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SECTION-1

INTRODUCTION

1.1 The Securities and Exchange Board of India (SEBI) constituted on May 14, 1997 a committee 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.

1.2 The constitution of the Committee is under :

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|-----------|--|----------|
| a. | Shri M. R. Mayya
Former Executive Director
The Stock Exchange
Mumbai | Chairman |
| b. | Shri R. C. Mathur / Shri A N Joshi
Former Executive Director / Executive Director
The Stock Exchange
Mumbai | Member |
| c. | Shri Ravi Narain
Managing Director & CEO
National Stock Exchange of India Ltd
Mumbai | Member |
| d. | Shri M. L Soneji
Former Executive Director
The Stock Exchange
Ahmedabad
(Presently Director and CEO
National Securities Clearing Corporation Ltd
Mumbai) | Member |
| e. | Shri T.Prem Kumar
Former President
The Madras Stock Exchange Ltd
Chennai | Member |
| f. | Dr. S. P. Narang
Secretary
The Institute of Company Secretaries of India
New Delhi | Member |
| g. | Shri V. K. Agarwal
Director (Research)
The Institute of Company Secretaries of India | Member |

New Delhi

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|-----------|--|------------------|
| h. | Shri Joseph Massey
Managing Director
Inter-Connected Stock Exchange of India Ltd
Navi Mumbai
(Co-opted subsequently) | Member |
| i. | Smt Deena Mehta
Director / Vice President
The Stock Exchange
Mumbai
(Co-opted subsequently) | Member |
| j. | Shri M. D. Patel / Shri Pratip Kar
Executive Directors
SEBI
Mumbai | Convenor |
| k. | Ms. D. N. Raval
Executive Director
SEBI
Mumbai | Member |
| l. | Shri N. Parakh/Shri P. K. Bindlish/
Shri S.V.Muralidhar Rao
Division Chiefs
SEBI
Mumbai | Member Secretary |

1.3 The Committee has had the benefit of the draft of some of the Rules and of the Bye-laws prepared by Dr. S. P. Narang and Shri V. K. Agarwal of the Institute of Company Secretaries of India with the assistance of Shri M L Soneji and Shri R. K. Pandey, former Executive Director of Delhi Stock Exchange. These actually formed the basis for deliberations at the meetings of the Committee and the Committee gratefully acknowledges its indebtedness to them.

1.4 There are at present 24 stock exchanges recognised by the Central Government / SEBI under Section 4 of the Securities Contracts (Regulation) Act 1956. These include the recently recognised Inter-Connected Stock Exchange of India Ltd. (ISE), Navi Mumbai and the Capital Stock Exchange of Kerala Limited, Thiruvananthapuram. A list of these 24 recognised Stock Exchanges is given in Annexure-I.

- 1.5** Out of the 24 stock exchanges, three stock exchanges, namely, The Stock Exchange, Mumbai, The Stock Exchange, Ahmedabad and Madhya Pradesh Stock Exchange, Indore, are voluntary non-profit making associations not incorporated under any statute. The OTC Exchange of India (OTCEI) is the only stock exchange incorporated under Section 25 of the Companies Act, 1956. All the remaining 20 stock exchanges are either joint stock companies limited by share capital or companies limited by guarantee, incorporated under Section 12 of the Companies Act.
- 1.6** OTCEI has been promoted by a consortium of premier all India Financial Institutions, insurance companies and merchant banking subsidiaries of public sector banks. It has a class of members and a class of dealers. A member can not only deal on the Exchange but also can sponsor any company for listing while a dealer can only transact business on the Exchange.
- 1.7** National Stock Exchange of India Ltd (NSE) has been promoted by 14 financial institutions and public sector banks, besides SBI Capital Markets Ltd and Stock Holding Corporation of India Ltd. The Exchange has two classes of trading membership, one for the wholesale debt market segment and the other for the capital market segment. Only corporate members are admitted in the wholesale debt market segment while individuals and firms are also admitted as trading members in the capital market segment.
- 1.8** Inter-Connected Stock Exchange of India Ltd (ISE) is a stock exchange promoted by 15 recognised stock exchanges of India. Only members of the participant stock exchanges can be admitted as traders on the Exchange. The Exchange also provides for a class of dealers who are directly enrolled by the Exchange. Subsidiaries of financial institutions, commercial banks, etc. as also individuals and corporate entities are eligible to be admitted as dealers on the Exchange.
- 1.9** The Committee observed that brokers did not hold any shares in NSE and OTCEI and ISE and that these exchanges are owned by financial institutions,

banks, insurance companies, promoting stock exchanges, etc. Their Articles of Association and Rules were accordingly drawn up differently as against those of other stock exchanges, which were essentially associations of brokers or owned by brokers. The Committee has, therefore, decided to take the Rules of Bombay Stock Exchange (BSE) as the reference to develop a set of "Model Rules". The Committee also recommends that NSE and OTCEI as also ISE may continue with their existing Articles of Association and Rules.

1.10 The Committee has decided to call the proposed Rules as Model Rules instead of Uniform Rules with the recommendation that the salient features contained in the Model Rules must be incorporated in the Memorandum and Articles of Association and the Rules at the appropriate places by all the stock exchanges. The Committee has accordingly drafted the Rules and a copy of the Model Rules drafted by the Committee is attached to the Report. The Committee had the benefit of a draft prepared by a drafting sub-committee of its own consisting of Shri M R Mayya, Shri M L Soneji, Shri J Ravichandran and Shri Joseph Massey.

1.11 The Committee has rearranged the chapters on a functional basis so as to facilitate easy reference both by the regulators and regulatees as also by others interested in the working of stock exchanges. Model Rules are divided into 12 Chapters as under:

Chapter 1	-	Preliminary
Chapter 2	-	Definitions
Chapter 3	-	Constitution, Objects and Capital / Corpus
Chapter 4	-	Functionaries
Chapter 5	-	Election / Selection of New Members / Trading Members
Chapter 6	-	Partnership Firms / Representative Members / Trading Members, Clearing Members, Membership / Trading Membership, Remisiers, Approved users and Sub-brokers
Chapter 7	-	Nomination, Transfer, Transmission and Declaration of Defaulter

- Chapter 8 - Constitution and Powers of General Meeting, Governing Board, Standing Committees, Chairman, Managing Director, Company Secretary, Auditors, Legal Advisor and Scrutineers.
- Chapter 9 - Election, Nomination, Appointment of Members of the Governing Board, Vacancies in the Governing Board and Administrative set-up
- Chapter 10 - Meetings
- Chapter 11 - Disciplinary Proceedings
- Chapter 12 - Finance and Accounts and Payment of Entrance Fee, Admission Fee, Annual Subscription and Base Minimum Capital by Members/ Trading Members and Associates.

SECTION - 2

PRELIMINARY, DEFINITIONS, CONSTITUTION, OBJECTS, CAPITAL / CORPUS AND FUNCTIONARIES (Chapters 1, 2, 3 and 4 of Model Rules)

- 2.1** Chapters 1, 2, 3 and 4 of the Model Rules relate to "Preliminary", "Definitions", "Constitution, Objects, Capital / Corpus" and "Functionaries" respectively.
- 2.2** While Chapter 1 deals with the introductory portion, in Chapter 2, a set of definitions have been given. The set of definitions have been widened to include phrases like "associate", "business associates", "control" "dealer", "family member" "inactive member / trading member", "investor", "issuer", "multiple membership", "representative member", etc. which are presently not embodied in the Articles of Association / Rules of any stock exchange (hereafter referred to as "Rules").
- 2.3** In Chapter 3, the objects clause has been expanded to include objects like "development of a healthy, orderly and transparent capital market", "to support, protect and further the interest and the character and status of the investors at large", "to promote modernisation of operations and provide infrastructural facilities in the Exchange comparable to international standards", "to provide for appropriate and efficient mechanisms for fulfilment of contractual obligations by creating funds separately for settlement / trade guarantee, investor protection and compensation against claims of bad deliveries by any investor," "to improve and elevate the technical and business knowledge of persons", etc. so as to be in tune with the ethos of a modernised, efficient and transparent stock exchange. The "Capital / Corpus" portion has been amended to include the "capital duly subscribed by any one or more of the public financial institutions" so as to reflect the character of stock exchanges like NSE and OTCEI.
- 2.4** A new chapter entitled "Functionaries" is included as Chapter 4 to spell out various functions for which different functionaries have been constituted with specific powers and roles viz., General Body, Governing Board, Standing Committees to discharge functions in specific areas such as Arbitration,

Settlement of Claims Against Defaulters, Disciplinary Action, Audit, Membership Selection, Investors' Services and Ethics, and Chairman and the administrative set-up headed by the Managing Director. The Rules under this Chapter describe in brief the functions of these various "Functionaries".

SECTION 3

ELECTION / SELECTION OF NEW MEMBERS / TRADING MEMBERS

(Chapter-5 of Model Rules)

3.1 Chapter 5 of Model Rules relates to “Election / Selection of New Members / Trading Members”

3.2 While the conventional stock exchanges have members, stock exchanges like NSE, OTCEI and ISE have trading members. The words “member” and “trading member” are, therefore, used uniformly together throughout in the Model Rules.

3.3 Modifications Suggested

3.3.1 The modifications suggested by the Committee to the existing provisions in the Rules of stock exchanges relating to election / selection of new members / trading members are summarised below.

3.3.2 Non-citizens to be Members Without Relaxation

At present a person, who is not a citizen of India, can become a member of a stock exchange only if there is a relaxation by the Governing Board of the exchange with the prior approval of SEBI. As foreigners are presently allowed to become members of stock exchanges, the Committee recommends that there is no need any longer for these provisions. In other words, a person who is not a citizen of India can become a member of a stock exchange without any relaxation by the Governing Board of the stock exchange subject, however, to laws in India and of the country of which he is a citizen as applicable to such person.

3.3.3 Corporate Membership

Corporate membership of a stock exchange can at present be acquired in two ways. First, by forming a company incorporated under Section 322 of the Companies Act with a majority of directors of the company being shareholders of the company and also members of the stock exchange with unlimited liability in the company. There is, however, a relaxation of

this requirement in respect of "financial corporations" which are (i) Industrial Finance Corporation of India, (ii) Industrial Development Bank of India, (iii) Life Insurance Corporation of India, (iv) Unit Trust of India, (v) Industrial Credit and Investment Corporation of India, and (vi) subsidiaries of any one of the foregoing five institutions and subsidiaries of State Bank of India or of any nationalised bank set up for providing merchant banking services, buying and selling securities and other similar activities. The second route available for corporate membership is through formation of a company in compliance with Section 12 of the Companies Act with atleast two of the directors of the company possessing a minimum of two years' experience (a) in dealing in securities, or (b) as portfolio managers, or (c) as investment consultants.

3.3.4 In actual practice, excepting about half a dozen stock broking companies, which are incorporated under Section 322 of the Companies Act, the rest are formed under Section 12 of the Companies Act.

3.3.5 The Committee has considered the question as to whether the dual routes that are presently available for being a corporate member of a stock exchange should continue. Although the first route is virtually not resorted to except during the interregnum from 1987 till the opening of the second route in 1992, the Committee feels that there is no need in discontinue the same. The Committee, therefore, recommends continuance of status quo in the matter.

3.3.6 Educational Qualification

The minimum educational qualification prescribed for a person to be eligible to become a member of a stock exchange at present is matriculation or the 10 plus 2 years' qualification of the 10 plus 2 plus 3 years' educational system. At the National Stock Exchange, however, he has to be a graduate. As the securities industry is a complex industry necessitating knowledge of several statutes, besides the intricacies of market operations, the Committee recommends that the minimum educational qualification for a person to become eligible to be a member of a stock exchange should be a graduate of a recognised university from

any discipline or such higher qualification as may be prescribed by the Governing Board of the stock exchange provided wherever any member with less qualification has already been admitted prior to these Rules coming into force, such member would be allowed to continue without acquiring the prescribed qualification. However, such continuing member shall be required to undergo refresh course as prescribed hereafter. In addition, the new member should have passed a certificate / diploma course / examination as may be recognised by SEBI from time to time.

3.3.7 Applicability of General Conditions to Partnership Firm and Company / Body Corporate

The Committee also recommends that the general conditions relating to membership should be made applicable at least to the two designated partners in the case of a partnership firm and to the two designated directors / nominees in the case of a company / body corporate.

3.3.8 Waiver of Qualifications

The Committee has observed that under the existing provisions, the Governing Boards of stock exchanges have wide powers to relax any of the conditions if the person seeking admission is in respect of means, position, integrity, knowledge and experience of business in securities is considered by the Governing Board to be otherwise qualified for membership. The Committee has discussed this matter in detail and the general consensus is that as far as possible, discretionary powers to waive qualifications needs to be minimised and the Committee recommends that the power of the Governing Board to waive compliance with the requirements relating to membership be confined to two requirements only viz., educational qualification and past experience of two years.

3.3.9 Identity and Qualification of Promoters

In the case of a company seeking admission as a member / trading member, the identity of its promoters who are individuals needs to be

disclosed. In the case of a subsidiary, the identity of promoters of the holding company and if there is a chain of holding companies, then the identity of the promoters of each of the holding companies in the chain is not only required to be disclosed but also the promoters are required to possess the qualifications for being a member of a stock exchange.

3.3.10 Amalgamations, Take-overs, etc.

The Rules of stock exchanges are silent today with regard to transfer of membership in respect of amalgamations, take-overs, etc. The Committee is of the view that specific provisions need to be made in respect of these matters.

3.3.11 Penalised Persons

A new provision, rendering a person ineligible to be a member of a stock exchange if the person has been punished for contravention of any of the provisions of the SC(R) Act or the SC(R) Rules or the SEBI Act or any Rules or Regulations made thereunder or any other applicable Act or any Rules or Regulations made thereunder for a period of two years or any longer period as may have been specified by SEBI in its order, and for a period of five years in case such person is sentenced to imprisonment by a competent Court of Law, has been incorporated in the Model Rules.

3.3.12 Branch Office

Whenever a member of a stock exchange desires to open a branch office anywhere in the country, he can do so only with the prior approval of the stock exchange.

3.3.13 Compliance Officer

As compliance of all statutory requirements is a must, the Committee is of the view that a provision requiring every member to appoint a compliance officer within a specified time period should be incorporated in the Rules of all stock exchanges, failing which, such duty shall be deemed to have been assumed by the designated partners in the case of a partnership

firm and by the designated directors / nominees in the case of a company / body corporate, jointly and severally, and in the case of an individual member personally by himself. The name of the compliance officer should be communicated to the stock exchange.

SECTION-4

PARTNERSHIP FIRMS, REPRESENTATIVE MEMBERS / TRADING MEMBERS, CLEARING MEMBERS, MEMBERSHIP / TRADING MEMBERSHIP, REMISIERS, APPROVED USERS, AND SUB-BROKERS (Chapter-6 of the Model Rules)

4.1 Constituents of a Partnership Firm

Provisions relating to constitution of partnership firms differ substantially at different stock exchanges. The Committee is of the view that a partnership firm can be formed only between two or more members of a stock exchange or between a member of a stock exchange and one or more members of the family of the member of the stock exchange or between two or more members of a stock exchange and one or more members of the families of the members of the stock exchange. At some of the stock exchanges, the eligibility list of family members who can become partners of a member has been increasing progressively over years. The Committee has, therefore, decided to define the family of a member of a stock exchange as under:

“Family member of a member / trading member means member's / trading member's father or mother or spouse or son or sons or unmarried daughter or daughters or daughter-in-law or daughters-in-law or father's brother or brothers or son's or sons' son or sons or brother or brothers or unmarried sister or sisters or brother's or brothers' son or sons.”

4.2 The above mentioned definition of the family is given in Chapter 2 relating to definitions.

4.3 Other Business

The Committee also recommends that the partnership firm and two of its designated partners and the company/body corporate and its designated directors should not engage themselves in any business other than securities business either as a principal or as an employee.

4.4 Composite Member / Component Member

4.4.1 The Bombay Stock Exchange amended, with effect from November 24, 1997, its Rules providing for a composite corporate membership formed by more than one member or by a corporate member acquiring more than one membership right. The membership rights held by the composite corporate member are known as component members. The Committee, which discussed this question in great detail, decided that as in the case of partnership which can have more than one membership right, a corporate entity may also be permitted to acquire additional membership rights and this privilege be also extended to an individual member too. The Committee was also of the view that while there need not be any increase in the base minimum capital pari passu with the increase in membership rights, the net-worth of the component member should be computed in the manner prescribed by SEBI.

4.4.2 The relevant Rules of the Bombay Stock Exchange have suitably been modified to incorporate the decisions of the Committee and incorporated in the Model Rules.

4.4.3 A separate Rule has also been incorporated in the Model Rules permitting a composite member to acquire such number of membership rights as may be permitted by the Governing Board of the stock exchange.

4.5 4.5.1 Multiple Membership

The Committee has considered at length the question of multiple membership and has felt that there could be ambiguities in the absence of a suitable definition of membership. The Committee has, therefore, evolved the following comprehensive definition of multiple membership and spelt out the same in Chapter 2 relating to definitions:

“Multiple Membership / Multiple Trading Membership” means an individual or a partnership firm or a company (as defined under the Companies Act) or a body corporate having either, directly or indirectly, or is in the process of acquiring control in another entity which is a member /

trading member of either the same stock exchange and / or of any other stock exchange/s and shall include:

4.5.1.1 an individual member / trading member, being a member / trading member of one stock exchange, is also a member / trading member of another stock exchange, or

4.5.1.2 an individual, being a member / trading member of one stock exchange is also a designated director / nominee of a company / body corporate which is a member / trading member of another stock exchange, or

4.5.1.3 an individual, who is a designated director / nominee of a company / body corporate in which there are at least two designated directors / nominees and one of the designated directors / nominees is a member / trading member individually of another stock exchange, or a designated director / nominee of a company / body corporate which is a member / trading member of another stock exchange, or

4.5.1.4 an individual, being a member / trading member of one stock exchange or an individual, who is a designated director / nominee of a company / body corporate, which is a member / trading member of one stock exchange, is a designated partner in any partnership firm of another stock exchange".

4.5.2 The Committee has taken into consideration the guidelines dated August 12, 1991 and March 27, 1992 issued by the Ministry of Finance relating to multiple membership while framing Model Rules. While stock exchanges no doubt follow the norms set out in these guidelines, these have not yet been incorporated in the Rules of stock exchanges.

4.5.3 The important features incorporated in the Rules are as under :

4.5.3.1 A member should have operated his membership for a period of at least two years before seeking membership of another stock exchange, but this condition can be waived if the member meets

the net worth criteria separately for each of the stock exchanges where he is seeking membership,

4.5.3.2 An individual member may be permitted to have additional membership of another stock exchange after a careful scrutiny of his financial position and appraisal as a member and subject to the condition that at least one authorised representative of the member should normally be resident at each additional stock exchange, where he is a member. In case of a partnership firm, it should be limited to the number of partners the firm has, provided at least one designated partner of the firm is normally resident at each of the concerned stock exchanges, while in case of a company / body corporate, at least one of its designated directors / nominees should normally be resident at each of the concerned stock exchanges.

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

4.5.4 Dominant Shareholding

When any individual or group of individuals, other than members of a family, not exceeding four in numbers, hold 51% of the paid up equity capital (40% in case of listed companies) directly and not through any corporate entity, firm or Hindu Undivided Family (HUF), such holding shall be considered to be 'dominant shareholding' and any individual or group of individuals holding such dominant shareholding shall be considered to be 'dominant promoter group'. Any change in such shareholding of the company, including that of the said dominant promoter group or their shareholding interest, shall be effected only

after prior approval from the stock exchange. For arriving at the shareholding of persons constituting the dominant group, the shareholding of their family members may be counted provided these relatives give an irrevocable and unconditional support in writing in the prescribed format as required by the Exchange. Any change in the dominant group would require the member / trading member to seek fresh approval of the Exchange as if for admission of new member / trading member and to pay approval / transfer fee, as the case may be, and / or additional deposits to the Exchange and also abide by such conditions as the Exchange may stipulate while granting such approval / transfer.

4.6 Clearing Members

In a fast changing scenario, various functions and activities are getting specialised and thereby creating room for emergence of new areas of specialised services. This has proved true in the stock exchange operations where trading members may be rendering services only for the purpose of carrying out trades where such members have expertise and knowledge and on the other hand clearing members rendering services to such trading members who wish to avail of specialised services of clearing members which have financial capabilities and requisite expertise in the areas of clearing and settlement of the trades made by the trading members, either for themselves and/or on behalf of their clients. The Committee, therefore, recommends that there may be a class of 'clearing members' who will be/are the members of the Clearing Corporation or of the Clearing House of the stock exchange and who shall undertake the responsibility of clearing and settling all the obligations outstanding in the stock exchange in respect of those trading members who opt to operate through him as trading members and also for the obligations created by him directly and/or by his own clients. The 'clearing member' may be either a 'trading-cum-clearing member' or a 'custodian clearing member' or a 'professional clearing member' or a 'trading-cum-professional clearing member'.

4.7 Continuous Requirements for Membership

In view of the fast changing scenario of the capital market and the continuously evolving structure of the regulatory framework, the Committee considers it necessary that the persons managing stock broking operations should update their knowledge from time to time. The Committee, therefore, recommends that a member of the stock exchange should undergo at least once in three years a refresher course on the syllabus covering the stock market / capital market as may be prescribed by the Governing Board of the Exchange and / or SEBI from time to time. In the case of a partnership firm, this condition will be applicable to the designated partners of the firm who are members of the stock exchange and if a partnership firm has only one member, then this condition will be applicable to an additional designated partner of the firm while in the case of a company/ body corporate, the two designated directors / nominees of the company / body corporate will be required to comply with the condition.

4.8 4.8.1 Inactive Members

The Committee has noted that at some of the stock exchanges, quite a large number of membership rights have remained inactive for several years. The Committee, therefore, recommends that if a member fails either to achieve a turnover of at least one-tenth of the average turnover of the members of the stock exchange or fails to trade for a minimum period of 50 trading days in an immediately preceding financial year, the member should be deemed to have become inactive except for the year in which such member commenced his operation / business. Such a member may be given a maximum period of two years to activate his membership and if he fails to activate his membership within this period of two years, the member renders himself liable for termination of his membership rights and the Governing Board of the Exchange shall extinguish the membership rights on such terms and conditions as the Governing Board may prescribe from time to time, after giving the member an opportunity of being heard in the matter. The Governing Board shall release to the member the amount of realisation after recovering cost and other liabilities, if any, of the member.

4.8.2 The Committee has also considered the question of free availability of membership rights of any stock exchange without any restrictive provisions on the maximum number. Membership of a stock exchange should be considered as a profession rather than any proprietary trading right. The Committee, therefore, recommends that ultimately stock exchanges of the country should move to a situation where any person desiring to be a member of any stock exchange should be able to acquire membership provided such person fulfils all the conditions - legal, educational, financial - and any other stipulations that may be laid down by the respective stock exchange and SEBI from time to time.

4.8.3 Deceased Members

The Committee has also viewed with concern membership rights lying idle because of the death of members. The Committee recommends that in the case of deceased members, where no recorded nomination exists, the right of nomination must be exercised by the legal heirs / legal representatives within a maximum period of two years and failure to do so would result in the Governing Board of the stock exchange disposing of the right and releasing to the legal heirs / legal representatives of the deceased member the amount of realisation after recovering costs and liabilities, if any, of the deceased member.

4.8.4 It is pertinent to note that at several stock exchanges the right of nomination vest with the legal heirs / legal representatives of the deceased member. At the Bombay, Ahmedabad and Madhya Pradesh stock exchanges, this right vest with the widow and sons of the deceased member, and if there be no widow and sons, then with the daughter of the deceased member, and if there be no widow and sons and daughters, then with the parents and if none of them be there, then the Governing Board of the stock exchange shall exercise the right of nomination. The Committee recommends that this archaic system of nomination need not continue any longer because of the changes made in the personal laws relating to succession. As at several other stock exchanges, the right of nomination of the deceased member must vest with the legal heirs / legal representatives of the deceased member.

4.9 4.9.1 Buy-back of Membership Rights

The Committee has considered the question of buy-back of membership rights in the context of the developing situation at several of the regional stock exchanges of their members facing keen competition from the members of other stock exchanges who have been able to set up terminals at a host of centres in the country on account of nation-wide reach of its network. The Committee recommends that the Governing Boards of stock exchanges be empowered to buy-back the membership of their members and / or have a scheme of surrender of such rights subject to approval by SEBI and the membership rights so bought back / surrendered should not be permitted to be re-issued at any time thereafter.

4.9.2 The Committee suggests that the question of tax implication of buy-back of membership rights in the case of stock exchanges which are limited by guarantee or are associations of persons needs to be examined before implementing the recommendation.

4.10 Deemed Defaulter

There have been situations where a member dies prior to his fulfilling obligations and / or liabilities and his legal heirs / legal representatives are unable to fulfil such obligations and liabilities. In such a situation of default, there is no specific provision available empowering the Governing Board to declare such a deceased member a defaulter or a deemed defaulter. In order to put this matter beyond doubt, the Committee recommends that a specific provision, empowering the Governing Boards of stock exchanges to declare the deceased member a deemed defaulter, be incorporated in the Model Rules to ensure the legality of such an action.

4.11 Remisiers

A remisier is a person engaged by a member of a stock exchange primarily to solicit business in securities. He is remunerated by the member by way of a share in the brokerage charged to the clients introduced by him. The class of remisiers was dormant for a long time. Recently, however, the class of remisiers

has emerged again due to the compulsory requirement of registration in respect of sub-brokers. The Committee has, therefore, retained the provisions relating to remisiers.

4.12 Approved Users

Approved users of the Trader Work Stations are a new class who have emerged in the offices of stockbrokers because of the screen-based trading. The Committee is of the opinion that the approved users of the Trader Work Station, who are in the exclusive employment of the member or who are registered with SEBI as a sub-broker of the member, need to be brought under the regulatory framework. Suitable provisions are, therefore, embodied in the Model Rules providing for their regulation by stock exchange authorities.

SECTION-5

NOMINATION, TRANSFER, TRANSMISSION AND DECLARATION OF DEFAULTER

(Chapter - 7 of Model Rules)

5.1 Nomination in Favour of Corporate Entities

The existing provisions in the Rules of stock exchanges, inter alia, permit a member of a stock exchange with less than three years' standing to exercise his right of nomination in favour of a company provided he continues to hold not less than 51 percent of the paid up capital of the company for such period as would have brought him three years' standing had he not resigned from the membership. The Committee recommends that this provision be amended permitting holding of not less than 51 percent of the paid-up capital of the company by himself and his family members.

5.2 Restrictions on Defaulter Exercising Right of Nomination

5.2.1 The existing Rules of most of the stock exchanges provide for re-admission of a defaulter, if he pays atleast 37 paise in a rupee of the amount of default. If the default is due to insolvency, payment of 100 paise in a rupee of the amount of default has to be made to qualify for re-admission. Rules of some of the stock exchanges have, however, been amended permitting re-admission, if all the amounts payable by him to all, including his clients, are paid. The Committee is of the opinion that a member of a stock exchange, who is declared a defaulter, should not be re-admitted under any circumstances for a minimum period of five years from the date he is declared a defaulter or expelled and even after the minimum period of five years, such person may be re-admitted by the Governing Board as a member provided all the amounts payable by such person to his clients, other members, other recognised creditors, stock exchange, clearing house / clearing corporation and SEBI, are paid in full and there is no commercial liability remaining unfulfilled.

5.2.2 The Committee has noted that Rule 8(1)(h) of the Securities Contracts (Regulation) Rules, 1957 provides, inter alia, that no person shall be

admitted as a member of a stock exchange if he has been at any time expelled or declared a defaulter by any other stock exchange. As the recommendation of the Committee is confined to re-admission of a defaulter as a member at the same stock exchange, where he is declared a defaulter, there is no conflict between this recommendation and the provision contained in the Rule referred to above.

5.2.3 A specific provision prohibiting a person who was a member of any other stock exchange and who has been declared a defaulter or expelled by the other stock exchange from being admitted as a member of any stock exchange in the country has been made in the Model Rules.

5.3 Default of Multiple Membership

The Committee also recommends that if a member of a stock exchange having multiple membership at other stock exchanges is declared a defaulter, he should ipso fact also be declared a defaulter at all the other concerned stock exchanges.

5.4 Institution of Cases

The Committee also recommends that the existing provisions in the Byelaws of stock exchanges for institution of cases in courts of law to attach the personal assets held in the name of the defaulter should be made clearer. Further, in the case of corporate members, the dues of the stock exchanges and SEBI fees should be accorded priority in the distribution of assets. The Committee further recommends that the question of creating a floating charge on the assets of a corporate member in favour of the stock exchange be explored.

5.5 Selection of New Members

Selection of a new member is presently done at the stock exchanges by a Selection Committee and candidates selected by the Selection Committee are generally admitted by the Governing Board as members. The Rules of stock exchanges are silent with regard to the composition of the Selection Committee. The Committee has considered this question and recommends that the Governing Board shall nominate the Membership Selection Committee with the previous approval of SEBI consisting of such number of persons as may be decided by the Governing Board subject however to the ratio of 40:60 between

persons who are members of the stock exchange and persons who are not members of the stock exchange The Committee also recommends that the Governing Board shall normally approve the candidates selected by the Selection Committee and in cases where it decides not to do so, it shall record its reasons, in writing, for rejection of the candidates

5.6 Declaration of Defaulter

Provisions relating to priority of allocation of assets vesting in the Defaulters' Committee, renamed as Committee for Settlement of Claims Against Defaulters, and the consequences arising out of declaration of defaulter are contained in the Rules whereas the provisions relating to declaration of defaulter and post-defaulter processes are contained in the Bye-laws. The Committee recommends that it would be advisable to have all the relevant provisions relating to default in the Rules itself. Accordingly, with appropriate changes in the provisions contained in the Bye-laws, such provisions are incorporated to the Rules under Chapter 7.

5.7 Distribution of Assets

On the question of distribution of assets vesting in the Exchange on account of declaration of a defaulter, the Committee recommends that the same be distributed among the creditors in the following order of priority:

- 5.7.1** Dues to the Stock Exchange, Clearing House, Clearing Corporation, Settlement Guarantee Fund and SEBI on a pro-rata basis.
- 5.7.2** Claims arising out of contracts, including those entered into with clients, and claims incidental to a contract.
- 5.7.3** Claims of sub-brokers registered with SEBI and other genuine claims arising out of or in connection with the transactions done on the stock exchange, but excluding loan transactions, and claims of banks arising out of bank guarantees given to the stock exchange, as approved by the Defaulters' Committee,

- 5.7.4** Liability determined by any authority recognised by the Central / State Government.
- 5.7.5** Apportionment of assets in case of defaulter in relation to multiple membership shall be done strictly stock exchange-wise against the claims received from respective stock exchanges. If, however, there is a surplus at any stock exchange, the same shall be available for distribution on a pro-rata basis against shortages in admitted claims at the respective stock exchanges
- 5.7.6** Surplus, if any, be released to the member and in case where the member has expired, to his legal heirs/legal representatives.

SECTION-6

CONSTITUTION AND POWERS OF GENERAL MEETING, GOVERNING BOARD, STANDING COMMITTEES, CHAIRMAN, MANAGING DIRECTOR, COMPANY SECRETARY, AUDITOR, LEGAL ADVISORS AND SCRUTINEERS

(Chapter-8 of Model Rules)

6.1 Powers of General Body

The General Body of stock exchanges at present enjoys some of the management powers and this has often been found to be not in harmony with introduction of reforms in the working of stock exchanges. The Committee is, therefore, of the view that jurisdiction of the General Body needs to be reviewed to ensure that the management decisions taken by the Governing Board of the stock exchange, which is broadly represented, facilitate acceleration of the reform process at the stock exchanges, more particularly so as the capital market has become an integral part of economic liberalisation.

6.2 The Committee recommends that the exclusive jurisdiction of the General Body be related to the following matters only:

- 6.2.1** The maximum number of members of the stock exchange,
- 6.2.2** acquisition, purchase, sale, exchange, creation of a charge or other disposal of any immovable property of the value exceeding Rs. 50 lakhs or such higher amount as may be authorised by the general meeting,
- 6.2.3** contribution towards a charitable purpose of an amount exceeding Rs. five lakhs or such higher amount as may be authorised by the general meeting, and
- 6.2.4** appointment and / or removal of statutory auditor.

6.3 Power to Amend Rules and Bye-laws

Rule 75 of the Rules of the Bombay Stock Exchange empowers the General Body of the Exchange to amend the Rules and Byelaws of the Exchange by

three-fourths majority. Similar provisions are embodied in the Rules of several other stock exchanges. The Committee is of the opinion that recourse to this power can be had occasionally to negative the progressive measures taken or contemplated to be taken by the Governing Boards of stock exchanges in the matters relating to trading. The Committee, therefore, recommends that the power given to the General Body be limited to amend the Bye-laws of the stock exchange only.

6.4 Powers of the Governing Board

The portion relating to adjudication of disputes in the powers of the Governing Board has been deleted from the Model Rules as arbitration and conciliation are now governed by the Arbitration and Conciliation Act, 1996 under which the appeal can only be to a court of law.

6.5 The existing provisions empower the Governing Boards of stock exchanges to invest and deal with the monies of the stock exchange, not immediately required for running the day-to-day affairs of the stock exchange in suitable safe avenues of investment. In actual practice, however, this, being an operational matter, is done by the Executive Director of the stock exchange on the basis of norms fixed by an Investment Committee specially constituted for the purpose. The Committee, therefore, recommends that the power of the Governing Board be related to laying an objective and detailed policy and to prescribe norms in the matter for the guidance of the Managing Director or a committee of officers of the stock exchange, to carry out the day-to-day operations.

6.6 Standing Committees

The Rules of stock exchanges presently provide for constitution of Arbitration, Defaulters' and Disciplinary Action Committees. The Committee has renamed the Defaulters' Committee as Committee for Settlement of Claims Against Defaulters to reflect the actual function of the Committee. The Committee recommends that, in addition to these Committees, there should also be four other Standing Committee viz., Audit Committee, Membership Selection Committee, Investors' Services Committee and Ethics Committee. The Committee also recommends that the Managing Director of the Exchange may,

at his sole discretion, constitute an Executive Committee or other committees of the executives of the stock exchange and independent experts, to assist him and facilitate in decision-making on administrative (including staff), operational and surveillance (including risk management) matters.

- 6.7** The Audit Committee shall oversee the operations of the stock exchange in terms of adequacy of systems, procedures and authorisation of activities relating to expenses and investment, prescription of standards for compliance of these matters and advising the Managing Director to initiate specific action. Functions of the Audit Committee will enhance corporate governance of stock exchanges. Membership Selection Committee will attend to the work relating to selection of members. Investors' Services Committee shall address itself to all matters concerning complaints and interests of investors. The Ethics Committee shall be responsible for deciding and implementing the code of ethics for elected members of the Governing Board and Functionaries of the stock exchange and such other persons associated with the stock exchange as may be decided by the Governing Board and / or SEBI from time to time.
- 6.8** The composition of all the above committees shall be in the ratio of 60 percent non-members and 40 percent members as is generally the practice at present and with the prior approval of SEBI. The non-members to be nominated on these Committees may or may not be from among the persons recommended by the Governing Board of the stock exchange and SEBI shall have discretion to nominate any other person on these Committees. The Committee recommends that a member of a committee, who is also a member of the Governing Board, shall not participate in the meeting of the Governing Board, while considering any matter which comes in appeal to the Governing Board, where such member participated in the meeting of such committee when the matter referred to appeal was discussed and / or decided.
- 6.9** The Committee has noticed that occasionally committees are constituted at stock exchanges to look into matters, which should be in the exclusive domain of the Managing Director. As such committees can whittle down the effectiveness of the functioning of the Managing Director, the Committee recommends that no

committee, other than the standing committees referred to above, the functions of which would either overlap or conflict with the functions of the Managing Director, should be constituted. However, the Governing Board may constitute such other committees other than the standing committees, as they may consider necessary in respect of matters other than administrative, operational and surveillance matters.

6.10 The Committee has considered the question as to whether any limitation of period be stipulated in respect of nomination of members of a committee. The Committee is of the opinion that putting a ceiling on the period a person can serve on any committee would result in the valuable expertise that would be developed by members of committees not becoming available to the securities industry. The Committee, however, recommends that there should be a gap of at least one-year after a consecutive period of three years before re-nomination of any person on the same committee.

6.11 Chairman

In tune with the global practice, the Committee has renamed the President of the stock exchange as its Chairman who shall be non-executive.

6.12 The powers and duties of the President of a stock exchange vis-à-vis the Executive Director need to be clarified as there has been some confusion in the matter mainly because the stock exchanges did not amend the provisions spread across the entire gamut of Rules, Bye-laws and Regulations by replacing the word “President” by the word “Executive Director”. Instead, they chose to insert a new Rule vesting the powers of the President on the Executive Director. For example, Rule 154(a) of the Rules of the Bombay Stock Exchange / Ahmedabad Stock Exchange reads as under :

“Whenever a Chairman (i.e., the Executive Director) is appointed the powers, rights, duties and functions of the President as provided in the Rules, Bye-laws and Regulations of the Exchange save and except those contained in Rules 71(a), 73(b), 81, 110, 111(a), 111(b), 120(vi), 120(ix), 126(a), 126(b), 127, 131, 132(a), 134(b), 135(c), 136, 148, 150(a), 152 and 153 shall vest in and shall be

deemed to be the powers, rights, duties and functions of the Chairman (i.e., the Executive Director)

These exceptions relate to the powers, rights, duties and functions of the President, essentially relating to convening of meetings, presiding over meetings, etc.

6.13 Stock Exchange authorities have often been interpreting the above provision to mean that the various regulatory powers set out in the Rules, Bye-laws and Regulations vest both with the Executive Director and the President although the correct legal interpretation is that all the powers, except those specifically excluded by the above mentioned Rule, vest only with the Executive Director upon his assuming the charge and thereupon ipso facto such powers, duties, rights and functions cease to be the powers, duties, rights and functions exercisable by the President. To obviate avoidable ambiguity and make simple straight forward reading and interpretation, the Committee has used the words "Managing Director" (as the Committee recommends the designation of the Executive Director to be changed to that of Managing Director)" in all the relevant Rules. The word "Chairman" has been retained in only those Rules wherein his powers really rest. The same pattern will also be followed while finalising the Model Bye-laws.

6.14 In order to put the matter beyond the shadow of any doubt, the Model Rules contain a specific Rule stating clearly that "The Chairman shall deal with any matter relating to the administration, functions, working and affairs of the Exchange only at the meetings of the Governing Board and shall not deal with any of the operational or administrative matters".

6.15 Vice President

The role of the Vice-President of a stock exchange is not clearly defined in the Rules of stock exchanges. The Committee is of the opinion that as there is no function to be discharged by the Vice-President, there is no longer any need for the post of Vice-President. Accordingly, the provisions relating to Vice-President have been deleted from the Model Rules.

6.16 Honorary Treasurer

Rules of most of the stock exchanges provide for the office of Honorary Treasurer charged with the duties of recovery and receipt of all subscriptions, donations, etc., signing cheques, defraying expenses and causing preparation of annual statement of income and expenditure and balance sheet of the stock exchange.

6.17 The office of Honorary Treasurer at the stock exchanges is the outcome of a historical necessity. Initially, when the stock exchanges were established in the country, there was hardly any secretariat and the stock exchanges evolved the institution of Honorary Treasurer to look after the financial affairs of the stock exchange without incurring any cost in this behalf. Despite strengthening of the secretariat of stock exchanges on a progressive basis and senior professionals brought into the management of stock exchanges over years, particularly during the last decade and a half, the office of Honorary Treasurer has survived mainly due to hesitancy on the part of Governing Boards to do away with the post which gives to one of the elected members an office to adorn. The Committee has observed that the office of Honorary Treasurer has been in recent years one of the causes of friction between the Governing Board and the Executive Director as the Honorary Treasurer has quite often attempted to exercise his powers embodied in the Rules while in actuality his functions are now being discharged efficiently by the secretariat of stock exchanges. The Committee has, therefore, considered the desirability of continuance of this office and is of the view that there is no longer any need for the continuance of this office. Accordingly, in the Model Rules, the Committee has deleted all references to the office of Honorary Treasurer.

6.18 Trustees

Bombay, Ahmedabad and Madhya Pradesh stock exchanges are not set up under any statute, either the Companies Act or the Societies Registration Act. They have their Trust Deeds and, in addition to the Governing Boards, they also have Boards of Trustees appointed by the General Body. The main functions of

the Board of Trustees is to invest the monies of the stock exchange in houses and landed property or in securities or by way of fixed deposit with banks or joint stock companies.

- 6.19 Trustees have to act as per the decision of the General Body and the Governing Board and do not have any independent powers. The Committee feels that there is no longer any need to continue the institution of Trustees. The Committee, however, recommends that a detailed study of conversion of Bombay, Ahmedabad and Madhya Pradesh Stock Exchanges into corporate bodies from the point of view of tax implications, property rights, payment of stamp duty, etc. be made and that the institution of Trustee at these stock exchanges may continue till conversion of these stock exchanges into corporate entities. The provisions relating to Trustees are, therefore, deleted from the Model Rules.

6.20 Managing Director

The office of Executive Director in a stock exchange is the most crucial one as the Executive Director is the Chief Executive Officer of the organisation. While he no doubt functions under the overall superintendence of the Governing Board of the stock exchange and SEBI and within the broad policy framework laid down by them, he should have adequate powers to implement freely without fear or favour the policies without any interference from others. The Committee has, therefore, given deep consideration to the powers that should be bestowed on him to discharge the duties and responsibilities cast on him. The Committee recommends that in tune with the importance of the post and with an objective to strengthen the position, the designation of the post be changed to that of Managing Director. The Committee also recommends that substantial powers concerning the management, operations and administration of the stock exchange should be vested with the Managing Director and he should be the sole deciding authority on all matters concerning functioning of the stock exchange.

- 6.21 With the above objective in view, the Committee has framed the relevant Rules in the Model Rules relating to the powers of the Managing Director. The Rules framed clearly say that "The Managing Director shall be vested with the

executive powers of the Exchange to run the day-to-day administration including all managerial, operational and incidental matters and to enforce the Rules, Bye-laws and Regulations of the Exchange in force from time to time and the directives, orders, guidelines, norms and circulars issued by SEBI from time to time and shall exercise such powers in deciding all matters encompassing the activities of the Exchange and further powers which may be delegated or entrusted to him by the Governing Board and / or SEBI from time to time. Any failure to enforce the Rules, Bye-laws or Regulations of the Exchange or directives, orders, guidelines, norms or circulars issued by SEBI will render the Managing Director liable for removal or termination of service by SEBI subject to the Managing Director being issued a show cause notice and given an opportunity of being heard before such termination or removal". The Rules also stipulate that in addition to the powers and duties specified in the Rules, Bye-laws and Regulations of the Exchange, the Managing Director shall exercise and perform, without prejudice to the generality of the foregoing powers and to any power or authority impliedly or expressly conferred by any Rule, Bye-law or Regulation of the Exchange for the time being in force, a host of other duties which have been specified. These include :

- 6.21.1 being the chief executive officer, managing and attending to all correspondence,
- 6.21.2 giving permission for admission to dealings of securities on the stock exchange,
- 6.21.3 approving and regulating partnerships, designated directors / nominees in the case of a company / body corporate, approved users, authorised representatives, agents, sub-brokers, remisiers and employees of members,
- 6.21.4 calling upon for attendance and information from any member and any company, listed or being listed,
- 6.21.5 taking suitable measures relating to settlement of transactions,
- 6.21.6 receiving complaints and making inquiries for initiating necessary action,

- 6.21.7 incurring all revenue and capital expenditure within the sanctioned budget,
- 6.21.8 making and giving releases,
- 6.21.9 investing surplus funds in accordance with the approved policies,
- 6.21.10 considering all matters relating to employees upto the level of General Manager,
- 6.21.11 carrying out analysis/investigations of dealings of members, their business conduct and financial dealings,
- 6.21.12 taking suitable regulatory measures like imposing various types of margins, including scrip specific margins, ad hoc margins and penal margins, broker specific margins, ad hoc margins and penal margins, limits on price fluctuations, limits on exposure positions, requiring liquidation of outstanding positions, prohibiting long purchases and / or short sales, fixing maximum and / or minimum prices, fixing carry over charges, withholding pay-out of securities and / or funds, disposing of securities, calling for early pay-ins, suspension of trading in scrips, placing scrips on spot delivery basis or trade on trade delivery basis, etc.,
- 6.21.13 compliance of all regulatory measures and levy of penalties for non-compliance,
- 6.21.14 taking consequential action pursuant to SEBI inspection report and doing the necessary follow-up,
- 6.21.15 defending suits and legal proceedings and initiating and interfering in legal proceedings,
- 6.21.16 enforcing the directives, orders, guidelines, norms and circulars issued by SEBI and the Rules, Bye-laws and Regulations of the stock exchange,
- 6.21.17 implementing the recommendations or advice given by the Audit Committee,
- 6.21.18 representing the stock exchange as its official representative, and

6.21.19 causing recovery of various dues from members.

6.22 Signing of Cheques

The Committee has observed that at some of the stock exchanges, the power of signing cheques is with the elected members of the Governing Board only. The Committee is of the view that as this function is purely an administrative function, there is no need to empower this routine function to directors of the stock exchange. The Committee has, therefore, provided in the Model Rules that the Governing Board shall authorise the executives of the stock exchange, including the Managing Director, to sign cheques.

6.23 Company Secretary

Rules framed by the Committee have provided for the appointment of a Company Secretary by the Governing Board of the stock exchange. He shall be the Secretary of the Governing Board and also the Secretary of each of the standing and other committees, unless any other officer of the stock exchange is so designated.

6.24 Practising Company Secretary

It is imperative that the directives, orders, guidelines, norms and circulars issued by SEBI are duly implemented by stock exchanges in the manner as directed by SEBI. In order to ensure this, the Committee recommends that the services of a practising company secretary be engaged to examine and certify about compliance by stock exchanges of the directives, orders, guidelines, norms and circulars issued by SEBI from time to time and the report of the practising company secretary be placed before the Governing Board immediately in the succeeding meeting taking place after submission of such report to the Managing Director.

SECTION-7

ELECTION, NOMINATION, APPOINTMENT OF MEMBERS OF THE GOVERNING BOARD, VACANCIES IN THE GOVERNING BOARD AND ADMINISTRATIVE SET-UP (Chapter-9 of Model Rules)

7.1 Self-Regulating Organisation

The Committee has given deep consideration to the constitution of the Governing Boards of stock exchanges. It is needless to say that stock exchanges are self-regulating organisations and as such the Governing Boards of stock exchanges have an onerous duty cast on them to ensure that they act as self-regulating organisations with an impartial, objective and transparent system and procedures laid down to govern the stock exchanges. The Committee has duly taken into consideration the functioning and developments at the various stock exchanges of the country during the last few decades while framing its recommendations.

7.2 Member Under Suspension or Cancellation or Registration

There is no specific provision at present prohibiting a member under suspension by the stock exchange or a member whose registration has been suspended by SEBI from contesting election to the Governing Board. A specific provision prohibiting a member from contesting for election for a period of two years from the date of expiry of suspension of trading or suspension of registration by SEBI is, therefore, made in the Model Rules.

7.3 Member Facing Criminal Prosecution

The present provisions do not debar a member against whom criminal prosecution has been launched from contesting election to the Governing Board. The Committee deems it desirable that such members should not be allowed to be aspirants for a seat on the Governing Boards of stock exchanges.

7.4 Member Failing to Comply with Arbitration Awards

There have been instances where members who have failed to comply with arbitration awards have become members of Governing Boards. As this sets a

bad example of good corporate governance, the Committee recommends that such members should not be allowed to contest election.

7.5 Member Failing to Resolve Complaints of Investors

The Committee also recommends that a member failing to resolve complaints of investors, the value of which works out to Rs. one lakh or more or failing to furnish necessary written explanation or statement of account to the satisfaction of the Investors' Services Committee, should be prohibited from contesting election to the Governing Board of the stock exchange.

7.6 Cooling Period of Two Years

The present stipulations do not permit a retiring member of the Governing Board who has been elected for two consecutive terms to contest for election unless a cooling period of two years elapses. The Committee has extended this stipulation also to the other partners of the firm represented by the out going member of the Governing Board and to any other designated director/ nominee of the company / body corporate represented by the outgoing member of the Governing Board.

7.7 Public Representatives

The office of public representatives on the Governing Boards of stock exchanges has assumed tremendous significance due to the growing importance of stock exchanges in the nation's economy. The present system of nomination requiring the Governing Board of a stock exchange to submit a panel of names and SEBI conveying its approval to the required number of names contained in the panel needs to be improved upon to ensure that the right type of persons get nominated as public representatives. The Committee, therefore, recommends that the Governing Board should prepare a panel of atleast two persons for each of the vacant positions in the order of preference and SEBI should have discretion to nominate also persons whose names do not appear in the panel. The Committee further recommends that if the stock exchange fails to forward to SEBI the panel within one month from the date of the first meeting held after election of members to the Governing Board, SEBI may suo moto nominate public representatives. The Committee further recommends that the Model

Rules should contain a specific provision empowering SEBI to issue to the public representatives directions and instructions with regard to the affairs of a stock exchange and for the public representatives to report to SEBI in that behalf.

7.8 Retirement Age

There is at present no age limit fixed for retirement of a member of a Governing Board of a stock exchange. The Committee recommends that no person should be allowed to hold office as a member of the Governing Board after he completes seventy-five years of age, as is followed as part of good corporate governance in the corporate sector.

7.9 Executive Director

At present, the Executive Director of a stock exchange is appointed by the Governing Board of the stock exchange. The appointment of the Executive Director, the terms and conditions of his appointment, renewal of his appointment and his removal or dismissal from office are subject to the prior approval of SEBI. On January 10, 1996, SEBI directed all the stock exchanges that with a view to bringing uniformity and professionalism in the recruit process, stock exchanges should constitute a committee consisting of four persons, one representative from the stock exchange, one SEBI nominee and two outside experts for the selection of the Executive Director.

7.10 The Committee has observed with concern that while the office of the Executive Director (recommended to be renamed as Managing Director by the Committee) is bestowed with vast powers and responsibilities requiring him to act objectively, effectively and at times even instantly, without fear or favour, the manner of his appointment has often detracted him from acting in the manner he is required to. Preservation of the job becomes a major obsession with the incumbent of the post of the Executive Director, occasionally forcing him to make compromises with the elected directors whom he is required to regulate in respect of their transactions. After due deliberation, the Committee makes the following recommendations with a view to ensuring due discharge of such onerous duties

and responsibilities and if qualities of sincerity, honesty, diligence and commitment to the job are displayed by the Managing Director, the term of the Managing Director be normally extended as provided in Rule 7.10.3.

7.10.1 Selection of the Managing Director shall be made independently by a Selection Committee constituted by the Governing Board with the prior approval of SEBI.

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

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

7.10.4 The Governing Board of the stock exchange may call for an explanation from the Managing Director, if it is of the opinion, supported by three-fourths majority of the strength of the Governing Board in respect of any alleged acts of commission or omission of a grave nature. The findings of

the Governing Board, alongwith its recommendations, shall be forwarded to SEBI for such action as it may deem fit, after giving to the Managing Director a reasonable opportunity of being heard.

7.11 Election Procedure

There is no uniformity with regard to the manner of voting in the election of members to the Governing Boards of stock exchanges mainly because of different modes of incorporation of stock exchanges. At the Bombay Stock Exchange, the Rules require a member to cast as many votes as the number of vacancies and if he casts lesser number of votes than the number of vacancies, his vote becomes invalid. The Committee considers this to be an unhealthy practice. The Committee, therefore, recommends that a member may be allowed to vote for a lesser number of candidates than the number of vacancies to be filled in.

7.12 Chairman

The Committee had deliberated a great deal on the question of who should be the Chairman of a stock exchange, whether an elected member or a non-elected member. A directive issued by SEBI on April 20, 1993 required, *inter alia*, the President of the stock exchange to be elected "From amongst the members of the Governing Board". While amending the Rules, however, most of the stock exchanges, including the Bombay Stock Exchange, provided that the President shall be elected from "amongst elected members of the Governing Board".

7.13 The Committee has observed that at many of the stock exchanges, often there have been frictions between the President and the Executive Director, occasionally resulting in the Executive Director resigning from his post or his term of appointment not being renewed. While it would not be proper to deny to the elected directors the opportunity of becoming the President of the stock exchange, the Committee recommends that SEBI's directive of April 20, 1993 providing for election of the President from amongst the members of the Governing Board should be implemented, as it would impart equal right to nominated directors vis-à-vis elected directors and thus would enable a nominated director of the Governing Board also to become the Chairman of the

stock exchange. This requirement is expected to eliminate perennial issue of friction, induct greater degree of professionalism and above all impart a structure of management befitting to the public institution that the stock exchanges are.

7.14 Designated Director/ Nominee to be Governing Board Member

As there is some confusion whether a designated director / nominee of a company / body corporate can become a member of the Governing Board, the Committee has made a specific provision in the Model Rules permitting a designated director / nominee of a company / body corporate to become a member of the Governing Board.

7.15 Casual Vacancies

At present, there is no uniformity with regard to filling up of casual vacancies in the offices of the elected members of Governing Board of a stock exchange. Rules of some of the stock exchanges provide for filling up of such vacancies by co-option by the Governing Boards and of some others by election, regardless of the period of vacancy. The Committee feels that there should be uniformity in this regard. The Committee recommends that if the duration of the vacancy reckoned from the date of occurrence of the vacancy till the date the member of the Governing Board, who has ceased to be a member, may have continued as a member of the Governing Board, is less than six months, the vacancy may be filled in by the Governing Board of the stock exchange, if it so decides, by co-option of a duly qualified member of the Exchange and if the duration of the vacancy is more than six months, the vacancy shall be filled in by the election.

SECTION-8

MEETINGS **(Chapter 10 of Model Rules)**

8.1 Meetings of the General Body

The Committee recommends that apart from the Chairman, the Managing Director of the stock exchange should also be empowered to convene meetings of members of the stock exchange on a written requisition by at least 25 members or 1/10th of the strength of total members of the stock exchange, whichever is higher, or on authorisation by the Governing Board of the stock exchange.

8.2 Meetings of the Governing Board

In order to inject better orderliness and a greater degree of involvement of the members of the Governing Board in the affairs of the stock exchange, the Committee recommends that there should be atleast one meeting of the Governing Board every two months and that the gap between any two meetings should not be more than 60 calendar days.

8.3 Apart from the Chairman, a special meeting of the Governing Board can be requisitioned at some of the stock exchanges by any two or more members of the Governing Board. As there have been instances of misuse of this provision, the Committee recommends that the power to requisition a special meeting can be exercised by not less than one-third of the members of the total strength of the Governing Board. The Committee also recommends that the Managing Director should also be empowered to convene a special meeting of the Governing Board.

8.4 Personal Interest of Member of Governing Board

Rues of stock exchanges contain a provision prohibiting, inter alia, a member of the Governing Board from taking part in the proceedings and voting on any question in which he is personally interested, directly or indirectly, the Chairman of the meeting being the final judge whether the member is so interested or not.

The Committee recommends that while considering market situation and regulatory measures, if any, emanating therefrom, all members should be required to declare whether or not they are interested, directly or indirectly, and those members who are so interested should neither be permitted to participate in the proceedings nor to vote.

8.5 Special Majority Resolution

The present provision in the Rules of stock exchanges relating to adoption of special resolutions generally speak of a requirement of at least two-thirds of the total strength of the Governing Board present at the meeting for a quorum of the meeting and majority of at least two-thirds of the votes cast in favour for adoption of the resolution. As this can occasionally result in adoption of a special resolution by a minority in a Governing Board, the Committee recommends that for a special resolution to be effective, at least two-thirds of the total strength of the Governing Board should be present at the meeting for a quorum of the meeting and a majority of at least three-fourths present should vote in favour of the resolution. The Committee further recommends that there should be a notice of at least seven days for convening a meeting of the Governing Board for consideration of adoption of a special majority resolution. In case of fraction in computing two-thirds or three-fourths strength and / or majority, a higher integer has to be reckoned. The Committee also recommends the resolution to be named as special majority resolution to distinguish it from the special resolution of the general body.

SECTION-9

DISCIPLINARY PROCEEDINGS **(Chapter-11 of Model Rules)**

9.1 All Disciplinary Proceeding Provisions in the Rules

At present, the provisions relating to disciplinary proceedings are incorporated partly in the Rules and partly in the Byelaws of stock exchanges. It is desirable to have all the provisions relating disciplinary matters in the Rules of stock exchanges so that there would be no ambiguity in the matter. The Committee has accordingly incorporated all the provisions relating to disciplinary matters under one chapter in the Model Rules prepared by it.

9.2 Clear-cut Provisions among Different Authorities Needed

The provisions in the Rules and Bye-laws of stock exchanges have not provided for clear cut provisions relating to the disciplinary action to be taken by the Governing Board, the Disciplinary Action Committee and the Managing Director. The Committee recommends that there should be clear cut provisions in the matter so that the jurisdiction of each of these authorities is clearly spelt out.

9.3 Governing Board

The Committee recommends that the power to expel a member should rest solely with the Governing Board of the stock exchange and this should be on the basis of the opinion that the Disciplinary Action Committee of the stock exchange may form. The Governing Board should, however, have the discretion to expel a member even if the Disciplinary Action Committee forms an opinion that the acts of omission and commission are not so grave as to warrant expulsion of the member, after recording its reasons in writing. The Governing Board should also have the power to decide to award a lower degree of punishment even if the Disciplinary Action Committee is of the opinion that the acts of commission and / or omission are so grave in their nature and consequence as to warrant expulsion of the member, after recording its reasons in writing.

9.4 Disciplinary Action Committee

The Committee is of the opinion that the Disciplinary Action Committee be empowered to censure and / or warn a member, impose a fine on a member, withdraw any of the membership rights of a member, suspend any of the membership rights of a member and impose any other sanction on a member under the circumstances if he be guilty of contravention or non-compliance of any of the provisions of the Rules, Bye-laws and Regulations of a stock exchange or of any of the resolutions, orders, etc of the exchange or of any "misconduct or unbusinesslike conduct or unprofessional conduct" which have been elaborately enunciated in the Rules.

9.5 Managing Director

The disciplinary powers of the Managing Director of a stock exchange are presently not spelt out very clearly and the powers, wherever provided for in the Rules and Bye-laws, are rather restricted, disabling him to take prompt and effective penal action against erring members. The Committee is of the view that it is absolutely necessary that the powers of the Managing Director are clearly spelt out in order to enable him to discharge the duties cast on him promptly and efficiently. The Committee, therefore, recommends that the Managing Director should have exclusive disciplinary powers in matters which concern disciplining of a member in all aspects of trading and settlement of member's trading activities on the stock exchange including transactions with the clients and enforcement of the Rules, Bye-laws and Regulations of the stock exchange in such matters, deactivating a member's trader work stations on non- payment of margin money, adhoc margin money and settlement dues, market surveillance including suspension of trading session, expunging market quotations and suspension of scrips from trading, placing scrips on spot delivery basis or trade for trade delivery basis, ordering analysis/investigation of dealings of members, their business conduct etc. The Managing Director should be empowered to impose a fine not exceeding Rs. one lakh or such higher amount as may be decided by the Governing Board of the stock exchange from time to time for evading any of the Rules, Bye-laws and Regulations of the stock exchange or of any of the resolutions, orders, notices, directives, decisions or rulings thereunder. The Governing Board / Disciplinary Action Committee of the stock exchange may lay down a schedule of penalties for contravention of the various provisions in the

Rules, Bye-laws and Regulations of the stock exchange and other relevant statutory provisions in proportion to the gravity of the offence. The Managing Director shall be empowered to suspend a member upto seven days at a time. In order to bring in desired level of objectivity, transparency and judicial sanctity in such disciplinary actions taken by the Managing Director, it is made obligatory on him to record the reasons in writing. An aggrieved member will, however, be entitled to prefer an appeal to the Governing Board within seven days of communication of the decision to him and the Governing Board may confirm, modify or set aside the order.

- 9.6** The Committee is also of the view that a specific provision be made, empowering the Managing Director or any officer authorised by the Managing Director in that behalf to obtain suo moto adequate and material information, documents, etc. from any member and to submit the observations thereon to the Disciplinary Action Committee / Governing Board of the Exchange to take appropriate decision / action, as required.

9.7 Additions in Misconduct and Unbusinesslike Conduct

The Committee has considered it necessary to make the following additions in the elaboration of acts of commission and / or omission in respect of misconduct, businesslike conduct and unprofessional conduct.

9.7.1 Misconduct

9.7.1.1 Commission of an offence, which is punishable with imprisonment for a minimum period of one month.

9.7.1.2 Violation of provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules made thereunder, the Securities and Exchange Board of India Act, 1992 and the Rules and Regulations made thereunder, directives, orders, guidelines, norms and circulars issued by SEBI from time to time or any Rule, Bye-law and Regulation governing the activities, business and operations of the stock exchange in particular and of the securities business in general.

9.7.1.3 Failure to submit audited or unaudited accounts in time and in the prescribed form and manner.

9.7.1.4 Failure to pay subscriptions, fees, fines, etc. within the stipulated time.

9.7.2 Unbusinesslike Conduct

9.7.2.1 Effecting transactions in any security to create actual or apparent active trading in the security or raising or depressing the prices of such security for the purpose of inducing purchase or sale of such security by others.

9.7.2.2 Issuing to any member or sub-broker or remisier or approved user or client a cheque in discharge of his obligations, which is dishonoured.

9.7.3. Unprofessional Conduct

9.7.3.1 Dealing with clients in an abnormal and unprofessional manner disregarding normal trade and market practices, customs and usages.

9.7.3.2 Dealing with sub-brokers who are not registered with SEBI under the Securities and Exchange Board of India (Stock Broker and Sub-brokers) Rules and Regulations, 1992.

SECTION-10

FINANCE AND ACCOUNTS AND PAYMENT OF ENTRANCE FEE, ADMISSION FEE, ANNUAL SUBSCRIPTION AND BASE MINIMUM CAPITAL BY MEMBERS/TRADING MEMBERS AND ASSOCIATES (Chapter - 12 of the Model Rules)

10.1 Payment by Members and Associates

The Committee has prepared separate chapter relating to “ Finance and Accounts and Payment of Entrance Fee, Admission Fee, Annual Subscription, Base Minimum Capital by Members/Trading Members and Associates” instead of clubbing these items under different Chapters.

10.2 Budget and Budgetary Controls

The Managing Director shall be required to prepare an annual budget for the stock exchange, both revenue and capital and shall place the same before the Governing Board for approval . He shall also be responsible to have a system in place to exercise budgetary control. Once the budget is approved by the Governing Board, the Managing Director shall have authority to incur the expenditure within the budgetary provisions. If there is, however, any upward revision from the budgetary provisions or an item of expenditure not provided for in the budget and / or is beyond the authorised limit to be incurred, the Managing Director should obtain prior approval of the Governing Board for the same unless the item of expenditure is purely of a revenue nature and not exceeding Rs. 1.00 lac per item and Rs. 10 lacs in aggregate in a financial year or such higher amount as may be decided by the Governing Board from time to time.

10.3 Quarterly Accounts

At present, there is no systematic way of presentation of accounts to the Governing Board of the stock exchange on a regular basis. The Committee, therefore, recommends that a detailed account of income and expenditure and of the funds and investment of the stock exchange be prepared and presented to the Governing Board of the stock exchange for every quarter of the year, within 45 calendar days of the last day of the preceding quarter.

10.4 Half-Yearly Account

Stock exchanges are not required to publish half-yearly accounts at present. While there may be no need to publish half-yearly accounts, the Committee recommends that stock exchanges should at least publish on a half-yearly basis relevant information having a bearing on the interests of the investors. The Committee accordingly recommends that stock exchanges should publish on a half-yearly basis details of size and utilisation of Settlement Guarantee Fund, Investors' Protection Fund, and Investors' Services Fund, number of cessation of membership rights, including declaration of defaulters and expulsions and number of surrender of membership rights, etc. along with the accounts of defaulters and expelled members approved by the Committee for Settlement of Claims Against Defaulters and the amount of outstanding listing fees with the names of companies in default.

10.5 Availability of Annual and Half-Yearly Reports

The annual statement of income and expenditure and the balance – sheet and the half-yearly report shall be posted by the stock exchanges on their respective websites and copies of these documents shall be made available to investors, intermediaries and general public at a reasonable cost.

10.6 Payment of Entrance Fee, Admission Fee and Annual Subscription

At present, entrance fee, admission fee and annual subscription are fixed by the General Body at most of the stock exchanges. The Committee recommends that since the management and governance vest in the Governing Board, it is imperative that these matters are brought within the jurisdiction of the Governing Board. The Committee also recommends that annual subscriptions at such rates that may be fixed from time to time by the Governing Board be paid by sub-brokers and approved users.

SECTION-11

SUMMARY OF RECOMMENDATIONS AND IMPLEMENTATION

11 Recommendations of the Committee contained in the foregoing sections are summarised below:

11.1 Non-citizens to be Members without Relaxation

The existing provision requiring relaxation by the Governing Board of a stock exchange with the prior approval of SEBI, for a person, who is not a citizen of India, to become a member of a stock exchange be dispensed with subject, however, to adherence to laws in India and of the country of which he is a citizen as applicable to such person.

(Para 3.3.2)

11.2 Educational Qualification

The minimum educational qualification for a person to become eligible to be a member of a stock exchange should be a graduate of a recognised university from any discipline or such higher education as may be prescribed by the Governing Board of the stock exchange. Besides, he should have passed a certificate / diploma course or examination as may be recognised by SEBI from time to time.

(Para 3.3.6)

11.3 Applicability of General Conditions to Partnership Firm and Company / Body Corporate

The general conditions relating to membership should be made applicable to at least two designated partners in the case of a partnership firm and to the two designated directors / nominees in the case of a company / body corporate.

(Para 3.3.7)

11.4 Waiver of Qualifications

The power of the Governing Board of a stock exchange to waive compliance with requirements relating to membership be confined to two requirements only viz., educational qualification and past experience of two years.

(Para 3.3.8)

11.5 Identity and Qualifications of Promoters

In the case of a company seeking admission as a member, the identity of its promoters, who are individuals, needs to be disclosed. In the case of a subsidiary, the identity of the promoters of the holding company and if there is a chain of holding companies, then the identity of the promoters of each of the holding companies in the chain is not only required to be disclosed but also the promoters are required to possess the qualifications for being a member of a stock exchange.

(Para 3.3.9)

11.6 Amalgamations, Take-overs, etc

Specific provisions with regard to transfer of membership in respect of amalgamations, take-overs, etc. need to be provided for.

(Para 3.3.10)

11.7 Penalised Persons

A new provision, rendering a person to be ineligible to be a member of a stock exchange if the person has been punished under the S.C.(R) Act or the SEBI Act or any other applicable Act or the Rules or Regulations made under these Acts, for a period of two years or any longer as may have been specified by SEBI and in case the person is sentenced to imprisonment by a competent Court of Law for a period of five years has to be incorporated in the Model Rules.

(Para 3.3.11)

11.8 Branch Office

Whenever a member of a stock exchange desires to open a branch office anywhere in the country, prior approval of the stock exchange must be obtained.

(Para 3.3.12)

11.9 Compliance Officer

A provision requiring every member to appoint a compliance officer within a specified period and to communicate the name of the compliance officer to the stock exchange should be made.

(Para 3.3.13)

11.10 Constituents of a Partnership Firm

A partnership firm can be formed only between two or more members of a stock exchange or between a member and one or more members of the family of a member of a stock exchange or between two or more members and one or more members of the families of members of a stock exchange. As the eligibility list of family members who can become partners of a member has been increasing progressively over years at some of the stock exchanges, the Committee has defined the family member of a stock exchange as under:

“Family member of a member / trading member means member’s / trading member’s father or mother or spouse or son or sons or unmarried daughter or daughters or daughter-in-law or daughters-in-laws or father’s brother or brothers or son’s or sons’ son or sons or brother or brothers or unmarried sister or sisters or brother’s or brothers’ son or sons”.

(Para 4.1)

11.11 Other Business

The partnership firm and two of its designated partners and the company / body corporate and its designated directors should not engage themselves in any other business other than securities business either as a principal or as an employee.

(Para 4.3)

11.12 Composite Member / Component Member

A member, whether a corporate member or an individual, may be permitted to acquire additional membership rights, as in the case of a partnership firm. In such a case, the enlarged entity shall be called a component member and all the members forming the enlarged entity shall be called composite members. While the base minimum capital should increase pari passu with the increase in membership rights, the net worth of the component member shall be computed in the manner prescribed by SEBI

(Para 4.4.1)

11.13 Multiple Membership

In order to avoid any ambiguities with regard to multiple membership, the Committee has evolved a comprehensive definition of multiple membership.

(Para 4.5.1)

11.14 The important features embodied with regard to multiple membership are as under:

11.14.1 A member should have operated his membership for a period of at least two years before seeking membership of another stock exchange, but this condition can be waived if the member meets the net worth criteria separately for each of the stock exchanges where he is seeking membership. (Para 4.5.3.1)

11.14.2 An individual member may be permitted to have additional membership of another stock exchange subject to the condition that at least one authorised representative of the member should normally be resident at each additional stock exchange. In case of a partnership firm, it should be entitled to the number of partners the firm has, provided at least one designated partner of the firm is normally resident at each additional stock exchange and in case of a company/body corporate, at least one of its designated directors/nominees should normally be resident at each additional stock exchange.

(Para 4.5.3.2)

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

(Para 4.5.3.3)

11.15 Clearing Members

The Committee recommends that there may be a class of 'clearing members' who will be/are the members of the Clearing Corporation or of the Clearing House of the stock exchange and who shall undertake the responsibility of clearing and settling all the obligations outstanding in the stock exchange in respect of those trading members who opt to operate through him as trading members and also for the obligations created by him directly and/or by his own clients. The 'clearing member' may be either a 'trading-cum-clearing member' or a 'custodian clearing member' or a 'professional clearing member' or a 'trading-cum-professional clearing member'.

(Para 4.6)

11.16 Continuous Requirements for Membership

A member of the stock exchange should undergo at least once in three years a refresher course on the syllabus governing the stock market / capital market as may be prescribed by the Governing Board of the Exchange and / or SEBI from time to time and in case of partnership firm and company / body corporate, the condition will be applicable to the designated partners and to the two designated directors / nominees respectively.

(Para 4.7)

11.17 Inactive Members

If a member fails either to achieve at least one-tenth of the average turnover of the members of the stock exchange or fails to trade for a minimum period of 50 trading days in an immediately preceding financial year, the member shall be deemed to have become inactive except for the year in which such member commenced his operation / business. Such a member may be given a maximum period of two years to activate his membership and if he fails to activate his membership within this period of two years, the member renders himself liable for termination of his membership rights and the Governing Board of the stock exchange shall extinguish the membership rights on such terms and conditions as the Governing Board of the stock exchange may prescribe from time to time.

(Para 4.8.1)

Ultimately stock exchanges of the country should move to a situation where any person desiring to be a member of a stock exchange should be able to acquire membership provided such person fulfils all the conditions – legal, educational, financial - and any other stipulations that may be laid down by the respective stock exchange and SEBI from time to time.

(Para 4.8.2)

11.18 Deceased Member

In the case of deceased members, where no recorded nomination exists, the right of nomination must be exercised by the legal heirs / legal representatives within a maximum period of two years and failure to do so would result in the Governing Board of the stock exchange disposing of the rights and releasing to the legal heirs / legal representatives of the deceased member the amount of realisation after recovering costs and liabilities, if any, of the deceased member

(Para 4.8.3)

11.19 Buy-back of Membership Rights

The Governing Boards of stock exchanges be empowered to buy-back the membership rights of their members and / or have a scheme of surrender of such rights subject to approval by SEBI and the membership rights so

bought back / surrendered should not be permitted to be re-issued at any time thereafter.

(Para 4.9.1)

11.20 Deemed Defaulter

A specific provision empowering the Governing Boards of stock exchanges to declare a member dying prior to his fulfilling obligations and / or liabilities and his legal heirs / legal representatives being unable to fulfil such obligations and liabilities, to be declared as a deemed defaulter, be incorporated in the Model Rules to ensure the legality of such an action.

(Para 4.10)

11.21 Approved Users

Approved users operating the Trader Work Stations who are in the exclusive employment of the member or who are registered with SEBI as a sub-broker of the member, need to be brought under the regulatory framework.

(Para 4.12)

11.22 Nomination in favour of Corporate Entities

The existing provisions in the Rules of stock exchanges, inter alia, permit a member of a stock exchange with less than three years' standing to exercise his right of nomination in favour of a company provided he continues to hold not less than 51 percent of the paid up capital of the company for such period as would have bought him three years' standing had he not resigned from the membership be amended permitting holding of not less than 51 percent of the paid-up capital of the company by himself and his family members.

(Para 5.1)

11.23 Restrictions on Defaulter Exercising Right of Nomination

A member of a stock exchange, who is declared a defaulter, should not be re-admitted under any circumstances for a minimum period of five years

from the date he is declared a defaulter or expelled and even after the minimum period of five years, such person may be re-admitted by the Governing Board as a member provided all the amounts payable by such person to his clients, other members, other recognised creditors, stock exchange, Clearing House / Clearing Corporation and SEBI, are paid in full and there is no commercial liability remaining unfulfilled.

(Para 5.2.1)

11.24 Default of Multiple Membership

The Committee also recommends that if a member of a stock exchange having multiple membership at other stock exchanges is declared a defaulter, he should ipso fact also be declared a defaulter at all the other concerned stock exchanges.

(Para 5.3)

11.25 Institution of Cases

The existing provisions in the Byelaws of stock exchanges for institution of cases in courts of laws to attach the personal assets held in the name of the defaulter should be made clearer. In the case of corporate members, the dues of stock exchanges and SEBI fees should be accorded priority in the distribution of assets. The question of creating a floating charge on the assets of a corporate member in favour of the stock exchange be also explored.

(Para 5.4)

11.26 Selection of New Members

For selection of new members, the Governing Board of a stock exchange shall nominate a Membership Selection Committee with the previous approval of SEBI consisting of such number of persons as may be decided by the Governing Board subject, however to the ratio of 40:60 between persons who are members of the stock exchange and persons who are not members of the stock exchange. The Governing Board shall normally approve the candidates selected by the Membership Selection Committee and in cases

where it decides not to do so, it shall record its reasons, in writing, for rejection of the candidates.

(Para 5.5)

11.27 Declaration of Defaulter

All the provisions relating to defaulter, including provisions relating to declaration of defaulter and post-defaulter processes which are presently contained in the Bye-laws and allocation of assets and consequences arising out of declaration of defaulter are now embodied in the Model Rules.

(Para

5.6)

11.28 Distribution of Assets

Distribution of assets vesting in the stock exchange on account of declaration of a defaulter, be made among the creditors in the following order of priority:

- 11.28.1** Dues to the stock exchange, Clearing House, Clearing Corporation, Settlement / Trade Guarantee Fund, and SEBI on a pro-rata basis.
- 11.28.2** Claims arising out of contracts, including those entered into with clients, and claims incidental to a contract.
- 11.28.3** Claims of sub-brokers registered with SEBI and other genuine claims arising out of or in connection with the transactions done on the stock exchange, but excluding loan transactions, and claims of banks arising out of bank guarantees given to the stock exchange, as approved by the Defaulters' Committee.
- 11.28.4** Liability determined by any authority recognised by the Central / State Government.
- 11.28.5** Apportionment of assets in case of defaulter in relation to multiple membership shall be done strictly stock exchange-wise against the claims received from respective stock exchanges. If, however, there is a surplus at any stock exchange, the same shall be available for distribution on a pro-rata basis against shortages in admitted claims at the respective stock exchanges.

11.28.6 Surplus, if any, be transferred to the member and in case where the member has expired to his legal heirs/ legal representatives.

(Para 5.7)

11.29 Powers of General Body

The exclusive jurisdiction of the General Body of a stock exchange be related to the following matters only.

11.29.1 The maximum number of members of the stock exchanges,

11.29.2 acquisition, purchase, sale, exchange, creation of a charge or other disposal of any immovable property of the value exceeding Rs. 50 lakhs or such higher amount as may be authorised by the general meeting,

11.29.3 contribution towards a charitable purpose of an amount exceeding Rs. five lakhs or such higher amount as may be authorised by the general meeting, and

11.29.4 appointment and / or removal of statutory auditor.

(Para 6.2)

11.30 Power to Amend Bye-laws

The power given to the General Body of a stock exchange to amend the Rules and Byelaws of the stock exchange embodied in the Rules of several stock exchanges be modified to retain the power to amend Bye-laws of the stock exchange only.

(Para 6.3)

11.31 Powers of the Governing Board

The portion relating to adjudication of disputes in the powers of the Governing Board has been deleted from the Model Rules as arbitration and conciliation are now governed by the Arbitration and Conciliation Act, 1996.

(Para 6.4)

11.32 Standing Committees

In addition to Arbitration, Defaulters' and Disciplinary Action Committees, there should be four other Standing Committee viz., Audit Committee, Membership Selection Committee, Investors' Services Committee and Ethics Committee.

The Committee has renamed the Defaulters' Committee as Committee for Settlement of Claims Against Defaulters to reflect the actual function of the Committee. The Managing Director may, at his sole discretion, constitute an Executive Committee or other committees of the executives of the stock exchange and independent experts, to assist him and facilitate in decision-making on administrative (including staff), operational and surveillance (including risk management) matters.

(Paras 6.6 & 6.7)

11.33 The composition of all the committees shall be in the ratio of 60 percent non-members and 40 percent members and with the prior approval of SEBI. The non-member to be nominated on these committees may or may not be among the persons recommended by the Governing Board and SEBI shall have discretion to nominate any other person on these committees. A member of a committee, who is also a member of the Governing Board, shall not participate in the meeting of the Governing Board, while considering any matter which comes in appeal to the Governing Board, where such member participated in the meeting of such committee when the matter referred to appeal was discussed and / or decided.

(Para 6.8)

11.34 No committee other than the Standing Committees, the functions of which would overlap or conflict with the functions of the Managing Director, should be constituted. However, the Governing Board may constitute such other committees other than the Standing Committees in respect of matters excluding administrative and surveillance.

(Para 6.9)

11.35 There should be a gap of at least one year after a consecutive period of three years before re-nomination of any person on the same committee

(Para 6.10)

11.36 Chairman

In tune with the global practice, the Committee has renamed the President of the stock exchange as its Chairman who shall be non-executive.

(Para 6.11)

11.37 The Chairman shall deal with any matter relating to the administration, functions, working and affairs of the stock exchange only at the meetings of the Governing Board and shall not deal with any of the operational or administrative matters.

(Para 6.14)

11.38 Vice-President

As there is no function to be discharged by the Vice-President, there is no longer any need for continuance of the post of the Vice-President.

(Para 6.15)

11.39 Honorary Treasurer

As the functions of the Honorary Treasurer are presently being discharged by the secretariat of stock exchanges, there is no longer any need for continuance of the office of the Honorary Treasurer.

(Para 6.17)

11.40 Trustees

There is no longer any need to continue the office of the Trustees presently in vogue at the Bombay, Ahmedabad and Madhya Pradesh Stock Exchanges. However, a detailed study of conversion of these stock exchanges into corporate entities from the points of view of tax implications, property rights, payment of stamp duty, etc. be made and that the office of the Trustees at these stock exchanges may continue till conversion of these stock exchanges into corporate entities.

(Para 6.19)

11.41 Managing Director

In tune with the importance of the post of Executive Director and with an objective to strengthen the position, the designation of the post should be changed to that of Managing Director and he should be the sole deciding authority on all matters concerning the day-to-day management, operations and

administration of the stock exchange. Accordingly, relevant Rules in the Model Rules relating to the powers of the Managing Director have been framed. Rules also provide that any failure to enforce the Rules, Bye-laws or Regulations of the stock exchange and / or directives, orders, guidelines, norms or circulars issued by SEBI will render the Managing Director liable for removal, or termination of service by SEBI, subject to the Managing Director being issued a show cause notice and given an opportunity of being heard before termination or removal.

(Paras 6.20 and 6.21)

11.42 Signing of Cheques

The Governing Board of the stock exchange shall authorise the executives of the stock exchange, including the Managing Director, to sign cheques.

(Para 6.22)

11.43 Practising Company Secretary

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

(Para 6.24)

11.44 Self-Regulating Organisation

Stock exchanges are self-regulating organisations and as such the Governing Boards of stock exchanges have an onerous duty cast on them to ensure that they act as self-regulating organisations with an impartial, objective and transparent system and procedures laid down to govern the stock exchanges.

(Para 7.1)

11.45 Member Under Suspension or Cancellation of Registration

A specific provision, prohibiting a member under suspension by the stock exchange or a member whose registration has been suspended by SEBI, from contesting election to the Governing Board for a period of two years from the

date of expiry of suspension of trading or suspension of registration by SEBI has been made

(Para 7.2)

11.46 Member Facing Criminal Prosecution

A member against whom criminal prosecution has been launched should be prohibited from contesting election to the Governing Board.

(Para 7.3)

11.47 Member Failing to Comply with Arbitration Awards

A member, who has failed to comply with arbitration awards, should not be allowed to contest election to the Governing Board

(Para 7.4)

11.48 Member Failing to Resolve Complaints of Investors

A member failing to resolve complaints of investors, the value of which works out to Rs.One lakh or more or failing to furnish necessary written explanation or statement of account to the satisfaction of the Investors' Services Committee, should be prohibited from contesting election to the Governing Board.

(Para 7.5)

11.49 Cooling Period of Two years

The present stipulations not permitting a retiring member of the Governing Board who has been elected for two consecutive terms to contest for election unless a cooling period of two years elapses have been extended to the other partners of the firm represented by the out going member of the Governing Board and to any other designated director/ nominee of the company / body corporate represented by the outgoing member of the Governing Board.

(Para 7.6)

11.50 Public Representatives

The Governing Board should prepare a panel of atleast two persons for each of the vacant positions in the order of preference and SEBI must have discretion to nominate also persons as public representatives on the Governing Board of the stock exchanges whose names do not appear in the panel. If the stock

exchange fails to forward to SEBI the panel within one month from the date of the first meeting held after election of members to the Governing Board, SEBI may suo moto nominate persons as public representatives. A specific provision empowering SEBI to issue to the public representatives directions and instructions with regard to the affairs of a stock exchange and for the public representatives to report to SEBI in that behalf has also been made.

(Para 7.7)

11.52 Retirement Age

No person should be allowed to hold office as a member of the Governing Board after he completes seventy-five years of age.

(Para 7.8)

11.53 Managing Director

Selection of the Managing Director shall be made independently by a Selection Committee constituted by the Governing Board with the prior approval of SEBI.

(Para 7.10.1)

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

(Para 7.10.2)

11.55 Appointment of the Managing Director shall ordinarily be for a tenure of five years and he shall not be liable to retire by rotation. Appraisal of the performance of the Managing Director shall be done by the Governing Board at the time of renewal of his term of appointment. The term of appointment of the Managing Director will normally be renewed, subject to superannuation upon completion of 60 years of age. In case of non-renewal of the term of appointment of the Managing Director,

prior approval of SEBI will be required to be obtained by the Governing Board and communicated to the Managing Director atleast 60 days before the expiry of the term.

(Para 7.10.3)

11.56 The Governing Board of the stock exchange may call for an explanation from the Managing Director, if it is of the opinion supported by three-fourths majority of the strength of the Governing Board in respect of any alleged acts of commission or omission of a grave nature. The findings of the Governing Board, alongwith its recommendations, shall be forwarded to SEBI for such action as it may deem fit, after giving to the Managing Director a reasonable opportunity of being heard.

(Para 7.10.4)

11.57 Election Procedure

A member of a stock exchange may be allowed to vote for a lesser number of vacancies to be filled in on the Governing Board of the stock exchange than the number of vacancies to be filled in.

(Para 7.11)

11.58 Chairman

SEBI's directive of April 20, 1993 providing for election of the President from amongst the members of the Governing Board should be implemented, as it would impart equal right to a nominated person vis-à-vis the elected director and thus would enable a nominated member of the Governing Board also to become the Chairman of the stock exchange.

(Para 7.13)

11.59 Designated Director/Nominee to be Governing Board Member

A specific provision permitting a designated director / nominee of a company / body corporate to become a member of the Governing Board has been made.

(Para 7.14)

11.60 Casual Vacancies

If the duration of a casual vacancy on the Governing Board, reckoned from the date of occurrence of the vacancy till the date the elected member of the Governing Board who has ceased to be a member, may have continued as a

member of the Governing Board, is less than six months, the vacancy may be filled in by the Governing Board, if it so decides, by co-option of a duly qualified member of the stock exchange and if the duration of the vacancy is six months or more, the vacancy shall be filled in by election.

(Para 7.15)

11.61 Meetings of the General Body

Apart from the Chairman, the Managing Director should also be empowered to convene meetings of members of the stock exchange on a written requisition by at least 25 members or 1/10th of the strength of total membership of the stock exchange, whichever is higher, or on authorisation by the Governing Board.

(Para 8.1)

11.62 Meetings of the Governing Board

There should be atleast one meeting of the Governing Board every two months and that the gap between any two meetings should not be more than 60 calendar days.

(Para 8.2)

11.63 The Chairman or the Managing Director should be empowered to convene a special meeting of the Governing Board. In addition, the power to requisition a special meeting can be exercised by not less than one-third of the members of the total strength of the Governing Board.

(Para 8.3)

11.64 Personal Interest of Member of Governing Board

While considering market situation and regulatory measures, if any, emanating therefrom, all members of the Governing Board should be required to declare whether or not they are interested, directly or indirectly, and those members who are so interested should neither be permitted to participate in the proceedings nor to vote.

(Para 8.4)

11.65 Special Majority Resolution

For a special majority resolution to be effective, at least two-thirds of the total strength of the Governing Board should be present at the meeting for a quorum of the meeting and a majority of at least three-fourths present should vote cast in favour of the resolution. Further that there should be a notice of at least seven days for convening a meeting of the Governing Board for consideration of adoption of a special majority resolution.

(Para 8.5)

11.66 Governing Board

The power to expel a member should rest solely with the Governing Board of the stock exchange and this should be on the basis of the opinion that the Disciplinary Action Committee may form. The Governing Board should, however, have the discretion to expel a member even if the Disciplinary Action Committee forms an opinion that the acts of omission and commission are not so grave as to warrant expulsion of the member. The Governing Board should also have the power to decide to award a lower degree of punishment even if the Disciplinary Action Committee is of the opinion that the acts of commission and / or omission are so grave in their nature and consequence as to warrant expulsion of the member.

(Para 9.3)

11.67 Disciplinary Action Committee

The Disciplinary Action Committee be empowered to censure and / or warn a member, impose a fine on a member, withdraw any of the membership rights of a member, suspend any of the membership rights of a member and impose any other sanction on a member under the circumstances if he be guilty of contravention or non-compliance of any of the provisions of the Rules, Bye-laws and Regulations of a stock exchange or of any of the resolutions, orders, etc. of the stock exchange or of any "misconduct, unbusinesslike conduct or unprofessional conduct" which have been elaborately enunciated in the Rules.

(Para 9.4)

11.68 Managing Director

The powers of the Managing Director need to be clearly spelt out in order to enable him to discharge the duties cast on him promptly and efficiently. The Managing Director should have exclusive disciplinary powers in matters which concern disciplining of a member in all aspects of trading and settlement of member's trading activities on the stock exchange including transactions with the client and enforcement of the Rules, Bye-laws and Regulations of the stock exchange in such matters, deactivating a member's trader work stations on non-payment of margin money, adhoc margin money and settlement dues, market surveillance including suspension of trading session, expunging market quotations, suspension of scrips from trading, placing scrips on spot delivery basis or trade for trade delivery basis, ordering analysis/investigation of dealings of members, their business conduct etc, and also to impose a fine on a member not exceeding Rs. one lakh or such higher amount as may decided by the Governing Board from time to time after recording the reasons in writing, for evading any of the Rules, Bye-laws and Regulations of the Exchange or any of the resolutions, orders, notices, directives, decisions or rulings thereunder. The Governing Board / Disciplinary Action Committee of the stock exchange may lay down a schedule of penalties for contravention of the various provisions in the Rules, Bye-laws and Regulations of the stock exchange and other relevant statutory provisions in proportion to the gravity of the offence. An aggrieved member will, however, be entitled to prefer an appeal to the Governing Board within seven days of communication of the decision to him and the Governing Board may confirm, modify or set aside the order.

(Para 9.5)

11.69 A specific provision be made, empowering the Managing Director or any officer authorised by the Managing Director in that behalf to obtain suo moto adequate and material information, documents, etc. from any member and to submit the observations thereon to the Disciplinary Action Committee / Governing Board of the stock exchange to take appropriate decision / action, as required.

(Para 9.6)

11.70 Additions in Misconduct and Unbusinesslike Conduct

The following additions in the elaboration of acts of commission and / or omission in respect of misconduct, unbusinesslike conduct and unprofessional conduct are made:

11.70.1 Misconduct

11.70.1.1 Commission of an offence, which is punishable with imprisonment for a minimum period of one month.

11.70.1.2 Violation of provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules made thereunder, the Securities and Exchange Board of India Act, 1992 and the Rules and Regulations made thereunder, directives, orders, guidelines, norms and circulars issued by SEBI from time to time or any Rule, Bye-law and Regulation governing the activities, business and operations of the stock exchange in particular and of the securities business in general.

11.70.1.3 Failure to submit audited or un-audited accounts in time and in the prescribed form and manner.

11.70.1.4 Failure to pay subscription, fees, fines, etc. within the stipulated time.

11.70.2 Un-businesslike Conduct

11.70.2.1 Effecting transactions in any security to create actual or apparent active trading in the security or raising or depressing the prices of such security for the purpose of inducing purchase or sale of such security by others.

11.70.2.2 Issuing to any member or sub-broker or remisier or approved user or client a cheque in discharge of his obligations, which is dishonoured.

11.70.3 Unprofessional Conduct

11.70.3.1 Dealing with clients in an abnormal and unprofessional manner disregarding normal trade and market practises, customs and usages.

11.70.1.1 Dealing with sub-brokers who are not registered with SEBI under the Securities and Exchange Board of India (Stock Broker and Sub-brokers) Rules and Regulations, 1992

(Para 9.7)

11.71 Budget and Budgetary Controls

The Managing Director shall be required to prepare an annual budget for the stock exchange, both revenue and capital, and shall place the same before the Governing Board for approval. He shall also be responsible to have a system in place to exercise budgetary control. Once the budget is approved by the Governing Board, the Managing Director shall have authority to incur the expenditure within the budgetary provisions. If there is, however, any upward revision from the budgetary provisions or an item of expenditure not provided for in the budget and / or is beyond the authorised limit to be incurred, the Managing Director should obtain prior approval of the Governing Board for the same unless the item of expenditure is purely of a revenue nature and not exceeding Rs. One lakh per item and Rs. Ten lakhs in aggregate in a financial year or such higher amount as may be decided by the Governing Board from time to time.

(Para 10.2)

11.72 Quarterly Accounts

A detailed account of the income and expenditure and of the funds and investment of the stock exchange has to be prepared and presented to the

Governing Board for every quarter of the year, within 45 calendar days of the last day of the preceding quarter.

(Para 10.3)

11.73 Half-Yearly Account

Stock exchanges should publish on a half-yearly basis details of size and utilisation of Settlement / Trade Guarantee Fund, Investors' Protection Fund, and Investors' Services Fund, number of cessation of membership rights, including declaration of defaulters and expulsions and number of surrender of membership rights, etc. alongwith the accounts of defaulters and expelled members approved by the Defaulters' Committee and the amount of outstanding listing fees with the names of companies in default.

(Para 10.4)

11.74 Availability of Annual and Half-Yearly Reports

The annual statement of income and expenditure and the balance sheet and the half-yearly report shall be posted by the stock exchanges in their respective websites and copies of these documents shall be made available to investors, intermediaries and general public at a reasonable cost

(Para

10.5)

11.75 Payment of Entrance Fee, Admission Fee and Annual Subscription

Entrance fee, admission fee and annual subscription should be fixed by the Governing Board instead of by the General Body of a stock exchange. Annual subscriptions at such rates that may be fixed from time to time by the Governing Board be also paid by sub-brokers, remisiers, and approved users.

(Para

10.6)

11.76 Implementation

11.76.1 The Committee has noted that out of the several recommendations made by it , SEBI has already either issued

suitable directives to stock exchanges or amended the relevant Rules & Regulations issued under the Securities and Exchange Board of India Act, 1992 in respect of quite a number of them. These relate to:

- i. appointment of compliance officer by every member of a stock exchange (Para 3.3.13)
- ii. individual members, partnership firms and two of its designated partners and companies and its designated directors not to engage in any business other than securities business either as a principal or as an employee (Para 4:3)
- iii. no individual member to be on the governing board of more than one stock exchange (Para 4.5.3.3)
- iv. buy-back of the membership rights of inactive members by the stock exchanges (Para 4.9.1)
- v. in case of multiple membership⁰, a defaulter member of a stock exchange also to be declared a defaulter at other stock exchanges (Para 5.3)
- vi. SEBI's claims in the distribution of assets vesting in the stock exchange on account of declaration of a defaulter to be on par with the claims of the stock exchange and clearing house and claims of clients of a defaulter to be on par with the claims of members (Para 5.7)
- vii. Code of Ethics to be followed by the elected directors and functionaries of the stock exchange (Paras 6.6 & 6.7)
- viii. SEBI to be empowered to appoint any person / persons as public representatives, other than the persons suggested by the stock exchanges on the Statutory Committees (Para 6.8)
- ix. A member of a statutory committee who is also a member of the Governing Board not to participate in a meeting of

the Governing Board while considering any matter which comes in appeal to the Governing Board where the member participated in the meeting of such Committee (Para 6.8)

- x. Giving effect to the directives, guidelines and orders issued by SEBI in order to implement the applicable provisions of law, rules, regulations as also the Rules, Bye-Laws and Regulations of the stock exchange to be the duty of the Executive Director, giving adequate financial powers and the power to sign the cheques to the Executive Director, and the appointment, renewal of appointment and termination of service of the Executive Director to be subject to prior approval of SEBI (Paras 6.20, 6.21,6.22 & 7.10)
- xi. Prohibiting a member under suspension by the stock exchange or a member whose registration has been suspended by SEBI from contesting election to the Governing Board for two years from the date of expiry of suspension of trading or suspension of registration (Para 7.2)
- xii. A person elected for two consecutive terms on the Governing Board not to be eligible for re-election for a further period of two years (Para 7.6)
- xiii. The president of the stock exchange to be elected from amongst the members of the Governing Body, including the public representative directors (Para 7.13)
- xiv. stock exchanges to disclose financial information pertaining to their operations to the public, to post the same on their respective websites and to make available copies of their annual accounts to investors, intermediaries and the general public at a reasonable cost (Para 10.5)

11.76.2 It needs, however, to be noted that the Model Rules prepared by the Committee provide for improvement in respect of some of these provisions. Moreover, it is quite likely that some of the stock exchanges may not have amended suitably the relevant Rules and Bye-Laws, although in actual practice these provisions are implemented.

(M R Mayya)
Chairman

(Ravi Narain)
Member

(M L Soneji)
Member

(T Prem Kumar)
Member

(S P Narang)
Member

(V K Agarwal)
Member

(Joseph Massey)
Member

(Deena Mehta)
Member

(M D Patel)
Member

(D N Raval)
Member

(P K Bindlish)
Member-Secretary

(S.V.Muralidhara Rao)
Member-Secretary

Dated: November 21, 2001

ANNEXURE-1

List of recognised Stock Exchange in India

S No.	Stock Exchange
1	The Stock Exchange, Mumbai
2	The Stock Exchange, Ahmedabad
3	Calcutta Stock Exchange Association Ltd., Calcutta
4	Madras Stock Exchange Association Ltd , Madras
5	Delhi Stock Exchange Association Ltd, Delhi
6	Hyderabad Stock Exchange Ltd, Hyderabad
7	Madhya Pradesh Stock Exchange, Indore
8	Bangalore Stock Exchange Ltd., Bangalore
9.	Cochin Stock Exchange Ltd., Cochin
10	The Uttar Pradesh Stock Exchange Association Ltd., Kanpur
11	Pune Stock Exchange Ltd., Pune
12	Ludhiana Stock Exchange Association Ltd., Ludhiana
13	Gauhati Stock Exchange Ltd., Gauhati
14	Magadh Stock Exchange Ltd., Gauhati
15	Mangalore Stock Exchange Ltd., Mangalore
16	Jaipur Stock Exchange Ltd., Jaipur
17	Bhubaneshwar Stock Exchange Association Ltd., Bhubeshwar
18	Saurashtra Kutch Stock Exchange Ltd., Rajkot
19	Vadordara Stock Exchange Ltd., Vadodara
20	OTC Exchange of India Ltd., Mumbai
21	Coimbatore Stock Exchange Ltd., Coimbatore

22	National Stock Exchange of India Ltd., Mumbai
23	Inter-Connected Stock Exchange of India Ltd., Navi Mumbai
24	Capital Stock Exchange of Kerala Ltd., Thiruvananthapuram