RULES OF MULTI COMMODITY EXCHANGE CLEARING CORPORATION LIMITED
(Amended as September 21, 2019)

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MULTI COMMODITY EXCHANGE CLEARING CORPORATION LIMITED
Mumbai

The Securities and Exchange Board of India (SEBI), in exercise of its powers under Section 4 of the Securities Contracts (Regulation) Act, 1956, has vide its letter no. SEBI/HO/CDMRD/DEA/OW/P/2017/021860/1 dated September 12, 2017, approved the Rules of Multi Commodity Exchange Clearing Corporation Limited (MCXCCL Rules) as proposed by the Multi Commodity Exchange Clearing Corporation (hereinafter referred to as "the Clearing Corporation" or "MCXCCL") vide its letter no. MCXCCL/2017/NA/SEBI-02/001 dated May 25, 2017. The Rules of the Clearing Corporation as approved by SEBI are as under and these Rules have been made effective from August 01, 2018.

RULES OF THE MULTI COMMODITY EXCHANGE CLEARING CORPORATION LIMITED

In exercise of the powers conferred under Section 4 of the Securities Contracts (Regulation) Act, 1956, the provisions of Securities Contracts (Regulation) Rules 1957 and with the previous approval of the Securities and Exchange Board of India, the Multi Commodity Exchange Clearing Corporation Limited makes the following Rules:

1. PREAMBLE

1.1 These Rules shall be known as "The Rules of Multi Commodity Exchange Clearing Corporation Limited" and shall herein after be referred to as "[these Rules][15]" or the "Rules of the Clearing Corporation."

1.2 These Rules shall come into force with effect from such date as the Securities and Exchange Board of India (hereinafter referred to as "SEBI") established under Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act") or the Board of Multi Commodity Exchange Clearing Corporation Ltd, (hereinafter referred to as "the Clearing Corporation") may notify in that behalf.

1.3 Other Laws Applicable
These Rules shall be in addition and subject to the provisions of the Securities Contracts (Regulation) Act, 1956, (hereinafter referred to as "the SCRA") as may be amended from time to time and Rules and Regulations made thereunder and SEBI Act and Rules and Regulations made thereunder and the directives, orders, guidelines, norms, notices and circulars issued by the Government of India and/or SEBI from time to time.

[1] Inserted by MCXCCL Rules amendments approved by SEBI letter no. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23,2019

2. DEFINITIONS and INTERPRETATION

2.1 Definition

2.1.1 **"Applicant"** means and includes any person or entity that submits an application for admission as a Clearing Member to one or more of the Clearing Segments in terms of these Rules, the Bye-laws and the Regulations of the Clearing Corporation.

2.1.2 **"Arbitration"** as a form of alternative dispute resolution (ADR), is a technique for the resolution of disputes outside the courts and the process as codified in [the Bye-laws][4] and the Regulations are mandated to be utilised for appropriate and swift resolution of disputes arising between Clearing Members inter-se and Clearing Members and their Clients/ Constituents.

2.1.3 **"Articles"** means the Articles of Association of Multi Commodity Exchange Clearing Corporation Limited and includes any modification or alteration thereof for the time being in force.

2.1.3.A [**"Bye laws"** mean the bye-laws of the Clearing Corporation for the time being in force and any amendments made thereon from time to time.][2]

2.1.4 **"Board"** means the Board of Directors of Multi-Commodity Exchange Clearing Corporation Ltd.

2.1.5 **"Circular** or **Notice"** means informational notifications or a binding communication issued from time to time by the Clearing Corporation to its Member(s) and the Market in general and transmitted by fax, e-mail or any other mode and manner which the Clearing Corporation may deem appropriate, including publication through the website and titled "Circular" or "Notice" accordingly.

2.1.6 **"Clearing"** means and includes the process of determining rights and obligations towards settling claims of one Clearing Member against the claims of another through the processes of the Clearing Corporation. The process of clearing is similar to bookkeeping, where the Clearing Corporation updates the relevant and respective databases by matching the buyer and seller of the Deal/transaction thereby confirming the obligations of one of the parties and the rights of the other.

2.1.7 **"Clearing Agreement"** means a binding agreement entered into between a Clearing Member and it's Constituent to handle and carry out all the Clearing and Settlement functions relating to Securities traded by the said Constituent on the Trading Platform of the said Exchange.

2.1.8 **"Clearing and Settlement Account"** means a bank account maintained by the Clearing Member with one of the designated or approved Clearing Banks and accordingly notified to the Clearing Corporation, from which all fund obligations owed to the Clearing Corporation

[4] Inserted by MCXCCL Rules amendments approved by SEBI letter no. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23,2019

by a Member or due to a Member by the Clearing Corporation with respect to the Deals of the Member or its Clients or Constituents on the trading floor of the Concerned Exchange, will be made or received.

2.1.9 **"Clearing Bank(s)"** are such bank(s) as the Clearing Corporation may appoint to act as a funds settling agency, for the collection of margin money for all deals cleared through the Clearing Corporation and any other funds movement between Clearing Members and the Clearing Corporation and between Clearing Members inter-se as may be directed by the Clearing Corporation from time to time.

2.1.10 **"Clearing Corporation"** means the Multi-Commodity Exchange Clearing Corporation Ltd

2.1.11 **"Clearing Member"** means a Clearing Member as defined under section 2(ae) of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.

2.1.12 **"Clearing Segments"** means and includes the different categories of Securities, within a Market Segment type, that the Concerned Exchanges make available to their respective Trading Members for Dealing on their Trading Platforms and has been agreed to by the Clearing Corporation for being admitted to its Clearing and Settlement mechanisms in terms of [the Bye-Laws][5] and categorized appropriately.

2.1.13 **"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 Concerned Exchange.

Explanation 1: The terms 'Constituent' and 'Client' are interchangeably used in the Bye-Laws, Rules & Regulations and shall have the same meaning as assigned herein.

Explanation 2: Where the context requires, the term 'Constituent' in relation to trades shall also include a Trading Member where such trades including proprietary trades, done on the Concerned Exchange, are cleared and settled on his behalf by the Clearing Member.

2.1.14 **"Close-out** or **Closing out** or **Square off"** means the cancellation of an outstanding open position in one direction with an equal and opposite position.

2.1.15 **"Committee"** means a group or body of persons appointed by the Board or the Relevant Authority to undertake tasks or responsibilities specified by the Board or the Relevant Authority or the managing Director as the case may be and/or mandated under [the Bye-Laws][6].

2.1.16 **"Concerned Exchange"** means any Stock Exchange including commodity and/or currency derivatives exchanges duly recognized under SCRA which has entered into an arrangement with the Clearing Corporation for carrying out all operational procedures and regulatory functions in the matter of Clearing and Settlement of the Deals executed on its trading platform between its Trading members so as to complete the fulfilment of the funds pay-in, Securities delivery and the related pay-out obligations concerning such Deals.

2.1.17 **"Contract"** means a contract for or relating to the purchase or sale of Securities;

2.1.18 **"Custodian"** means a Custodian as defined under section 2(d) of Securities and Exchange

[5] Inserted by MCXCCL Rules amendments approved by SEBI letter no. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23,2019

[6] Inserted by MCXCCL Rules amendments approved by SEBI letter no. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23,2019

Board of India (Custodian of Securities) Regulations, 1996

2.1.19 **"Deal** or a **Trade"** means an electronic transaction that arises pursuant to a buy order and sell orders placed at identical prices and specific and acceptable quantities by the Trading Members of the Exchange in respect of an approved Security or Contract and matching on the trading platform of an Exchange that gives rise to obligations to the buyer and seller in terms of the Byelaws, Rules and Regulations of the Concerned Exchange the Bye-laws, these Rules and Regulations of the Clearing Corporation.

2.1.20 **"Declaration of default"** means notification of a clearing member as a defaulter by the relevant authority.

2.1.21 **"Default"** means failure of a Clearing Member to perform a task or fulfill an obligation and has the same meaning as the term "Event of Default" defined in the Bye-Laws.

2.1.22 **"Defaulter"** means a Clearing Member who has been declared to be a Defaulter in accordance with the Bye-Laws and the Rules of the Clearing Corporation.

2.1.23 **"Delivery"** means the tender and receipt of warehouse receipts/ or any other document of title to goods by issue of delivery order in settlement of a contract

2.1.24 **"Depository"** means a company formed and registered under the Companies Act, 1956 (1 of 1956), and which has been granted a certificate of registration under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992).

2.1.25 **"Event of Default"** means any event that may lead to clearing member being declared defaulter by the relevant authority.

2.1.26 **"Exchange"** means a stock exchange which is for the time being recognized by the Central Government/ SEBI under section 4 of SCRA.

2.1.27 **"Exchange Member** or **Trading Member"** means an entity admitted as to the Membership of the Concerned Exchange for trading of Securities or contracts that are permitted to be dealt on the Exchange and shall not mean and include a shareholder of the said Stock Exchange Company unless expressly stated. Membership of the Exchange in this context shall not mean or require or entitle shareholding in the Stock Exchange Company.

2.1.28 **"Exchange Rules** or **Rules of the Exchange"** means the Rules of the Concerned Exchange by whatever name it may be titled which is in force and as may be amended from time to time and include the Bye-Laws and Regulations/ Business Rules of such Exchange.

2.1.29 **"Exercise"** means the invocation of a right in an option contract, in accordance with and subject to these Bye-laws, Rules and Regulations of Exchange or Clearing Corporation, by the right holder.

2.1.30 **"Margin"** means a deposit or payment of Collateral(s) to establish or maintain a position in a Security and includes among others Initial Margin, Additional Margin, Variation Margin, Tender Period Margin, Special Margin, Delivery Margin, Extreme loss margin or any other type of Margin as may be applicable and determined by Exchange and /or the Clearing Corporation from time to time.

2.1.31 **"Membership"** means the state of belonging to or being a part of a group of Members of the Clearing Corporation by virtue of being admitted as a Member in terms of these Rules and the Bye-laws of the Clearing Corporation.

2.1.32 **"Net Capital"** means the Net worth of a Member less deduction for assets not easily

converted into cash at their full value.

2.1.33 **"Net worth"** means the total assets of a Member minus its total outside or the assets owned by a Member minus any debt owed.

2.1.34 **"Relevant Authority"** means the Board or such other authority as specified by the Board from time to time as relevant for a specified purpose.

2.1.35 **"Regulations"** mean and include all the operational principles, and parameters designed to govern and control the Clearing and Settlement processes and the management and conduct of the Clearing Corporation that are to be followed by management of the Clearing Corporation, all the participants and the Clearing Members.

2.1.36 **"Rules"** Unless the context indicates otherwise, Rules' means the Rules of Clearing Corporation for the time being in force.

2.1.37 **"SCRA"** is the abbreviation for Securities Contracts (Regulation) Act 1956.

2.1.38 **"SCRR"** is the abbreviation for Securities Contracts (Regulation) Rules 1957.

2.1.39 **"SEBI"** is the abbreviation for Securities and Exchange Board of India.

2.1.40 **"SECC"** is the abbreviation for Securities Contracts (Regulation) (Stock Exchange and Clearing Corporations) Regulations, [2018][33].

2.1.41 **"Securities"** means 'securities' as defined under section 2(h) of SCRA.

2.1.42 **"Settlement Guarantee Fund"** means a fund established and maintained by the Clearing Corporation in accordance with [the Bye-Laws][7].

2.1.43 **"Transactions** or **Deal** or **Trading** and to **Trade"** and such similar expressions for the purposes of the Bye-Laws shall mean Deals as defined in [the Bye-Laws][8] and also refer to Securities transactions that are to be Cleared and Settled through the Clearing Corporation.

2.1.44 **"Warehouse"** means and includes any place of storage, godown, tank, silos, store house, vault etc. where the commodities are capable of being received and stored.

2.2 Interpretation

2.2.1 Unless the contrary intention is provided for:
(a) a reference to any gender includes the other.
(b) words in these Rules in the singular include the plural and words in the plural include the singular.
(c) a reference to a 'time' is reference to a time as in India unless specified otherwise.

[3] Inserted by MCXCCL Rules amendments approved by SEBI letter no. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23,2019

[7] Inserted by MCXCCL Rules amendments approved by SEBI letter no. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23,2019

[8] Inserted by MCXCCL Rules amendments approved by SEBI letter no. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23,2019

(d) where a reference is made in these Rules to any provisions of SCRA or SCRR or the SEBI Act or any other provisions in Law or statute, it is a reference to the said provision as amended from time to time.
(e) where a reference is made in these Rules to a statutory provision, it refers to the laws of India.
(f) a reference to any legislation or law or to any provision thereof shall include references to any such law as it may, after the date hereof, from time to time, be amended, supplemented or re-enacted and any reference to any enactment shall include any subordinate legislation made thereunder from time to time.

2.2.2 Headings are for convenience only and shall not affect the interpretation of these Rules.

2.2.3 Subject to these Rules, the decision of the Clearing Corporation shall be final in relation to the interpretation of these Rules against a Clearing Member, any of their affiliated clients (who are Members of the Concerned Exchanges), Clearing Banks, Warehousing entities, Warehouse Service Providers, depositories, vaults or any third party involved in rendering relevant services and the Concerned Exchanges.

2.2.4 In these Rules, reference to knowledge of a Clearing Member shall include reference to the knowledge of a Director, Controller, shareholder, officer, employee or representative or agent of that Clearing Member or entity or agency as the case may be.

2.2.5 The words and terms defined above shall mean the same when used in lower case in these Rules, unless the context indicates otherwise.

2.2.6 Words and expression s used in these Rules but not defined herein shall have the same meaning assigned to them under the relevant Acts and Rules or Regulations made thereunder as the case may be.

2.2.7 These Rules shall be interpreted in a harmonious manner with a view to complying with the requirements of the Relevant Acts and the Bye-laws & Regulations made thereunder , to effectuate the purposes and businesses of the Clearing Corporation and to ensure that all practices in connection with the business of the Clearing Corporation as well as the functions of Clearing and Settlement process of Deals executed on the Concerned Exchanges are conducted in a fair, just, reasonable manner in order to maintain the integrity of the markets, protect the investors trading on the Concerned Exchanges, the Clearing Members of the Clearing Corporation as well as the Concerned Exchange on whose behalf the Clearing and Settlement functions are being carried out.

3. APPLICATION OF RULES

3.1 These Rules shall govern the Clearing, Settlement of Deals / Contracts and delivery of the Securities traded on the Concerned Exchange(s) that mandate the Clearing Corporation to extend its Clearing and Settlement infrastructure and facilities for Clearing and Settlement of the Deals / Contracts that are executed on the trading platform of such exchanges.

3.2 These Rules shall also apply to all types of Market Segments of the Concerned Exchange(s) unless the context requires otherwise or unless otherwise specified by the Concerned Exchanges or the Clearing Corporation from time to time.

3.3 These Rules shall also apply to:

a. all Clearing Members of the Clearing Corporation and their Authorised Users where applicable;

b. the Clearing Members of the Clearing Corporation inter-se;

c. the Members of the Concerned Exchange who arrange to get themselves affiliated to the Clearing Members of the Clearing Corporation where such exchange has entered into a binding arrangement with the Clearing Corporation to Clear and Settle the Deals that are executed by such Members on the trading platform of such exchange;

d. the Concerned Exchanges that enter into a binding arrangement or agreement with the Clearing Corporation for facilitating the Clearing and Settlement functions along with all associated and

related functions in relation with the Deals / contracts executed on the trading platform of such exchanges;

e. such other persons or entities including among others one or more Warehouse Service Providers, warehousing entities, depositories and/ or secured vaults, Clearing Banks, Custodians and such other agencies who render appropriate services of the Clearing Corporation and fulfilment of the settlement of the Deals executed on the trading platform of the Concerned Exchanges by its members; and

f. any other entity or agency as the Relevant Authority may specify or notify from time to time, These Rules shall be subject to the provisions of the Securities Laws.

3.4 Unless specifically exempted, these Rules shall apply to all or any of the Clearing Segments that are operative on or handled by the Clearing Corporation and as may be specified by the Clearing Corporation from time to time.

3.5 Unless otherwise provided under these Rules, a third party has no rights to enforce any provisions of these Rules, Bye-Laws or any Regulations framed thereunder.

4. BOARD AND MANAGEMENT OF THE CLEARING CORPORATION

4.1 Subject to the provisions of the Securities Laws and in accordance with the provisions contained in the Articles and Memorandum of Association of the Multi Commodity Exchange Clearing Corporation Ltd, the Board of Directors shall have:

4.1.1 complete and absolute jurisdiction over all matters of the Clearing Corporation and all Clearing Members and shall have supervisory jurisdiction over any and all subjects and matters referred to any Committee or employee(s) of the Clearing Corporation and may direct and control their actions or proceedings at any stage thereof.

4.1.2 absolute power and right to interpret the Rules, Bye-Laws and Regulations of the Clearing Corporation and to decide all points, questions and disputes relating to the Clearing Corporation matters and relating to the administration, functions, working and affairs of the Clearing Corporation and relating to the conduct of Clearing Members.

4.1.3 Any interpretation made or decision taken by the Board of Directors shall be final and conclusive and binding on the parties concerned without prejudice to the powers of the Board of Directors to review, revise, rescind or clarify the same.

4.2 The Board is empowered to:

4.2.1 organise, maintain, control, manage, regulate and facilitate the operations of the Clearing Segments of the Clearing Corporation in respect of the Securities and Contracts dealt with on the trading platform of the Concerned Exchanges, the Clearing and Settlement processes and mechanisms and the functioning of the Clearing Members

4.2.2 make Rules, for all or any matters relating to the conduct of business of the different

Clearing Segments and Sub-Segments if any, of the Clearing Corporation, the business and transactions of Clearing Members, between Clearing Members inter-se as well as the business and where applicable, transactions between Clearing Members and persons who are not Clearing Members from time to time, and

4.2.3 control, define and regulate all such transactions and dealings and to do such acts and things which are necessary for the purposes of the different Clearing Segments of the Clearing Corporation.

4.3 Without prejudice to the generality of the foregoing, the Board is empowered to make Regulations for all or any of the following matters:

a. conduct of business of the different Clearing segments of the Clearing Corporation;
b. appointment and dissolution of Committee or Committees for any purpose of the Clearing Corporation;
c. manner of operations and interfacing with the Concerned Exchanges, Custodians, Depository, Warehouses and Warehouse Service Providers, Clearing bank(s) and such other service providers that the Clearing Corporation may appoint or deal with for the purposes of accomplishing it's functions as a Clearing Corporation in relation to the Deals executed by Trading Members on the Trading Platform of the Concerned Exchanges; ;
d. determine, different categories of Clearing Members that may be admitted to the Membership of the Clearing Corporation;
e. norms, procedures, terms and conditions for admission to the membership of the different Clearing Segments of the Clearing Corporation;
f. conditions, levy for admission or subscription for admission or continuance of Clearing Membership of the different Clearing Segments of the Clearing Corporation;
g. conduct of Clearing Members with regard to the business of the Clearing Corporation;
h. prescription, from time to time, of Net Capital requirements or the capital adequacy or Net worth and other norms which shall be required to be maintained by different categories of Clearing Members;
i. charges payable by Clearing Members for business transacted through the different Clearing segments of the Clearing Corporation;
j. maintenance of records and books of accounts by Clearing Members as may be specified from time to time;
k. investigation of the financial condition, business conduct and dealings of the Clearing Members;
l. prescription from time to time, and administration of penalties, fines and other consequences, including suspension/expulsion of Clearing Members from the different Clearing Segments of the Clearing Corporation or from the Membership of the Clearing Corporation itself for violation of any requirements of the Rules, Bye Laws and Regulations and the prescribed and expected standards of the codes of conduct;
m. disciplinary action/procedures against any Clearing Member;
n. penalties for non-compliance with or contravention of the B ye Laws, these Rules and Regulations or of general discipline of the different Clearing Segments of the Clearing Corporation, including expulsion or suspension of the Clearing Members;
o. declaration of any Clearing Member as a Defaulter or suspension or resignation or expulsion from Clearing Membership and consequences thereof;
p. norms relating to surrender, resignation or withdrawal from the Membership from one or more of the Clearing Segments or of the Clearing Corporation itself and norms for re-admission of a Member;
q. norms relating to restrictions that may be required to be placed on the Clearing and Settlement activities of a Clearing member and those relating for withdrawing such restrictions so placed.
r. norms for accreditation of Warehouses and Warehousing Service Providers (also referred to as the WSP) relating to financial status, governance of the WSP, physical facilities and infrastructure at the sites, existence of internal audit and supervision of its activities, insurance cover that is available to the WSP;
s. norms for appointment of Clearing banks including among others the financial condition

relating to the safety of funds, branch network and reach, and existence of appropriate infrastructure for swift and smooth transmission of funds;

t. norms and procedures in respect of, and incidental or consequential to, closing out of contracts/deals;

u. norms for Settlement of disputes, complaints, claims arising between Clearing Members inter-se or between Clearing Members and clients arising out of or relating to any transactions in securities including settlement by conciliation or arbitration and norms and procedures thereof including implementation of arbitration awards;

v. such other matters in relation to the Clearing Corporation as may be specified under the provisions of the Articles of Association, Bye Laws or these Rules or as may be necessary or expedient for the organisation, maintenance, control, management, regulation and facilitation of the operations of the Clearing Corporation.

4.4 The Board is empowered to delegate, from time to time, to any Committee(s) or to the Managing Director/ CEO of the Clearing Corporation or to any Senior Executive of the Clearing Corporation or any other person as it may deem fit, such of the powers vested in it and on such terms as it may think fit, to manage all or any of the affairs of the various Clearing Segments of the Clearing Corporation and from time to time, to revoke, withdraw, alter or vary all or any of such powers.

4.5 The Board may, from time to time, constitute one or more Committees comprising of members of the Board or such others as the Board may in its discretion deem fit or necessary and delegate to such committees such powers as the Board may deem fit and the Board may from time to time revoke such delegation.

4.6 The Board shall have the authority to issue directives from time to time to any of the Committees so constituted or any other person or persons to whom any powers have been delegated by the Board. Such directives issued in exercise of this power, which may be in the nature of a policy or may include directives to dispose off a particular matter or an issue, shall be binding on the concerned Committee(s) or such person(s).

4.7 The Board is empowered to vary, amend, repeal or add to Bye Laws and Rules framed by it with prior approval of SEBI, if an y.

4.8 The Board is authorised to vary, amend, repeal or add to Regulations framed by it. Such changes shall be intimated to SEBI.

4.9 The Members of the Board and of such Committees as may be appointed to hold such office shall adhere to the Code of Ethics as specified by SEBI.

5. COMMITTEE(S)

5.1 Constitution

One or more Committee(s) may be appointed by the Board for the purposes of managing the day to day affairs of the different Clearing Segments or Sub-segment(s) of the Clearing Corporation or to advise the Management of the Clearing Corporation on such matters as the Management of the Clearing Corporation may so request. The Board may decide on the constitution, duration and powers of the Committee(s), nomination and vacation of the nominees from the Committee(s) and appointment of office bearers and norms and procedures for the functioning of the Committee(s).

5.2 Nomination of Members of the Committees:

5.2.1 Each Committee so constituted may, unless otherwise specified to the contrary by SEBI, include one or more of the following category of persons:

a. the Managing Director/CEO and/or one or more of the employees of the Concerned Exchange;
b. one or more members of the Board of Directors of the Clearing Corporation;
c. persons of eminence in the field of finance, accounting, law, capital markets, risk management, information technology, telecommunications or other discipline like experts or specialists in specific commodities; and
d. any other person that the Relevant Authority may deem appropriate.

5.2.2 No Clearing Member of the Clearing Corporation or the Exchange shall be inducted into

any of the Committees so constituted, unless specifically approved by SEBI.

5.2.3 A Committee so constituted may constitute amongst its own Members, one or more sub-Committees, subject to the terms and conditions of its own constitution, for such purposes as it may deem fit. The constitution, powers and responsibilities of such sub-committee(s) may be determined by the Committee which constitutes such sub-committee(s).

5.2.4 The Managing Director/CEO may also constitute a Committee or Committees as he or it may deem fit in the manner laid down under Rule 5.

5.2.5 The Board of Directors shall constitute such Committees as shall be prescribed/ required by SEBI, from time to time. All such Committees shall function/ operate in such manner to be in accordance with these provisions to the extent that such provisions are not contrary to those specified by SEBI/ Clearing Corporation from time to time.

5.3 Tenure Of Members of Committee

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

5.4 Disqualification of a Member

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

5.5 Chairman of the Committee

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

5.6 Committee meetings and proceedings

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

5.6.2 A Committee may meet and adjourn as it thinks proper.

5.6.3 Questions arising at any meeting of a Committee shall be determined by a majority of votes of the members present; In case of an equality of votes of members present, the Chairman of the Committee shall have a second or casting vote in addition to his vote as a member of the Committee.

5.6.4 At all meetings of the Committee, the Chairman of the Committee shall ordinarily preside and in his absence, the members of the Committee present may choose one from among themselves to be the Chairman of such meeting in accordance with the manner prescribed, if any, by SEBI/Clearing Corporation. Any member of the Committee shall disclose the interest in the business, if any, before the meeting and shall abstain from discussions, voting and decisions on the said matter. If Chairman is having such interest, he shall abstain from chairing the meeting.

5.6.5 Non- attendance or voting by proxy shall be allowed in a Committee meeting in respect of any matter.

5.6.6 The Committee at its meeting at which a quorum is present, shall be competent to exercise

all or any of the powers and discharge functions vested in or exercisable by such Committee.

5.7 Quorum for Committee meetings

The quorum for every Committee meeting shall be one-third of the total strength of each Committee or two (2), whichever is higher, except in the case of a sole-member Committee.

5.8 Powers of Committees(s)

5.8.1 The Board may delegate from time to time to the Committee(s) such of the powers vested in it and upon such terms as it may think fit, to manage all or any of the affairs of the Clearing Segments of the Clearing Corporation and from time to time, to revoke, withdraw, alter or vary all or any of such powers.

5.8.2 The Committee(s) shall be bound and obliged to carry out and implement any directives issued by the Board from time to time and shall be bound to comply with all conditions of delegation and limitations on the powers of the Committee(s) as may be specified.

6. POWERS OF THE RELEVANT AUTHORITY

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

6.1.1 Implementing the decisions or policies specified by the Clearing Corporation on all matters relating to market regulation and compliance of the measures taken concerning the following matters and levy of penalties for non-compliance, excluding the specific areas assigned to any Committee by the Relevant Authority:

a. disciplining a Clearing Member in all aspects of his dealing and settlement on the Clearing Corporation and in relation to any or all of its business transactions in securities,
b. Settlement of all transactions in securities entered by a Clearing Member with its clients,
c. imposition of various types of margins including special margins,
d. withdrawal or restriction of the clearing facility of a Clearing Member for non-fulfillment of obligations relating to clearing membership, margin and settlement or due to surveillance measures,

6.1.2 causing to maintain registers, documents and records as required by the Rules, Bye-Laws and Regulations;

6.1.3 receiving and resolving complaints and making such enquiry and collecting such information as may be required and initiating necessary action as provided in the Rules, Bye-Laws and Regulations;

6.1.4 taking consequential action pursuant to any circulars, directives or inspection report issued by SEBI;

6.1.5 signing and issuing or causing to sign and issue all notifications and press releases;

6.1.6 enforcing the directives, orders, guidelines, norms and circulars issued by Government of India or SEBI or Relevant Authority, from time to time, and under the Rules, Bye-Laws and Regulations;

6.1.7 recovering of various amounts due and payable by Clearing members to the Clearing Corporation/SEBI by debiting the accounts of Clearing Members;

6.1.8 approving change of status or constitution and transfer in respect of clearing membership;

6.1.9 calling upon attendance and information including books, papers, documents and other records or information from any Clearing Member who are already admitted as Clearing Members or from members which are seeking admission to the Clearing Corporation;

6.1.10 taking suitable measures relating to clearing so as to safeguard and protect the interests of the Clearing Corporation, Clearing Members and their Clients

6.1.11 calling upon for examination and investigation of the business and conduct and dealings of the Clearing Members

6.1.12 representing the Clearing Corporation as its official representative in all matters

6.1.13 performing such other duties and functions as are incidental and ancillary for the performance of the above duties and exercising such other powers as may be delegated to him by the Relevant Authority or as may be entrusted to him by SEBI.

7. CLEARING MEMBERSHIP

7.1 Multiple Category

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

7.2 Admission and Fees

7.2.1 The Relevant Authority may specify different categories of Clearing Members and the requirements regarding their qualification, financial net worth, infrastructure and other relevant norms for each such category and/or Clearing Segment.

7.2.2 The Relevant Authority may specify pre-requisites, conditions, formats and procedures for application for admission, termination, re-admission, etc. of Clearing Members to all or any of the clearing Segments of the Clearing Corporation. The relevant authority may, at its absolute discretion, refuse permission to any Applicant to be admitted as Clearing Member to all or any of the Clearing Segments.

7.2.3 Such fees, security deposit, contribution and other money as are specified by the Relevant Authority would be payable on or before admission as Clearing Member and for continued appointment thereof.

7.3 Eligibility

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

a. Individuals;
b. Firms registered under the Indian Partnership Act, 1932;
c. A public financial institution as defined in section 4A of the Companies Act, 1956 (1 of 1956) or section 2(72) of the Companies Act 2013;
d. A bank included for the time being in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);
e. A foreign bank operating in India with the approval of the Reserve Bank of India;
f. A state financial corporation established under the provisions of section 3 of the State Financial Corporations Act, 1951 (63 of 1951);
g. An institution engaged in providing financial services, promoted by any of the institutions mentioned in sub clause (c) to (f) jointly or severally;
h. A custodian of securities who has been granted a certificate of registration by the Board under sub- section (1A) of section 12 of the SEBI Act;
i. Stock broker who has been granted a certificate of registration by the Board under sub-section (1) of section 12 of the SEBI Act ;
j. A company as defined under the Companies Act, 1956 or in any statutory modification or re-enactment thereof;
k. A registrar to an issue or share transfer agent and who has been granted a certificate of registration by the Board under sub – section (1) of Section 12 of the SEBI Act.];
l. A limited liability partnership formed and registered under the Limited Liability Partnership Act, 2008, or any statutory modification or re- enactment thereof.
m. Any other entity permitted by SEBI.

7.3.1 However, based on the nature, requirements and complexity of certain specific Clearing Segments or Sub-segments that may be introduced by the Clearing Corporation, the Relevant Authority may prohibit or refuse to allow one or more of the aforesaid entities to be admitted to the Membership of such Clearing Segment or may impose additional criteria regarding the eligibility of such entities.

7.3.2 No person or entity shall be admitted as a Clearing Member if such proposed member:
   a. is an individual who has not completed 21 years of age;
   b. has been adjudged bankrupt or a receiving order in bankruptcy has been made against the person or the person has been proved to be insolvent even though he has obtained his final discharge;
   c. has compounded with his creditors for less than full discharge of debts;
   d. has been convicted of an offence involving a fraud or dishonesty;
   e. is a body corporate which has committed any act which renders it liable to be wound up under the provisions of the law;
   f. is a body corporate which has had a provisional liquidator or receiver or official liquidator appointed to the person;
   g. has been at any time expelled or declared a Defaulter by an y stock exchange or another clearing corporation;
   h. has been previously refused admission to Clearing Membership unless the period of one year has elapsed since the date of rejection;

7.3.3 No limited liability Partnership shall be eligible to be admitted to the clearing membership of the Clearing Corporation unless:
   a. the Limited Liability Partnership is formed and registered under the Limited Liability Partnership Act, 2008.
   b. the Limited Liability Partnership complies with the conditions of Rule 8(6) of the

Securities Contract (Regulation) Rules, 1957 pertaining to Limited Liability Partnership.

7.4 Additional Eligibility Criteria

No person shall be eligible to be admitted to the Clearing Membership unless the person satisfies such additional eligibility criteria as the Board or the Relevant Authority may prescribe from time to time for different classes of Clearing Members;

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

7.5 Admission

7.5.1 Any person or entity desirous of seeking Membership under any of the eligible category of Clearing Membership and in respect of one or more of the Clearing Segments to which such person or entity shall be eligible shall apply to the Clearing Corporation in the form and manner prescribed for such purposes. Every application shall be dealt with by the Relevant Authority which shall at its discretion admit or reject or selectively grant admission to one or more of the Clearing Segments applied for by such Applicant.

7.5.2 The application for admission of Clearing Members under different categories of Membership to one or more Clearing Segments shall be made in such formats as may be specified by the Relevant Authority from time to time.

7.5.3 An existing Clearing Member may at any time and based on its eligibility, seek admission as a Member to additional Clearing Segments of the Clearing Corporation and such application may be dealt with by the Relevant Authority in the same manner as it would while evaluating a new Applicant.

7.5.4 The application shall have to be submitted along with such fees, security deposit and the Relevant Authority from time to time with reference to each category of Membership and Clearing Segment may specify other monies in such form and in such manner as.

7.5.5 The Applicant shall have to furnish such declarations, undertakings, certificates, confirmations and such other documents or papers as may be specified from time to time by the Relevant Authority.

7.5.6 The Relevant Authority shall have the right to call upon the Applicant to pay such fees or deposit such additional security in cash or kind, deposit or contribution to Core Settlement Guarantee Fund and any other fund that may be maintained by the Clearing Corporation from time to time, to furnish any additional guarantee or to require contribution to any additional fund or fee as the Relevant Authority may prescribe from time totime.

7.5.7 The Relevant Authority may provisionally admit the Applicant to the Clearing Membership, Category wise and Clearing Segment wise, provided that the Applicant satisfies the eligibility conditions and other procedures and requirements of application subject to such terms and conditions as may be specified by the Relevant Authority. Upon the Relevant Authority being satisfied that all other terms and conditions and other requirements for the Clearing Membership have been complied with, the Applicant may be, on a provisional basis, admitted as a Clearing Member. The granting of provisional membership shall not entitle the Applicant to any privileges and rights of Clearing Membership.

7.6 The Relevant Authority may at its absolute discretion reject a Membership application, for admission to the Clearing membership of the Clearing Corporation or to any particular Clearing Segment of the Clearing Corporation without assigning or communicating the reason thereof.

7.7 If for any reason the application is rejected, as in (7.6) above, the application fee or admission fee, if any, as the case may be or part thereof as may be decided by the Relevant Authority may at its discretion be refunded to the Applicant, without any interest.

7.8 The Relevant Authority may at any time from the date of admission to the Clearing Membership withdraw the admission of and/or expel a Clearing Member or from a particular Clearing Segment, if he has in or at the time of his application for admission to membership or during the course of the inquiry made by the Relevant Authority preceding his admission:

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

7.9 Transfer of Membership

7.9.1 The membership admission does not confer any ownership right as a member of the Clearing Corporation and shall not be transferable or transmittable except as herein mentioned.

7.9.2 Subject to such terms and conditions as the Relevant Authority may prescribe from time to time and to the prior written approval of the Relevant Authority, transfer of the Clearing Membership, may be effected as follows:

a. by making nomination under these Rules;
b. by an amalgamation or merger of a Clearing Member company;
c. by takeover of a Clearing Member company;
d. by transfer of the Clearing Membership of a Clearing Member firm to a new firm, in which, all the existing partners are not partners; and
e. by two or more Clearing Members / Clearing Member firms coming together to form a new partnership firm/company.

7.9.3 A Clearing Member or his successor(s) may make a nomination to Clearing Membership. The nomination(s) made by a Clearing Member or successor(s) of a Clearing Member shall be subject to the following conditions, namely:

a. The nominee(s) shall, at the time when the nomination becomes effective, be person(s) who shall be qualified to be admitted as Clearing Member(s) of the Clearing Corporation;
b. The nominee(s) shall give to the Relevant Authority his/their unconditional and irrevocable acceptance of his/their nomination;
c. A Clearing Member shall nominate one or more of his successor(s) as per the applicable succession laws. If the Clearing Member has no successor(s) willing to carry on the Clearing Membership, then, the Clearing Member may nominate person(s) other than his successor(s);
d. If the Clearing Member has not nominated any person and is rendered incompetent to carry on his business on the Clearing Segment(s) of the Clearing Corporation on account of physical disability, then the Clearing Member may, within a period of six months, make a nomination as per the provisions of sub- clause (c) above;
e. If the Clearing member has not nominated any person, the successor(s) of the Clearing Member may nominate one or more persons from among themselves within six months from the date of the death of the Clearing Member;
f. If the nomination of the Clearing Member is such that it cannot be given effect to by the Relevant Authority, at the time when the nomination would have become effective, then

the successor(s) of such a Clearing Member may nominate any other person(s) within six months from the date on which the nomination would have become effective;

g. If more than one person(s) are nominated by the Clearing Member or the successor(s), then such nominated person(s) shall be required to form a company to carry on the Clearing Membership;
h. A nomination made by a Clearing Member or successor(s) may be revoked with the prior written approval of the Relevant Authority and subject to such terms and conditions as the Relevant Authority may prescribe from time to time. and
i. The nomination shall become effective in the case of a nomination made by a Clearing Member, from the date of his death or physical disability or from the date of approval by the Relevant Authority, whichever is later and in the case of a nomination made by successor(s), from the date on which such nomination is made or from the date of approval by the Relevant Authority, whichever is later.

7.9.4 The Relevant Authority may also permit the transfer of Clearing Membership in the following circumstances :

a. death of a Clearing Member;
b. if in the opinion of the Relevant Authority, the Clearing Member is rendered incompetent to carry on his business on the Clearing Segment(s) of the Clearing Corporation on account of physical disability;
c. upon amalgamation or merger of a Clearing Member company;
d. upon takeover of a Clearing Member company; and
e. upon the death of or resignation or notice of dissolution by a partner of a Clearing Member firm, and re-alignment, if any, by the partners in such firm or by the partners in such firm and the nominee(s)/successor(s) of the outgoing partner or by the partners in such firm and person(s) other than the nominee(s)/successor(s) of the outgoing partner in a new firm, within a period of six months from the date of such death or resignation or notice of dissolution.

7.9.5 The Relevant Authority may, while permitting the transfer, prescribe from time to time such transfer fee as it deems fit in the following circumstances, viz,

a. nomination by a Clearing Member of a person other than successor(s) under the applicable laws;
b. nomination by the successor(s) of a Clearing Member, if the nominee(s) is/are not from amongst the successors;
c. amalgamation or merger of a Clearing Member company with a non-Clearing Member company resulting in the loss of majority shareholding and/or control of management by the majority shareholders of the Clearing Member company;
d. takeover of the Clearing Member company by non- Clearing Member(s) resulting in the loss of majority shareholding and/or control of management by the majority shareholders of the Clearing Member company; and
e. in the case of sub-clause (e) of clause (7.9.4), if the person(s) other than the nominee(s)/successor(s) of the outgoing partner hold at least 51% of share in the capital of the new firm.

Explanation I

For the purpose of sub-clauses (c) and (d) above, the term "loss of majority shareholding" means a shareholder or a group of shareholders holding 51% or more shares / interest in the Clearing Member company ceases to hold 51% of shares / interest in the Clearing Member company or in the amalgamated company which shall take up Clearing Membership upon amalgamation of the Clearing Member company with a Non Clearing Member company.

Explanation II

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

For the purpose of the clauses (b) to (e) of 7.9.5, the term 'Clearing Member' shall, to the extent applicable, include a partner of a Clearing Member firm or a shareholder of a Clearing Member company. The term successor(s) shall to the extent applicable, includes successor(s) of a partner of a Clearing Member firm or successor(s) of a shareholder of a Clearing Member company.

7.9.6 For the purpose of the clauses (7.9.2) to (7.9.6), the term 'Clearing Member' shall, to the extent applicable, include a partner of a Clearing Member firm or a shareholder of a Clearing Member company. The term successor(s) shall to the extent applicable, includes successor(s) of a partner of a Clearing Member firm or successor(s) of a shareholder of a Clearing Member company.

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

a. upon the individual Clearing Member or a partner of a Clearing Member firm or a shareholder of a Clearing Member company, in the opinion of the Relevant Authority, being rendered incompetent to carry on his business on account of physical disability;
b. upon the mental disability of the individual Clearing Member or a partner of a Clearing Member firm provided the partner holds at least 51% of share in the profits & losses of and/or at least 51% of share in the capital of such firm or a shareholder of a Clearing Member company provided the shareholder is a majority shareholder in such Clearing Member company;
c. upon the death of an individual Clearing Member or a partner of a Clearing Member firm provided the partner holds at least 51% of share in the profits & losses of and/or at least 51% of share in the capital of such firm or a shareholder of a Clearing Member company, provided the shareholder is a majority shareholder in such Clearing Member company and during the six month period within which successor(s) of such individual Clearing Member partner or shareholder, may nominate person(s) to take up the stake/shares of such deceased individual Clearing Member or partner or shareholder;
d. upon the dissolution of a Clearing Member firm and during the six month period as referred to in sub clause (c);
e. and upon any deadlock in the management of a Clearing Member firm or Clearing Member company, which, in the opinion of the Relevant Authority will affect the ability of such Clearing Member firm or Clearing Member company to carry on its business. The Clearing Member shall be entitled for an opportunity for representation before the Relevant Authority, before being suspended under this sub-clause, but the decision of the Relevant Authority shall be final.

Explanation I

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

Member Company.

7.9.8 Without prejudice to any other provision of these Rules, the Clearing Membership may be terminated by the Relevant Authority if an acceptable nomination or realignment, as the case may be, does not take place to the satisfaction of the Relevant Authority, within the said period of six months.

7.9.9 The nominee(s), successor(s), partners of a Clearing Member firm or such other persons, as the case may be shall be entitled for an opportunity for representation before the Relevant Authority, before being terminated under clause (7.9.9) above, but the decision of the Relevant Authority shall be final.

7.9.10 Conversion of legal status of the Clearing Member

Subject to such terms and conditions as the Relevant Authority may prescribe from time to time and to the prior written approval of the Relevant Authority, conversion of the legal status of a Clearing Member may be effected as follows:

i. by conversion of an individual Clearing Member into a partnership firm/company.
ii. by conversion of a Clearing Member firm into a company.
iii. Any other conversion that the Relevant Authority may deem fit.

7.9.11 The Relevant Authority may permit the conversion of the legal status of the Clearing Member in the following circumstances:

a. in the case of sub-clause (i) of clause (7.9.11), the individual Clearing Member holds and continues to hold at least 51% of the share in the profits/losses and/or at least 51% of share in the capital of the partnership firm, or at least 51% of shareholding / interest in the company, which shall take up the Clearing membership of the Clearing Corporation.
b. in the case of sub-clause (ii) of clause (7.9.11), the partners holding at least 51% of share in the profits / losses and / or at least 51% of share in the capital of the Clearing Member firm hold and continue to hold at least 51% of shareholding / interest in the company which shall take up the Clearing Membership of the Clearing Corporation.

7.10 Notwithstanding anything contained in Rule 7.9, the Relevant Authority may, in its absolute discretion permit the transfer of the Clearing Membership of one or more of the Clearing Segments to another person or entity, subject to such terms and conditions as the Relevant Authority may in its absolute discretion prescribe from time to time.

7.11 A Clearing Member shall not assign, mortgage, pledge, hypothecate or charge his right of membership or any rights or privileges attached thereto nor shall he has the right to give license or grant power of attorney in respect of such rights and privileges and no such attempted assignment, mortgage, pledge, hypothecation or charge or license or power of attorney shall be effective as against the Clearing Corporation for any purpose, nor shall any right or interest in any Clearing Membership other than the personal right or interest of the Clearing Member therein be recognised by the Clearing Corporation. The Relevant Authority may suspend any Clearing Member of the Clearing Corporation who acts or attempts to act in violation of the provisions of this rule or take any other disciplinary action as it may deem fit.

7.12 Surrender of Membership:

The Clearing Corporation shall separately provide for, through the Regulations, the terms and conditions for surrender of membership either from one or more Clearing Segments of the Clearing Membership or from the Clearing Corporation itself.

7.13 Conditions for continued Membership of the Clearing Corporation

7.13.1 Clearing Members shall adhere to the Rules, Bye Laws and Regulations and shall comply with such operational parameters, rulings, Notices and circulars, guidelines and instructions of the Relevant Authority as may be applicable.

7.13.2 All Deals in Securities on the Trading platform of the Concerned Exchanges in respect of the different Trading Segments corresponding with the Clearing Segment of the Clearing Corporation shall be in accordance with and subject to Rules, Bye Laws and Regulations of the Clearing Corporation which are notified to the Concerned Exchanges.

7.13.3 Clearing Members shall furnish declarations, undertakings, confirmation and such other documents and papers relating to such matters and in such forms as may be specified by the Relevant Authority from time totime.

7.13.4 Clearing Members shall, Clearing Segment wise, furnish to the Clearing Corporation, within such time as may be specified, an annual Auditors' Certificate certifying that specified requirements as may be specified by the Relevant Authority from time to time pertaining to their operations have been complied with.

7.13.5 Clearing Members shall furnish such information and periodic returns pertaining to their operations as may be required by the Relevant Authority from time to time.

7.13.6 Clearing Members shall furnish to the Clearing Corporation such audited and/or unaudited financial or qualitative information and statements and in such manner as may be required by the Relevant Authority from time to time.

7.13.7 Clearing Members shall comply with such requirements as may be specified by the Relevant Authority from time to time with regard to advertisements, booklets and issue of circulars in connection with their activities as Clearing Members.

7.13.8 Clearing Members shall extend full cooperation and furnish such information and explanation and in such manner as may be required by the Relevant Authority or authorised person of the Clearing Corporation for inspection or audit or in regard to any dealings, settlement, accounting and/or other related matters.

7.14 Status of a Clearing Member : Partnership firms

7.14.1 No Clearing Member shall form a partnership or admit a new partner to an existing partnership or make any change in the name of an existing partnership without intimation and prior approval of the Relevant Authority in such form and manner and subject to such requirements as the Relevant Authority may specify from to time; these requirements may, inter alia, include deposits, declarations, guarantees and other conditions to be met by and which may be binding on all partners.

7.14.2 No Clearing Member shall, at the same time, be a partner in more than one partnership firm which is a Clearing Member of the Clearing Corporation.

7.14.3 No Clearing Member who is a partner in any partnership firm shall assign or in any way encumber his interest in such partnership firm.

7.14.4 The partnership firm shall register with such authorities as may be required under relevant laws and shall produce proof of such registration to the Clearing Corporation.

7.14.5 The partners of the firm shall do business only on account of the firm and jointly in the name of the partnership firm. No single or individual partner or group of partners are

entitled to any rights and privileges of Clearing Membership independent from that of their partnership firm.

7.14.6 The partners of the partnership firm must communicate to the Clearing Corporation in writing under the signatures of all the partners or surviving partners any change in such partnership terms or status owing to dissolution or retirement or death of any partner or partners.

7.14.7 Any notice to the Clearing Corporation intimating dissolution of a partnership shall contain a statement as to who undertakes the responsibility of settling all outstanding contracts and liabilities of the dissolved partnership firm but that shall not be deemed to absolve the other partner or partners of his or their responsibility for such outstanding contracts and liabilities.

7.15 Termination of Membership

7.15.1 A Clearing Member shall cease to be a Member, if one or more apply:

a. by resignation and/or surrender;
b. by death;
c. by expulsion in accordance with the provisions contained in the Bye Laws, Rules and regulations;
d. by being declared a defaulter in accordance with the Bye Laws, Rules and Regulations;
e. by dissolution in case of partnership firm;
f. by winding up or dissolution in the case of a limited company;

7.15.2 The termination of Clearing Membership shall not in any way absolve the Clearing Member from any obligations and liabilities incurred by the Clearing Member prior to such termination.

7.16 Resignation

7.16.1 A Clearing Member who intends to resign from the Clearing Membership of the Clearing Corporation in whole or from one or more of the Clearing Segments shall intimate to the Clearing Corporation a written notice to that effect.

7.16.2 Any other Clearing Member objecting to a resignation such Member shall communicate the grounds of his objection to the Relevant Authority by letter within such period as may be specified by the Relevant Authority from time to time.

7.16.3 The Relevant Authority may accept the resignation of a Clearing Member, from the Clearing Corporation as a whole or from one or more of the Clearing Segments either unconditionally or on such conditions as it may think fit or may refuse to accept such resignation and in particular may refuse to accept such resignation until it is satisfied that all outstanding transactions with such Clearing Member have been settled.

7.17 Death

7.17.1 On death of a Clearing Member, his legal representatives and authorised representatives, if any, shall communicate such matter to the Relevant Authority in writing immediately and all future activities of the Clearing Member shall cease immediately except so far as it pertains to past obligations prior to his death.

7.17.2 On the termination of Membership of the Clearing segment(s) of a Clearing Member consequent to the demise of the individual Member, the Clearing Corporation, with whom security deposits, other monies, any additional deposits, whether in the form of cash, bank

guarantees, securities or otherwise, or any other Securities are lying, shall deduct only the dues and liability of such deceased Member from his deposits and in such manner as the Relevant Authority may prescribe from time to time.

7.18 Failure to pay charges

Save as otherwise provided in the Rules Bye Laws and Regulations, if a Member fails to pay his annual subscription, fees, deposit or contribution to Core Settlement Guarantee Fund(s), fines, penalties, other charges or other monies which may be due by him to the Clearing Corporation within such time as the Relevant Authority may prescribe from time to time after a notice in writing has been served upon him by the Clearing Corporation, he may be suspended by the Relevant Authority until he makes payment and if within a further period of time as may be specified from time to time, he fails to make such payment, he may be declared a Defaulter or may be expelled by the Relevant Authority from the Membership of the Clearing Corporation.

7.19 Continued Admittance

The Relevant Authority shall from time to time prescribe conditions and requirements for continued admittance to Clearing Membership which may, inter alia, include maintenance of deposit or contribution to Core Settlement Guarantee Fund, minimum net worth and capital adequacy. The Clearing Membership of any person who fails to meet these requirements shall be liable to be terminated.

7.20 Re-Admission of Defaulters

7.20.1 A Clearing Member's right of Membership shall lapse and vest with the Clearing Corporation immediately if he is declared a Defaulter. The Clearing Member who is declared a Defaulter shall forfeit all his rights and privileges as a Clearing Member, including any right to use of or any claim upon or any interest in any property or funds of the Clearing Member with the Clearing Segment of the Clearing Corporation.

7.20.2 The Relevant Authority reserves the right to re-admit a defaulting Member as a Clearing Member subject to the provisions, terms and conditions as may be specified by the Relevant Authority from time to time.

7.20.3 The Relevant Authority may readmit only such a Defaulter Member who in its opinion :

a. has paid up all dues to the Clearing Corporation, other Clearing Members, clients and Constituents;
b. has no insolvency proceedings against him in a Court or has not been declared insolvent by any Court;
c. has defaulted owing to the default of principals whom he might have reasonably expected to be good for their commitments;
d. has not been guilty of bad faith or breach of the Bye Laws, Rules and Regulations ;
e. has been irreproachable in his general conduct and is otherwise found to be 'Fit and Proper'

8. DISCIPLINARY PROCEEDINGS PENALTIES, SUSPENSION AND EXPULSION

8.1 [Disciplinary Action][9]

The Relevant Authority may expel or suspend and/or impose fines and/or penalise under censure and/or warn and/or withdraw all or any of the membership rights of a Clearing Member if he is guilty of contravention, non-compliance, disobedience, disregard or evasion of any of the Bye Laws, Rules and Regulations or of any resolutions, orders, Notices, directions or decisions of the Clearing Corporation or the Relevant Authority or of any other Committee or officer of the Clearing Corporation authorised in that behalf or of any conduct, proceeding or method of business which the Relevant Authority in its absolute discretion deems dishonorable, disgraceful or unbecoming a Clearing Member or inconsistent with just and equitable principles or detrimental to the interests, good name or welfare of the Clearing Corporation or prejudicial or subversive to its objects and purposes.

[The Relevant Authority may also expel or suspend and/or impose fines and/or pending under censure and/or warn and/or withdraw all or any of the membership rights of a Clearing Member, if;

a, the Clearing Member is in violation of its Membership undertaking given to Clearing Corporation;

[9] Inserted by MCXCCL Rules amendments approved by SEBI letter no. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23,2019

b. any representation, warranty or document made or submitted by a Clearing Member in its Membership application was known to the Clearing Member to be wrong or false or has become false in any material respect;

c. the Clearing Member or any of its Principal Officers, employees, contractors, agents, representatives or Clients, is in violation of an applicable law or regulation governing its business and affairs;

d. the Clearing Member or any of its employees or agents is charged in any court of law in connection with an offence involving fraud or dishonesty, whether within or outside India;][10]

8.2 Penalty for breach of Rules, Bye-Laws and Regulations

Every Clearing Member shall be liable to suspension, expulsion or withdrawal of all or any of his Clearing Membership rights and/or to payment of fine and/or to be censured, reprimanded or warned for contravening, disobeying, disregarding or willfully evading of any of these Rules, Bye- laws and Regulations or any resolutions, orders, notices, directions, decisions or rulings thereunder of the Clearing Corporation, Securities Contracts (Regulation) Act, 1956 and/or Rules thereunder, Securities and Exchange Board of India Act, 1992 and/or Rules thereunder, the Board of Directors, Committee(s), Managing Director or any officer of the Clearing Corporation or for any disreputable or fraudulent transactions or dealings or method of business which the Board of Directors or the Relevant Authority in its absolute discretion deems unbecoming a Clearing Member of the Clearing Corporation or inconsistent with just and equitable principles.

8.3 Penalty for Misconduct, unbusiness like conduct and Unprofessional conduct

A Clearing Member shall be liable to expulsion or suspension or withdrawal of all or any of his Membership rights and/or to payment of a fine and/or penalty and/or to be censured, reprimanded or warned for any misconduct, un-business like conduct or unprofessional conduct as provided in the provisions in that behalf as provided herein:

8.3.1 Misconduct includes:

a. Fraud : If he is convicted of a criminal offence or commits fraud or a fraudulent act which in the opinion of the Relevant Authority renders him unfit to be a Clearing Member;
b. Violation : If he has violated provisions of any statute governing the activities, business and operations of the Clearing Corporation, Clearing Members and securities business in general;
c. Improper Conduct : If in the opinion of the Relevant Authority he is guilty of dishonorable or disgraceful or disorderly or improper conduct on the Clearing Corporation or of willfully obstructing the business of the Clearing Corporation;
d. Breach of Rules, Bye Laws and Regulations : If he shields or assists or omits to report any Clearing Member whom he has known to have committed a breach or evasion of any Bye Laws, Rules and Regulation of the or of any resolution, order, notice or direction thereunder of the Relevant Authority or of any Committee or officer of the Clearing Corporation authorised in that behalf; Securities Contracts (Regulations) Act, 1956 and/or Rules thereunder, Securities and Exchange Board of India Act, 1992 and/or Rules thereunder.
e. Failure to comply with Resolutions: If he contravenes or refuses or fails to comply with

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or abide by any resolution, order, notice, direction, decision or ruling of the Relevant Authority or of any Committee or officer of the Clearing Corporation or other person authorised in that behalf under the Bye Laws, Rules and Regulations;

f. ["Failure to submit to or abide by Arbitration: If it neglects or fails or refuses to submit to arbitration or to abide by or carry out any award, decision or order of the relevant authority or the Committee or the arbitrators made in connection with a reference under the Rules, Bye Laws and Regulations".][11]
or officer of the Clearing Corporation or other person authorised in that behalf;

g. Failure to testify or give information : If he neglects or fails or refuses to submit to the Relevant Authority or to a Committee or an officer of the Clearing Corporation authorised in that behalf, such books, correspondence, documents and papers or any part thereof as may be required to be produced or to appear and testify before or cause any of its partners, attorneys, agents, authorised representatives or employees to appear and testify before the Relevant Authority or such Committee or officer of the Clearing Corporation or other person authorised in that behalf;

h. Failure to submit Special Returns : If he neglects or fails or refuses to submit to the Relevant Authority within the time notified in that behalf special returns in such form as the Relevant Authority may from time to time prescribe together with such other information as the Relevant Authority may require whenever circumstances arise which in the opinion of the Relevant Authority make it desirable that such special returns or information should be furnished by any or all the Clearing Members;

i. Failure to submit Audited Accounts : If he neglects or fails or refuses to submit its audited accounts to the Clearing Corporation within such time as may be specified by the Relevant Authority from time to time;

j. Failure to compare or submit accounts with Defaulter : If he neglects or fails to compare his accounts with the Relevant Authority or to submit to it a statement of its accounts with a defaulter or a certificate that he has no such account or if he makes a false or misleading statement therein;

k. False or misleading Returns: If he neglects or fails or refuses to submit or makes any false or misleading statement in his clearing forms or returns required to be submitted to the Clearing Corporation under the Bye Laws, Rules and Regulations;

l. Vexatious complaints : If he or his agent brings before the Relevant Authority or a Committee or an officer of the Clearing Corporation or other person authorised in that behalf a charge, complaint(s) or suit(s) which in the opinion of the Relevant Authority is frivolous, vexatious or malicious;

m. Failure to pay dues and fees: If he fails to pay his subscription, fees, arbitration charges or any other money which may be due by it or any fine or penalty imposed on him.

8.3.2 Un-business like Conduct:

A Clearing Member shall be deemed guilty of un-business like conduct for any of the following or similar acts or omissions namely:

a. Fictitious Names: If he transacts his own business or the business of his constituent in fictitious names or if he carries on business in more than one clearing segment of the Clearing Corporation under fictitious names;

b. Circulation of rumors : If he, in any manner, circulates or causes to be circulated, any rumors;

c. Unwarrantable Business: If he engages in reckless or unwarrantable or un-business like dealings in the market or effects purchases or sales for his constituent's account or for any account in which he is directly or indirectly interested which purchases or sales are excessive in view of his constituent's or his own means and financial resources or in

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view of the market for such security;

d. Compromise: If he connives through a private arrangement with another Clearing Member or accepts less than full and bona fide money payment in settlement of a debit due by a Clearing Member arising out of a deal in Securities executed on the trading platform of the Concerned Exchange;
e. Dishonored Cheque : If he issues to any other Clearing Member or to its clients or Constituents or to the Clearing Corporation a cheque which is dishonored on presentation for whatever reasons;
f. Failure to carry out transactions with Constituents : If he fails in the opinion of the Relevant Authority to carry out its committed transactions with its Constituents;

8.3.3 Unprofessional Conduct

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

a. Business in Securities in which dealings not permitted: If he enters into dealings in Securities in which dealings are not permitted;
b. Business for Defaulting Constituent: If he deals or transacts business directly or indirectly or executes an order in its capacity as a Trading Member of a Concerned Exchange for a client or Constituent who has within his knowledge failed to carry out engagements relating to Securities and is in default to another Clearing Member unless such client or Constituent shall have made a satisfactory arrangement with the Clearing Member who is his creditor;
c. Business for Insolvent : If without first obtaining the consent of the Relevant Authority he directly or indirectly is interested in or associated in business with or transacts any business with or for any individual who has been bankrupt or insolvent even though such individual shall have obtained his final discharge from an Insolvency Court;
d. Business without permission when under suspension : If without the permission of the Relevant Authority he does business on his own account or on account of a principal with or through another Clearing Member during the period he is required by the Relevant Authority to suspend business on the Clearing Corporation;
e. Business for or with suspended, expelled and defaulter Clearing Members: If without the special permission of the Relevant Authority he shares brokerage with or carries on business or makes any deal for or with any Clearing Member who has been suspended, expelled or declared a defaulter;
f. Business for Employees of other Clearing Members: If he transacts business directly or indirectly for or with or executes a deal for an authorised representative or employee of another Clearing Member without the written consent of such employing Clearing Member;
g. Evasion of Margin Requirements : If he willfully evades or attempts to evade or assists in evading the margin requirements specified in [the Bye Laws][12] and Regulations;
h. Clearing Fees: If he willfully evades or attempts to evade or assists in evading the provisions of these Rules or Bye Laws and Regulations relating to clearing fees.
i. Advertisement: If he advertises for business purposes or issues regularly circular or other business communication to persons other than his own Constituents, Trading Members of the Exchange, Banks and Joint Stock Companies or publishes pamphlets, circulars or any other literature or report or information relating to the stock markets, without the prior written permission of the Clearing Corporation or in contravention of the advertisement code prescribed by the Clearing Corporation.

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8.3.4 Clearing Members Responsible for Partners, Agents and Employees

A Clearing Member shall be fully responsible for the acts and omissions of its authorised officials, attorneys, agents, authorised representatives and employees and if any such act or omission be held by the Relevant Authority to be one which if committed or omitted by the Clearing Member would subject it to any of the penalties as provided in the Bye Laws, Rules and Regulations then such Clearing Member shall be liable thereof to the same penalty to the same extent as if such act or omission had been done or omitted by him.

8.3.5 Suspension on failure to provide Margin Deposit, Deposit or contribution to Core Settlement Guarantee Fund or meet capital adequacy norms

The Relevant Authority may suspend a Clearing Member and/or require a Clearing Member to suspend his business if he fails to provide the margin deposits, deposits and contributions to Core Settlement Guarantee Fund and/or meet capital adequacy norms as provided in [the Bye Laws][13], Rules and Regulations and the suspension of business shall continue until the Clearing Member furnishes the necessary margin deposit or deposit/contribution to Core Settlement Guarantee Fund or meet capital adequacy norms. The Relevant Authority may also expel a Clearing Member acting in contravention of this provision.

8.3.6 Suspension of business

The Relevant Authority may suspend a Clearing Member and/or require a Clearing Member to suspend its business in part or in whole on any Clearing Segment if the Relevant Authority finds the member to be:

a. engaging in activities referred to in Clause 8.3.2 , or
b. of unsatisfactory Financial Condition: when in the opinion of the Relevant Authority the Clearing Member is in such financial condition that he cannot be permitted to do business with safety to his creditors or the Clearing Corporation.

8.3.7 Removal of Suspension

The suspension of business as mentioned above shall continue until the Clearing Member has been allowed by the Relevant Authority to resume his business on paying such deposit or his doing such act or providing such thing as the Relevant Authority may require.

8.3.8 Penalty for contravention

A Clearing Member who is suspended or who is required to suspend his business or part thereof may be expelled from the Membership of the Clearing Corporation as a whole or from one or more Clearing Segments by the Relevant Authority, if he acts in contravention of such suspension or related requirements.

8.3.9 Clearing Members and others to testify and give information

A Clearing Member shall appear and testify before and cause its partners, attorneys, agents, authorised representatives and employees to appear and testify before the Relevant Authority or before other Committee(s) or an officer of the Clearing Corporation authorised in that behalf and shall produce before the Relevant Authority or before other Committee(s) or an officer of the Clearing Corporation authorised in that behalf, such books, correspondence, documents, papers and records or any part thereof which may be in its

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possession and which may be deemed relevant or material to any matter under inquiry or investigation.

8.3.10 Permission necessary for legal representation

No person shall have the right to be represented by professional counsel, attorney, advocate or other representative in any investigation or hearing before the Relevant Authority or any other Committee unless the Relevant Authority or other Committee so permits.

8.3.11 Explanation before Suspension or Expulsion

A Clearing Member shall be entitled to be summoned before the Relevant Authority and afforded an opportunity for explanation before being suspended or expelled but in all cases the findings of the Relevant Authority shall be final and conclusive.

8.3.12 Imposition of Penalties

The penalty of suspension, withdrawal of all or any of the Membership rights, fine, censure or warning may be inflicted singly or conjointly by the Relevant Authority. The penalty of expulsion may be inflicted by Relevant Authority.

8.3.13 Pre-determination of Penalties

The Relevant Authority shall have the power to pre-determine the penalties, the period of any suspension, the withdrawal of particular membership rights and the amount of any fine that would be imposed on contravention, non-compliance, disobedience, disregard or evasion of any Bye Law, Rules or Regulations of the, or of any resolution, order, notice, direction, decision or ruling thereunder of the Clearing Corporation, the Relevant Authority or of any other Committee or officer of the Clearing Corporation authorised in that behalf.

8.3.14 Commutation

The Relevant Authority in its discretion may in any case suspend a Clearing Member in lieu of the penalty of expulsion or may withdraw all or any of the membership rights or impose a fine in lieu of the penalty of suspension or expulsion and may direct that the guilty Clearing Member be censured or warned or may reduce or remit any such penalty on such terms and conditions as it deems fair and equitable.

8.3.15 Reconsideration / Review

The Relevant Authority may of its own or on appeal by the Clearing Member concerned, within 90 days from the date of communication of decision of the Relevant Authority to the member, reconsider and rescind, revoke or modify its order fining, censuring, warning or withdrawing all or any of the membership rights of the Clearing Member. In a like manner the Relevant Authority may rescind, revoke or modify its resolution expelling or suspending any Clearing Member.

8.3.16 Failure to pay fines and penalties

If a Clearing Member fails to pay any fine or penalty imposed on him within such period as specified from time to time by the Relevant Authority he may be suspended by the Relevant Authority until he makes payment and if within a further period as specified from time to time he fails to make such payment he may be expelled by the Relevant Authority.

8.3.17 Consequence of Suspension

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

8.3.17.1 Suspension of Membership Rights

A suspended Clearing Member shall during the terms of his suspension, be deprived of and excluded from all rights and privileges of Membership but he may be proceeded against by the Relevant Authority for any offence committed by him before or after suspension and the Relevant Authority shall not be debarred from

taking cognisance of and dealing with or adjudicating on claims made against him by other Clearing Members.

8.3.17.2 Rights of creditors unimpaired

The suspension shall not affect the rights of Clearing Members who are creditors of the suspended Clearing Members and rights of the Clearing Corporation.

8.3.17.3 Fulfillment of Deals and Obligations

The suspended Clearing Member shall be bound to fulfill obligations and deals outstanding at the time of his suspension.

8.3.17.4 Further business prohibited

The suspended Clearing Member shall not during the terms of his suspension transact any business provided that he may with permission of the Relevant Authority close the deals outstanding at the time of his suspension.

8.3.18 Consequences of Expulsion

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

8.3.18.1 Clearing Membership Rights forfeited

The expelled Clearing Member shall forfeit to the Clearing Corporation its right of Clearing Membership and all rights and privileges as a Clearing Member including any right to the use of any claim upon or any interest in any property or funds of the Clearing Corporation but any liability of any such Clearing Member to the Clearing Corporation or to any Clearing Member shall continue and remain unaffected by its expulsion.

8.3.18.2 Office vacated

The expulsion shall create a vacancy in any office or position held by the expelled Clearing Member.

8.3.18.3 Rights of Creditors unimpaired

The expulsion shall not affect the rights of the Clearing Members who are creditors of the expelled Clearing Member.

8.3.18.4 Fulfillment of Deals and Obligations

The expelled Clearing Member shall be bound to fulfill deals and obligations outstanding at the time of his expulsion and he may with the permission of the Relevant Authority close such outstanding transactions.

8.3.18.5 Clearing Members not to deal

No Clearing Member shall transact business for or with the expelled Clearing Member except with the previous permission of the Relevant Authority.

8.4 Provisions of Bye laws regarding consequences of declaration of defaulter][14] contained in Chapter XII of the Bye laws of the Clearing Corporation shall apply to the expelled Clearing Member as if such Clearing Member has been declared defaulter.

8.5 Expulsion Rules to Apply

When a Clearing Member ceases to be a Clearing Member under the provisions of these Rules and Bye Laws otherwise than by death, default or resignation, it shall be as if such Clearing Member has been expelled by the Relevant Authority and in that event all the provisions relating to expulsion contained in these Rules shall apply to such Clearing Member in all respects.

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9. NOTICE OF PENALTY AND SUSPENSION OF BUSINESS

9.1 Notice shall be given to the Clearing Member concerned and to the Clearing Members in general by such mode as may be decided by the Relevant Authority of the expulsion or suspension or default of or of the suspension of business by a Clearing Member or of any other penalty imposed on it or on its partners or other employees. The Relevant Authority may in its absolute discretion and in such manner as it thinks fit notify or cause to be notified to the Clearing Members or to the public that any person who is named in such notification has been expelled, suspended, penalised or declared a defaulter or has suspended his business or ceased to be a Clearing Member. No action or other proceedings shall in any circumstances be maintainable by such person against the Clearing Corporation or the Relevant Authority or any officer or employee of the Clearing Corporation for the publication or circulation of such notification.

9.2 Notwithstanding anything contained in these provisions, if in the opinion of the Relevant Authority it is necessary to do so, he may, for reasons to be recorded in writing, temporarily suspend forthwith the Clearing Member, pending completion of appropriate proceedings for suspension under this chapter by the Relevant Authority, and no notice of hearing shall be required for such temporary suspension and such temporary suspension shall have the same consequences of suspension under this chapter, provided that appropriate proceedings provided in this chapter shall be commenced by issue of a notice to show cause to the Clearing Member within 10 days of such temporary suspension. Any such temporary suspension may be revoked at the discretion of the Relevant Authority, for reasons to be recorded in writing, if the Relevant Authority is satisfied that the circumstances leading to the formation of opinion of the Relevant Authority to suspend, has ceased to exist or are satisfactorily resolved.