys, securities or effects shall be deposited or for any loss occasioned by any error of judgement, omission, default or oversight on his part or for any other loss, damage or misfortune whatever, which shall happen in relation to the execution of the duties of his office or in relation thereto, unless the same happens through his own dishonesty.

**49.**

- a. The council shall lay before the annual general meeting of the Exchange a balance sheet and profit and loss account or income and expenditure account together with the report of the auditors and the report of the Council of Management in accordance with the provisions of the Companies Act, 1956.
- b. The income and property of the Exchange wherever derived, shall be applied solely for the promotion of its objects as set forth in the Memorandum.
- c. No remuneration or other benefit in money or money's worth shall be given by the Exchange to anyone of its members, whether officer or servant of the Exchange or not, except payment of out-of-pocket expenses, reasonable or proper interest on money lent or proper rent on premises let out to the Exchange.
- d. No portion of the income or property shall be paid or transferred directly or indirectly by way of dividend, bonus or otherwise by way of profit to persons who at any time are or have been members of the Exchange or to anyone or more of them or to any person claiming through anyone or more of them.
- e. No member shall be appointed to office under the Exchange which is remunerated by salary, fees, or in any other manner not excepted by clause (c).
- f. Nothing in these clauses shall prevent the payment by the Exchange on good faith of reasonable and proper remuneration to any of its officers or servants (not being members) or to any person (not being member) in return for any services rendered to the Exchange.
- g. If upon winding up or dissolution of the Exchange, there remain, after the satisfaction of all the debts and liabilities of the Exchange any property whatsoever, the same shall not be distributed among the members of the Exchange but shall be given or transferred to such other body or organisation or a company having similar objects of the Exchange, to be determined by the members of the Exchange at or before the time of dissolution or in default thereof, by the High Court of Judicature that has or may acquire jurisdiction in the manner.

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this Memorandum of Association.

We, the several persons whose names and address are subscribed, are desirous of being formed into a company in pursuance of this Memorandum of Association.


No.	Signature, Name, Address, Description And Occupation of Subscribers	Witness
1.	Sd/- S M Kanitkar Shrikrishna Moreshwar Kanitkar S/o Moreshwar Kanitkar 909, Raviwar Peth, Pune – 411 002.  Business : Share Broker	
2.	Sd/- P J Mantri Pandurang Jivraj Mantri, S/o Jivraj Mantri, Radhika, 121/3, Prabhat Road, Pune – 411 004.  Business : Share Broker	Sd/- B.R.Sabade Dr.Bhau Raghunath Sabade S/o Raghunath Balkrishna Sabade Secretary Maharatta Chamber of Commerce and Industries, Tilak Road, Pune – 411 002  Service
3.	Sd/- J Merchant, Janak Merchant , S/o Mansing Merchant, Wonderland Basement No. 22, 7 M G Road, Pune – 411 001.  Business : Share Broker	
4.	Sd/- C V Patni Chandrakant Patni S/o Virchand Patni 49/1, Budhwar Peth, Pune – 411 002.  Business : Share Broker	
5	Sd/- A S Sabnis Ashok Anant Sabnis S/o Sabnis Anant Narhar 1040, Shukrawar Peth, Tilak Road, Pune – 411 002.  Business : Share Broker	



6.	<p>Sd/- Arwind M Shah Arwind Mohanlal Shah S/o Mohanlal M Shah, 571, Raviwar Peth, Pune – 411 002.</p> <p>Business : Share Broker</p> <p>Business : Share Broker</p>	
7	<p>S/d Yogesh J Shah Yogesh Jayant Shah S/o Jayant H Shah 1067, Chatursinghi Rod, Pune – 411 016.</p> <p>Business : Share Broker</p>	
8	<p>S/d A M Sheode Arun Madhav Sheode S/o Madhav Krishna Sheode 9, Ganesh Co-Op Hsg. Socy. Ltd., 111, Shukrawar Peth, Pune – 411 002.</p> <p>Business : Share Broking</p>	<p>Sd/- B.R.Sabade Dr.Bhau Raghunath Sabade S/o Raghunath Balkrishna Sabade Secretary Mahratta Chamber of Commerce and Industries, Tilak Road, Pune – 411 002</p> <p>Service</p>

Dated this day of June 1982

