

RULES

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CHAPTER – I

MANAGEMENT OF THE CLEARING CORPORATION

1. General Powers of the Board of Directors

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

- (ix) Prescription for maintenance of records, documents and books of accounts by Clearing Members, inspection and audit of records, books of accounts and affairs of Clearing Members;
 - (x) Investigation of affairs, financial conditions, business conduct and dealings of Clearing Members;
 - (xi) Disciplinary action against Clearing Members for non-compliance, violation, contravention, disregard, disobedience or evasion of Rules, Bye-Laws and Regulations, circulars, directives, orders, notices and resolutions passed or issued by the Clearing Corporation and/ or SEBI;
 - (xii) Norms, procedures, forms and conditions of contracts to be entered into, and the time, mode and manner of performance of contracts between Clearing Members inter-se or between Clearing Members and their clients;
 - (xiii) Norms and procedures for clearing and settlement of contracts/deals or other arrangements for clearing and settlement including through the Clearing Corporation and for providing guarantee of settlement;
 - (xiv) To create, maintain and deal with the Settlement Guarantee Fund;
 - (xv) Norms and procedures in respect of, and incidental or consequential to, closing out of contracts/deals;
 - (xvi) Dissemination of information through web site or any other mode;
 - (xvii) Code of Conduct for the members of the Board/Committee and any other persons identified by the Relevant Authority; implementation and monitoring of the Code of Conduct, consequence of non-adherence and the matters incidental or relating thereto;
 - (xviii) Appointment and dissolution of Committee or Committees of the Clearing Corporation for any purpose.;
 - (xix) Manner of operation and interfacing with exchanges, custodians depository, clearing banks(s);
 - (xx) Holding and conducting meeting/s for dispatching the business, adjourn and otherwise regulate its meetings in such manner as it may be deem fit, and as may be specified in Rules, Bye-laws and Regulations or Articles of Association of Clearing Corporation, from time to time.
 - (xxi) Such other matters in relation to the Clearing Corporation as may be specified under the provisions of Rules, Bye-Laws and Regulations or as may be necessary or expedient for the organization, maintenance, control, management, regulation and facilitation of the operations of the Clearing Corporation, Clearing Members, Clearing Banks etc. and generally for conduct of business of the Clearing Corporation.
- (c) The Board of Directors may make regulations in respect of all or any of the matters relating to the functioning and operations of the Clearing Corporation and the Clearing Members of the Clearing Corporation in general and in respect of all or any of the matters specified in Rule 1(b) as above, in particular. The

Board of Directors may, without prejudice to the powers to make regulations, issue guidelines, norms, procedures, terms and conditions, directives, orders, notices, decisions, rulings and the like in respect of any or all such matters.

2. Delegation of Powers

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

3. Constitution of Committees

- (a) The Relevant Authority may constitute one or more Committees for such purpose, as it may deem fit, including for the purpose of managing all or any of the affairs of the Clearing Corporation or for advising thereon. Such Committees may, unless otherwise specified to the contrary by SEBI, include one or more of the following category of persons, namely the Managing Director/CEO or other employee of India International Clearing Corporation (IFSC) Limited, one or more members of the Board of Directors, such persons of eminence in the field of finance, accounting, law, capital markets, risk management, information technology, telecommunications or other discipline; and Clearing Members; provided that if Clearing Members are included in the Committee, then the number of such Clearing Members in the Committee shall not exceed such strength, if any, that may be specified by SEBI or the Relevant Authority.
- (b) A Committee so constituted may constitute, subject to the terms and conditions of its constitution, such sub-committees for such purposes as it may deem fit. The constitution, powers and responsibilities of such sub-committee(s) may be determined by the Committee which constitutes such sub-committee(s).
- (c) The Managing Director/CEO or a Committee may also constitute a Committee or Committees as he or it may deem fit in the manner laid down under Rule 3.
- (d) The Board of Directors shall constitute such committees as shall be prescribed/ required by SEBI, from time to time. All such committees shall function/ operate in such manner to be in accordance with the provisions appearing in Rule 3 to Rule 12A herein under, to the extent that such provisions are not contrary to those specified by SEBI/ Clearing Corporation from time to time.

4. Tenure of Members of Committee

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

5. Delegation by Committee

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

regard for fulfilling the responsibilities and exercising the powers delegated to it by the Relevant Authority.

6. Disqualification of Member

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

7. Chairman of the Committee

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

8. Committee may regulate its proceedings

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

9. Quorum for Meetings of the Committee

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

10. Who may convene and when

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

11. Decisions at the Meeting

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

12. Proceedings at Committee Meetings

- (a) At all meetings of the Committee, the Chairman of the Committee shall ordinarily preside and in his absence, the members of the Committee present may choose one from among themselves to be the Chairman of such meeting in accordance with the manner prescribed, if any, by SEBI/Clearing Corporation. Any member of the Committee shall disclose his interest in the business, if any, before the meeting and shall abstain from discussions, voting and decisions on the said matter. If Chairman is having such interest, he shall abstain from chairing the meeting.
- (b) No attendance or voting by proxy shall be allowed in a Committee meeting in respect of any matter.

- (c) The Committee at its meeting at which a quorum is present, shall be competent to exercise all or any of the powers and discharge functions vested in or exercisable by such Committee.

12A. Duties of Regulatory Authority

Without prejudice to the generality of the foregoing powers and to any power or authority impliedly and expressly conferred by any Rules, Bye-Laws and Regulations for the time being in force, the Relevant Authority shall have the following duties and powers in accordance with the policy laid down by the Clearing Corporation from time to time:

- (i) Implementing the decisions or policies specified by the Clearing Corporation on all matters relating to market regulation and compliance thereof and levy of penalties for non-compliance, excluding the specific areas assigned to any Committee by the Relevant Authority;
- (ii) Disciplining a Clearing Member in all aspects in relation to its dealing and settlement on the Clearing Corporation and in relation to any or all of its business transactions in securities;
- (iii) Settlement of all transactions in securities entered by a Clearing Member with its clients;
- (iv) Imposition of various types of margins including special margins;
- (v) Withdrawal or restriction of the clearing facility of a Clearing Member for non fulfilment of obligations relating to clearing membership, margin and settlement or due to surveillance measures;
- (vi) Causing the members to maintain registers, documents and records as required by the Rules, Bye-Laws and Regulations;
- (vii) Receiving and resolving complaints and making such enquiry and collecting such information as may be required and initiating necessary action as provided in the Rules, Bye-Laws and Regulations;
- (viii) Taking consequential action pursuant to any circulars, directives or inspection report issued by SEBI;
- (ix) Signing and issuing or causing to sign and issue all notifications and press releases;
- (x) Enforcing the directives, orders, guidelines, norms and circulars issued by Government of India or SEBI or the Relevant Authority from time to time, and under the Rules, Bye-Laws and Regulations;
- (xi) Recovering of various amounts due and payable by Clearing Members to the Clearing Corporation/SEBI by debiting the accounts of Clearing Members;
- (xii) Approving change of status or constitution and transfer in respect of clearing membership;
- (xiii) Calling upon attendance and information including books, papers, documents and other records or information from any Clearing Member who are already admitted as Clearing Members or from members which are seeking admission to the Clearing Corporation;

- (xiv) Taking suitable measures relating to clearing so as to safeguard and protect the interests of the Clearing Corporation, Clearing Members and their Clients;
- (xv) Calling upon for examination and investigation of the business and conduct and dealings of the Clearing Members;
- (xvi) Representing the Clearing Corporation as its official representative in all matters;
- (xvii) 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 it or as may be entrusted to it by SEBI.

13. Delegation of Powers by the Relevant Authority

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

CHAPTER - II**CLEARING MEMBERSHIP**

- 14.** The rights, privileges, duties and responsibilities of a clearing member shall be subject to and in accordance with all applicable laws, Rules, Bye Laws and Regulations of the Clearing Corporation. The clearing membership right shall be personal and the same is non-transferable and/or non-assignable except as otherwise provided in the Rules.

Unless exempted by SEBI, any Relevant Authority, any person seeking to act as a clearing member of the Clearing Corporation shall, over and above complying with the requirements of the Clearing Corporation, shall also obtain registration from SEBI.

The Relevant Authority may define and admit more than one category of Clearing Members and may specify different norms including eligibility, admission and cessation of membership for each type of Clearing Members.

15. Admission and Fees

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

16. Eligibility

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

- (a) a company, incorporated under the provisions of the Companies Act, 1956 or the Companies Act, 2013 (including any modification or re-enactment thereof);
- (b) Any other person permitted by any Relevant Authority.

17. Conditions Precedent for Admission

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

- (b) The following entities shall not be entitled to become Clearing Members of the Clearing Corporation, if it:
- (i) is a company which has had a provisional liquidator or receiver or official liquidator appointed for itself under the provisions of the applicable law;
 - (ii) has been adjudged bankrupt or a receiving order in bankruptcy has been made against such person under any applicable law;
 - (iii) has been at any time expelled or declared a defaulter by any other clearing corporation;
 - (iv) has been previously refused admission to membership unless a period of one year has elapsed since the date of rejection;
 - (v) incurs any disqualification under the provisions of the Securities Laws, which disentitles such person from seeking membership of a clearing corporation;
 - (vi) has been restrained from accessing the securities market by the Regulators in the foreign jurisdiction.
- (c) No person shall be eligible to be admitted to the clearing membership of the Clearing Corporation unless the person satisfies:
- i) the requirements prescribed in that behalf under the applicable laws, rules, regulations, guidelines, directives and circulars issued by the relevant regulatory authority and
 - ii) such additional eligibility criteria as the Board or relevant authority may prescribe from time to time.

18. Additional Eligibility Criteria

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

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

19. Admission

- (a) Any person desirous of becoming a Clearing Member shall apply to the Clearing Corporation for admission to the Clearing Membership. Every application shall be dealt with by the Relevant Authority, which shall be entitled to admit or reject such application at its own discretion.

- (b) The application for admission of Clearing Member shall be made in such format as may be specified by the Relevant Authority from time to time.
- (c) The application shall have to be submitted along with such fees, security deposit and other monies in such form and in such manner as may be specified by the Relevant Authority from time to time.
- (d) The applicant shall furnish such declarations, undertakings, certificates, confirmations and such other documents or papers as the Relevant Authority may specify from time to time.
- (e) The Relevant Authority shall have the right to call upon the applicant to pay such fees or deposit such additional security in cash or kind, deposit or contribution to Settlement Guarantee Fund and any other fund that may be maintained by the Clearing Corporation from time to time, to furnish any additional guarantee or to require contribution to the fund established for training or fees, as the Relevant Authority may prescribe from time to time.
- (f) The Relevant Authority may provisionally admit the applicant to Clearing Membership provided that the applicant satisfies the eligibility conditions and other procedures and requirements of application subject to such terms and conditions as may be specified by the Relevant Authority. Upon the Relevant Authority being satisfied that all other terms and conditions and other requirements for the Clearing Membership have been complied with, the applicant may be admitted as a Clearing Member. The grant of provisional membership shall not entitle the applicant to any privileges and rights of Clearing Membership.
- (g) The Relevant Authority may at its absolute discretion reject any application for admission without giving any reasons therefor.
- (h) If for any reason the application is rejected, the application fee or admission fee, if any, or part thereof as may be decided by the Relevant Authority in its discretion, may be dealt with in such manner as the Relevant Authority deems fit.
- (i) The Relevant Authority may at any time revoke the admission and expel a Clearing Member if it has in, or at the time of its application for admission to clearing membership or during the course of inquiry made by the Relevant Authority preceding its admission:-
 - (i) Made any wilful misrepresentation; or
 - (ii) Suppressed any material information required of it as to its character and antecedents; or
 - (iii) Has directly or indirectly given false particulars or information or made a false declaration.
- (j) When a person is admitted to the clearing membership of the Clearing Corporation, intimation of the admission shall be sent to the applicant and to the SEBI. If the applicant admitted to the membership of the Clearing Corporation and after intimation of its admission is duly sent, does not comply with acts and procedures for exercising the privileges of membership as may be prescribed by the Relevant Authority within a specified time period from the date of despatch of the intimation of admission or such other period, the fee/deposits or such sums

paid by the clearing member shall be forfeited by the Relevant Authority in the manner prescribed from time to time.

20. Transfer of Clearing Membership

- a) The Clearing Membership shall not be transferable except as mentioned herein. Without prejudice to the generality of the foregoing, a Clearing Member shall not assign, mortgage, pledge, hypothecate or charge its right of membership or any rights or privileges attached thereto nor shall it have the right to give license or grant a power of attorney in respect of such rights and privileges and no such attempted assignment, mortgage, pledge, hypothecation or charge or license or power of attorney shall be effective as against the Clearing Corporation for any purpose, nor shall any right or interest in any Clearing Membership other than the personal right or interest of the Clearing Member therein be recognised by the Clearing Corporation. The Relevant Authority may suspend any Clearing Member from the Clearing Corporation which acts or attempts to act in violation of the provisions of this Rule or take any other disciplinary action as it may deem fit.
- b) Subject to the provisions of the Securities Laws and other terms and conditions as the Clearing Corporation may specify in this regard, Clearing Membership may be transferred with prior written approval of the Clearing Corporation in the following circumstances:
- (i) Merger or amalgamation of the Clearing Member with another company or body corporate;
 - (ii) In the event of loss of majority holding in or control of management of a Clearing Member, directly or indirectly, in such manner and to such extent as may be specified by the Clearing Corporation;
 - (iii) Demerger of Clearing membership from the Clearing Member company;
 - (iv) By takeover of a Clearing Member company by any person which may or may not be a Clearing Member;
 - (v) By dilution of existing holding in or control of management of a Clearing Member;
 - (vi) By two or more Clearing Members coming together to form a new Clearing Member entity;
 - (vii) By transfer of the clearing membership of a Clearing Member to another person;
 - (viii) By making nomination under these Rules and on the nomination becoming effective;

Explanation:

For the purpose of Rule 20 (b) above, “transfer of Clearing Membership” means transfer of clearing membership from a Clearing Member to any other person and also includes, unless otherwise provided for, change in status or constitution, arising out of amalgamation, merger, de-merger, takeover or loss of holding or control in the management of the Clearing Member or dilution of holding or control in the management of the Clearing Member, in such manner and to such extent as specified by the Relevant Authority.

- c) Notwithstanding anything contained in these Rules but subject to Rule 20 (b) above, change in status or constitution arising out of amalgamation, merger, demerger or takeover or loss of majority holding in or control in the management of the Clearing Member or dilution of existing holding in or control in the management or transfer of clearing membership to another person shall not be deemed to be a transfer for the purpose of these Rules, unless it results in the loss of majority in, and / or control of management of, directly or indirectly, the Clearing Member in such manner and to such extent as specified by the Relevant Authority.
- d) The Clearing Corporation may, while permitting a transfer or nomination, specify such conditions as it may deem fit, including payment of transfer fee, deposits, past dues or other funds, settlement of investor grievances and constitution and structure for the person taking up the clearing membership.
- e) Without prejudice to any other provision of these Rules, the clearing membership may be suspended or the clearing facility may be withdrawn or restricted, for such period as the Relevant Authority may deem fit, upon a Clearing Member or a shareholder of a Clearing Member, having such holding in the company as may be specified by the Relevant Authority, in the opinion of the Relevant Authority, being unable to carry on the business on account of physical or mental disability or infirmity or continued non-availability or death or dissolution or deadlock in the management.

Explanation:

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

21. Nomination

- (a) On the default of the Clearing Member its right of nomination shall cease and vest in the Clearing Corporation.
- (b) The forfeited right of membership of a defaulter shall be restored to it if it be re-admitted as a member within six months from the date of default but if an application by a defaulter for re-admission be rejected by the Relevant Authority or if no such application be made within six months of the declaration of default, the Relevant Authority may at any time exercise the right of nomination in respect of such membership.
- (c) When the Relevant Authority has exercised the right of nomination in respect of a membership which had vested in the Clearing Corporation upon a member having been declared a defaulter, the consideration received therefor shall be paid to the Defaulters’ Committee, to be applied for the purposes and in the order of priority specified in the Bye-Laws and the Regulations of the Clearing Corporation.

22. Suspension of Clearing Membership rights.

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

- (a) In the event of the Clearing Member not paying the fees, margins, deposits required to be paid by the Clearing Member to the Clearing Corporation;
- (b) In the event of the Clearing Member being in any breach or default of these Rules, Bye-Laws or Regulations;
- (c) In the event of any court, tribunal, forum or any other authority, duly authorized in that behalf ordering and directing the Clearing Corporation to do so;
- (d) In the event of any provisional liquidator being appointed or winding up petition being admitted against the Clearing Member;
- (e) In the event, bankruptcy proceeding has been initiated against the Clearing Member or the Clearing Member is declared as bankrupt.
- (f) In any circumstances in which the Relevant Authority may consider it necessary to suspend the operations of the Clearing Member in the interest of the securities market or in the interest of investors;

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

23. Conditions

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

24. Compulsory Termination of Clearing Membership

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

the Clearing Corporation within such period as may be permitted by the Clearing Corporation.

25. Cessation of Clearing Membership

- (a) A clearing membership right of a Clearing Member may cease, if any of the following apply:
- (i) by surrender of clearing membership in accordance with such procedure and subject to such terms and conditions as may be specified by the Clearing Corporation;
 - (ii) by bankruptcy;
 - (iii) by dissolution;
 - (iv) by winding up;
 - (v) by expulsion;
 - (vi) by being declared a defaulter;
 - (vii) by compulsory termination of clearing membership in case of inability or failure of the Clearing Member to meet the continued admission norms or if an acceptable nomination or restructuring of the entity as mentioned in Rule 24 does not take place;
 - (viii) by cancellation of Certificate of Registration by SEBI as a stock broker.
 - (ix) by violating any Securities Law which warrant the cessation of the membership right.
- (b) On cessation of clearing membership of a Clearing Member, the clearing membership extinguishes, provided however, all the obligations and liabilities incurred, while the person was a Clearing Member shall continue.
- (c) Without prejudice to the right of the Clearing Corporation to take any other action under these Rules including suspension, withdrawal or restriction on clearing rights or other facilities of the Clearing Member, the Clearing Corporation may compulsorily terminate the clearing membership of a Clearing Member, if such Clearing Member fails to meet the conditions of continued admission specified by the Relevant Authority from time to time.

26. Re-Admission

- (a) The Clearing Corporation may at its discretion re-admit, a Clearing Member declared as a defaulter or a person whose clearing membership has been compulsorily terminated, as a Clearing Member subject to such terms and conditions as may be specified by the Clearing Corporation. However, the Clearing Corporation shall not re-admit a Clearing Member expelled due to disciplinary action taken against it.
- (b) The Clearing Corporation may, at its discretion, re-admit only such defaulter or such person, whose clearing membership has been compulsorily terminated and who, in the opinion of the Clearing Corporation:
- (i) has paid up all the dues, crystallized or admitted, to SEBI and Clearing Corporation;
 - (ii) has paid up all the dues, crystallized or admitted, to other Clearing Members, clients and such other persons as may be specified by the Clearing Corporation;
 - (iii) has no bankruptcy or dissolution or winding up proceedings pending against it;

- (iv) has defaulted owing to the default of clients whom it might have reasonably expected to be good for their commitments;
- (v) has not been guilty of material breach of the Rules, Bye-Laws and Regulations of the Clearing Corporation;
- (vi) has complied with the terms of valid nomination or whose restructuring is acceptable to the Relevant Authority;
- (vii) has been irreproachable in its general conduct;
- (viii) meets all the eligibility criteria for admission as a Clearing Member.

CHAPTER – III

DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND
EXPULSION

27 . Disciplinary Jurisdiction

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

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

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

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

- (i) Fraud: If it is convicted of a criminal offence or if it has committed fraud or a fraudulent act which in the opinion of the Clearing Corporation renders it unfit to be a Clearing Member;
- (ii) Violation of Securities Laws: If it has violated or contravened provisions of the Securities Laws, code of conduct for Clearing Members, directions, orders, guidelines, notices or circulars issued by the Clearing Corporation governing the activities, business and operations of the Clearing Corporation in particular, and of the securities business in general;
- (iii) Abetment of the Breach of Rules, Bye-laws and Regulations: If it abets or shields or assists or omits to report any Clearing Member whom it has known to have committed a breach or evasion of any Rule, Bye-law and Regulation of the Clearing Corporation or circular, order, notice, direction, decision or ruling of the Clearing Corporation;
- (iv) Failure to comply: If it contravenes or refuses or fails to comply with or abide by any circular, order, notice, direction, decision or ruling of the Clearing Corporation and the Relevant Authority;

- (d) Improper conduct: If in the opinion of the Relevant Authority, it is guilty of dishonourable or disgraceful or disorderly or improper conduct on the Clearing

Corporation or of wilfully obstructing the business of the Clearing Corporation including the below:

- (i) Failure to testify or produce document: If it neglects or fails or refuses to submit to the Relevant Authority within the time specified by it, such books, correspondences, documents, data and papers or any part thereof as may be required to be produced or to appear and testify before or cause any of its attorneys, representatives or employees to appear and testify before the Relevant Authority or such Committee or employee of the Clearing Corporation or other person authorised in that behalf;
 - (ii) Failure to submit information: If it neglects or fails or refuses to submit to the Relevant Authority within the time specified in that behalf returns, documents, certificates, declarations, audited or unaudited accounts in such form as the Relevant Authority may specify together with such other information as the Relevant Authority may require whenever circumstances arise which in the opinion of the Relevant Authority make it desirable that such special returns or information should be furnished by any or all the Clearing Members;
 - (iii) False or misleading submissions: If it submits any false or misleading returns, documents, certificates, declaration, audited or un-audited accounts required to be submitted to the Relevant Authority or makes any false or misleading statement therein;
 - (iv) Vexatious complaints: If it brings before the Relevant Authority, a complaint, which in the opinion of the Relevant Authority is frivolous, vexatious or malicious;
 - (v) Failure to pay dues and fees: If it fails to pay subscription fees, charges, levies, recoveries, deposits, or any other money which may be due from it or any fine or penalty imposed on it within the time specified by the Relevant Authority;
 - (vi) Non co-operation and threat: If it neglects or fails or refuses to cooperate with the Relevant Authority or threatens or causes any harm to the Clearing Corporation or to the employees or representatives of the Clearing Corporation or obstructs the Clearing Corporation or its employees or representatives in the performance of duties or fails or neglects or refuses to allow access to its premises, records, the computer and other information systems and telecommunication systems.
 - (vii) False or misleading returns:
If it neglects or fails or refuses to submit or makes any false or misleading statement in its clearing forms or returns required to be submitted to the Clearing Corporation under the Bye-laws, Rules and Regulations;
- (e) Un-businesslike Conduct: A Clearing Member shall be deemed guilty of unbusinesslike conduct if it acts in un-businesslike manner, inter alia, in the following eventualities:
- (i) Fictitious Names: If it transacts its own business or the business of its clients in fictitious names or if it carries on business on the Clearing Corporation under fictitious names;
 - (ii) Fictitious dealings: If it makes a fictitious transaction of dealing in securities;

- (iii) Circulation of rumors: If it, directly or indirectly in any manner, circulates or causes to be circulated, any rumors;
 - (iv) Prejudicial business: If it makes or assists in making or with such knowledge is a party to or assists in carrying out any plan or scheme for the making of any purchases or sales or offers of purchase or sale of securities for the purpose of upsetting the equilibrium of the market or bringing about a condition in which prices will not fairly reflect market values;
 - (v) Market manipulation and price rigging: If it, directly or indirectly, alone or with other persons, effects series of transactions in any security to create actual or apparent active clearing in such security or raising or depressing the prices of such security for the purpose of inducing purchase or sale of such security by others or for its benefit or for the benefit of any other person in any manner;
 - (vi) Misleading transactions: If it, with an intention of creating false or misleading appearance with respect to the market or the price of any security, places orders for purchase or sale of securities or enters any order for the purchase or sale of any security with knowledge that an order at substantially the same size, price and time for sale or purchase of such security has been or will be entered by or for the same or different parties or places orders for purchase and sale of securities at substantially the same size, price and time for sale and purchase of such security;
 - (vii) Unwarranted business: If it engages in reckless or unwarranted or un-businesslike dealings in the market or effects purchases or sales for its client's account or for any account, in which it is directly or indirectly interested, and if such purchases or sales are excessive in view of its client's or its own means and financial resources or in view of the market for such security;
 - (viii) Failure to carry out transactions for clients: If it fails to carry out transactions for its clients without sufficient cause;
 - (ix) Parting with rights and privileges: If it assigns, pledges, hypothecates or charges its right of clearing membership or any other rights or privileges attached thereto or it attempts to assign, pledge, hypothecate or charge its right of clearing membership or any other rights or privileges attached thereto.
- (f) Unprofessional Conduct: A Clearing Member shall be deemed to be guilty of unprofessional conduct for any of the following or similar acts or omissions namely:
- (i) Business in securities in which dealings not permitted: If it is settling deals and securities in which dealings are not permitted;
 - (ii) Business for defaulting client: If it transacts business directly or indirectly or executes an order for a client who has within its knowledge failed to carry out obligations relating to securities transactions and is in default to another Clearing Member, unless such client has made a satisfactory arrangement with the Clearing Member who is its creditor;

- (iii) Business for insolvent: If, without first obtaining the consent of the Clearing Corporation, associates itself in business or transacts any business with or for any individual who has been bankrupt or insolvent even though such individual may have obtained its final discharge from a competent court;
- (iv) Business without permission when under suspension: If without the permission of the Clearing Corporation, it does business on its own account or on account of a constituent with or through a Clearing Member during the period it is suspended by the Clearing Corporation;
- (v) Business for or with suspended, expelled and defaulter Clearing Members/trading member: If without the permission of the Clearing Corporation, it deals with any Clearing Member/trading member which has been suspended, expelled or declared a defaulter;
- (vi) Business for employees of other Clearing Members: If it transacts any business directly or indirectly, for or with an employee of another Clearing Member without the written consent of such employing Clearing Member;
- (vii) Advertisement: If it advertises for business purposes or issues regularly circular or other business communications to persons other than its own clients, or publishes pamphlets, circular or any other literature or report or information relating to the stock markets in contravention of the advertisement code as may be specified by the Clearing Corporation;
- (viii) Evasion of margin requirements: If it evades or attempts to evade or assists in evading the margin requirements specified by the Clearing Corporation;
- (ix) Dealings with persons prohibited to buy or sell or deal in securities market: If it deals, directly or indirectly, in the course of its business with or transacts any business with or for any person, which has been prohibited by SEBI to buy or sell or deal in the securities market or by any other concerned authority.
- (x) Clearing outside the Clearing Corporation: If it transacts outside the clearing system of the Corporation, unless otherwise permitted.

28 . Clearing Member's responsibility for the acts of its employees

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

29. Clearing Members and others to testify and give information

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

30. Permission Necessary for Legal Representation

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

31. Temporary Suspension

- (i) If in the opinion of the Relevant Authority it is necessary to do so, it may, for reasons to be recorded in writing, temporarily suspend a Clearing Member, pending completion of disciplinary proceedings under this Chapter by the Clearing Corporation, and no hearing shall be required for such temporary suspension and such temporary suspension shall have the same consequences of suspension under this Chapter.
- (ii) A notice to show cause shall be issued to the Clearing Member within a reasonable period of such temporary suspension.
- (iii) Any such temporary suspension may be revoked at the discretion of the Relevant Authority, for reasons to be recorded in writing, if the Relevant Authority is satisfied that the circumstances leading to the formation of opinion of the Relevant Authority to effect temporary suspension, have ceased to exist or are satisfactorily resolved.
- (iv) A Clearing Member aggrieved by the temporary suspension may appeal to the Board of Directors, provided that such appeal shall not automatically suspend the temporary suspension, unless otherwise directed by the Relevant Authority.

32. Withdrawal or restriction of facilities extended to the Clearing Member

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

33. Effect of Suspension of Registration by SEBI

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

34. Disciplinary Action(s) may be single or co-joint

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

35. Specification of Penalty Structure

The Clearing Corporation may specify the penalty structure for imposing fines, the period of any suspension, withdrawal of clearing membership rights, and the amount of any fine or penalty, censure, warning, reprimand that would be imposed on contravention, non-compliance, disobedience, disregard or evasion of any Rules, Bye-Laws or Regulation of the Clearing Corporation or circular, order, notice, direction, decision or ruling

thereunder, and may authorise any employee of the Clearing Corporation to impose penalties in accordance with the penalty structure specified as above. However, such pre-specification will not restrict the powers of the Clearing Corporation to impose additional or higher penalties, if the circumstances so warrant.

36. Commutation

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

37. Failure to Pay Fines and Penalties

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

38. Consequences of Suspension

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

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

- (e) Collateral Suspension of Clearing Rights: If the membership right of an Exchange in favour of a Clearing Member is suspended, then the Relevant Authority may, as it deems fit and as may be determined by it on a case to case basis, call for suspension of its Clearing Membership during the period of such suspension.

39. Consequences of Expulsion

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

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

40. Expulsion Rules to Apply

When a Clearing Member ceases to be a Clearing Member by reason of being expelled or pursuant to Rule 25 (a) (ii), (iii), (iv), (vii) or (viii) hereinabove, the provisions contained in Rule 39 shall apply, unless specified otherwise.

41. Notification of Penalty Imposed

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