

NSE CLEARING LIMITED

Registered Office: Exchange Plaza, Plot no. C-1, Block G, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051

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INTRODUCTION

The Regulations framed hereunder shall be known as NSE Clearing Limited (Capital Market) Regulations, 1996.

APPLICABILITY

These Regulations shall be applicable to all clearing members admitted to the Capital Market Segment of the NSE Clearing Limited hereinafter referred to as 'Clearing Corporation'. These Regulations shall also be applicable mutatis mutandis to all Clearing Members dealing in Debt segment and EGR segment of the Clearing Corporation unless the context requires otherwise or unless otherwise specified by the relevant authority from time to time.

CHAPTER 1: DEFINITIONS

Unless in the context it is explicitly stated otherwise, all words and expressions used herein but not defined, and defined in the following, shall have the meanings respectively assigned to them therein :

- Securities Contracts (Regulation) Act, 1956 and Rules thereunder
- Securities and Exchange Board of India Act, 1992 and Rules thereunder
- The Companies Act, 1956
- The Depositories Act, 1996
- Rules and Bye Laws of the NSE Clearing Limited
- Rules, Bye Laws and Regulations of National Stock Exchange of India Limited
- Business Rules and Bye Laws of National Securities Depositories Limited

In case a term is defined in more than one acts then its meaning as defined in that act or statute which precedes in the above order shall prevail, unless in the context it is explicitly stated otherwise.

1.1 Books of Accounts, Records and Documents

Books of accounts, records and documents include books of accounts, records and documents which are required to be maintained under the Rules and Section 21 of Regulations of the Clearing Corporation and records maintained in a computer or in any magnetic form.

1.2 Capital Market Regulations

Capital Market Regulations mean the NSE Clearing Limited (Capital Market) Regulations and include business rules, code of conduct and such other procedures and regulations, circulars, directives and orders as issued by the relevant authority from time to time thereunder.

1.2A Client /Constituent

A Client/Constituent means a person, on whose instructions and on whose account the clearing member clears and settles deals. For this purpose, the term 'Client' shall include all registered constituents of trading members of Specified Exchange.

Explanation 1 :

The terms 'Constituent' and 'Client' are used interchangeably in these Byelaws, Rules & Regulations and shall have the same meaning assigned herein.

Explanation 2 :

For the purpose of Chapters IX, X & XI of the Byelaws, the term 'Constituent' in relation to trades shall also include a trading member where such trades done on the Specified Exchange are cleared and settled on his behalf by a Clearing Member.

1.3 Delivering Member

Delivering member means a CM clearing member who has to or has effected delivery in fulfillment of contracts to which these Rules, Bye Laws and Regulations apply unless the context indicates otherwise.

1.3A Electronic Gold Receipt/EGR

Electronic Gold Receipt / EGR shall have such meaning as may be assigned by SEBI from time to time in this regard for clearing and settlement in EGR Clearing Segment of the Clearing Corporation.

1.4 Notification, Notice or Communication

This refers to any such intimation that can be served at ordinary business address and/or ordinary place of residence and/or last known address of the party in any one or more or all of the following ways :

- (a) delivering it by post
- (b) sending it by registered post
- (c) sending it under certificate of posting
- (d) sending it by express delivery post / courier services.
- (e) sending it by telegram
- (f) affixing it on the door at the last known business or residential address
- (g) oral communication to the party in the presence of a third person
- (h) advertising it at least once in any prominent daily newspaper
- (i) sending a message through the Trading System
- (j) sending a message through the Clearing System
- (k) an electronic mail or fax or any other electronic network

1.5 Receiving Member

Receiving member means a CM clearing member who has to or has taken delivery in fulfillment of contracts to which these Rules, Bye Laws and Regulations apply unless the context indicates otherwise.

1.6 Securities Lending Member

Securities Lending Member means a CM Clearing Member who is eligible to participate in the Securities Lending for Settlement Shortages Scheme (SELSS).

CHAPTER 2: CM CLEARING SEGMENT

2.1 Specified Exchange

The relevant authority may from time to time admit to the CM Clearing Segment deals in securities of specified exchanges.

Without prejudice to the generality of the above, the following exchange is specified as under:

National Stock Exchange

Deals in the Capital Market Segment of the National Stock Exchange of India Limited (which exchange is hereinafter referred to as NSE for the purposes of these Regulations) are admitted to the CM Clearing Segment

2.2 CM Clearing Members

“CM clearing member” means a member of the Clearing Corporation and includes all categories of clearing members as may be admitted as such by the Clearing Corporation to the Capital Market Segment.

2.3 Categories of CM Clearing Member

The following categories of CM Clearing Members are specified as under:

Self-Clearing Member

Self-Clearing Member means a member of a Specified Exchange who is admitted by the relevant authority on the Clearing Corporation as a CM Clearing Member who may clear and settle deals executed on its own account or on account of its clients.

Clearing Member

Clearing Member means a member of a Specified Exchange who is admitted by the relevant authority on the Clearing Corporation as a CM Clearing Member who may clear and settle the following deals:

- (a) Deals executed on its own account or on account of its clients.
- (b) Deals executed by other members of a Specified Exchange on their own account or on account of their clients

Professional Clearing Member

Professional Clearing Member means a Clearing Member who is admitted by the relevant authority and who may clear and settle deals executed by its constituents.

Custodian Clearing Member

Custodian Clearing Member means and includes Custodians, Banks, Trust Companies and other firms admitted by the relevant authority as CM clearing members who may act for self-clearing members and their constituents in giving and taking delivery of securities, transfer deeds and any other documents by effecting delivery and in making and receiving payment for the same in the manner prescribed in these Regulations herein after called Custodian Clearing Members.”

2.4 Clearing Member's Responsibility

Without prejudice to the obligations of the Custodian Clearing Member hereunder, the registration and approval of Custodian Clearing Members, shall not in any way affect the jurisdiction of the Clearing Corporation on the concerned TM clearing member in respect of the deals effected by him for or on account of his constituent who settle deals through such Custodian Clearing Members and such clearing member shall continue to remain responsible, accountable and liable to the Clearing Corporation in this behalf.

2.5 Collection of Securities Transaction Tax

The Clearing Corporation shall, on behalf of the Exchange, collect the Securities Transaction Tax. Every Clearing Member shall remit to the Clearing Corporation the Securities Transaction Tax payable by the Trading Member of the Exchange in respect of the transactions entered into by him on the Exchange either on his own behalf or on behalf of his Constituents and cleared and settled through such Clearing Member in accordance with the procedures prescribed by the Relevant Authority from time to time for the calculation and collection of such Tax. Any Clearing Member who fails to make the payment in accordance with the procedures, prescribed by the Relevant Authority from time to time, would be liable for such consequences of non-payment including but not limited to withdrawal of clearing facility, appropriation from the monies of the Clearing Member, withholding of pay-outs, etc. as may be prescribed from time to time.

2.6 Collection of Stamp Duty

As per authorisation received from Stock Exchange(s), the Clearing Corporation shall collect the Stamp Duty. Every Clearing Member shall remit to the Clearing Corporation the Stamp Duty payable by the Trading Member of the Exchange in respect of the transactions entered into by him on the Exchange either on his own behalf or on behalf of his Constituents and cleared and settled through such Clearing Member in accordance with the procedures prescribed by the Relevant Authority from time to time for the calculation and collection of such duty. Any Clearing Member who fails to make the payment in accordance with the procedures, prescribed by the Relevant Authority from time to time, would be liable for such consequences of non-payment including but not limited to withdrawal of clearing facility, appropriation from the monies of the Clearing Member, withholding of pay-outs, etc. as may be prescribed from time to time.

CHAPTER 3: DEALS

3.1 Deals, Transactions, Dealings and Contracts

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

3.2 Kinds of Deals

Save as otherwise provided deals may be the following kinds:

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

3.3 Cleared and Non-Cleared Deals

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

- (a) Cleared Deals are deals as may be specified for the Clearing by the relevant authority and subject to such conditions as may be specified from time to time.
- (b) Non Cleared Deals are deals other than Cleared Deals as may be specified by the relevant authority and subject to such conditions as may be specified from time to time.

3.4 Depository and Non-Depository Deals

- (a) Depository Deals are deals as may be specified by the relevant authority, and subject to such conditions as may be specified from time to time, in respect of which depository delivery is or is required to be effected.
- (b) Non Depository deals are deals as may be specified by the relevant authority, and subject to such conditions as may be specified from time to time, in respect of which non depository delivery is or is required to be effected.

3.5 Cleared Deals deemed to be for Current Clearing

Unless otherwise permitted by the relevant authority and stipulated when entering into the transaction or subject to any special stipulation as the relevant authority

may specify from time to time, all cleared deals shall be deemed to be for the current Clearing.

3.6 Non-Cleared Deals

Non-cleared deals on the Clearing Corporation may be for spot delivery or for hand delivery or for special delivery.

3.7 Non-Cleared Deals deemed to be for hand delivery

Unless otherwise permitted by the relevant authority and stipulated when entering into the deal all non cleared deals shall be deemed to be for hand delivery falling due for delivery and payment within the time or on the day or days prescribed in the relative Regulation or within such time or such other day or days as the relevant authority may from time to time prescribe in addition thereto or in modification or substitution thereof, provided that such time or day or days shall not be more than fourteen days following the date of the contract.

3.8 Deals in Provisional Documents and Provisional Securities

Deals in Provisional Documents and Provisional Securities shall be made and settled as determined in each case by the relevant authority.

3.9 Extension or Postponement of Contracts by the Relevant Authority

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

Notwithstanding anything to the contrary contained in these Regulations, the relevant authority may in his discretion extend or postpone in any particular case the time for the performance of a contract from any one Clearing to the ensuing Clearing.

3.10 Composition of Additional Capital and Margins

3.10.1 The relevant authority may specify the requirements of additional capital and margins for the Clearing Members. The minimum cash component of such additional capital and margins shall be 50% and the cash component may be in the form of cash or cash equivalents. Cash equivalents are as follows:-

- a) Cash equivalent shall include FDRs, bank guarantees [as specified in Regulation 3.10.1 (d)], government securities and units of the schemes of liquid mutual funds or government securities mutual funds (by whatever name called which invest in government securities).

- b) The margin for government securities shall be such as may be prescribed from time to time by the relevant authority but not less than 10%.
 - c) The margin for units of the schemes of liquid mutual funds or government securities mutual funds (by whatever name called which invest in government securities) shall be such as may be prescribed from time to time by the relevant authority but not less than 10% of Net Asset Value (NAV).
 - d) The bank guarantees shall be considered as cash equivalent only if the guarantees have been provided by the banks whose networth is more than Rs. 500 crores; Provided further
 - (i) that the relevant authority may lay down the exposure limits either in rupee terms or as percentage of the Core Settlement Guarantee Fund (CSGF) that can be exposed to a single bank directly or indirectly and in any case the exposure of the SGF to any single bank shall not be more than 15% of the total liquid assets forming part of SGF of the Clearing Corporation
 - (ii) the exposure as mentioned above would include guarantees provided by the bank for itself or for others as well as debt or equity securities of the bank which have been deposited by members for additional capital or margins.
- 3.10.2 The relevant authority specifies the following securities, including equity shares, units of mutual funds which could be considered as eligible securities and margin for the purpose of non-cash component of base minimum capital, additional capital and margin.
- (a) Equity shares classified in Group I at the Exchange in accordance with the parameters of volatility and liquidity as stipulated by SEBI and specified by relevant authority shall be eligible as security for the non-cash component of the additional capital and margin, subject to margin equivalent to the respective VaR of the equity shares.
 - (b) Units of all mutual funds shall also be eligible security for the purpose of non-cash component of additional capital and margin subject to a margin equivalent to the VaR of the unit's NAV plus any exit load charged by the mutual fund.
 - (c) The valuation of the equity shares and units of mutual funds above shall be done on a daily basis.
 - (d) The eligible shares for the purpose of the securities portion of the base minimum capital shall only be those which are classified as Group I, in

terms of the parameters of volatility and liquidity as stipulated by SEBI and specified by the relevant authority subject to a standard margin of 15%. The valuation for these shares would be done atleast once a week.

CHAPTER 4 : SETTLEMENT OF DEALS

4.1 Settlement Regulations Form Part of Contracts

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

4.2 Contracts Subject To Change in Settlement Procedure

The relevant authority may at any time through a notice in that behalf bring into effect in respect of any Cleared, Non Cleared, Non-Depository and Depository Deals any substitution of or any additions to, deletions from or variations, alterations or amendments in any settlement procedure or in any clearing process or in the time or the forms prescribed therefor.

4.3 Reporting of Deals

Admitted deals executed by CM Clearing members shall be reported to the Clearing Corporation in such manner and form and within such time as may be prescribed from time to time by the relevant authority.

4.4 Settlement Obligations of CM Clearing Members

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

Obligations of CM clearing members arising therefrom for effecting delivery and paying and receiving funds shall constitute the Settlement Obligations of the CM clearing member.

4.5 Settlement Types

Deals may be categorised by the kinds of deals, basis, mode and manner of settlement into different settlement types by the relevant authority from time to time.

4.6 Modes of delivery

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

4.6.1 Depository Delivery

Depository Delivery is delivery or receipts or giving or taking of securities through transfer of securities between accounts through

depositories and subject to such conditions as may be specified from time to time by the relevant authority.

4.6.2 Non Depository Delivery

Non Depository delivery is delivery or receipts or giving or taking of securities, documents, transfer deeds other than through depositories and subject to such conditions as may be specified from time to time by the relevant authority.

4.7 Settlement of Non Cleared Deals

Settlement Obligations of all non cleared deals shall be settled by delivery and payment between the contracting parties in accordance with the provisions in that behalf contained in the relative Regulation or such other provisions as the relevant authority may from time to time prescribe in addition thereto or in modification or substitution thereof.

4.8 Settlement of Deals for The Clearing

Settlement Obligations of non depository deals for the clearing shall be settled through the Clearing House and settlement obligations of depository deals for the clearing shall be settled through Depository Clearing System by such process or processes as the relevant authority may from time to time prescribe in addition thereto or in modification or substitution thereof. The Regulations relating to the Clearing House and Depository Clearing System shall be deemed to form a part of any settlement process so prescribed.

4.9 Change in Settlement Procedure

It shall be competent to the relevant authority to order any changes in settlement procedure at any time that any/all Non-Depository deals entered into or to be entered into shall be settled by any suitable process through the Clearing House instead of outside the Clearing House and vice versa.

The relevant authority shall also be competent to order any changes in settlement procedure at any time that any/all depository deals entered into or to be entered into shall be settled by any suitable process through the Depository Clearing Systems instead of outside the Depository Clearing System and vice versa.

CHAPTER 5: SETTLEMENT OF NON CLEARED DEALS

5.1 Scheduled Date and Time

The scheduled time and hour to be observed in connection with the clearing and settlement of non-cleared deals shall be as prescribed in the relative Regulation or such other time and hour as the relevant authority may from time to time notify in modification or substitution thereof.

5.2 Delivery and Payment

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

For non-cleared depository deals, on the due date the selling member shall effect depository delivery to the buying member at such place and at such time, in such manner and in such delivery units as the relevant authority may notify from time to time and the buying member shall pay for them on the same day or such other day and in such manner as the relevant authority may specify from time to time.

5.3 Delivery in Part

The buying member shall accept any portion of a lot of securities contracted for if tendered in delivery units.

5.4 No Deduction from Purchase Price

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

5.5 Payment

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

5.6 Closing Out By Buying-In

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

5.7 Closing Out By Selling-Out

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

CHAPTER 6 : PROCEDURE FOR SETTLEMENT OF CLEARED DEALS

6.1 Clearing and Settlement Process

The relevant authority may specify different process and procedures for clearing and settlement for any or all CM clearing members and for any or all cleared deals from time to time.

6.2 Clearing Days and Scheduled Times

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

6.3 Alteration Of Clearing And Clearing Days And Times

The relevant authority may at any time curtail, extend, alter or postpone from time to time to any other date or dates the entire clearing or any or all of the various clearing days in respect of any or all of the Cleared Deals.

In case of multiple settlements on a single day because of intervening holidays or otherwise, the deals shall be cleared and settled on a sequential basis i.e. the pay-in and the pay-out of the first settlement shall be completed before the commencement of the pay-in and pay-out of the subsequent settlement/s. The cash/securities pay-out from the first settlement shall be made available to the members for meeting their pay-in obligations for the subsequent settlement/s.

6.4 Delivery And Payment For The Clearing

6.4.1 Delivery through the Clearing House

Delivery in respect of Settlement Obligations of non depository deals for the Clearing shall be through the Clearing House(s).

6.4.2 Delivery through the Depository Clearing System

Delivery in respect of Settlement Obligation of depository deals for the Clearing shall be through the Depository Clearing System.

6.4.3 Payment through the Clearing Bank

Payment in respect of Settlement Obligations of deals for the Clearing shall be through the Clearing Bank(s).

6.5 Delivery For Clearing When Outside The Clearing House

It shall be competent to the relevant authority to order that delivery and/or payment in respect of any/all non depository deals entered into or to be entered

into for the clearing shall be effected outside the Clearing House by such process or processes as may be prescribed from time to time.

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

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

6.7 Clearing Forms

All Clearing Forms shall be as prescribed in the relative regulation or in such other form or forms as the relevant authority may from time to time prescribe in addition thereto or in modification or substitution thereof.

6.8 Settlement Obligations Statements

Clearing Corporation shall generate and provide to each CM clearing member excluding Custodian Clearing Members, Settlement Obligations Statements showing different kinds of deals made by the member for which deliveries is to be given and/or taken and the funds payable or receivable by the member or Custodian Clearing Members. The Obligations Statement shall be deemed to be confirmation by the member of the different kinds of deals for which deliveries is to be given and/or taken and of the funds to be debited and/or credited to his account as specified in the Obligations Statements and shall be deemed to be instructions to the Custodian Clearing Member for the same.

6.9 Settlement Obligations Statement Of Custodian Clearing Members

Clearing Corporation shall generate and provide to each Custodian Clearing Member , Settlement Obligations Statements showing the different kinds of deals for which deliveries are to be given and/or taken and the funds payable or receivable by Custodian Clearing Member. The Obligations Statement shall be deemed to have been confirmed by the Clearing member in respect of every and all obligations enlisted therein.

6.10 Delivery And Receipt Statements

Based on the Obligations Statements, the Clearing Corporation shall generate Delivery Statement and Receipt Statement for each CM clearing member. The Delivery and Receipt Statement shall contain details of securities to be delivered to and received from other CM clearing members. The Delivery and Receipt Statements shall be deemed to be confirmed orders by a CM clearing member to

deliver and receive on his account securities as specified in the Delivery and Receipt Statements.

6.11 Delivery Slips

For every delivery to be made by a CM clearing member to another member an unique delivery number will be assigned by the Clearing Corporation. A Delivery Slip corresponding to each delivery number will specify the delivery number, security to deliver, quantity and to whom to deliver as per format prescribed.

6.12 Delivery of Securities

6.12.1 Non Depository Deals

On the respective pay-in day, CM clearing members shall deliver securities to the Clearing House as per Delivery Statement in respect of non depository deals. Each delivery shall be accompanied by the corresponding Delivery Slip. Delivery shall be in such delivery units as the relevant authority may notify from time to time together with the necessary transfer forms, *duly filled in* and showing on the reverse the code and name of the clearing member delivering the securities and such other details as may be required by the Clearing Corporation.

6.12.2 Depository Deals

On the respective pay-in day, CM clearing members shall effect depository delivery in the Depository Clearing System as per Delivery Statement in respect of depository deals. Delivery shall be in such delivery units the relevant authority may notify from time to time.

6.13 Mode Of Funds Payment

Unless otherwise prescribed for a CM clearing member regarding the mode of payment, as on the time specified by the relevant authority, CM clearing members shall have clear balance of funds in their clearing account to the extent of funds to be debited to his account and on pay-in day the Clearing Bank(s) shall debit a CM clearing member's clearing account to the extent of his funds obligation as per the instructions of the Clearing Corporation.

6.14 Receipt Of Securities

6.14.1 Non Depository Deals

Securities which are to be received by a CM clearing member shall be delivered to him by the Clearing House in respect of non depository deals on the respective pay-out day as per instructions of the Clearing Corporation. All securities due to a CM Clearing member shall be normally delivered to him unless (a) the CM clearing member has not delivered securities on pay in day as per Final Settlement Obligations or (b) the full extent of funds obligation of the CM Clearing member was not

available with the NSCC Clearing account for funds pay-in or (c) it is otherwise ordered by the relevant authority. CM clearing members who are taking delivery of securities from the Clearing House shall sign a receipt thereof in the form attached to the Clearing House Receipt Statement.

6.14.2 Depository Deals

Securities which are to be received by a CM clearing member shall be delivered to him in the Depository Clearing System in respect of depository deals on the respective pay-out day as per instructions of the Clearing Corporation. N

Notwithstanding the foregoing, in accordance with the circulars issued by SEBI from time to time with respect to direct pay-out to clients, securities received by a CM clearing member on behalf of his clients shall be delivered to his clients in the Depository Clearing System in respect of depository deals on the respective pay-out day, in the manner as provided in the standard operating procedure prescribed in such cases, as per the instructions of the Clearing Corporation.

6.15 Receipt of Funds

On the pay-out day, unless otherwise prescribed for a CM clearing member regarding the mode of payment, the Clearing Bank shall credit the clearing accounts of the CM clearing members who are due to receive funds or make payments to CM clearing members as per the instructions of the Clearing Corporation. All funds due to a CM clearing member shall normally be credited to his account unless (a) the CM clearing member has not delivered securities on pay-in day as per Final Settlement Obligations or (b) the full extent of funds obligation of the CM clearing member was not available with the NSCC clearing account(s) for funds pay-in or (c) it is otherwise ordered by the relevant authority.

6.16 Notice Of Delivery And Payment Outside Clearing House In Respect Of Cleared Securities for Non Depository Deals

Whenever the relevant authority orders delivery and payment to be made outside the Clearing House in respect of cleared non depository deals, a notice to that effect shall normally be sent to the CM clearing members at least a day before the pay-in day.

6.17 Notice of Delivery And Payment Outside Depository Clearing System In Respect of Cleared Securities for Depository Deals

Whenever the relevant authority orders delivery and payment to be made outside the Depository Clearing System in respect of Cleared depository deals directly between CM Clearing Members in the Depository System, a notice to that effect shall normally be sent to the CM clearing members at least a day before the pay- in day.

6.18 Death Of A CM Clearing Member During Clearing

If a CM clearing member dies on or before the pay-in day and after the Clearing Corporation has determined the Final Obligation for that settlement, the procedure to be followed in clearing and settling the account of such member shall be the procedure prescribed for clearing and settling the account of a defaulter provided that with the permission of the relevant authority the heirs or legal representatives of such deceased member may receive and deliver securities and make and receive payment on account of such deceased member or any member, of whom the relevant authority approves, may deliver securities and make payment on account of such deceased member.

CHAPTER 7 : NON DEPOSITORY DELIVERY OF SECURITIES

7.1 Which Documents Good Delivery

The documents specified in these and relevant Regulations or such other documents as the relevant authority may from time to time specify in addition thereto or in modification or substitution thereof shall constitute good delivery when tendered in fulfillment of deals to which these Regulations apply.

7.2 Certificates Accompanied By Transfer Deeds Good Delivery

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

7.3 Allotment Letter When Good Delivery

7.3.1 Allotment Letters duly discharged

Allotment Letters shall be accepted in lieu of certificates provided Allotment Letters duly discharged by the allottees together with application receipts duly discharged wherever required by the Company are tendered in the case of securities whose Allotment Letters do not call for further monies and are accepted by the Company for registering transfers.

7.3.2 Allotment Receipts

Where allotment monies are called for in the Allotment Letters, such Allotment Letters shall be accompanied by properly discharged Allotment Receipts.

7.3.3 When Allotment Letters cease to be Good Delivery

Unless otherwise directed by the relevant authority in any particular case, Allotment Letters shall continue to be good delivery till the certificates are issued by the Company.

7.4 Split And Transfer Receipts When Good Delivery

Split Receipts issued by the Clearing House and by Companies and proper Transfer or Transmission Receipts issued by Companies complying with such conditions as the relevant authority may from time to time determine and duly discharged where necessary shall be accepted in lieu of certificates as good delivery for such period from the date of issue as the relevant authority may from time to time fix and notify in that behalf.

7.5 Certified Transfers

7.5.1 When Good Delivery

Certified transfers shall constitute good delivery when so directed by the relevant authority.

- 7.5.2 Mode of Certification**
The certification on the transfer deed may be by the Clearing House or by the Company concerned. It shall state the distinctive numbers of the securities covered by the transfer deed and it shall also state in clear and definite terms that the certificate relating to such securities has been forwarded to or lodged with the Company. Transfer deeds with any mode of conditional certification are not good delivery.
- 7.5.3 Date of Certification**
All certified transfer deeds shall bear the date of certification.
- 7.5.4 Particulars to be Filled in Transfers**
In the case of all certified transfers, the full name and address of the transferor shall be mentioned in the body of the transfer deed as also the distinctive numbers of the securities. Otherwise they shall not be good delivery.
- 7.6 Delivery Units**
- 7.6.1 Delivery in Prescribed Units**
Unless otherwise directed by the relevant authority or stipulated when entering into a deal, one certificate for the exact amount of the delivery unit or two or more certificates making up in the aggregate the delivery unit or where the deal is for an odd lot, certificates making up in the aggregate the odd lot, may be delivered in settlement of deals but the transfer deeds delivered shall be for the exact amount of the delivery unit and where the deal is for an odd lot for the exact amount of the odd lot or for smaller amounts making up in the aggregate the odd lot.
- 7.6.2 Certified Transfers, Split Receipts and Allotment Letters to be in Delivery Unit**
The provisions relating to delivery units contained as above shall also apply to Certified Transfers, Split Receipts issued by the Clearing House, Split or Transfer or Transmission Receipts issued by Companies and Allotment Letters delivered in settlement of contracts as provided in these Regulations.
- 7.7 Renewal Fees For Securities**
In the case of securities when a fee is charged by any Company for a new certificate in lieu of an old one either worn out or incapable of carrying further endorsements the fee shall be payable by the seller.
- 7.8 Transfer Stamp And Registration Fees**
Unless otherwise directed by the relevant authority, transfer stamp duties payable to Government and fees charged by Companies for registering transfers of securities and known as transfer fees shall be paid by the buyer but where transfer deeds have been given in lots other than the prescribed lots the extra stamp duty,

transfer fees and consolidation charges to be paid as a result thereof shall be paid by the seller to the buyer.

7.9 Delivery In Part

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

7.10 Closing Out On Refusal To Accept Delivery

When documents which are regular, genuine and valid are duly tendered in performance of a deal and not accepted by the receiving member, the Clearing Corporation shall be entitled to sell-out the same against him in accordance with the Bye Laws and Regulations relating to closing-out.

7.11 Disputes Relating To Good Or Bad Delivery

In case of Cleared Deals if any documents be found by the receiving member to be not good delivery, the documents along with a prescribed form stating the defects shall be returned by the receiving member to the Clearing House within two days from the date of delivery or such other time and/or day as the relevant authority may from time to time fix in this behalf. When the documents are not so returned, the receiving member shall have recourses against the delivering member only in accordance with the Bye Laws and Regulations relating to Documents and Registrations.

7.12 Replacement Of Bad Delivery

7.12.1 Rectification/Replacement

The delivering member responsible for the documents which are not good delivery shall remove the defect or in the alternative, deliver to the Clearing House or the receiving member as the case may be, other regular, genuine and valid documents in their place within three calendar days of intimation of the same or such other period as the relevant authority may direct from time to time.

7.12.2 Re-Bad

Bad deliveries rectified which are reported again as bad delivery will be treated on par with bad deliveries not rectified and will be closed out accordingly.

7.13 Disputed Documents

7.13.1 Disputes

When documents tendered for delivery in settlement of deals are considered by the receiving member or by the concerned company / share transfer agent to be defective in their title, ownership, genuineness, regularity or validity or not in order for any other reason and the objection is not accepted by the delivering member the disputes relating thereto

shall be resolved by Clearing Corporation as provided in these Regulations.

7.13.2 Dispute Resolution

- (a) If the objection raised or defects pointed out by the receiving member or the concerned company / the share transfer agent be not accepted by the delivering member, a reference may be made by the aggrieved member to the Dispute Resolution Committee (which Committee shall be set up by the Clearing Corporation comprising of such persons as the relevant authority may deem fit from time to time) which shall adjudicate in the dispute as soon as thereafter as possible.
- (b) The decision of the Dispute resolution Committee may be referred back by the Clearing Corporation to the Dispute Resolution Committee for its re-consideration, if the Clearing Corporation deems fit either on its own motion or on an application made by the aggrieved member. The decision of the Dispute Resolution Committee upon such re-consideration shall be final and binding on the parties subject to the provisions of Regulation 7.13.3 hereunder.

7.13.3 Reference / Appeal to COSI

- (a) Any Clearing Member aggrieved by the decision of the Dispute Resolution Committee may request the Clearing Corporation to refer the decision to the Committee on Settlement Issues (which Committee shall be set up by the Clearing Corporation comprising of such persons as the relevant authority may deem fit from time to time) for its consideration subject to fulfillment of each of the following conditions :
 - (1) the market value of the shares in dispute as on the date of the decision is Rs. 5 lakhs or more. For the purpose of this Regulation, market value will be calculated at the closing price on the day of decision of the Dispute Resolution Committee on National Stock Exchange of India Limited and if no such price is available, the earlier preceding available closing price.
 - (2) the appeal is preferred within 30 calendar days from the date of receipt of the decision.
 - (3) the Clearing Member abides by the decision by depositing the monies and/or securities in dispute with the Clearing Corporation, as the case may be.
 - (4) the appeal preferred under this Regulation shall be adjudicated by the Committee on Settlement Issues in accordance with the procedure as determined by it from time to time.

- (b) The decision of the Committee on Settlement Issues may be referred back by the Clearing Corporation to the Committee on Settlement Issues for its re-consideration, if the Clearing Corporation deems fit either on its own motion or on an application made by the aggrieved member. The decision of the Committee on Settlement Issues upon such re-consideration shall be final and binding on the parties.

7.13.4 Delivery when complete

If the disputed documents are held to be in order under Regulation 7.13.2 or under Regulation 7.13.3, then the delivery shall be complete and the receiving member shall accept them as good delivery and failing such acceptance, the Clearing Corporation shall be entitled to sell-out the same against the receiving member in accordance with the Bye Laws and Regulations relating to closing-out.

7.13.5 Delivery when not complete

If the disputed documents are held to be defective under Regulation 7.13.2 or under Regulation 7.13.3, as the case may be, then the delivery shall not be complete. The delivering member shall remove the defect or in the alternative deliver to the receiving member other regular, genuine and valid documents in place of the defective documents within two working days of the decision under Regulation 7.13.2 or under Regulation 7.13.3 or within such further period or periods as may from time to time be allowed by the relevant authority.

7.14 Closing Out By Buying-In

If the delivering member fails to remove the defect or in the alternative deliver to the receiving member other regular, genuine and valid documents in place of the defective documents within the period prescribed above, the Clearing Corporation shall be entitled to buy-in such securities against the delivering member in accordance with the Bye Laws and Regulations relating to closing-out.

7.15 Delivering Member Debited

Without prejudice to the provisions contained elsewhere in this regard, the Clearing Corporation shall be entitled to debit the delivering member responsible for the documents which are not good delivery or are disputed documents by an amount equivalent to the said securities, valued at valuation price as may be prescribed by relevant authority from time to time.

7.16 Penalty For Bad Delivery

The relevant authority may impose on a delivering member responsible for the documents which are not good delivery such penalty and other charges as it may prescribe from time to time in this regard. Such penalty and other charges shall be in addition to any loss such member may suffer on account of closing-out and shall be in addition to the commission chargeable in that behalf.

CHAPTER 8 : DEPOSITORY DELIVERY

8.1 Delivery Units

Depository Delivery shall be in such units as may be prescribed by the relevant authority from time to time. In case where the deal is for an odd lot, the delivery shall be for the exact amount of odd lot or for smaller amounts making up in the aggregate the odd lot.

8.2 Transfer Duties And Charges

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

8.3 Delivery In Part

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

8.4 Closing Out On Refusal To Accept Delivery

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

CHAPTER 9 : NON DELIVERY AND NON PAYMENT

9.1 Notice Of Non-Delivery And Non-Payment

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

9.2 Non-Delivery And Non-Payment By Custodian Clearing Members

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

9.3 Failure To Deliver

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

9.4 Buying-In On Failure To Deliver

If a CM clearing member fails to deliver on the pay-in day the securities deliverable by the member, the Clearing Corporation shall be entitled to buy-in such securities in accordance with the Bye Laws and regulations relating to closing-out.

9.5 Securities On Hold Or Selling-Out On Failure To Pay

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

9.6 Declaration Of Default

A CM clearing member failing to deliver the documents due from him or pay the amount due by him may be declared a defaulter as provided in these Bye Laws and Regulations.

9.7 Deliveries Due To The Defaulter

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

9.8 Penalty For Failure To Give Or Take Delivery

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

9.9 Withholding of Securities and Funds

Notwithstanding anything contained in these Regulations, irrespective of whether the deals are depository deals or non-depository deals, the relevant authority may withhold, for such period(s) as the relevant authority may decide from time to time, pay-out of any securities and any funds including securities and funds constituting margins, if (a) the CM clearing member has not delivered the required securities on pay-in day or (b) there are no adequate funds in the NSCC Clearing Account of the clearing member to meet the funds pay-in obligation on the pay-in day or (c) the CM clearing member fails to satisfy the margin requirements or (d) the CM clearing member fails to fulfill any other obligation or (e) the relevant authority, otherwise, deems fit.

9.9A. With-holding of securities for shortages

The relevant authority may with-hold the securities pay-out due to the Clearing Member and/or withdraw his clearing facility in case of any pay-in shortages by the Clearing Member for such amount as the relevant authority may deem fit.

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

9.10 Withheld Securities and Funds - How Dealt With

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

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

CHAPTER 10 : CLOSING OUT OF CONTRACTS

10.1 Closing-Out

10.1.1 Closing-out when effected

Any deal made subject to the Rules, Bye Laws and Regulations of the Clearing Corporation may be closed-out against a CM clearing member on his failure to comply with any of the provisions relating to delivery, payment and settlement of deals or on any failure to fulfill the terms and conditions subject to which the deal has been made. (For the purpose of this Chapter, a CM clearing member who has failed to comply with any of the provisions relating to delivery, payment and settlement of deals or any failure to fulfill the terms and conditions subject to which the deal has been made shall be referred to as “CM Clearing Member in default”).

10.1.2 Closing-out in specific cases

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

10.2 Closing Out Of Deals Settled Outside Clearing House

10.2.1 Application for closing-out

A CM clearing member shall be entitled to make an application to the Clearing Corporation for closing-out of non depository deals agreed to be settled outside the Clearing House against the CM clearing member in default within such time from the date of default as the relevant authority may decide from time to time, failing which the CM clearing member shall forfeit all further right of recourse against the other CM clearing member unless such CM clearing member proves that he has not exercised his right on the written request of the other.

10.3 Closing Out Of Deals Settled Outside Depository Clearing System

10.3.1 Application for closing-out

A CM clearing member shall be entitled to make an application to the Clearing Corporation for closing-out of depository deals agreed to be settled outside the Depository Clearing System against the CM clearing member in default within such time from the date of default as the relevant authority may decide from time to time, failing which the CM clearing member shall forfeit all further right of recourse against the other CM clearing member unless such CM clearing member proves that he has not exercised his right on the written request of the other.

10.4 Closing Out For Deals Settled Through The Clearing House

10.4.1 Clearing Corporation Entitled

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

10.4.2 Closing-out without notice

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

10.5 Closing Out for Deals Settled Through The Depository Clearing System

10.5.1 Clearing Corporation Entitled

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

10.5.2 Closing-out without notice

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

10.6 Closing-Out Contracts With Defaulter CM clearing member

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

10.7 Closing-Out Contracts With Deceased CM clearing Member

On the death of a CM clearing member, having transactions outstanding in the market in any security, the relevant authority may at its discretion give permission to his heirs or legal representatives to settle such transaction according to the terms thereof. In the event of such permission not being applied for or not being granted, the Clearing Corporation shall forthwith determine all outstanding obligations by closing out against the deceased CM clearing member. The loss, if any, on such closing-out shall be claimed from the heirs or legal representatives of the deceased CM clearing member and the profit, if any, shall be paid to them

with the prior approval of the relevant authority. If the heirs or legal representatives of the deceased CM clearing member fail to pay the amount claimed from them, it shall be deemed that such deceased CM clearing member has been declared a defaulter and in that event the Bye Laws and Regulations relating to default shall apply.

10.8 Compliance Before Closing-Out

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

10.9 Closing-Out How Effected

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

- (a) by buying-in or selling-out against the CM clearing member through an auction initiated by the Clearing Corporation
- (b) by declaring a closing-out at such prices as may be decided by the relevant authority
- (c) by buying-in or selling-out against the CM clearing member by placing order in the specified exchange
- (d) in any other manner as the relevant authority may decide from time to time.

10.10 Bids And Offers

Unless otherwise specified by the relevant authority, CM clearing members may make a bid or offer during closing out. The relevant authority shall be at liberty at its discretion to refuse any bid or offer given.

10.11 Closing-Out Clearing Member's Responsibility

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

10.12 Securities When Not Bought-In

When the relevant authority is satisfied that in spite of the best efforts the securities cannot be bought-in or sold-out except at an arbitrary price or at such other instances as the relevant authority may decide from time to time, the deals shall be deemed to be closed-out at such price as the relevant authority may decide from time to time. In the event of the relevant authority not deciding the price, the deals shall be deemed to be closed-out at a price which is not less than the highest price touched at any time in the preceding six months. This price shall be paid to the CM clearing member entitled to the security to be bought-in.

10.13 Deferment By The Relevant Authority

The relevant authority may defer closing-out in any particular case if in its opinion a fair market to close-out is not available or if it is satisfied that the securities are out of the control of the seller for payment of calls, receipt of interest, dividends, bonus, rights or if it determines that the default is due to the existence of a special situation but no such deferment shall relieve the CM clearing member in default of the obligation to pay for any resulting damages or free the intermediate parties of their liabilities.

10.14 Suspension Or Postponement Of Closing-Out

The relevant authority may suspend or postpone closing out in respect of any deals and from time to time extend or postpone the period of such suspension or postponement when circumstances appear in its view to make such suspension or postponement desirable in the general interest. The liability of intermediaries in respect of deals in such securities settled through the Clearing House or Depository Clearing System, as the case may be, shall continue during the period of such suspension or postponement.

10.15 Securities Bought-In But Undelivered

If securities are bought-in but not delivered as per the schedule for buying-in, it will be deemed as if the buying-in did not go through and the deals shall be deemed to be closed-out at such price as the relevant authority may decide from time to time. In the event of the relevant authority not deciding the price, the deals shall be deemed to be closed-out at a price which is not less than the highest price touched at any time in the preceding six months. This price shall be paid to the CM clearing member entitled to the security to be bought-in.

10.16 Closing-Out Against Defaulter

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

10.17 Charges For Closing-Out

When closing-out is effected on the advice of the Clearing Corporation, the CM clearing member against whom the closing-out takes place shall pay to the Clearing Corporation such closing out -charges as the relevant authority may from time to time prescribe.

10.18 Loss Arising From Closing-Out

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

10.19 Profit Arising From Closing-Out

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

10.20 Default If Closing-Out Loss And Damage Not Paid

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

CHAPTER 11: INTEREST, DIVIDENDS, RIGHTS AND CALL

11.1 Interest, Dividends, And Rights

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

11.2 Cleared Deals When Cum And Ex Benefits

Cleared deals, whether depository deals or non depository deals, shall be ex-dividend or ex-cash bonus or ex bonus or ex rights from such date as the relevant authority may fix and notify in that behalf. All transactions before that date shall be deemed to be cum dividend or cum cash bonus or cum bonus or cum rights.

11.3 Cum And Ex Dividend Or Cash Bonus

11.3.1 Delay when information not available

If information regarding the dividend or cash bonus be not available to the Clearing Corporation for the security to become ex dividend or ex cash bonus as provided above, all cleared deals shall be ex-dividend or ex cash bonus from the first day of the clearing commencing from or following the date on which the dividend or cash bonus is known.

11.3.2 Clearing Members responsible for adjustment in respect of ex cash bonus deals

On receipt of official information by the Clearing Corporation cancelling or altering the declaration of a dividend or cash bonus, all ex dividend or cash bonus deals entered into before such date shall be subject to modification. If the declaration of a dividend or cash bonus be canceled, the ex dividend or ex cash bonus price shall be increased by the amount of the dividend or cash bonus and if there be a decrease or increase in the dividend or cash bonus declared, the ex dividend or ex cash bonus price shall be increased or decreased by a corresponding amount. The difference in respect of ex dividend or ex cash bonus deals entered into and settled before such date shall be immediately adjusted between the buyer and seller and the CM clearing members shall be personally responsible between themselves and to their constituents for effecting such adjustment. Ex dividend or ex cash bonus deals which have been entered into but not settled before such date shall be completed on the footing of the revised prices.

11.3.3 When deals cease to be ex dividend or ex cash bonus

On receipt of official intimation by the Clearing Corporation cancelling the declaration of a dividend or cash bonus, all deals thereafter shall be

entered into as if the security had not become ex dividend or ex cash bonus.

11.3.4 Deduction from cum dividend or cum cash bonus purchase price

In respect of a cum dividend or cum cash bonus transaction if the securities are delivered by the Clearing House or by the Depository Clearing System as the case may be in less than such number of days as the Relevant Authority may fix from time to time before the record date or date of closure of the Transfer Books for the purpose of dividend or cash bonus, the Clearing Corporation may debit the account of the selling member to the extent of the dividend or cash bonus recommended or declared to which the buyer is entitled and correspondingly credit the buying member. When the dividend or cash bonus is not known the Clearing Corporation may provisionally deduct from the purchase price such other amount as the relevant authority may fix and notify in that behalf.

11.3.5 Clearing Members responsible for adjustment in respect of cum dividend or cum cash bonus deals

If securities in respect of which the amount of dividend or cash bonus has been deducted from the cum dividend or cum cash bonus price by the Clearing Corporation are lodged for registration with the Company or transferred to the account of the buyer in the depository(ies), as the case may be, before the record date or date of closure of the Transfer Books of the Company for the purpose of dividend or cash bonus or if the actual dividend differs from the amount deducted from the cum dividend or cum cash bonus purchase price, the dividend or cash bonus or the differences, (as the case may be), shall be immediately adjusted between the buyer and the seller and the clearing members shall be personally responsible between themselves and to their constituents for effecting such adjustment.

11.3.6 Claim within four months

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

11.4 Cum Rights Or Cum Bonus Purchase Price

11.4.1 Deduction from cum rights or cum bonus purchase price

In the case of Cleared Deals in respect of a cum bonus or cum rights transaction when the securities are delivered to the buying member by the Clearing House or by the Depository Clearing System, as the case may be, less than such number of days as the Relevant Authority may fix from time to time before the record date or date of closure of the transfer books for the purpose of bonus issue or rights, the Clearing Corporation may debit the account of the selling member by an amount equivalent to the

proportionate value of the bonus issue or rights to which he is entitled or such other amount as the relevant authority may fix and notify in that behalf and retain the same as a deposit with the Clearing Bank.

11.4.2 Payment of deposit

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

11.4.3 Buying-in

If the selling member fails to deliver the bonus issue or rights within the prescribed time the Clearing Corporation shall be entitled to buy-in against him in accordance with the Regulations relating to closing-out.

11.5 Letters Of Renunciation

Bonus issues and rights shall be settled by letters of renunciation when such letters are issued by the Company. When proper letters of renunciation are delivered or tendered to the buying member on or before such day as the Relevant Authority may fix from time to time preceding the date fixed for the receipt of applications by the Company or before such other date as the relevant authority may fix and notify in that behalf the selling member shall be relieved of further liability in respect of such bonus issues or rights. A CM clearing member shall not be bound to accept letters of renunciation not tendered within the prescribed time.

11.6 Non-Delivery Of Letters Of Renunciation

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

11.7 Rights Entitlement

11.7.1 Application for rights

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

11.7.2 Selling member's liability and duty

Notwithstanding anything contained in sub-regulation above, in respect of non depository deals if the seller be in possession of the new securities, he shall be responsible for them to the buyer if claimed by the buyer on the date following the last day fixed for the receipt of applications by the

Company. Should the seller not be in possession of new securities he shall be bound to render every assistance to the buyer in tracing them.

11.8 When No Letters Of Renunciation

11.8.1 Payment in respect of rights

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

11.8.2 Selling constituent trustee for the buying constituent

The amount in respect of rights shall be paid by the buyer to the seller in sufficient time for the amount to be paid to the Company and the buyer may demand a receipt for the same. In such cases, CM clearing members shall not be personally responsible and the selling constituent shall be deemed a trustee for the buying constituent in respect of such payments.

11.8.3 Buying member to bear transfer expenses

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

11.9 Rights And Obligations Of Buying Member And Selling Member

11.9.1 Clearing Member when liable for dividend or rights

In respect of cum dividend, cum cash bonus or cum rights deals CM clearing members shall be personally responsible for the dividend, cash bonus, bonus issue or rights on the securities only when such securities are delivered to the buying member by the Clearing House less than such number of days as the Relevant Authority may fix from time to time before the record date or date of closure of the Transfer Books for the purpose of dividend, cash bonus, bonus issue or rights.

11.9.2 Rights and obligations of buying and selling constituents and transferors

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

11.10 Payments Of Calls By Buying Constituent

The buying constituent shall pay every call or contribution which becomes payable after delivery of securities. However he shall not be obliged to pay such call or contribution if the Company refuses to register the transfer on account of lien. In any other case if the buying constituent fails to make such payment and

the selling constituent is compelled to pay the same the selling constituent shall be entitled to claim and recover the same from the buying constituent notwithstanding that the buying constituent applied to the Company to transfer the shares and that the Directors of the Company refused to transfer.

11.11 Member Not Liable For Calls

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

11.12 Company In Liquidation

If a Company be wound up at the date of the contract or between the date of the contract and the due date of delivery the buyer shall nevertheless pay to the seller the purchase money and the seller shall be entitled to recover from the buyer any contribution or call required to be paid even though the liquidator refuses to consent to transfer. If the buyer or his nominee cannot get the securities transferred to his name the seller shall if required to do so by the buyer and at the buyer's cost arrange for the assignment of the transferor's title to and the rights in the securities to the buyer or his nominee and for the execution of an irrevocable Power of Attorney in favour of the buyer or his nominee to enable him to recover any return of capital and dividend becoming payable after the date of the contract in respect of the securities bought.

11.13 Delivery Of Equivalent Securities

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

CHAPTER 12 : DOCUMENTS AND REGISTRATION

12.1 Documents When Defective

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

12.2 When Member Liable For Defective Securities

12.2.1 Original Selling Member

In respect of securities delivered in fulfillment of deals to which these Bye Laws and Regulations apply, the original selling member is the CM clearing member who is the first to deliver defective document to the Clearing House.

12.2.2 Original Selling Member When Liable

In respect of securities delivered in fulfillment of deals to which these Bye Laws and Regulations apply, the original selling member who receives payment against delivery of defective documents shall be personally responsible for them to the buyer to whom the same are delivered or any subsequent buyer provided one of the following conditions is fulfilled, namely:

- (a) the documents are lodged with the Company for registration at any time before (a) the date on which the Register of Members of the Company is closed following the date on which the documents are delivered by the Clearing House on the original selling member's behalf, or (b) twelve months from the date of presentation of the Share Transfer Form to the prescribed authority, whichever is later, and the buyer or any subsequent buyer gives intimation in writing to the original selling member as soon as it comes to his knowledge that the Company refuses to register the transfer on the ground that the documents are defective
- (b) the buyer or any subsequent buyer gives intimation in writing to the original selling member at any time before (a) the date on which the Register of Members of the Company is closed following the date on which the documents are delivered by the Clearing House on the original selling member's behalf, or (b) twelve months from the date of presentation of the Share Transfer Form to the prescribed authority, whichever is later and establishes to the satisfaction of the Dispute Resolution Committee (from

whose decision an appeal shall lie to the Committee on Settlement Issues) that the documents are defective.

12.2.3 Subsequent selling member when liable

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

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

12.3 Members When Not Liable

12.3.1 For Defective Documents

If the documents be not lodged within the prescribed period or if intimation in writing that the documents are defective be not given by the buyer to the original and subsequent selling members as provided in these Regulations, then except in the case of fraud or bad faith on their part, such selling members shall not be personally liable for the defective documents either to the buying members or to the constituents of the buying members and the liability of such selling members to the buyers as also the liability of the buying members to their constituents shall cease in all respects.

12.3.2 For Benefits

If the documents be not lodged at any time prior to the first record date or date of closure of the Transfer Books of the Company for the purpose of

interest, dividend, bonus, rights or any other benefit accruing to the shareholders or for the purpose of Annual General Meeting of the Company by the buyer, the original selling member shall not be personally liable to the either to the buying members or to the constituents of the buying members for the interest, dividend, bonus, rights or other benefit declared by the Company and for the income-tax deduction certificates, if any, in respect of the interest, dividend or cash bonus or for the equivalent in cash of the amount of income-tax, if any, deducted at source.

12.4 Liability In The Event Of Unforeseen Circumstances

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

12.5 Rights And Liabilities Of Buying And Selling Constituents

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

12.6 Liability Of Selling Constituents To Selling Members

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

12.7 Rectification Or Replacement Of Defective Documents

12.7.1 Procedures For Rectification/Replacement

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

12.7.2 Period for Rectification or Replacement

The selling member responsible for the defective documents shall within twenty one days from the date of such intimation remove the defect or in the alternative deliver to the Clearing House other regular, genuine, and valid documents in their place;

Provided however that the relevant authority may, in its discretion and subject to such conditions as it deems fit to impose from time to time,

enlarge the aforesaid period of twenty one days in special circumstances and in particular it may do so in the following manner :

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

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

12.7.3 Refund of moneys

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

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

When claiming the refund the buyer shall return to the selling member the defective documents if they have not been impounded and shall procure for the selling member and at the selling member's expense an irrevocable power of attorney executed by the transferee in favour of the selling member or his nominee entitling the selling member or his nominee to institute any suit or legal proceedings on behalf and in the

name of the transferee and to litigate the dispute and to have the objection to the title or documents cleared and to obtain the return of the documents in question if they have not been already returned to him and also to sign and execute all transfer deeds and other writings and do all such other acts and things as may be necessary for effectively transferring the documents to the selling member or his nominee if they be subsequently registered by the issuer of the security in the name of the transferee.

12.7.5 Rectification or replacement after refund

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

12.8 Responsibility Of Selling Member For Dividend, Bonus And Rights

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

12.9 Buying-In

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

12.10 Apportionment Of Loss And Damages

If the selling member responsible for the defective documents fails to refund the moneys and/or to hand over the interest, dividend, bonus, rights or other benefit declared by the Company and the income-tax deduction certificate, if any, or the equivalent in cash of amount of income-tax, if any, deducted at source and/or to pay the damages, if any, arising from buying-in as provided in these Regulations, he shall be liable to be declared a defaulter. In the event of the defective documents having passed through the Clearing House, the Clearing House shall assess such loss and damages pro-rata against the original contracting parties with

whom such defaulter had outstanding sale transactions in such securities as shown in his Clearing Forms. Each such party shall pay the amount of loss and damages to the buyer through the Clearing Bank on receipt of notice of the amount of such assessment. If a contracting party fails to pay his share of the pro-rata loss and damages, he shall be declared a defaulter and thereupon the procedure to be followed shall be the same as if he were the selling member who has been declared a defaulter. This procedure shall be repeated as many times as may be necessary in relation to each succeeding party in interest until the loss and damages are fully recovered.

12.11 Sale Not Conditional On Transfer

A sale of securities is not conditional on the Company transferring the securities to the name of the buyer. On the sale of securities, the only obligation on the seller is to tender documents that are not defective and he shall not be deemed to guarantee that the Company will transfer the securities to the name of the buyer nor shall he incur liability by reason of the refusal of the Company to do so.

12.12 Fresh Transfer On Refusal Of Company

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

12.13 Dispute After Registration

When a transfer has been accepted by the Company and the certificate or an official receipt in the form of a Transfer Receipt or Transmission Receipt or such other receipt in favour of the transferee has been issued by the Company, neither the buyer member nor the selling member shall be personally responsible to the buying constituent or the transferee for any subsequent dispute as to the title, ownership, genuineness, regularity and validity of the documents unless bad faith or fraud be proved against such member. But nothing herein contained shall affect the liability of the transferor or of the selling constituent who has received payment against delivery of securities in any action at law or in any other proceedings. The provisions herein shall apply only to the rights and obligations of members.

12.14 Penalty For Defective Documents

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

CHAPTER 13: CLEARING BANK

13.1 Clearing Corporation to Regulate

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

13.2 Functions Of Clearing Bank

The Clearing Corporation shall appoint a Clearing Bank(s) which shall act as an agent for funds settlement, for the collection of margin money for all deals entered into through the Clearing Corporation and any other funds movement between CM clearing members and the Clearing Corporation and between CM clearing member to CM clearing member as may be directed by the relevant authority from time to time.

13.3 CM Clearing Members To Have Account With The Clearing Bank

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

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

The Clearing Corporation shall instruct the Clearing Bank as to the debits and credits to be carried out for the funds settlement between CM clearing members. The Clearing Bank shall act as per the instructions received from the Clearing Corporation for the funds movement. Instructions of the Clearing Corporation as to debits and credits to a CM clearing member's accounts shall be deemed to be irrevocable and confirmed orders by a CM clearing member to debit his account and/or credit his account funds as specified in the instruction.

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

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

13.6 Members To Authorise Clearing Bank

CM clearing members shall authorise the Clearing Bank to access their clearing account for debiting and crediting their accounts as per the instructions received from the Clearing Corporation and to report balances and other credit information to the Clearing Corporation.

13.7 Clearing Account(s) of Clearing Corporation in the Clearing Bank

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

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

CHAPTER 14 : DEPOSITORY CLEARING SYSTEM

14.1 Clearing Corporation to Regulate

The relevant authority shall prescribe the process from time to time for the functioning and operations of the Depository Clearing System and to regulate the functioning and operations of the Depository Clearing System for the settlement of depository deals.

The relevant authority shall specify from time to time the processes, procedures, and operations that every CM clearing member shall be required to follow for the participation, functioning and operations of the Depository Clearing System.

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

14.2 Clearance By Members Only

CM clearing members only shall be entitled to clear and settle deals through the Depository Clearing System.

14.3 Functions of Depository Clearing System

14.3.1 Depository

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

14.3.2 Depository Participants

The Clearing Corporation may specify depository participants with whom CM clearing members shall be required to open and operate accounts for settlement of depository deals, for the collection of margins by way of securities for all deals entered into through the Clearing Corporation and for any other securities movement and transfer in a depository(ies) between CM clearing members and the Clearing Corporation and between CM clearing member to CM clearing member as may be directed by the relevant authority from time to time and for any other purpose as the relevant authority may specify from time to time.

14.3.3 Clearing and Other Accounts

The Clearing Corporation shall specify from time to time clearing and other accounts which CM clearing members shall be required to open and operate with depository(ies) and depository participants subject to such conditions as the relevant authority may prescribe from time to time.

14.4 Specified Depository

The following depositories are specified as under:

National Securities Depository Limited

National Securities Depository Limited which depository is hereinafter referred to as NSDL for the purposes of these Regulations. Central Depositories Services India Limited

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

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

14.5 CM Clearing Members To Have Accounts With A Depository Participant

Every CM clearing member shall have a clearing accounts in the specified depositories through any of the Depository Participants. CM clearing members shall operate the clearing account only for the purpose of settlement of depository deals entered through the Clearing Corporation, for the collection of margins by way of securities for deals entered into through the Clearing Corporation and for any other purpose as the relevant authority may specify from time to time. The CM clearing member shall not operate the clearing account for any other purpose.

14.6 Specified Depository To Act As Per The Instructions Of The Clearing Corporation

The Clearing Corporation shall instruct the Specified Depository as to the debits and credits to be carried out for the settlement of depository deals between CM clearing members. The Specified Depository shall act as per the instructions received from the Clearing Corporation, for effecting account transfers in respect of settlement of depository deals, in accordance with the standard operating procedure prescribed for direct pay-out cases. Instructions of the Clearing Corporation as to debits and credits to a CM clearing member's account or to credit his clients' accounts shall be deemed to be irrevocable and confirmed orders by a CM clearing member to debit his account and/or credit his account or to credit his clients' accounts, as the case maybe, as specified in the instruction.

14.7 Release of Intermediaries

If a CM clearing member delivers securities outside the Depository Clearing System except when so provided in these Regulations or so directed by the relevant authority, making and accepting such delivery shall release all intermediate parties from all liabilities. The deliverer shall alone remain responsible to the receiver.

14.8 Authority To Pledge

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

14.9 Selling-Out

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

14.10 Members To Authorise Depository Participants

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

14.11 Clearing Account(s) of Clearing Corporation with the Specified Depositories

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

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

14.12 Notices and directions

All CM clearing members shall comply with the instructions, resolutions, orders, notices, directions and decisions of the relevant authority in all matters connected with the operations of the Depository Clearing System.

14.13 Clearing Number Id And Clearing Forms

A clearing member shall be allotted an identification number as relevant to the specified depositories which must appear on all forms used by the clearing member connected with the operations of the Depository Clearing System.

14.14 Clearing Corporation to deliver Securities at discretion

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

14.15 Charges For Clearing

The relevant authority shall from time to time prescribe the scale of clearing charges for the clearance and settlement of transactions through the Depository Clearing System.

14.16 Clearing Corporation Bills

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

14.17 Liability Of The Clearing Corporation

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

No liability shall attach either to the Clearing Corporation or to the relevant authority or any member of the relevant authority by reason of anything done or omitted to be done by the Depository Clearing System in the course of its operations.

CHAPTER 15: CLEARING HOUSE

15.1 Regulation Of Clearing House

The relevant authority shall prescribe the process from time to time for the functioning and operations of the Clearing House and to regulate the functioning and operations of the Clearing House for the settlement of non depository deals. The Regulations relating to the Clearing House shall be deemed to form a part of any settlement process so provided.

15.2 Functions Of Clearing House

15.2.1 Clearing Corporation to maintain Clearing House

The Clearing Corporation shall maintain a Clearing House which shall function as per the instructions and supervision of the relevant authority or such other relevant authority as may be specified from time to time. The Clearing House shall act as the common agent of the CM clearing members and for delivering securities to and receiving securities from such members in connection with any of the deals and to do all things necessary or proper for carrying out the foregoing purposes.

15.2.2 Clearing House to deliver Securities at discretion

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

15.3 Release Of Intermediaries

If a CM clearing member delivers securities outside the Clearing House except when so provided in these Regulations or so directed by the relevant authority, making and accepting such delivery shall release all intermediate parties from all liabilities. The deliverer shall alone remain responsible to the receiver.

15.4 Authority To Pledge

The relevant authority shall have the right to borrow money against and pledge all or any part of the securities held by the Clearing House for the account of any member who fails to pay all or part of funds to be paid on the pay-in day.

15.5 Selling-Out

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

15.6 Clearing Assistants For The Clearing House

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

15.7 Attendance At Clearing House

A CM clearing member who has to give or take delivery of securities, transfer deed or any other documents or to make or accept payments shall either attend personally in the Clearing House or be represented by his clearing assistant at the proper time and no clearing member shall be entitled to demand delivery of securities, transfer deeds or any other documents outside the Clearing House unless other-wise permitted by the relevant authority.

15.8 Specimen Signatures

A CM clearing member shall file with the Clearing House specimens of his own signature and of the signatures of his Clearing Assistants. The specimen signature card shall be signed by the CM clearing member and his Authorised Representative in the presence of an officer of the Clearing Corporation or of the Clearing House.

15.9 Comparison With Specimen Signatures When Necessary

When handing over securities the Clearing House shall compare the signature appearing on the acknowledgment receipt with the specimen signature in its possession. In the case of any other Clearing Forms, the Clearing House may make such comparison in its entire discretion but it shall be under no obligation to do so nor shall it in any manner incur any liability by reason of having done or omitted to do so.

15.10 Clearing House Split And Balance Receipts

The Clearing House Split and Balance Receipts shall be in the form prescribed in the relative Regulation or in such other form or forms as the relevant authority may from time to time prescribe in addition thereto or in modification or substitution thereof.

CHAPTER 16 : PROVISIONS REGARDING CLEARING HOUSE

16.1 Clearance By Members Only

CM clearing members only shall be entitled to clear and settle deals through the Clearing House.

16.2 Notices And Directions

All CM clearing members shall comply with the instructions, resolutions, orders, notices, directions and decisions of the relevant authority in all matters connected with the operations of the Clearing House.

16.3 False Or Misleading Statements

The relevant authority may fine, suspend or expel a CM clearing member who makes any false or misleading statement in the Clearing Forms required to be submitted in conformity with these Regulations or any resolutions, orders, notices, directions and decisions of the relevant authority thereunder.

16.4 Charges For Clearing

The relevant authority shall from time to time prescribe the scale of clearing charges for the clearance and settlement of transactions through the Clearing House.

16.5 Clearing House Bills

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

16.6 Liability Of The Clearing House

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

16.7 Liability Of The Clearing Corporation

No liability shall attach either to the Clearing Corporation or to the relevant authority or any member of the relevant authority by reason of anything done or omitted to be done by the Clearing House in the course of its operations nor shall the Clearing Corporation or the relevant authority or any member of the relevant authority be liable to answer in any way for the title, ownership, genuineness, regularity or validity of any securities, transfer deeds or any other documents passing through the Clearing House nor shall any liability attach to the Clearing

Corporation, the relevant authority or any Member of the relevant authority in any way in respect of such securities, transfer deeds and any other documents.

CHAPTER 17 : PROVISIONS RELATING TO SUB-DIVISION, SPLIT RECEIPTS AND CERTIFIED TRANSFER DEEDS

17.1 Securities Specifically Designated

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

17.2 Sub-Division

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

17.3 Clearing House Split Receipts

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

17.4 Title To Clearing House Split Receipts

Title to the Clearing House Split Receipts is transferable with the same effect as in the case of original certificates or provisional documents.

17.5 Exchange Of Clearing House Split Receipts

The Clearing House shall deliver the new certificates or provisional documents or split receipt or certified transfer deeds issued by the Company on presentation and surrender of the Clearing House Split Receipts duly discharged by the clearing members to whom they have been issued.

17.6 Procedure To Be Prescribed By The Relevant Authority

The relevant authority shall from time to time prescribe the fees to be paid and the procedure to be followed for sub-division of documents, certification of transfer deeds and issue of Clearing House Split Receipts.

17.7 No Responsibility In Regard To Sub-Division And Certification

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

CHAPTER 18: CLEARING AND OTHER FORMS

18.1 Clearing Forms, Special Returns And Other Forms

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

18.2 Clearing Number And Clearing Forms

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

The Clearing Forms and Formats to be used by the clearing members shall be as prescribed by the Clearing House and Depository Clearing System and unless otherwise permitted, no other form or format shall be used.

18.3 Signing of Clearing Forms

All Clearing Forms shall be signed by the CM clearing member or his clearing assistant.

18.4 False Or Misleading Statements

The relevant authority may fine, suspend or expel a CM clearing member who makes any false or misleading statement in the Clearing Forms required to be submitted in conformity with these Regulations or any resolutions, orders, notices, directions and decisions of the relevant authority thereunder.

CHAPTER 19 : CONDUCT OF BUSINESS BY CLEARING MEMBERS

19.1 Office Related Procedure

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

19.2 Supervision

19.2.1 Procedures to be followed

- (a) Each CM clearing member shall establish, maintain, and enforce procedures to supervise its business and to supervise the activities of its employees that are reasonably designed to achieve compliance with the Clearing Corporation Bye Laws, Rules and Regulations and any notifications, directions etc. issued thereunder as well as the relevant statutory acts.
- (b) The CM clearing member shall maintain an internal record of the names of all persons who are designated as supervisory personnel and the dates for which such designation is or was effective. Such record shall be preserved by the CM clearing member for a period of not less than three years.
- (c) Every CM clearing member shall specifically authorise in writing person or persons, who may be authorised to transact on behalf of the clearing member and to do such acts which clearing member may wish to delegate to such person, and make available a copy of such power of attorney to the Clearing Corporation before such person transacts any business on the Clearing Corporation.
- (d) A CM clearing member shall maintain such records and make available to inspection by any person authorised in this behalf by the Clearing Corporation, the information related to such Clearing

member's financial condition as prescribed by the Clearing Corporation for this purpose.

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

19.2.2 Internal inspections

Each CM clearing member shall conduct a review, at least annually, of the business in which it engages, which shall be reasonably designed to assist in detecting and preventing violations of and achieving compliance with Bye Laws, Rules and Regulations.

19.2.3 Written Approval

Each CM clearing member shall establish procedures for the review and endorsement by an appropriate senior officer in writing, on an internal record, of all transactions and all correspondence of its employees pertaining to the solicitation of any securities transaction.

19.3 Relation With The Constituents

19.3.1 When establishing a relationship with a new client, CM clearing members must take reasonable steps to assess the background, genuineness, financial soundness of such person, and his objectives.

19.3.2 CM clearing member shall make the constituent aware of the precise nature of the clearing member's liability for business to be conducted, including any limitations on that liability and the capacity in which the clearing member acts and the constituents liability thereon.

19.3.3 The CM clearing member shall provide extracts of relevant provisions governing the rights and obligations of constituents as constituents of clearing members as prescribed in the Bye Laws, Rules and Regulations, relevant manuals, notifications, circulars any additions or amendments thereto, etc. of the Clearing Corporation, or of any regulatory authority, to the extent it governs the relationship between clearing members and constituents, to the constituents at no extra cost. The clearing member shall also bring to the notice of his constituents, any indictments, penalties, etc. imposed on him by the Clearing Corporation or any other regulatory authority.

19.4 Recommendations To The Constituents

19.4.1 A CM clearing member shall make adequate disclosures of relevant material information in its dealing with his constituents.

19.4.2 No CM clearing member or person associated with the clearing member shall guarantee a constituent against a loss in any securities transactions effected by the clearing member with or for such constituent.

CHAPTER 20 : CODE OF CONDUCT FOR CLEARING MEMBERS

20.1 General Principles

20.1.1 Professionalism

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

20.1.2 Adherence To Clearing Practices

CM clearing members shall adhere to the Rules, Regulations and Bye Laws of the Clearing Corporation and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the relevant authority as may be applicable from time to time.

20.1.3. Honesty And Fairness

In conducting his business activities, a CM clearing member shall act honestly and fairly, in the best interests of his constituents.

20.2 Settlement Principles

20.2.1 CM clearing members shall ensure that the fiduciary and other obligations imposed on them and their staff by the various statutory acts, Rules and Regulations are complied with.

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

20.2.3 When entering into transactions on behalf of constituents, the CM clearing members shall ensure that they abide by the Code of Conduct and regulations as enumerated in the current chapter of these regulations.

20.2.4 No CM clearing member or person associated with a CM clearing member shall make improper use of constituents securities or funds.

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

20.2.6 No CM clearing member shall exercise any discretionary power in a client's account unless such client has given prior written authorisation to a stated individual or individuals and the account has been accepted by the clearing member, as evidenced in writing by the clearing member.

20.3 General Guidelines

A CM clearing member shall desist from the following practices while conducting business on the Clearing Corporation:–

20.3.1 Shielding Or Assisting

No CM clearing member shall shield or assist or omit to report any clearing member whom he has known to have committed a breach or evasion of any Rules, Bye Laws or Regulations of the Clearing Corporation or of any resolution, order, notice or direction thereunder of the Governing Board or the Managing Director or of any committee or Officer of the Clearing Corporation authorised in that behalf.

20.3.2 Use Of Information Obtained In Fiduciary Capacity

A CM clearing member who in the capacity of paying agent, transfer agent, trustee, or in any other similar capacity, has received information as to the ownership of securities, shall under no circumstances make use of such information for the purpose of soliciting business except at the request and on behalf of the issuer.

CHAPTER 21: RECORDS, ANNUAL ACCOUNTS & AUDIT

21.1 Records

21.1.1 Every CM clearing member shall comply with all relevant statutory acts, including Securities Contracts (Regulation) Act, 1956 and Rules thereunder of 1957, and Securities Exchange Board of India Act, 1992 and Rules, Regulations and guidelines thereunder, and the requirements of and under any notifications, directives and guidelines issued by the Central Government and any statutory body or local authority or any body or authority acting under the authority or direction of the Central Government relating to maintenance of accounts and records.

21.1.2 In additions to the requirements as per regulation above, every CM clearing member shall comply with the following requirements and such other requirements as the Clearing Corporation may from time to time notify on this behalf relating to books of accounts, records and documents in respect of his membership to the relevant clearing segment of the Clearing Corporation.

21.1.3 Every CM clearing member of the Clearing Corporation shall maintain the following records relating to its business for a period of five years:—

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

21.1.4 Every CM clearing member shall keep such records and books of accounts, as may be necessary, to distinguish client's securities from its own securities. Such records for client's securities shall inter-alia, provide for the following :—

- (a) securities fully paid for, pending delivery to clients;
- (b) securities received for transfer or sent for transfer by the clearing member, in the name of client or his nominee(s) in respect of non depository deals;

- (c) securities that are fully paid for and are held in custody by the clearing member as security / margin, etc. Proper authorisation from client for the same shall be obtained by clearing member;
- (d) duly paid for client's securities registered in the name of clearing member, if any, towards margin requirements, etc.
- (e) instructions from CM Clearing Members to Depository Participants to effect accounts transfers;
- (f) such other records as the relevant authority may prescribe from time to time.

21.1.5 Every CM clearing member shall keep such books of accounts, as will be necessary, to show and distinguish, in connection with his business as a clearing member :-

- (a) The moneys received from or on account of and moneys paid to or on account of each of his clients and,
- (b) The moneys received and the moneys paid on clearing member's own account.
- (c) It shall be compulsory for all clearing members to keep the money of the clients in a separate account and their own money in a separate account. No payment for transaction in which the clearing member is taking a position as a principal will be allowed to be made from the client's account.

21.1.6 Notwithstanding anything contained hereinabove, every CM clearing member shall preserve the originals of the documents, copies of which have been collected by enforcement agencies like the CBI, Police, Crime Branch, etc., during the course of their investigation till the trial is completed.

21.2 Transfers To And From Client Accounts

The transfer from client's account to clearing member's account shall be allowed under circumstances provided herein in the relative Regulations.

21.2.1 Obligation To Pay Money Into Clients Account

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

21.2.2 Moneys To Be Paid Into Clients Account

No money shall be paid into clients account other than –

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

21.2.3 Moneys To Be Withdrawn From Clients Account

No money shall be drawn from clients account other than –

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

21.3 Right To Lien, Set-Off Not Affected

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

21.4 Record Maintenance

21.4.1 Every CM clearing member shall maintain permanently copies of agreements executed with each of its constituent in accordance with the Clearing Corporation requirements.

21.4.2 Every CM clearing member shall maintain permanently copies of agreements executed with each of the settling agencies or banks.

21.4.3 Every CM clearing member shall maintain originals of all communications received and copies of all communications sent by such clearing member (including inter-office memo and communications) relating to its business as such.

21.4.4 Every CM clearing member shall maintain all guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account and copies of resolutions empowering an agent to act on behalf of a clearing member.

- 21.4.5** Every CM clearing member shall maintain all written agreements (or copies thereof) entered into by that clearing member relating to its business as such, including agreements with respect to any account.
- 21.4.6** Every CM clearing member shall preserve, for a period of not less than six years after the closing of any constituent's account, any records which relate to the terms and conditions with respect to the opening and maintenance of such account, date of entering into agreement with the constituent, date of modification thereof, date of termination and representatives of such constituent who signed in each case.
- 21.4.7** A CM clearing member shall intimate to the Clearing Corporation the place where these records are kept and available for audit/inspection.
- 21.4.8** The above requirements relating to maintenance of records shall apply not only to records of the CM clearing member's principal office but also to those of any branch office and to any nominee company owned or controlled by a CM clearing member for the purpose of conducting the business of the clearing member.
- 21.4.9** Each CM clearing member shall keep and preserve a record of all written complaints of its constituents showing the reference number of constituent, date, constituent's name, particulars of the complaints, action taken by the clearing member and if the matter is referred to arbitration to the Clearing Corporation then the particulars thereof.
- 21.4.10** Every CM clearing member shall maintain details of securities which are the property of a CM clearing member showing with whom they are deposited and if held otherwise than by the member, whether they have been lodged as collateral security for loans or advances.
- 21.5 Annual Accounts And Audit**
- 21.5.1** Each CM clearing member shall prepare annual accounts for each financial year ending on 31st March or such other date as advised to the Clearing Corporation.
- 21.5.2** The Assets and Liabilities of the CM clearing member's business shall be brought into account in the balance sheet at such amounts and shall be classified and described therein in such manner that the balance sheet gives a true and fair view of the state of affairs of such business as at the date to which it is made up.
- 21.5.3** Each CM clearing member shall furnish to the Clearing Corporation, its audited financial statement and such report shall be furnished not later than six months after the end of the clearing member's financial year; provided that when the Clearing Corporation is satisfied that circumstances warrant an extension of time is necessary to furnish such report, it may grant an extension of such time as it may deem fit.
- 21.5.4** Each CM Clearing Member shall get the complete internal audit done on a half yearly basis by an independent qualified Chartered Accountant,

Company Secretary or Cost and Management Accountant, who is in practice and does not have any conflict of interest and submit the report within such time and in such format as may be prescribed by the Clearing Corporation from time to time.

CHAPTER 22 : INSPECTION

22.1 Inspection Authority

- 22.1.1** Where it appears to the Clearing Corporation so to do, it may appoint one or more persons as inspecting authority to undertake inspection of books of accounts, other records and documents of the CM clearing members including for any of the purposes specified in the relative Regulation.
- 22.1.2** The Inspecting authority appointed by the Clearing Corporation may be either its own officials or outside professionals.
- 22.1.3** When the Clearing Corporation appoints outside professionals as an inspecting authority, it shall notify the CM clearing member the names and addresses of the professionals or firms so appointed as an inspecting authority at the time of inspection.
- 22.1.4** When outside professionals are appointed as an inspecting authority in respect of a CM clearing member and such professionals are already related in any other capacity with the CM clearing member, then such member shall forthwith inform the Clearing Corporation of such relationship.
- 22.1.5** Where after appointment of any outside professional as an inspecting authority in respect of a CM clearing member, the clearing member or any of its associates engages the inspecting authority for its services in any other capacity, the inspecting authority shall not engage itself in such other professional capacity with the clearing member or any of its associates without prior consent of the Clearing Corporation.

22.2 Reasons For Inspection

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

- (a) to ensure that the books of accounts and other books are being maintained in the manner required;
- (b) to ensure that the provisions of SEBI Act, Rules and Regulations thereunder are being complied with;
- (c) to ensure that provisions of the Securities Contracts (Regulation) Act and the Rules made thereunder are being complied with;
- (d) to ensure that various provisions of the Clearing Corporation's Bye Laws, Rules and Regulations and any directions or instructions issued thereunder are being complied with;
- (e) to investigate into the complaints received from investors, other members of the Clearing Corporation or any other person on any matter having a bearing on the activities of the clearing member;

- (f) to investigate suo-moto, for any reason where circumstances so warrant an inspection into the affairs of the clearing member in public interest;
- (g) to examine whether any notices, circulars, instructions or orders issued by the Clearing Corporation from time to time relating to trading and other activities of clearing members are being complied with;
- (h) to comply with any of the directives issued in this behalf by any regulating authority including Government of India.

22.3 Notice

Before undertaking any inspection as above, the Clearing Corporation shall give a reasonable notice to the clearing member for that purpose.

Notwithstanding anything contained above, where the Clearing Corporation is of the opinion that no such notice should be given, it may direct in writing that the inspection of the affairs of the CM clearing member be taken up without such notice.

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

22.4 Obligations Of A CM Clearing Member On Inspection

22.4.1 It shall be the duty of every director, officer and employee of the CM clearing member, who is being inspected, to produce to the inspecting authority such books, accounts and other documents in his custody or control or arrange to produce where such books, accounts and other documents when they are in any other person's custody or control and furnish him such statements and information within such time as the said inspecting authority may require.

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

22.4.3 The inspecting authority, in the course of inspection shall be entitled to examine or record statements of any member, director, officer and employee of the CM clearing member or of any associate of such clearing member.

22.4.4 It shall be the duty of every director, officer and employee of the CM clearing member or where an associate is examined, such associate to give to the inspecting authority all assistance in connection with the

inspection which the clearing member may be reasonably expected to give.

- 22.4.5** The inspecting authority shall be entitled to examine the records relating to the CM clearing member's financial affairs held with its bankers or any other agency which the inspecting authority may find it relevant.
- 22.4.6** The inspecting authority shall have access to accounts and other records relating to the CM clearing member or such access as authorised by the Clearing Corporation to accounts and other records relating to any associate of the clearing member as are within the power of the clearing member to provide.
- 22.5 Submission Of Report**
- 22.5.1** The inspecting authority shall, as soon as possible submit an inspection report to the Clearing Corporation.
- 22.5.2** All documents, papers, returns or their copies submitted to the inspecting authority may be retained by it on behalf of the Clearing Corporation. It shall maintain complete confidentiality thereof and no disclosure of any information contained therein shall be made to any person, firm, company or authority unless required by any law for the time being in force and without approval of the Clearing Corporation in this regard.
- 22.5.3** The Clearing Corporation shall after consideration of the inspection report communicate the findings to the clearing member to give him an opportunity of being heard before any action is taken by the Clearing Corporation on the findings of the inspecting authority.
- 22.5.4** On receipt of the explanation, if any, from the clearing member, the Clearing Corporation may call upon clearing member to take such measures as the Clearing Corporation may deem fit in public interest.
- 22.5.5** Notwithstanding anything contained as above, where the Clearing Corporation is of the opinion that no such hearing should be provided in certain circumstances, it may take action forthwith without giving an opportunity of being heard.

CHAPTER 23: PROVISIONS RELATING TO ASSAYING AGENCIES

23.1 Norms for Assaying Agencies

- a. The Clearing Corporation shall prescribe the norms and procedures for empanelment/accreditation of assaying agencies for testing the purity of gold underlying the EGRs.
- b. The complaints pertaining to the purity of gold (deposited by accredited refinery) shall be taken up by the beneficial owner (Constituent) of the EGR, with the accredited assayer, empanelled with the Clearing Corporation.

23.2 Assaying Charges

- a. All the expenses related to assaying, such as transportation and assaying charges shall be incurred by the beneficial owner on whose request/complaint, the assaying is done.
- b. The charges of the assaying agency shall be in conformity with the charges, if any, prescribed by SEBI in this regard