

DEPUTY GENERAL MANAGER
SECONDARY MARKET DEPARTMENT
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SMDRP/POLICY/CIR-52/2001
December 20, 2001

The Executive Directors/Managing Directors
of all the Stock Exchanges

Dear Sir,

Sub: Committee on Model Rule and Bye-laws of Stock Exchanges.

The Committee constituted by SEBI for examining the existing Articles and Memorandum of Association, Rules, Bye-laws and Regulations of Stock Exchanges and framing a uniform set of Rules and Bye-laws to be followed by all the stock exchanges of the country has submitted its report and the Model Rules for Stock Exchanges.

Some of the Model Rules have already been implemented by the Stock Exchanges through SEBI Circulars and directives. For some rules suitable provisions already exist in SC (R) Act, 1956, SC (R) Rules, 1957 or in the GOI directives/Circulars and SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 etc. Some of the Model Rules are new amongst which some are related to corporatisation of Stock Exchanges and can be implemented only after all exchanges are corporatised. Some of the Rules may not be applicable in the same way for all stock exchanges. Besides, on account of the nature and constitution of stock exchanges, some of the new Model Rules can not be implemented as suggested.

The Model Rules have been divided into 4 Parts.

Part 'A' given in the Annexure contains rules which have already been implemented under SEBI directives etc. Reference of Model Rules, Subject matter and the

corresponding Circulars issued by SEBI/GOI etc. have been made. It may be seen that while there may be a variation in language in the Model Rules, for most of Rules in Part A, however the basic principle underlying the Model Rules and the relevant SEBI Circular/GOI notification etc. is the same. Such rules have been identified with asterisks in Part A.

In respect of Rules No. 5.5 (Compliance Officer), 6.8.1 (Special Authorisation by the Governing Board- Buy back of Membership), 7.20 (Declaration of Defaulter automatically), 7.34 (Apportionment of Consideration Realised/Other Realisation of Receivables) and 8.3.6 (Ethics Committee), SEBI Regulations/Circulars already issued in this regard will prevail.

Part 'B' gives reference to the rules in Model Rules and the subject matter, which are to be introduced by the stock exchanges.

Part 'C' gives reference to Model Rules. However introduction of these will have to await corporatisation/demutualisation of the stock exchanges.

Part 'D' gives reference to the Model Rules, which are related to the basic legal structure of the various stock exchanges and may require an amendment to the existing SEBI Act, 1992, SC (R) Act, 1956, SC (R) Rules, 1957 and other relevant Rules, Regulations and laws etc.

In order to bring about uniformity among stock exchanges and taking into account uniformity already brought about by SEBI through the directives/circulars so far issued to the stock exchanges, you are advised to implement the Rules under Part 'B'. In the case of Rules in Part 'A', the proposed rules may be adopted in case there is a material difference between these rules and the existing similar rules of the exchange.

The Model Rules along with the Committee Report are enclosed for adoption after necessary approvals from the General Body/Governing Board of the Exchanges. However if there are any difficulties in implementation of these Rules, such difficulties may be brought to the notice of SEBI. A compliance report in this regard may be submitted to SEBI within 2 months.

The Exchanges will be suitably advised for introduction of Rules under Part 'C' and 'D'

Yours faithfully,

S.V. Muralidhar Rao

Encl: As Above

PART-A

(RECOMMENDATIONS IN PROPOSED MODEL RULES VIZ A VIZ SEBI ACT, 1992, SC (R) ACT, 1956, SC (R) R, 1957, SEBI (STOCK BROKERS AND SUB BROKERS) REGULATIONS, 1992, SEBI CIRCULARS AND GOI DIRECTIVES/CIRCULARS

	CLAUSE	SUB CLAUSE	SUBJECT	SEBI Act, SC (R) Act, SC (R) R, SEBI Circulars and GOI Directives/Circulars
	3		CONSTITUTION, OBJECTS AND CAPITAL / CORPUS	

		3.2.4	Safe Deposit Vaults / Custodial / Depository Services	As per Regulation 19 (a) (vii) of SEBI (Depositories & Participants) Regulations, 1996, a clearing corporation or a clearing house of a stock exchange may be registered as a depository participant.
		3.2.11	Clearing House, Clearing Corporation or Clearing Bank	SEBI's circular dated SMD/SED/RCG/270/96 dated January 19, 1996.
		3.2.13	Information and Publications	SEBI's circular no. SE/10118 dated October 12, 1992 and SMD/POLICY/CIR-32/97 dated December 03, 1997 regarding dissemination of information to investors and brokers.
		3.2.16	Promotion of Other Companies	SEBI's circular no. SMD- II/POLICY/CIR-37/99 dated November 26, 1999 and SMD- I/POLICY/CIR-40/99 dated December 16, 1999 regarding floating of Floating of a Subsidiary/Company by a Stock Exchange for membership of other Stock Exchange.
4.			FUNCTIONARIES	
	4.2		Governing Board	SEBI's circular no. SMD/SED/6919/93 dated April 20, 1993 regarding composition of Governing Board
	4.3		Standing Committees	SEBI's circular no. SMD/SED/6919/93 dated April 20, 1993* *Model Rule: There shall be Standing Committees to be constituted in the ratio of 40:60 between members and non members to discharge functions in the specific areas such as arbitration, claims against defaulters, disciplinary action and investors' services.
	4.5		Selection Committee	SEBI's circular no. SMD-II/52 dated January 10, 1996 for selected of ED.
	4.7		Ethics Committee	SEBI Circular dated May 17, 2001 regarding Code of Ethics for Directors and Functionaries of Exchanges
	4.9		Administrative Set-up	* SEBI circular no. SMD/SED/6919/93 dated April 20, 1993 *Model Rule: The Governing Board shall be responsible to provide adequate and competent administrative set-up, including the Company Secretary ...
	5		ELECTION / SELECTION OF NEW MEMBERS / TRADING MEMBERS	
	5.1		Legal Requirements / Position	
		5.1.1	Number of Members / Trading Members	SEBI Circular No. SMD-II/ALLSE/CIR-02/2000 dated January 10, 2000 has provided that The exchanges will have freedom to increase the membership or dealership subject to compliance of all the legal requirements, without the approval of SEBI.
	5.2		Conditions Precedent for Eligibility	
		5.2.1	For Individuals	Rule 8(1) of SCRR, 1957
		5.2.4	For Companies / Bodies Corporate	
			5.2.4.1& 5.2.4.2	Legal Requirements
				Rule 8(3) (4) and (4A) of SCRR, 1957

			5.2.4.3	Disqualification of Designated Directors / Nominees	Rule 8(3) (4A) (iv) of SCRR, 1957
			5.2.4.5	Minimum Experience	Rule 8(3) (4A) (v) of SCRR, 1957
			5.2.4.7	Financial Requirements	SEBI Circular No. SMD/SED/9012/93 dated May 14, 1993
			5.2.4.7.1	Minimum Paid-up Capital	SEBI Circular No. SMD/SED/9012/93 dated May 14, 1993
			5.2.4.7.2	Maintenance of Net Worth	SEBI Circular No. SMD/SED/9012/93 dated May 14, 1993
			5.2.4.7.3	Additional Financial and Other Requirements	SEBI Circular No. SMD/SED/9012/93 dated May 14, 1993
		5.2.5	General Conditions		
			5.2.5.3	Past Experience	As per Rule 8(2)(a) of SCRR, the person should have worked for not less than 2 years as a partner with or as an authorised assistant or authorised clerk or remisier or apprentice to, a member* *As per this clause of Model Rules, apart from above, experience as sub broker or dealer or portfolio manager or investment consultant is also included.
			5.2.5.6	Bankruptcy	Rule 8(1) (C) of SCRR, 1957
			5.2.5.7	Compounded with Creditors	Rule 8(1) (D) of SCRR, 1957
			5.2.5.8	Fraud	Rule 8(1) (E) of SCRR, 1957
			5.2.5.13	Expelled Member / Trading Member or Defaulter	Rule 8(1) (H) of SCRR, 1957
			5.2.5.15	Previous Rejection	Rule 8(1) (I) of SCRR, 1957
	5.2.5		Waiver of Qualification		As per SCRR, The Governing Board is empowered to waive qualifications pertaining to experience.* *Model Rules have authorised Governing Board to waive requirements of both educational qualifications and past experience in certain cases
	5.3		Other Norms		
		5.3.1	Other Financial Requirements and Norms		Rule 8(4A) (II) of SCRR, 1957
		5.3.2	Specifying Stock-broking and Allied Activities as Main Objects		SEBI Circular No. SMD/Policy/ Cir-11/98 dated March 16, 1998.
	5.5	Compliance Officer			Regulation 18 A of SEBI (Investment Advice by Intermediaries) (Amendment) Regulations 2001, has made it mandatory for every stock broker to appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions etc issued by the Board or the Central Government and for redressal of investors' grievances and the compliance officer appointed under SEBI Regulations would also be responsible for complying with the stock exchange regulations and would be different from the member itself.
6	PARTNERSHIP FIRMS, REPRESENTATIVE MEMBERS / TRADING MEMBERS, CLEARING MEMBERS, MEMBERSHIP/ TRADING MEMBERSHIP, REMISIERS, , APPROVED USERS AND SUB-BROKERS				

6.1	Partnerships		
6.5	Multiple Membership / Trading Membership – Eligibility Criteria		
6.5.4	Conditions Precedent for Multiple Membership		As per SEBI Circular No. SMD-DBAI/Policy/CIR-47/2000 dated October 10, 2000, the condition of operating membership card for a minimum period of 5 years for multiple membership was relaxed for all members.* *As per Model Rules, this condition is subject to waiver if the member meets the net worth criteria separately for each of the stock exchanges.
6.5.5	Criteria for Applying for Multiple Membership / Trading Membership		-----Same as above-----
6.5.6	Non-Applicability of Criteria When Net Worth Criteria Met		-----Same as above-----
6.5.7	Exchange of Report Between Stock Exchanges		GOI Circular no. F.No.1/26/SE/91 dated August 21, 1991
6.5.8	Entrance Fee, Admission Fee, Annual Subscription and Base Minimum Capital		GOI Circular no. F.No.1/26/SE/91 dated August 21, 1991
6.5.9	Number of Stock Exchanges		GOI Circular no. F.No.1/26/SE/91 dated August 21, 1991* *Model Rules have put a condition that at least one authorised representative/designated partner of the firm/designated director should be resident at each additional stock exchange where he is the member.
6.5.10	Governing Board and Standing Committees		GOI Circular no. F.No.1/26/SE/91 dated August 21, 1991 provides that an individual member should not be on the Governing Board of more than one exchange and if the membership entity has more than one member than as many stock exchanges as the number of memberships, provided same person is not on the Governing Board* *Model Rules have made applicable above provisions on membership of both Governing Board and Standing Committees.
6.7	Continuous Requirements for Membership / Trading Membership		
6.7.2	Capital Adequacy		SEBI Circular No. SMD/SED/CIR/93/22570 dated October 21, 1993
6.7.3	Fund Based Activities		Rule 8(1)(f) and Rule 8(3) (F) of SCRR, 1957 prohibit a member from doing business other than securities business.
6.7.4	Minimum Trading Activities		GOI Circular No. 1/26/SE/91 dated August 21, 1991 has provided for an illustrative definition of an inactive member as turnover of say, one tenth, of the average turnover of members of the exchange.* *Model Rules have defined the same as at least one tenth of the average turnover of the members of the exchange or trading for a minimum of 50 trading days.
6.8	Buy-Back / Surrender of Membership / Trading Membership		
6.8.1	Special Authorization by the Governing Board*		*SEBI Circular SMDRP/ Policy/ 06/ 2001 dated February 01, 2001 has provided for buy back of the membership rights of the inactive members by the stock exchanges, within the existing legal framework.

				*Model Rules have provided for approval of SEBI for buyback scheme.
	6.10		Termination of Membership / Trading Membership	
		6.10.1	Adjudged Bankrupt	Rule 8(3) (b) of SCRR, 1957
		6.10.2	Convicted of Fraud	Rule 8(3) (c) of SCRR, 1957
		6.10.3	Engaged in Other Business	Rule 8(3) (f) of SCRR, 1957
	6.16	Remisiers		
		6.16.10	Remisier not to Sign Contract Notes	SEBI Circular No. SMD/POLICY/ CIRCULAR/3-97 dated March 31, 1997.
	6.18	Sub-brokers		
		6.18.1	Appointment	SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 provide for registration of sub brokers.
		6.18.3	Non-Compliance of Requirements	GOI Circular No. 14/8/SE/85 dated December 30, 1985 provides that The Stock-broker with whom a sub-broker is associated should be directly responsible for any acts of commission or omission on the part of the sub-broker, notwithstanding any agreement or arrangement entered into between the stock broker and the sub-broker.
7.	NOMINATION, TRANSFER, TRANSMISSION AND DECLARATION OF DEFAULTER			
	7.20	Declaration of Defaulter Automatically		<p><i>As per GOI Circular no. 1/26/SE/ 91 dated August 21, 1991, Default by a member at one Stock Exchange should automatically lead to his being declared a defaulter at other Stock Exchanges.</i></p> <p><i>SEBI Circular no.. SMD/POLICY/CIR-24/97 dated September 26, 1997 has, inter alia, stated that if associates of defaulter-broker are holding membership in other stock exchanges, then action, if any, required to be taken against such associate members, should be decided by the respective stock exchanges after examining the relevant facts*.</i></p> <p><i>*Model Rules have extended the ipso facto declaration of a member as a defaulter if he falls within the definition of an "Associate" in relation to a stock broker who is declared a defaulter as per Para 7.20 of the Model Rules.</i></p>
	7.25	Consequences of Declaration of Defaulter		
		7.25.3	Prohibition to Re-admission	<p>Rule 8 (1) (h) of SCRR, 1957.*</p> <p>*Model Rules have, provided that a defaulter or expelled member shall not be readmitted to the exchange for a minimum period of 5 years.</p>
	7.31	Re-admitted Defaulter Ineligible for Holding Positions		<p>SEBI Circular no. SMD/Policy/IECG/5548/96 dated December 09/ 1996 prohibits an individual member who has been declared a defaulter or failed to meet his liabilities in ordinary course or compounded with his creditors from becoming a member of the Governing Board. These provisions are also applicable to whole time directors of the corporate member*.</p> <p>*The Model Rules have extended the applicability of the above provisions to</p>

				membership of standing committees, other committees and position of office bearer of the exchange apart from the Governing Board.
	7.34	Apportionment of Consideration Realised / Other Realisation of Receivables		
		7.34.1	Dues of the Exchange /Clearing House / Clearing Corporation /SEBI	SEBI Circular no SMD (B) /Cir/ misc-04/1624/94 dated March 22, 1994 had advised the exchanges that claims of investors against defaulter members should be ranked on par and ratably distributed. Further vide SEBI Circular No.SMD/AA/SU/1939/96 dated May 21, 1996, the claims of SEBI are to be treated on par with the claims of exchange and clearing house. * *Model Rules have, however, put the claims of investors at second level of priority of distribution.
		7.34.2	Liabilities Relating to Contracts	-----Same-----
		7.34.3	Balance	-----Same-----
		7.34.4	Apportionment in case in Defaulter/Deemed Defaulter in Relation to Multiple Membership/ Trading Membership	GOI Circular no. 1/26/SE/ 91 dated August 21, 1991 has provided that apportionment of the assets of the defaulter members against the claims must be done strictly Stock exchange wise. If there is, however, a surplus of the assets at any particular Stock Exchange, the same may be distributed against the claims at other Stock Exchanges.
8.	CONSTITUTION AND POWERS OF GENERAL MEETING, GOVERNING BOARD, STANDING COMMITTEES, CHAIRMAN, MANAGING DIRECTOR, COMPANY SECRETARY, AUDITOR, LEGAL ADVISOR AND SCRUTINEERS			
	8.3	Standing Committees		
		8.3.1	Committee for Settlement of Claims Against Defaulters, Disciplinary Action and Investors' Services Committees and Conciliation and Arbitration Panels	SEBI Circular Nos. SMD-II/ 11615/92 dated November 20, 1992 and Order dated April 20, 1993 has provided for nomination on the standing committees in the ratio of 40:60 between members and non members. * *Model Rules have provided for constitution of 4 new standing Committees (Investors Services Committee, Ethics Committee, Audit Committee and Membership Selection Committee) apart from Defaults Committee (renamed as Settlement of Claims against Defaulters), Disciplinary Action Committee and Arbitration Committee. Further nomination of 5 members on Committee for Settlement of Claims against Defaulters, Disciplinary Action, Investors Services Committee and Conciliation and Arbitration Panels in the ratio of 40:60 between members and non members has been recommended.

		8.3.2	Alteration in Number of Members		-----Same-----
		8.3.6	Ethics Committee		
			8.3.6.1	Nomination	SEBI Circular dated May 17, 2001 regarding Code of Ethics for Directors and Functionaries of Exchanges has prescribed for formation of an Ethics Committee with not more than 40% of the members being elected directors/members of the exchange..
			8.3.6.2	Definitions	
			8.3.6.2.1	Functionaries	SEBI Circular defines Functionaries as officers of the rank of GM and above* *Model Rules define Functionaries as Manager and above
			8.3.6.2.2	Family	SEBI Circular dated May 17, 2001 regarding Code of Ethics for Directors and Functionaries of Exchanges
			8.3.6.2.3	Securities	-----Same-----
			8.3.6.3	General Principles	SEBI Circular as above has prescribed general standards for directors and functionaries of the exchange * *Model Rules have applied the same on elected members and functionaries of the exchange.
			8.3.6.4	Prohibition of Dealings in Securities in Proprietary Account by Elected Members of the Governing Board	SEBI Circular dated May 17, 2001 regarding Code of Ethics for Directors and Functionaries of Exchanges
			8.3.6.5	Disclosure of Dealings in Securities by Functionaries of the Exchange	SEBI Circular as above has not fixed any minimum monetary limit of dealing in securities for disclosure.* *Model Rules have prescribed the limit as may be fixed by the Governing Board.
			8.3.6.6	Disclosure of Dealings in Securities by the Elected Members of the Governing Board	SEBI Circular as above has prescribed the disclosure requirements for directors of the Exchange.* *Model Rules have applied the same on elected members of the exchange
			8.3.6.7	Avoidance of Conflict of Interest	SEBI Circular dated May 17, 2001 regarding Code of Ethics for Directors and Functionaries of Exchanges
			8.3.6.8	Disclosure of Beneficial Interest	SEBI Circular as above has prescribed the disclosure requirements for directors of the Exchange.* *Model Rules have applied the same on elected members of the exchange
			8.3.6.9	No Role of the Elected Members of the Governing Board in the Day- to- Day Functioning of the Exchange	SEBI Circular as above describes the role of Chairman/President and directors of the Exchange.* *Model Rules have applied the same on elected members of the exchange
			8.3.6.10	Access to Information	SEBI Circular as above describes the role of directors of the Exchange regarding access to information.* *Model Rules have applied the same on elected members.
			8.3.6.11	Misuse of Position	SEBI Circular as above describes the role of directors/Committee members regarding access to information.*

					*Model Rules have applied the same on elected members/Committee members.
			8.3.6.12	Compliance Officer	SEBI Circular dated May 17, 2001 regarding Code of Ethics for Directors and Functionaries of Exchanges
	8.5	Managing Director			
		8.5.1	day-to-day Administration and Executive Powers		SEBI Order dated April 20, 1993 & circulars no. SMDRP/ Policy/Cir-25/99 dated August 12, 1999 & IEMI/LKS/MI/ 2990/95 dated August 08, 1995 have described the powers, duties and functions of the Executive Directors.* *However Model Rules have listed out specific areas of duties, responsibilities, functions and powers of the Executive Director.
9	ELECTION, NOMINATION AND APPOINTMENT OF MEMBERS OF THE GOVERNING BOARD, VACANCIES IN THE GOVERNING BOARD AND ADMINISTRATIVE SET-UP				
	9.1	Governing Board			
		9.1.1	Election of Members – Conditions of Eligibility		
			9.1.1.1	Nationality	SEBI circular SMD/POLICY/ IECG/5694/96 December 20, 1996.
			9.1.1.2	Standing	SEBI circular SMD/POLICY/ IECG / 2-97 February 25, 1997
			9.1.1.3	Default	SEBI circular SMD/POLICY/ IECG/5694/96 December 20, 1996.
			9.1.1.4	Suspended	SEBI circular SMDRP/Policy/ Cir-33/98 November 12, 1998
			9.1.1.5	Cancellation of Registration	SEBI circular SMD/POLICY/IECG/5694/96 December 20, 1996
			9.1.1.6	Criminal Prosecution	SEBI Circular no. SMDRP/Policy/Cir-33/98 November 12, 1998: The persons falling in the category of Notified Persons as per the Special Courts(Trial of Offences Relating to Transactions in Securities) Act, 1992, would not continue on the Governing Board and would not be eligible to be elected to the Governing Board for two years from the date the person is de-notified under the said Act* * Model Rule: he is facing charges of criminal offence and the relevant statutory authority has filed criminal prosecution against such member.
	9.3	Retiring Elected Members			SEBI circular SMD /SED/6919/93 dated April 20, 1993
	9.5	Retirement			SEBI circular SMD /SED/6919/93 dated April 20, 1993
	9.6	Retirement Provisions Not to Apply			SEBI circular SMD-II/11615/92 dated November 20, 1992.
	9.8	Public Representatives			
		9.8.1	Number		SEBI circular SMD /SED/6919/93 dated April 20, 1993 and SMD/Policy/CIR-9/98 dated february 24, 1998.
		9.8.2	Qualification		SEBI circular SMD /SED/6919/93 dated April 20, 1993
		9.8.4	Panel and Its Ratio		SEBI circular SMD /SED/6919/93 dated April 20, 1993

		9.8.6	Term	SEBI circular SMD-II/11615/92 dated November 20, 1992.
	9.9	SEBI Nominees		
		9.9.1	Number of Nominees	SEBI circular SMD /SED/6919/93 dated April 20, 1993
		9.9.2	Holding Office at Pleasure of SEBI	SEBI circular SMD /SED/6919/93 dated April 20, 1993
	9.10	Managing Director		
		9.10.1	Selection Through Independent Process	SEBI circular SMD-II/52 dated January 10, 1996.
		9.10.2	Terms and Conditions of Appointment	SEBI circular SMD-II/52 dated January 10, 1996.
		9.10.3	Appointment and Tenure	SEBI circular SMD-II/11615/92 dated November 20, 1992 & SEBI circular SMD /SED/6919/93 dated April 20, 1993* *Model Rules have provided for superannuation age of ED as 60 years and tenure of 5 years, subject to renewal.
	9.11	Election Procedure for Elected Members		
		9.11.8	Election of Chairman	SEBI circular SMD /SED/6919/93 dated April 20, 1993
11	DISCIPLINARY PROCEEDINGS			
	11.5		Causes Requiring Disciplinary Action	SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995
		11.5.1	Misconduct	
		11.5.2	Unbusinesslike Conduct	
		11.5.2.1	Fictitious Names	SEBI (Stock Brokers and Sub Brokers) Regulations 1992, prescribing Code of Conduct for Stock brokers.
		11.5.2.2	Fictitious Dealings	SEBI (Stock Brokers and Sub Brokers) Regulations 1992, prescribing Code of Conduct for Stock brokers.
		11.5.2.3	Circulation of Rumours	SEBI (Stock Brokers and Sub Brokers) Regulations 1992, prescribing Code of Conduct for Stock brokers.
		11.5.2.4	Prejudicial Business	SEBI (Stock Brokers and Sub Brokers) Regulations 1992, prescribing Code of Conduct for Stock brokers.
		11.5.2.5	Market Manipulation and Rigging	SEBI (Stock Brokers and Sub Brokers) Regulations 1992, prescribing Code of Conduct for Stock brokers.
		11.5.3	Unprofessional Conduct	
		11.5.3.5	Dealings with Unregistered Sub-brokers	SEBI Circular vides SMD/Policy/cir-3/97 dated March 31, 1997.
12	FINANCE AND ACCOUNTS AND PAYMENT OF ENTRANCE FEE, ADMISSION FEE, ANNUAL SUBSCRIPTION AND BASE MINIMUM CAPITAL BY MEMBERS/TRADING MEMBERS AND ASSOCIATES			
		12.1.4	Financial Statement and Balance Sheet	SEBI Circular SMDRP/POLICY /CIR-04/01 dated January 22, 2001*

*Model Rules have also provided for submission on half yearly basis, other details like size and utilisation of SGF, IPF, ISF etc.

12.3.1.10

Suspension on Failure to Maintain Base Minimum Capital

SEBI Circular SMD/SED/Cir/93/22570 dated October 21, 1993.*

*As per Model Rules, When a member/trading member or designated partner or representative member / trading member fails to provide base minimum capital as provided under Rule 12.3.1.1, the Managing Director shall order deactivation of the trader work station/s suspending his business forthwith.

PART-B

(To be Implemented by the Stock Exchanges)

	CLAUSE	SUB CLAUSE	SUBJECT	
	3		CONSTITUTION, OBJECTS AND CAPITAL / CORPUS	
	3.1	Constitution		
	3.2	Objects		
		3.2.1	The Interest of Investors, Issuers, Brokers, Sub-Brokers, Dealers and Any Other Intermediaries	
		3.2.2	Buildings	
		3.2.3	Acquisition of Property	
		3.2.5	Management and Disposal of Property	
		3.2.6	Borrowings of Monies	
		3.2.7	Investments	
		3.2.8	Payments and Disbursements	
		3.2.9	Subscriptions	
		3.2.10	Funds and Trusts	
		3.2.12	Licences and Privileges	
		3.2.14	Technical and Business Knowledge	
		3.2.15	Membership of Other Bodies	
		3.2.17	Incidental Powers	
	3.3		Delegation of Powers	
	3.4		Capital / Corpus	
4			FUNCTIONARIES	
	4.1		General Body	
	4.4		Audit Committee	

	4.6		Membership / Trading Membership Selection Committee		
5			ELECTION / SELECTION OF NEW MEMBERS / TRADING MEMBERS		
	5.1		Legal Requirements / Position		
		5.1.2	Membership / Trading Membership - a Personal Privilege		
		5.1.3	Right of Membership / Trading Membership Inalienable		
		5.1.4	Forfeited or Lapsed Right of Membership / Trading Membership		
		5.1.5	Failure to Pay Subscription and Other Fees		
		5.1.6	Membership / Trading Membership Selection Committee		
	5.2		Conditions Precedent for Eligibility		
		5.2.3	For Firms		
		5.2.4	For Companies / Bodies Corporate		
			5.2.4.4	Age of Designated Directors / Nominees	
			5.2.4.6	Other Business	
			5.2.4.8	Promoters', Identity and Undertaking	
			5.2.4.9	Approval from the Exchange for Change in Shareholding Pattern	
		5.2.5	General Conditions		
			5.2.5.1	Educational Qualification	
			5.2.5.2	Professional Qualification	
			5.2.5.4	Common Applicability of Conditions	
			5.2.5.5	Financial Soundness	
			5.2.5.9	Unsound mind	
			5.2.5.10	Insolvent	
			5.2.5.11	Moral Turpitude	
			5.2.5.12	Other Business	<p>Rule 8(1) (F) of SCRR, 1957 and SEBI Circular no. SMD/VRN/ 1476/ 95 dated 27.04.1995 provide that the member should sever his connection with other business on admission.</p> <p>Model Rules provide that the member is given a period of 3 months to sever his connection from other business.</p>
			5.2.5.14	Guilty of Contravention	
	5.4	Branch Office			
6	PARTNERSHIP FIRMS, REPRESENTATIVE MEMBERS / TRADING MEMBERS, CLEARING MEMBERS, MEMBERSHIP/ TRADING MEMBERSHIP, REMISIERS, , APPROVED USERS AND SUB-BROKERS				
	6.1	Partnerships			
		6.1.1	Who May Form Partnership		
					As per the Model Rules, the firm and

		6.1.2	Other Business*	partners are given 3 months to severe connection with other business.
		6.1.3	Partner in One Firm Only	
		6.1.4	Partnership with Non-members / Non-trading Members Forbidden	
		6.1.5	Partnership with Suspended / Surrendered Members / Trading Members Forbidden	
		6.1.6	Contingent Partnership	
		6.1.7	Partnership Interest not be Assigned	
		6.1.8	Fictitious Partnership Names Forbidden	
		6.1.9	Misleading Names	
		6.1.10	Transactions With Individual Partners	
		6.1.11	Governing Board Sole Judge of Partnership	
		6.1.12	Permission Necessary	
		6.1.13	Changes in Partnership	
		6.1.14	Intimation in Prescribed Form	
		6.1.15	Notice of Formation of and Changes in Partnership	
		6.1.16	Withdrawal of Permission	
		6.1.17	Names to be Printed	
		6.1.18	Liability of Member / Trading Member Partners	
		6.1.19	Liability of Partners	
		6.1.20	Joint and Several Liability	
		6.1.21	Member / Trading Member Working in Firm Name	
		6.1.22	Partnership Dissolved on Declaration of a Defaulter	
		6.1.23	Register of Partnership Firms	
		6.1.24	Representative Member / Trading Member	
		6.1.24.1	Who may Authorize	
		6.1.24.2	Number of Representative Members / Trading Members	
		6.1.24.3	Approval or Rejection of Application	
		6.1.24.4	Termination	
		6.1.24.5	Notice of Termination	
		6.1.24.6	Register of Representative Members / Trading Members	
		6.1.24.7	Registration and Removal	
	6.2	Transactions in the Market by Representative Member / Trading Member		
		6.2.1	Transactions Not in Own Name	
		6.2.2	Authorizing Member's / Trading Member's Responsibility	
		6.2.3	Representative Member's / Trading Member's Business	
		6.2.4	Indemnity	

	6.2.5	Representative Member / Trading Member When to Issue Contract Notes	
	6.3	Composite Member / Trading Member and Component Members / Trading Members	
	6.3.1	One or More Additional Membership / Trading Membership	
	6.3.2	Fulfillment of all Eligibility Criteria	
	6.3.3	Limit on Number of Memberships / Trading memberships	
	6.3.4	Payment of Fees	
	6.3.5	Networth Requirement	
	6.3.6	Number of Votes	
	6.3.7	Trading Right	
	6.3.8	Disassociation	
	6.3.9	Joint and Several Liability	
	6.3.10	Books of Accounts	
	6.3.11	Action to Operate Against All	
	6.3.12	When Ceases to be a Member / Trading Member	
	6.3.13	Liability How Crystallises	
	6.4	Additional Membership / Trading Membership Rights	
	6.5	Multiple Membership / Trading Membership – Eligibility Criteria	
	6.5.1	Disclosure	
	6.5.2	Requirements to be Fulfilled	
	6.5.3	Books of Accounts	
	6.7	Continuous Requirements for Membership / Trading Membership	
	6.7.1	Refresher Course	
	6.7.5	Right Vesting in Governing Board When Business/ Nomination not Activated/Exercised	
	6.7.6	Right of Nomination for Deceased Members	
	6.7.7	Payment of Dues	
	6.8	Buy-Back / Surrender of Membership / Trading Membership	
	6.8.2	Prohibition to Re-issue Buy-back / Surrender Right	
	6.8.3	Notice of Surrender	
	6.8.4	Acceptance or Refusal of Surrender	
	6.9	Notice of Resignation	
	6.9.1	Written Notice Required	
	6.9.2	Objection	
	6.9.3	Acceptance or Refusal of Resignation	
	6.10	Termination of Membership / Trading Membership	
	6.10.4	Minimum Networth, Working Capital and Assets	

		6.10.5	Company / Body Corporate	
		6.10.6	Eligibility Criteria Not Maintained	
		6.10.7	Expulsion Rules to Apply	
	6.11	Intimation of Death of Member / Trading Member		
	6.12	Claims Against Deceased Member / Trading Member		
		6.12.1	Conditions Precedent Before Exercise of Right of Nomination	
		6.12.2	Conditions Precedent Applicable to Liquidation or Dissolution	
	6.13	Payment of Deceased Member's / Trading Members' Obligations		
	6.14	Continuance of Deceased Member's / Trading Member's Business		
	6.15	Additional Terms in the Case of a Company / Body Corporate		
		6.15.1	Articles of Association	
		6.15.2	Shareholding	
		6.15.3	Alteration in Structure	
		6.15.4	Expulsion of Member Company	
	6.16	Remisiers		
		6.16.1	Remisier Not to be Another's Employee	
		6.16.2	Remisier to Act for One Member / Trading Member Only	
		6.16.3	Ex-members/Trading Members as Remisiers	
		6.16.4	Remisiers not to Engage in Forward Business	
		6.16.5	Procedure	
			6.16.5.1	Application
			6.16.5.2	Discharge Certificate
			6.16.5.3	Absence of Discharge Certificate
		6.16.6	Permission Necessary	
		6.16.7	Approval or Rejection of Application	
		6.16.8	Commission Terms	
		6.16.9	Annual Fee	
		6.16.11	Remisier not to Advertise	
		6.16.12	Remisier's Personal Business	
		6.16.13	Sub-agent	
		6.16.14	Remisier not to Share Brokerage with Clients	
		6.16.15	Refusal to Registration	
		6.16.16	Suspension	
		6.16.17	Cancellation	
		6.16.18	Termination	
		6.16.19	Register of Remisiers	

		6.16.20	Inspection of Register		
	6.17	Approved Users			
		6.17.1	Appointment		
		6.17.2	Number of Trader Work Stations		
		6.17.3	Minor Ineligible		
		6.17.4	Defaulter or Expelled Member / Trading Member Ineligible		
		6.17.5	Suspended Member / Trading Member		
		6.17.6	Permission of Managing Director Necessary		
		6.17.7	Common Applicability of Provisions		
	6.18	Sub-brokers			
		6.18.2	Compliance With the Provisions		
		6.18.4	Common Applicability of Provisions		
7.	NOMINATION, TRANSFER, TRANSMISSION AND DECLARATION OF DEFAULTER				
	7.1	Nomination / Transfer			
		7.1.1	Nomination by Member / Trading Member		
		7.1.2	Standing of Minimum Years		
		7.1.3	Right of Membership / Trading Membership and Right of Nomination of Deceased Member / Trading Member or Defaulter or Deemed Defaulter		
			7.1.3.1 Nomination in case of Defaulter/Deemed Defaulter		
			7.1.3.2 Right of Nomination Not to be Exercised by Former Member/Trading Member		
			7.1.3.3 Right of Nomination in Case of Death		
			7.1.3.4 Nomination in Case of Deceased Member/Trading Member		
	7.2	Forms of Applications			
		7.2.1	By Individual		
		7.2.2	By Company / Body Corporate		
		7.2.3	By Partnership Firm		
		7.2.4	Application for Permission		
	7.3	Forms of Nomination			
		7.3.1	Form For Member / Trading Member Nominating During His Life Time		
		7.3.2	Form of Nomination in Favour of a Family Member		
		7.3.3	Form for Legal Heirs / Legal Representatives		
		7.3.4	Nomination Irrevocable		
	7.4	Notice of Nomination			
	7.5	Candidates to be Recommended			
	7.6	Objections			
	7.7	Member's / Trading member's Duty to Report			

	7.8	Dues and Claims		
		7.8.1	Dues of the Exchange	
		7.8.2	Liabilities Relating to Contracts	
	7.9	Consideration of Application		
	7.10	Inquiry		
	7.11	Admission of New Members / Trading Members		
	7.12	Admission Under Misrepresentation		
	7.13	Fresh Nomination		
	7.14	Payment of Entrance and Admission Fees and Annual Subscription		
	7.15	Intimation Letter for Election / Selection		
	7.16	Certificate of Admission to Membership / Trading Membership		
	7.17	Publication of Notice		
	7.18	Declaration of Defaulter / Deemed Defaulter		
	7.19	Declaration of Deemed Defaulter		
	7.21	Members' Duty to Inform		
	7.22	Compromise Forbidden		
	7.23	Post Declaration of Defaulter Process		
		7.23.1	Defaulter's Books and Documents	
		7.23.2	List of Debtors and Creditors	
		7.23.3	Defaulter to Give Information	
	7.24	Assets to vest in the Committee and Procedure to be Applicable		
	7.25	Consequences of Declaration of Defaulter		
		7.25.1	Cessation of Membership / Trading Membership at Once	
		7.25.2	Lapse of Membership / Trading Membership Right	
	7.26	Surrender of Names of Clients and Books – a Condition of Eligibility		
	7.27	Full Payment – a Condition of Eligibility		
	7.28	Defaulter When not to be Re-admitted		
	7.29	Conditions of Re-admission for Defaulters		
	7.30	Expelled Member / Trading Member not to be Re-admitted		
	7.32	Defaulter Provisions Applicable to Director incase of Company / Body Corporate		
	7.33	Exercise of Right of Nomination by the Governing Board Where Right of Membership / Public Trading Membership Vested in the Exchange		
	7.34	Apportionment of Consideration Realised / Other Realisation of Receivables		
		7.34.5	Surplus	
8.	CONSTITUTION AND POWERS OF GENERAL MEETING, GOVERNING BOARD, STANDING COMMITTEES, CHAIRMAN, MANAGING DIRECTOR, COMPANY SECRETARY, AUDITOR, LEGAL ADVISOR AND SCRUTINEERS			

	8.1	General Meeting			
		8.1.1	Number of Members/Trading Members		
		8.1.2	Adoption of Statement of Accounts		
		8.1.3	Appointment and / or Removal of Statutory Auditor		
		8.1.4	Election of Members to the Governing Board		
		8.1.5	Dealing with Immovable Property		
		8.1.6	Dealing with Funds		
		8.1.7	Distribution of Dividend, Bonus, etc		
		8.1.8	Extra-Ordinary General Meeting May Make Bye-laws		
	8.2	Powers of the Governing Board			
		8.2.1	Jurisdiction		
		8.2.2	General Powers		
		8.2.3	Governmental Powers		
		8.2.3.1	Chairman, Managing Director, Standing Committees Internal Auditor and Legal Advisor		
		8.2.3.2	Casual Vacancies		
		8.2.3.3	Admission, Expulsion and Control of Members/ Trading Members		
		8.2.3.4	Imposition of Penalties		
		8.2.3.5	Regulation of Business		
		8.2.3.6	Regulations		
		8.2.3.7	General Control		
		8.2.3.8	Review		
		8.2.3.9	General Power		
		8.2.4	Administrative Powers		
		8.2.4.1	Fees and Charges		
		8.2.4.2	Borrowing		
		8.2.4.3	Dealing With Immovable Property		
		8.2.4.4	Dealing With Funds		
		8.2.4.5	Payment Towards Charitable Purpose		
		8.2.4.6	Investment of Surplus Funds		
		8.2.4.7	Legal Proceedings		
		8.2.4.8	Personnel Policy for Employees		
		8.2.4.9	Stock Exchange Facilities		
		8.2.5	Legislative Powers		
		8.2.5.1	Power to Make Rules, Bye-laws and Regulations		
		8.2.5.2	Amendments to Regulations		
		8.2.5.3	Suspension of Rules, Bye-laws and Regulations		

		8.2.6	Other General Powers	
			8.2.6.1	Delegation of Powers
			8.2.6.2	Review
			8.2.6.3	Delegation of Powers in Emergency
		8.2.7	Decision of Governing Board Final	
		8.2.8	Governing Board as Trustees	
		8.2.9	Indemnity to the Governing Board	
	8.3	Standing Committees		
		8.3.3	Audit Committee	
		8.3.5	Investors' Services Committee	
		8.3.7	Limitation of Constituting other Committees	
		8.3.8	Removal of Member	
		8.3.9	Casual Vacancy	
		8.3.10	Vacation of Office	
		8.3.11	Retiring Members	
	8.5	Managing Director		
		8.5.2	Delegation of Powers	
		8.5.3	General Operations Powers	
	8.6		Company Secretary	
	8.7	Auditors		
		8.7.1	Appointment and Duties of Statutory Auditor	
		8.7.2	Vaccine	
		8.7.3	Internal Auditor	
	8.8	Practising Company Secretary		
	8.9	Legal Advisor		
	8.10	Scrutineers		
9	ELECTION, NOMINATION AND APPOINTMENT OF MEMBERS OF THE GOVERNING BOARD, VACANCIES IN THE GOVERNING BOARD AND ADMINISTRATIVE SET-UP			
		9.1.1.7	Not Complying with Conciliation/Arbitration Award	
		9.1.1.8	Not Resolving Complaints of Investors	
		9.1.1.9	Not Maintaining Base Minimum Capital	
	9.2	Designated Partner or Designated Director/Nominee as Member		
	9.4	Retirement Age		
	9.7	Conditions Applicable to Company/Body Corporate		
	9.8	Public Representatives		
		9.8.3	Disqualification	

		9.8.5	Failure to Recommend Panel	
		9.8.7	Vacancy	
		9.8.8	Report to SEBI	
		9.8.9	Retirement Age	
	9.9	SEBI Nominees		
		9.9.3	Vacancy	
		9.9.4	Report to SEBI	
	9.10	Managing Director		
		9.10.4	Explanation from the Managing Director	
		9.10.5	Not to Engage in Any Business	
	9.11	Election Procedure for Elected Members		
		9.11.1	Notice of Election	
		9.11.2	Proposal of Candidates	
		9.11.3	Notice of Candidates	
		9.11.4	Ballot When Not Necessary	
		9.11.5	Scrutineers	
		9.11.6	Voting	
		9.11.7	Elected Candidates	
	9.12	Vacancies in the Governing Board		
		9.12.1	Vacancy in the Office of Chairman	
		9.12.2	Leave	
		9.12.3	Vacancy	
			9.12.3.1	Suspension of Payment
			9.12.3.2	Unsound Mind
			9.12.3.3	Absence
			9.12.3.4	Death, Suspension or Expulsion
			9.12.3.5	Criminal Prosecution
			9.12.3.6	Not Complying With the Arbitration Award
			9.12.3.7	Not Resolving the Complaints of Investors
			9.12.3.8	Not Maintaining Base Minimum Capital
			9.12.3.9	Resignation
	9.13	Expulsion from the Governing Board		
	9.14	Conversion Not Requiring Vacation		
	9.15	Filling up of Causal Vacancies - Elected Members		
	9.16	Powers of Surviving Members		
		9.16.1	Where Quorum Exists	

		9.16.2	To Act to Make Quorum	
	9.17	Resignation of All Elected Members		
10	MEETINGS			
	10.1.	Meetings of Members		
		10.1.1	Annual General Meeting	
			10.1.1.1	When and Who May Convene
			10.1.1.2	Business
			10.1.1.2.1	Balance Sheet and Auditor's Report
			10.1.1.2.2	Appointment of Statutory Auditor
			10.1.1.2.3	Other Business
		10.1.2	Extra-Ordinary General Meetings	
			10.1.2.2	How Convened and Who Will Convene
			10.2.1.3	Not to Alter Governing Board Resolution
		10.1.3	Notice of Meetings	
		10.1.4	Requirement of Quorum	
			10.1.4.1	Quorum
			10.1.4.2	No Quorum – Adjournment of Meeting
			10.1.4.3	Adjournment of Meeting
			10.1.4.4	Who May Be Present at Meetings
			10.1.4.5	Who May Not Be Entitled to be Present at Meetings
			10.1.4.6	Clarifications at Meetings
			10.1.4.7	Suspended Member Not to be Present and Vote
			10.1.4.8	Chairman of Meeting
			10.1.4.9	Decision of Majority
			10.1.4.10	Voting by Proxy
			10.1.4.11	Voting
			10.1.4.12	Poll
			10.1.4.13	Validity of Votes
			10.1.4.14	Casting of Votes
			10.1.4.15	Minutes
	10.2	Meetings of the Governing Board		
		10.2.1	Regulation of Meetings	
		10.2.2	Ordinary Meetings	
		10.2.3	Special/Urgent/Emergency Meetings	
			10.2.3.1 & 10.2.3.2	Special Meeting
			10.2.3.3	Urgent and Emergency Meetings

			10.2.3.4	Notice of Special/Urgent/Emergency Meetings		
			10.2.3.5	Business When Not to be Stated		
			10.2.3.6	Quorum		
			10.2.3.7	Interested Member Not to be Included in Quorum		
			10.2.3.8	Co-option of Members for Making up Quorum		
			10.2.3.9	Chairman to Preside		
			10.2.3.10	Voting		
				10.2.3.10.1	Personal Interest	
				10.2.3.10.2	Member of Committee	
				10.2.3.10.3	Absence During Hearings	
			10.2.3.11	Quorum		
			10.2.3.12	Majority		
			10.2.3.13	Chairman to Have a Casting Vote		
			10.2.3.14	Special Majority Resolution		
			10.2.3.15	Ordinary Resolution by Circular		
			10.2.3.16	Adjourned Meeting		
			10.2.3.17	Proceedings		
			10.2.3.18	Governing Board Need Not Give Reasons		
			10.2.3.19	Members/Trading Members And Others to Appear Before Meetings		
			10.2.3.20	Minutes		
	10.3	Meetings Of Standing Committees				
		10.3.1	Who May Convene And When			
		10.3.2	Quorum			
		10.3.3	Voting			
		10.3.4	Proceedings			
		10.3.5	Leave			
		10.3.6	Custody of Minutes			
11	DISCIPLINARY PROCEEDINGS				<p>At present, the provisions relating to disciplinary proceedings are incorporated partly in the Rules and Partly in the Byelaws of stock exchanges.</p> <p>Clear cut provisions relating to the disciplinary action to be taken by the Governing Board, the Disciplinary Action Committee and the managing Director</p>	
	11.1	Jurisdiction for Taking Disciplinary Action				
	11.2	The Governing Board May Expel Any Member/Trading Member				
		11.2.1	Upon Recommendation by the Disciplinary Action Committee			

		11.2.2	For Admission Under Misrepresentation		
		11.2.3	Expulsion of a Member		
		11.2.4	Expulsion by Special Resolution Only		
		11.2.5	Expulsion Rule to Apply		
		11.2.6	Explanation Before Expulsion		
		11.2.7	Consequences of Expulsion		
			11.2.7.1	Membership/Trading Membership Rights Forfeited	
			11.2.7.2	Lapse of Right of Nomination	
			11.2.7.3	Office Vacated	
			11.2.7.4	Rights of Creditors Unimpaired	
			11.2.7.5	Fulfillment of Contracts	
			11.2.7.6	Members/Trading Members Not to Deal	
		11.2.8	Withdrawal of Admission to Dealings on the Exchange		
		11.2.9	Reconsideration/Review		
	11.3	The Disciplinary Action Committee			
		11.3.1	Penal Actions		
		11.3.2	Explanation Before Suspension		
		11.3.3	Consequences of Suspension		
			11.3.3.1	Suspension of Membership/Trading Membership Rights	
			11.3.3.2	Rights of Creditors Unimpaired	
			11.3.3.3	Fulfillment of Contracts	
			11.3.3.4	Further Business Prohibited	
			11.3.3.5	Members/Trading Members Not to Deal	
		11.3.4	Pre-determination of Penalties		
		11.3.5	Imposition of Penalties		
		11.3.6	Commutation		
		11.3.7	Failure to Pay Fines and Penalties		
		11.3.8	Re-consideration/Review		
		11.3.9	The Managing Director		
			11.3.9.1	Disablement / De-activation Until Compliance of Requirements	
			11.3.9.2	Action No Subject to Appeal	
	11.4		11.4.1	Exclusive Powers in Disciplinary Matters	
			11.4.2	Appeal of the Governing Board	
			11.4.3	Authority to Call for Information	
			11.4.4	Withdrawal/suspension of Admission and Re-admission to Dealings on the Exchange	

			11.4.5	Reconsideration/Review	
	11.5	Causes Requiring Disciplinary Action			
		11.5.1	Misconduct		
			11.5.1.1	Fraud	
			11.5.1.2	Commission of an Offence	
			11.5.1.3	Violation	
			11.5.1.4	Improper Conduct	
			11.5.1.5	Aiding and/or Abetting the Breach of Rules, Bye-laws and Regulations	
			11.5.1.6	Failure to Submit to or Abide by Arbitration	
			11.5.1.7	Failure to Testify or Give Information	
			11.5.1.8	Failure to Submit Special Returns	
			11.5.1.9	Failure to Submit Accounts	
			11.5.1.10	Failure to Compare or Submit Accounts in Respect of Defaulters	
			11.5.1.11	False or Misleading Returns	
			11.5.1.12	Vexatious Complaints	
			11.5.1.13	Failure to Pay Dues and Fees	
		11.5.2	Unbusinesslike Conduct		
			11.5.2.6.	Unwarrantable Business	
			11.5.2.7	Compromise	
			11.5.2.8	Dishonoured Cheque	
			11.5.2.9	Failure to Carry out Transactions with Clients	
		11.5.3	Unprofessional Conduct		
			11.5.3.1	Kerb Trading	
			11.5.3.2	Business in Securities in Which Dealings Not Permitted	
			11.5.3.3	Business for Defaulting Client	
			11.5.3.4	Dealings with Clients	
			11.5.3.6	Business for Insolvent	
			11.5.3.7	Business Without Permission When Under Suspension	
			11.5.3.8	Business For or With Suspended or Expelled Member/ Trading Member or Defaulter	
			11.5.2.9	Business for Employees of Other Members/Trading Members	
			11.5.2.10	Business for Exchange Employees	
			11.5.2.11	Advertisement	

			11.5.2.12	Evasion of Margin Requirements
			11.5.2.13	Brokerage Charge
	11.6	RESPONSIBILITY/LIABILITY OF MEMBER/TRADING MEMBER FOR DESIGNATED PARTNERS, DESIGNATED DIRECTORS /NOMINEES IN THE CASE OF A COMPANY/BODY CORPORATE, APPROVED USERS, AUTHORISED REPRESENTATIVES, AGENTS, SUB-BROKERS, REMISIERS AND EMPLOYEES		
	11.7	Liquidation and/or Suspension of Business		
		11.7.1	Prejudicial Business	
		11.7.2	Unwarrantable Business	
		11.7.3	Unsatisfactory Financial Condition	
	11.8	Members/Trading Members and Others to Testify and Give Information		
	11.9	Permission Necessary for Legal Representation		
	11.10	Notice of Penalty and Suspension of Business		
12	FINANCE AND ACCOUNTS AND PAYMENT OF ENTRANCE FEE, ADMISSION FEE, ANNUAL SUBSCRIPTION AND BASE MINIMUM CAPITAL BY MEMBERS/TRADING MEMBERS AND ASSOCIATES			
	12.1	Finance and Accounts		
		12.1.1	Subscriptions and Receipts	
		12.1.2	Operation of Accounts	
		12.1.3	Expenses and Accounts	
	12.2	Entrance/Admission Fee/Annual Subscription		
		12.2.1	Entrance Fee	
		12.2.2	Admission Fee	
		12.2.3	Annual subscription	
		12.3.4	Failure to Pay Entrance Fee, Admission Fee or Annual Subscription	
		12.2.5	Other Charges or Fees	
	12.3	For Members/Trading Members or Designated Partners of Partnership Firms, Representative Members/Trading Members		
		12.3.1	Base Minimum Capital	
			12.3.1.1	Provision as to Base Minimum Capital
			12.3.1.2	Form of Base Minimum Capital for Members/Trading Members, Designated Partners, Representative Members/Trading Members
			12.3.1.3	Manner of Holding of Base Minimum Capital
			12.3.1.4	Manner of Holding Base Minimum Capital of Representative Member/Trading Member
			12.3.1.5	Value of Base Minimum Capital to be Maintained
			12.3.1.6	First Charge/Paramount Lien on Base Minimum Capital
			12.3.1.7	Change of Securities
			12.3.1.8	Conditions of Other Approved Securities
			12.3.1.9	Return of Base Minimum Capital to Members/Trading Members or Designated Partners or Representative Members/Trading Members

			12.3.1.11	Letter of Declaration
			12.3.1.12	Nomination Form for Return of Base Minimum Capital and other Credit Amounts/Securities Lying with the Exchange/Clearing Corporation
	12.4	For Remisiers		
		12.4.1	Annual Fee	
		12.4.2	Other Charges or Fees	
		12.4.3	Base Minimum Capital	
			12.4.3.1	Provision as to Base Minimum Capital
			12.4.3.2	Form of Base Minimum Capital
			12.4.3.3	Manner of Holding of Base Minimum Capital
			12.4.3.4	First Charge or Paramount Lien on Base Minimum Capital
			12.4.3.5	Letter of Declaration
			12.4.3.6	Return of Base Minimum Capital
	12.5	Approved Users		
		12.5.1	Annual Subscription	
		12.5.2	Other Charges/Fees	
	12.6	Remuneration of Agents and Employees		

PART-C

(MAY BE IMPLEMENTED AFTER DEMUTUALISATION/CORPORATISATION OF THE EXCHANGE)

8.	CONSTITUTION AND POWERS OF GENERAL MEETING, GOVERNING BOARD, STANDING COMMITTEES, CHAIRMAN, MANAGING DIRECTOR, COMPANY SECRETARY, AUDITOR, LEGAL ADVISOR AND SCRUTINEERS			
	4.8	Chairman		SEBI's circular no. SMD/SED/6919/93 dated April 20, 1993 Model Rule: There shall be a Chairman elected by the Governing Board as provided hereinafter and he shall be holding his position in a non-executive capacity.
	8.4	Chairman		The resignation of President as Chairman and functions and powers of Chairman as recommended by the Committee may be implemented after demutualisation/ corporatisation.
		8.4.1	Chairman to Preside	-----Same-----
		8.4.2	Chairman to Deal at Meetings Only	-----Same-----
		8.4.3	Representative of the Exchange	-----Same-----

		8.4.4	Ex-Officio Member of Committees	-----Same-----
		8.4.5	Calling of Meetings	-----Same-----
	8.5	Managing Director		The redesignation of Executive Director as Managing Director may be implemented by Exchanges after demutualisation/ corporatisation.
	9.11	Election Procedure for Elected Members		
		9.11.8	Election of Chairman	SEBI circular SMD /SED/6919/93 dated April 20, 1993 has provided for election of chairman from members of the Governing Board. However the provision pertaining to non executive Chairman may be implemented by Exchanges after demutualisation/ corporatisation.

The Recommendations of the Committee pertaining to the abolition of the positions of Vice-President, Honorary Treasurer and Trustees may be implemented after demutualisation/corporatisation of the stock exchange.

PART-D

(AMENDMENT OF SCRR/SEBI REGULATIONS REQUIRED FOR IMPLEMENTATION)

	CLAUSE	SUB CLAUSE	SUBJECT		
	5		ELECTION / SELECTION OF NEW MEMBERS / TRADING MEMBERS		
	5.1		Legal Requirements / Position		
	5.2		Conditions Precedent for Eligibility		
		5.2.2	Non-Citizens of India	(Rule 8(1)(b) of SCRR, 1957 provides that no person shall be eligible to be elected as a member of a stock exchange if he is not a citizen of India, provided that the Governing Body may in suitable cases relax this condition with the prior approval of Central Government. Dispensing with any requirement of relaxation by the Governing Board in this regard may require the amendment to Rule 8(1) (b) of SCRR, 1957.)	
	6.6	Clearing Member		The recommended provisions pertaining to constituting different categories of clearing members may require amendment of SEBI (Brokers and Sub-Brokers) Regulations, 1992	
		6.6.1	Categories of Clearing Member	-----Same-----	
			6.6.1.1	Trading – cum – Clearing Member	-----Same-----
			6.6.1.2	Custodian Clearing Member	-----Same-----
			6.6.1.3	Professional Clearing Member	-----Same-----

6.6.1.4

Trading-Cum-Professional Clearing
Member

-----Same-----
