THE SECURITIES CONTRACTS (REGULATION) ACT, 1956

THE SECURITIES CONTRACTS (REGULATION) RULES, 1957

THE SECURITIES CONTRACTS (REFERENCE TO THE COMPANY LAW BOARD) RULES, 1986

IMPORTANT NOTIFICATIONS

THE STOCK EXCHANGE
PHIROZE JEEJEEBHOOY TOWERS
DALAL STREET
BOMBAY 400 001.

1993
PREFACE

The Stock Exchange provides the most perfect market for the securities listed on the Exchange. The members of the Exchange mobilise and channel the savings of the community into these securities for productive purposes.

Realising the need to regulate the activities of the Stock Exchanges and of transactions in securities dealt in on them with a view to preventing undesirable speculation, the Central Government enacted the Securities Contracts (Regulation) Act, 1956.

A thorough understanding of the provisions of the Act and of the Rules framed thereunder is necessary for the members of the Stock Exchanges, for the companies seeking enlistment of their securities on the Stock Exchanges and for the investors at large. With this in view, the Securities Contracts (Regulation) Act, 1956, the Securities Contracts (Regulation) Rules, 1957, the Securities Contracts (Reference to the Company Law Board) Rules, 1986 and some important notifications issued by the Stock Exchange Division, Dept. of Economic Affairs, Ministry of Finance, Govt. of India, are reproduced in this booklet.

Bombay.
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THE SECURITIES CONTRACTS (REGULATION) ACT, 1956

42 of 1956

An Act to prevent undesirable transactions in securities by regulating the business of dealing therein, by prohibiting options and by providing for certain other matters connected therewith.

[4th September, 1956]

Be it enacted by Parliament in the Seventh Year of the Republic of India as follows:

PRELIMINARY

1. Short title, extent and commencement

1. This Act may be called the Securities Contracts (Regulation) Act, 1956,
2. It extends to the whole of India.
3. It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

2. Definitions

In this Act, unless the context otherwise requires,-

a) "contract" means a contract for or relating to the purchase or sale of securities;
b) "Government security" means a security created and issued, whether before or after the commencement of this Act, by the Central Government or a State Government for the purpose of raising a public loan and having one of the forms specified in clause (2) of section 2 of the Public Debt Act, 1944 (18 of 1944);
c) "member" means a member of a recognised stock exchange;
d) "option in securities" means a contract for the purchase or sale of a right to buy or sell, or a right to buy and sell, securities in future, and includes a teji, a mandi, a teji mandi, a gaili, a put, a call or a put and call in securities;
e) "prescribed" means prescribed by rules made under this Act;
f) "recognised stock exchange" means a stock exchange which is for the time being recognised by the Central Government under section 4;
g) "rules", with reference to the rules relating in general to the constitution and management of a stock exchange, includes, in the case of a stock exchange which is an incorporated association, its memorandum and articles of association;
h) "securities" include -
   i) shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate,
   ii) Government securities,
   iii) such other instruments as may be declared by Central Government to be securities and
   iv) rights or interests in securities;
i) "spot delivery contract" means a contract which provides for the actual delivery of securities and the payment of the price therefor either on the same day as the date of the contract or on the next day the actual period taken for the despatch of the securities or the remittance of money therefor through the post being excluded from the computation of the period aforesaid if the parties to the contract do not reside in the same town or locality;
j) "stock exchange" means any body of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities.

1. This Act has been extended to -
   Dadra and Nagar Haveli by Regulation 6 of 1963, section 2 and Schedule 1;
   Goa, Daman and Diu by Regulation 11 of 1963, section 3 and Schedule;
   Pondicherry by Act 26 of 1968, section 3 and Schedule.


3. inserted Part II of the Schedule to the Securities and Exchange Board of India Act 1992 (Act No. 15) of 1992.)
3. Application for recognition of stock exchanges

1. Any stock exchange, which is desirous of being recognised for the purposes of this Act may make an application in the prescribed manner to the Central Government.

2. Every application under sub-section(1) shall contain such particulars as may be prescribed, and shall be accompanied by a copy of the bye-laws of the stock exchange for the regulation and control of contracts and also a copy of the rules relating in general to the constitution of the stock exchange and in particular, to –

   a) the governing body of such stock exchange, its constitution and powers of management and the manner in which its business is to be transacted;
   b) the powers and duties of the office bearers of the stock exchange;
   c) the admission into the stock exchange of various classes of members, the qualifications for membership, and the exclusion, suspension, expulsion and re-admission of members therefrom or thereinto;
   d) the procedure for the registration of partnerships as members of the stock exchange in cases where the rules provide for such membership; and the nomination and appointment of authorised representatives and clerks.

4. Grant of recognition to stock exchanges

1. If the Central Government is satisfied, after making such enquiry as may be necessary in this behalf and after obtaining such further information, if any, as it may require, –
   a) that the rules and bye-laws of a stock exchange applying for registration are in conformity with such conditions as may be prescribed with a view to ensure fair dealing and to protect investors;
   b) that the stock exchange is willing to comply with any other conditions (including conditions as to the number of members) which the Central Government, after consultation with the governing body of the stock exchange and having regard to the area served by the stock exchange and its standing and the nature of the securities dealt with by it, may impose for the purpose of carrying out the objects of this Act; and
   c) that it would be in the interest of the trade and also in the public interest to grant recognition to the stock exchange;
   it may grant recognition to the stock exchange subject to the conditions imposed upon it as aforesaid and in such form as may be prescribed.

2. The conditions which the Central Government may prescribe under clause (a) of sub-section (1) for the grant of recognition to the stock exchanges may include, among other matters, conditions relating to –
   i) the qualifications for membership of stock exchanges;
   ii) the manner in which contracts shall be entered into and enforced as between members;
   iii) the representation of the Central Government on each of the stock exchanges by such number of persons not exceeding three as the Central Government may nominate in this behalf; and
   iv) the maintenance of accounts of members and their audit by chartered accountants whenever such audit is required by the Central Government.

3. Every grant of recognition to a stock exchange under this section shall be published in the Gazette of India and also in the Official Gazette of the State in which the principal office of the stock exchange is situate, and such recognition shall have effect as from the date of its publication in the Gazette of India.

4. No application for the grant of recognition shall be refused except after giving an opportunity to the stock exchange concerned to be heard in the matter; and the reasons for such refusal shall be communicated to the stock exchange in writing.
The Securities Contracts (Regulation) Act, 1956

5. No rules of a recognised stock exchange relating to any of the matters specified in sub-section (2) of section 3 shall be amended except with the approval of the Central Government.

5. Withdrawal of recognition

If the Central Government is of opinion that the recognition granted to a stock exchange under the provisions of this Act should, in the interest of the trade or in the public interest, be withdrawn, the Central Government may serve on the governing body of the stock exchange a written notice that the Central Government is considering the withdrawal of the recognition for the reasons stated in the notice and after giving an opportunity to the governing body to be heard in the matter, the Central Government may withdraw, by notification in the Official Gazette, the recognition granted to the stock exchange:

Provided that no such withdrawal shall affect the validity of any contract entered into or made before the date of notification, and the Central Government may, after consultation with the stock exchange, make such provision as it deems fit in the notification of withdrawal or in any subsequent notification similarly published for the due performance of any contracts outstanding on that date.

6. Power to call for periodical returns or direct inquiries to be made

1. Every recognised stock exchange shall furnish to the Securities and Exchange Board of India such periodical returns relating to its affairs as may be prescribed.

2. Every recognised stock exchange and every member thereof shall maintain and preserve for such periods not exceeding five years such books of account, and other documents as the Central Government, after consultation with the stock exchange concerned, may prescribe in the interest of the trade or in the public interest, and such books of account, and other documents shall be subject to inspection at all reasonable times by the Securities and Exchange Board of India.

3. Without prejudice to the provisions contained in sub-sections (1) and (2), the Securities and Exchange Board of India, if it is satisfied that it is in the interest of the trade or in the public interest so to do, may, by order in writing, –

   a) call upon a recognised stock exchange or any member thereof to furnish in writing such information or explanation relating to the affairs of the stock exchange or of the member in relation to the stock exchange as the Securities and Exchange Board of India may require; or

   b) appoint one or more persons to make an inquiry in the prescribed manner in relation to the affairs of the governing body of a stock exchange or the affairs of any of the members of the stock exchange in relation to the stock exchange and submit a report of the result of such inquiry to the Securities and Exchange Board of India within such time as may be specified in the order or, in the case of an inquiry in relation to the affairs of any of the members of a stock exchange, direct the governing body to make the inquiry and submit its report to the Securities and Exchange Board of India.

4. Where an inquiry in relation to the affairs of a recognised stock exchange or the affairs of any of its members in relation to the stock exchange has been undertaken under sub-section (3), –

   a) every director, manager, secretary or other officer of such stock exchange;

   b) every member of such stock exchange;

   c) if the member of the stock exchange is a firm, every partner, manager, secretary or other officer of the firm; and

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4. This power is exercisable by the Securities and Exchange Board of India also vide notification No. S0573 dated 30th July, 1992.

5. The words The Securities and Exchange Board of India have been substituted by Part II of the Schedule to the Securities and Exchange Board of India Act, 1992 (15 of 1992)
d) every other person or body of persons who has had dealings in the course of business with any of the persons mentioned in clauses (a), (b) and (c) whether directly or indirectly;

shall be bound to produce before the authority making the inquiry all such books of account, and other documents in his custody or power relating to or having a bearing on the subject-matter of such inquiry and also to furnish the authorities within such time as may be specified with any such statement or information relating thereto as may be required of him.

7. Annual reports to be furnished to Central Government by stock exchanges

Every recognised stock exchange shall furnish the Central Government with a copy of the annual report, and such annual report shall contain such particulars as may be prescribed.

7A Power of recognised stock exchange to make rules restricting voting rights, etc.

1. A recognised stock exchange may make rules or amend any rules made by it to provide for all or any of the following matters, namely:
   a) the restriction of voting rights to members only in respect of any matter placed before the stock exchange at any meeting;
   b) the regulation of voting rights in respect of any matter placed before the stock exchange at any meeting so that each member may be entitled to have one vote only, irrespective of his share of the paid-up equity capital of the stock exchange;
   c) the restriction on the right of a member to appoint another person as his proxy to attend and vote at a meeting of the stock exchange;
   d) such incidental, consequential and supplementary matters as may be necessary to give effect to any of the matters specified in clauses (a), (b) and (c).

2. No rules of a recognised stock exchange made or amended in relation to any matter referred to in clauses (a) to (d) of sub-section (1) shall have effect until they have been approved by the Central Government and published by that government in the Official Gazette and, in approving the rules so made or amended, the Central Government may make such modifications therein as it thinks fit, and on such publication, the rules as approved by the Central Government shall be deemed to have been validly made, notwithstanding anything to the contrary contained in the Companies Act, 1956 (1 of 1956).]

8. Power of Central Government to direct rules to be made or to make rules

1. Where, after consultation with the governing bodies of stock exchanges generally or with the governing body of any stock exchange in particular, the Central Government is of opinion that it is necessary or expedient so to do, it may, by order in writing together with a statement of the reasons therefore, direct recognised stock exchanges generally or any recognised stock exchange in particular, as the case may be, to make any rules or to amend any rules already made in respect of all or any of the matters specified in sub-section (2) of section 3 within a period of six months from the date of the order.

2. If any recognised stock exchange fails or neglects to comply with any order made under sub-section (1) within the period specified therein, the Central Government may make the rules for, or amend the rules made, by, the recognised stock exchange, either in the form proposed in the order or with such modifications thereof as may be agreed to between the stock exchange and the Central Government.

3. Where in pursuance of this section any rules have been made or amended, the rules so made or amended shall be published in the Gazette of India and also in the Official Gazette or Gazettes of the State or States in which the principal office or offices of the recognised stock exchange or exchanges is or are situate, and, on the publication thereof in the Gazette of India, the rules so made or amended shall, notwithstanding anything to the contrary contained in the Companies Act, 1956 (1 of 1956), or in any other

6 This power is also exercisable by the SEBI as per notification No. 50573 dated 30-7-1992
7 Inserted by Act 49 of 1959, section 2.
8 The power under section 8 is also exercisable by the Securities and Exchange Board of India vide notification No. 50573 dated 30-7-1992.
law for the time being in force, have effect as if they had been made or amended by the recognised stock exchange or stock exchanges, as the case may be.

9. **Power of recognised stock exchanges to make bye-laws**

1. Any recognised stock exchange may, subject to the previous approval of the Securities and Exchange Board of India, make bye-laws for the regulation and control of contracts.

2. In particular, and without prejudice to the generality of the foregoing power, such bye-laws may provide for:

   a) the opening and closing of markets and the regulation of the hours of trade;
   
   b) a clearing house for the periodical settlement of contracts and differences thereunder, the delivery of and payment for securities, the passing on of delivery orders and the regulation and maintenance of such clearing house;
   
   c) the submission to the Securities and Exchange Board of India by the clearing house as soon as may be after each periodical settlement of all or any of the following particulars as the Securities and Exchange Board of India may, from time to time, require, namely:

      i) the total number of each category of security carried over from one settlement period to another;
      
      ii) the total number of each category of security, contracts in respect of which have been squared up during the course of each settlement period;
      
      iii) the total number of each category of security actually delivered at each clearing,
      
      d) the publication by the clearing house of all or any of the particulars submitted to the Securities and Exchange Board of India under clause (c) subject to the directions, if any, issued by the Securities and Exchange Board of India in this behalf;
      
      e) the regulation or prohibition of blank transfers;
      
      f) the number and classes of contracts in respect of which settlements shall be made or differences paid through the clearing house;
      
      g) the regulation, or prohibition of budlas or carry-over facilities;
      
      h) the fixing, altering or postponing of days for settlements;
      
      i) the determination and declaration of market rates, including the opening, closing, highest and lowest rates for securities;
      
      j) the terms, conditions and incidents of contracts, including the prescription of margin requirements, if any, and conditions relating thereto, and the forms of contracts in writing;
      
      k) the regulation of the entering into, making, performance, rescission and termination, of contracts, including contracts between members or between a member and his constituent or between a member and a person who is not a member, and the consequences of default or insolvency on the part of a seller or buyer or intermediary, the consequences of a breach or omission by a seller or buyer, and the responsibility of members who are not parties to such contracts;
      
      l) the regulation of taravani business including the placing of limitations thereon;
      
      m) the listing of securities on the stock exchange, the inclusion of any security for the purpose of dealings and the suspension or withdrawal of any such securities, and the suspension or prohibition of trading in any specified securities;
      
      n) the method and procedure for the settlement of claims or disputes, including settlement by arbitration;
      
      o) the levy and recovery of fees, fines and penalties;
      
      p) the regulation of the course of business between parties to contracts in any capacity;
      
      q) the fixing of a scale of brokerage and other charges;
      
      r) the making, comparing, settling and closing of bargains;
      
      s) the emergencies in trade which may arise, whether as a result of pool or syndicated operations or cornering or otherwise, and the exercise of powers in such emergencies, including the power to fix maximum and minimum prices for securities;

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*The words Securities and Exchange Board of India were substituted for Central Government vide part II of the Schedule to the Securities and Exchange Board of India Act, 1992 (15of 1992).*
i) the regulation of dealings by members for their own account;
ii) the separation of the functions of jobbers and brokers;
iii) the limitations on the volume of trade done by any individual member in exceptional circumstances;
iv) the obligation of members to supply such information or explanation and to produce such documents relating to the business as the governing body may require.

3. The bye-laws made under this section may:

a) specify the bye-laws the contravention of which shall make a contract entered into otherwise than in accordance with the bye-laws void under sub-section (1) of section 14;
b) provide that the contravention of any of the bye-laws shall render the member concerned liable to one or more of the following punishments, namely:
   i) fine,
   ii) expulsion from membership,
   iii) suspension from membership for a specified period,
   iv) any other penalty of a like nature not involving the payment of money.

4. Any bye-laws made under this section shall be subject to such conditions in regard to previous publication as may be prescribed, and, when approved by the Securities and Exchange Board of India, shall be published in the Gazette of India and also in the Official Gazette of the State in which the principal office of the recognised stock exchange is situate, and shall have effect as from the date of its publication in the Gazette of India:

Provided that if the Securities and Exchange Board of India is satisfied in any case that in the interest of the trade or in the public interest any bye-law should be made immediately, it may, by order in writing specifying the reasons therefor, dispense with the condition of previous publication.

10. Power of Securities and Exchange Board of India to make or amend bye-laws of recognised Stock Exchanges

1. The Securities and Exchange Board of India may, either on a request in writing received by it in this behalf from the governing body of a recognised stock exchange or on its own motion, if it is satisfied after consultation with the governing body of the stock exchange that it is necessary or expedient so to do and after recording its reasons for so doing, make bye-laws, for all or any of the matters specified in section 9 or amend any bye-laws made by such stock exchange under that section.

2. Where in pursuance of this section any bye-laws have been made or amended, the bye-laws so made or amended, shall be published in the Gazette of India and also in the Official Gazette of the State in which the principal office of the recognised stock exchange is situate, and the publication thereof in the Gazette of India, the bye-laws so made or amended shall have effect as if they had been made or amended by the recognised stock exchange concerned.

3. Notwithstanding anything contained in this section, where the governing body of a recognised stock exchange objects to any bye-laws made or amended under this section by the Securities and Exchange Board of India on its own motion, it may, within six months of the publication thereof in the Gazette of India under sub-section (2), apply to the Central Government for revision thereof and the Securities and Exchange Board of India may, after giving an opportunity to the governing body of the stock exchange to be heard in the matter, revise the bye-laws so made or amended, and where any bye-laws so made or amended are revised as a result of any action taken under this sub-section, the bye-laws so revised shall be published and shall become effective as provided in sub-section(2).

4. The making or the amendment or revision of any bye-laws under this section shall in all cases by subject to the condition of previous publication:

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10 In section 10, the words Securities and Exchange Board of India have been substituted for the words "Central Government" by part II of the Schedule to the SEBI Act 1992 (Act 15 of 1992).
Provided that if the Securities and Exchange Board of India is satisfied in any case that in the interest of the trade or in the public interest any bye-laws should be made, amended or revised immediately, it may, by order in writing specifying the reasons therefor, dispense with the condition of previous publication.

11. Power of Central Government to supersede governing body of a recognised stock exchange

1. Without prejudice to any other powers vested in the Central Government under this Act, where the Central Government is of opinion that the governing body of the recognised stock exchange should be superseded, then, notwithstanding anything contained in any other law for the time being in force, the Central Government may serve on the governing body a written notice that the Central Government is considering the supersession of the governing body for the reasons specified in the notice and after giving an opportunity to the governing body to be heard in the matter, it may, by notification in the Official Gazette declare the governing body of such stock exchange to be superseded, and may appoint any person or persons to exercise and perform all the powers and duties of the governing body, and, where more persons than one are appointed, may appoint one of such persons to be the chairman and another to be the vice-chairman thereof.

2. On the publication of a notification in the Official Gazette under sub-section(1), the following consequences shall ensue, namely:

a) the members of the governing body which has been superseded shall, as from the date of the notification of supersession, cease to hold office as such members;
b) the person or persons appointed under sub-section(1) may exercise and perform all the powers and duties of the governing body which has been superseded;
c) all such property of the recognised stock exchange as the person or persons appointed under sub-section (1) may, by order in writing, specify in this behalf as being necessary for the purpose of enabling him or them to carry on the business of the stock exchange, shall vest in such person or persons.

3. Notwithstanding anything to the contrary contained in any law or the rules or bye-laws of the recognised stock exchange the governing body of which is superseded under sub-section (1), the person or persons appointed under that sub-section shall hold office for such period as may be specified in the notification published under that sub-section, and the Central Government may from time to time, by like notification, vary such period.

4. The Central Government may at any time before the determination of the period of office of any person or persons appointed under this section call upon the recognised stock exchange to reconstitute the governing body in accordance with its rules and on such reconstitution all the property of the recognised stock exchange which has vested in, or was in the possession of, the person or persons appointed under sub-section (1), shall re-vest or vest, as the case may be in the governing body so reconstituted.

Provided that until a governing body is so re-constituted, the person or persons appointed under sub-section (1), shall continue to exercise and perform their powers and duties.

12. Power to suspend business of recognised stock exchanges

If in the opinion of the Central Government an emergency has arisen and for the purpose of meeting the emergency the Central Government considers it expedient so to do, it may, by notification in the Official Gazette, for reasons to be set out therein, direct a recognised stock exchange to suspend such of its business for such period specified in the notification, and, if, in the opinion of the Central Government, the interest of the trade or the public interest requires that the period should be extended, may, by like notification extend the said period from time to time:

11. The powers under Section 11 are also exercisable by the Securities and Exchange Board of India vide Notification No. S0573 dated 30.7.1992.
Provided that where the period of suspension is to be extended beyond the first period, no notification extending the period of suspension shall be issued unless the governing body of the [recognised stock exchange] has been given an opportunity of being heard in the matter.

**CONTRACTS AND OPTIONS IN SECURITIES**

13. Contracts in notified areas illegal in certain circumstances

If the Central Government is satisfied, having regard to the nature of the volume of transactions in securities in any State or area, that it is necessary so to do, it may, by notification in the Official Gazette, declare this section to apply to such state or area, and thereupon every contract in such State or area which is entered into after the date of the notification otherwise than between members of a recognised stock exchange in such State or area or through or with such member shall be illegal.

14. Contracts in notified areas to be void in certain circumstances

1. Any contract entered into in any State or area specified in the notification under section 13 which is in contravention of any of the bye-laws specified in that behalf under clause (a) of sub-section (3) of section 9 shall be void:

i) as respects the rights of any member of the recognised stock exchange who has entered into such contract in contravention of any such bye-law, and also

ii) as respects the rights of any other person who has knowingly participated in the transaction entailing such contravention.

2. Nothing in sub-section (1) shall be construed to affect the right of any person other than a member of the recognised stock exchange to enforce any such contract or to recover any sum under or in respect of such contract if such person had no knowledge that the transaction was in contravention of any of the bye-laws specified in clause (a) of sub-section (3) of section 9.

15. Members may not act as principals in certain circumstances

No member of a recognised stock exchange shall in respect of any securities enter into any contract as a principal with any person other than a member of a recognised stock exchange, unless he has secured the consent or authority of such person and discloses in the note, memorandum or agreement of sale or purchase that he is acting as a principal:

Provided that where the member has secured the consent or authority of such person otherwise than in writing he shall secure written confirmation by such person of such consent or authority within three days from the date of the contract:

Provided further that no such written consent or authority of such person shall be necessary for closing out any outstanding contract entered into by such person in accordance with the bye-laws, if the member discloses in the note, memorandum or agreement of sale or purchase in respect of such closing out that he is acting as a principal.

16. Power to prohibit contracts in certain cases

1. If the Central Government is of opinion that it is necessary to prevent undesirable speculation in specified securities in any State or area, it may, by notification in the Official Gazette, declare that no person in the State or area specified in the notification shall, save with the permission of the Central Government, enter into any contract for the sale or purchase of any security specified in the notification except to the extent and in the manner, if any, specified therein.

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12. Substituted by Act 56 of 1974, section 3 and Schedule, for "recognised association".
13. The power under this section is also exercisable by the Securities and Exchange Board of India as per Notification No. 50573 dated 30.7.1992.
2. All contracts in contravention of the provisions of sub-section (1) entered into after the date of the notification issued thereunder shall be illegal.

17. Licensing of dealers in securities in certain areas

1. Subject to the provision of sub-section (3) and to the other provisions contained in this Act, no person shall carry on or purport to carry on, whether on his own behalf or on behalf of any person, the business of dealing in securities in any State or area to which section 13 has not been declared to apply and to which the Securities and Exchange Board of India may, by notification in the Official Gazette, declare this section to apply, except under the authority of a licence granted by the Central Government in this behalf.

2. No notification under sub-section (1) shall be issued with respect to any State or area unless the Central Government is satisfied, having regard to the manner in which securities are being dealt with in such State or area, that it is desirable or expedient in the interest of the trade or in the public interest that such dealings should be regulated by a system of licensing.

3. The restrictions imposed by sub-section (1) in relation to dealings in securities shall not apply to the doing of anything by or on behalf of a member of any recognised stock exchange.

18. Exclusion of spot delivery contracts from sections 13, 14, 15 and 17

1. Nothing contained in sections 13, 14, 15 and 17 shall apply to spot delivery contracts.

2. Notwithstanding anything contained in sub-section (1), if the Central Government is of opinion that in the interest of the trade or in the public interest it is expedient to regulate and control the business of dealing in spot delivery contracts also in any State or area (whether section 13 has been declared to apply to that State or area or not), it may, by notification in the Official Gazette, declare that the provisions of section 17 shall also apply to such State or area in respect of spot delivery contracts generally or in respect of spot delivery contracts for the sale or purchase of such securities as may be specified in the notification, and may also specify the manner in which, and the extent to which, the provisions of that section shall so apply.

19. Stock exchanges other than recognised stock exchanges prohibited

1. No person shall, except with the permission of the Central Government, organise or assist in organising or be a member of any stock exchange (other than a recognised stock exchange) for the purpose of assisting in entering into or performing any contracts in securities.

2. This section shall come into force in any State or area on such date,16 as the Central Government may, by notification in the Official Gazette, appoint.

20. Prohibition of options in securities

1. Notwithstanding anything contained in this Act or in any other law for the time being in force, all options in securities entered into after the commencement of this Act shall be illegal.

2. Any option in securities which has been entered into before such commencement and which remains to be performed, whether wholly or in part, after such commencement, shall, to that extent, become void.

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14. The words Securities and Exchange Board of India have been substituted in sub section 1 of section 17 by the Part II of the Schedule to the Securities and Exchange Board of India Act, 1992.

15. This section came into force in - (a) The Union Territory of Delhi with effect from December 9, 1957 vide Notification No.SRO 3911 dated December 9, 1957.
(b) The area within the limits of Ahmedabad Municipal Corporation with effect from August 9, 1958 vide Notification No. CSR 676 dated August 4, 1958.
(c) The states and areas where the section is not already in force, with effect from September 8, 1962 vide Notification No. SO2819 dated September 8, 1962.
LISTING OF SECURITIES BY PUBLIC COMPANIES

21. Power to compel listing of securities by public companies

Notwithstanding anything contained in any other law for the time being in force, if the Securities and Exchange Board of India is of opinion, having regard to the nature of the securities issued by any public company as defined in the companies Act, 1956 (1 of 1956), or to the dealings in them, that it is necessary or expedient in the interest of the trade or in the public interest so to do, it may require the company, after giving it an opportunity of being heard in the matter, to comply with such requirements as may be prescribed with respect to the listing of its securities on any recognised stock exchange.

22. Right of appeal against refusal of stock exchanges to list securities of public companies

Where a recognised stock exchange acting in pursuance of any power given to it by its bye-laws, refuses to list the securities of any public company, the company shall be entitled to be furnished with reasons for such refusal, and may,-

a) within fifteen days from the date on which the reasons for such refusal are furnished to it, or
b) where the stock exchange has omitted or failed to dispose of, within the time specified in subsection (1) of section 73 of the Companies Act, 1956 (1 of 1956) (hereafter in this section referred to as the "specified time"), the application for permission for the shares or debentures to be dealt with on the stock exchange, within fifteen days from the date of expiry of the specified time or within such further period, not exceeding one month, as the Central Government may, on sufficient cause being shown, allow,

appeal to the Central Government against such refusal, omission or failure, as the case may be, and thereupon the Central Government may, after giving the stock exchange an opportunity of being heard,

i) vary or set aside the decision of the stock exchange or
ii) where the stock exchange has omitted or failed to dispose of the application within the specified time, grant or refuse the permission,

and where the Central Government sets aside the decision of the recognised stock exchange or grants the permission, the stock exchange shall act in conformity with the orders of the Central Government.

22A. Free transferability and registration of transfers of listed securities of companies

1. In this section, unless the context otherwise requires,-

a) "company" means a company whose securities are listed on a recognised stock exchange;
b) "security" means security of a company, being a security listed on a recognised stock exchange but not being a security which is not fully paid up or on which the company has a lien;
c) all other words and expressions used in this section and not defined in this Act but defined in the Companies Act, 1956 shall have the same meanings as are assigned to them in that Act.

2. Subject to the provisions of this section, securities of companies shall be freely transferable.

3. Notwithstanding anything contained in its articles or in section 82 or section 111 of the Companies Act, 1956, but subject to the other provisions of this section, a company may refuse to register the transfer of any of its securities in the name of the transferee on any one or more of the following grounds and on no other ground, namely :-

a) that the instrument of transfer is not proper or has not been duly stamped and executed or that

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16. The words Securities and Exchange Board of India have been substituted for the words Central Government by the Part II of the Schedule to the Securities and Exchange Board of India Act, 1992 (15 of 1992)
17. Substituted by Act 41 of 1974 section 42, for section 22 (with effect from February 1, 1975).
18. Received the President's assent on 11th June, 1985. Came into effect from 17th January, 1986.
The Securities Contracts (Regulation) Act, 1956

the certificate relating to the security has not been delivered to the company or that any other requirement under the law relating to registration of such transfer has not been complied with;

b) that the transfer of the security is in contravention of any law; or rules made thereunder or any administrative instructions or conditions of listing agreement laid down in pursuance of such laws or rules.

c) that the transfer of the security is likely to result in such change in the composition of the Board of Directors as would be prejudicial to the interests of the company or to the public interest;

d) that the transfer of the security is prohibited by any order of any court, tribunal or other authority under any law, for the time being in force.

4. A company shall, before the expiry of two months from the date on which the instrument of transfer of any of its securities is lodged with it for the purposes of registration of such transfer, not only in good faith, its opinion as to whether such registration ought to be refused on any of the grounds mentioned in sub-section (3) but also -

a) if it has formed the opinion that such registration ought not to be so refused, effect such registration;

b) if it has formed the opinion that such registration ought to be refused on the ground mentioned in clause (a) of sub-section (3), intimate the transferor and the transferee by notice in the prescribed form about the requirements under the law which has or which have to be complied with for securing such registration;

c) in any other case, make a reference to the Company Law Board and forward copies of such reference to the transferor and the transferee.

5. Every reference under clause (c) of sub-section (4) shall be in the prescribed form and contain the prescribed particulars and shall be accompanied by the instrument of transfer of the securities to which it relates, the documentary evidence, if any, furnished to the company along with the instrument of transfer, and evidence of such other nature and such fees as may be prescribed.

6. On receipt of a reference under sub-section (4), the Company Law Board shall, after causing reasonable notice to be given to the company and also to the transferor and the transferee concerned and giving them a reasonable opportunity to make their representations, if any, in writing by order direct either that the transfer shall be registered by the company or that it need not be registered by it.

7. Where a reference under sub-section (4), the Company Law Board directs that the transfer of the securities to which it relates -

a) shall be registered by the company, the company shall give effect to the direction within ten days of the receipt of the order as if it were an order made on appeal by the Company Law Board in exercise of the powers under section 111 of the Companies Act, 1956;

b) need not be registered by the company, the company shall, within ten days from the date of such direction, intimate the transferor and the transferee accordingly.

8. If default is made in complying with the provisions of this section, the company and every officer of the company who is in default shall be punishable with fine which may extend to five thousand rupees.

9. If in any reference made under clause (c) of sub-section (4), of this section, any person makes any statement -

a) which is false in any material particular, knowing it to be false; or

b) which omits any material fact knowing it to be material, he shall be punishable with imprisonment for a term which may extend to three years and shall also be liable to fine.

19. The words from "or Rules made,... upto such laws and rules" have been added by Part II of the Schedule to the Securities and Exchange Board of India Act 1992.
10. For the removal of doubts, it is hereby provided that nothing in this section shall apply in relation to any securities the instrument of transfer in respect whereof has been lodged with the company before the commencement of the Securities Contracts (Regulation) Amendment Act, 1985.

PENALTIES AND PROCEDURE

23. Penalties

1. Any person who-

a) without reasonable excuse (the burden of proving which shall be on him) fails to comply with any requisition made under sub-section (4) of section 6, or

b) enters into any contract in contravention of any of the provisions contained in section 13 of section 16; or

c) contravenes the provisions contained in section 17, or section 19; or

d) enters into any option in securities in contravention of the provisions contained in section 20; or

e) owns or keeps a place other than that of a recognised stock exchange which is used for the purpose of entering into or performing any contracts in contravention of any of the provisions of this Act and knowingly permits such place to be used for such purposes; or

f) manages, controls, or assists in keeping any place other than that of a recognised stock exchange which is used for the purpose of entering into or performing any contracts in contravention of any of the provisions of this Act or at which contracts are recorded or adjusted or rights or liabilities arising out of contracts are adjusted, regulated or enforced in any manner whatsoever; or

g) not being a member of a recognised stock exchange or his agent authorised as such under the rules or bye-laws of such stock exchange or not being a dealer in securities licensed under section 17 willfully represents to or induces any person to believe that contracts can be entered into or performed under this Act through him; or

h) not being a member of a recognised stock exchange or his agent authorised as such under the rules or bye-laws of such stock exchange or not being a dealer in securities licensed under section 17, canvasses, advertises or touts in any manner either for himself or on behalf of any other persons for any business connected with contracts in contravention of any of the provisions of this Act; or

i) joins, gathers or assists in gathering at any place other than the place of business specified in the bye-laws of a recognised stock exchange any person or persons for making bids or offers or for entering into or performing any contracts in contravention of any of the provisions of this Act; shall, on conviction, be punishable with imprisonment for a term which may extend to one year, or with fine, or with both.

2. Any person who enters into any contract in contravention of the provisions contained in section 15 or who fails to comply with the orders of the Securities and Exchange Board of India under section 21 or of the Central Government under section 22 shall, on conviction, be punishable with fine which may extend to one thousand rupees.

24. Offences by companies

1. Where an offence has been committed by a company, every person who, at the time when the offence was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence, and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

2. Notwithstanding anything contained in sub-section (1) where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or
The Securities Contracts (Regulation) Act, 1956

connivance of, or is attributable to any gross negligence on the part of any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer of the company, shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation - For the purpose of this section,-

a) "company" means any body corporate and includes a firm or other association of individuals, and
b) "director", in relation to a firm, means a partner in the firm.

25. Certain offences to be cognizable

Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (Act 2 of 1974), any offence punishable under sub-section (1) of section 23 shall be deemed to be a cognizable offence within the meaning of that Code.

26. Jurisdiction to try offences under this Act

No court inferior to that of a presidency magistrate or a magistrate of the first class shall take cognizance of or try any offence punishable under this Act.

MISCELLANEOUS

27. Title to dividends

1. It shall be lawful for the holder of any security whose name appears on the books of the company issuing the said security to receive and retain any dividend declared by the company in respect thereof for any year, notwithstanding that the said security has already been transferred by him for consideration, unless the transferee who claims the dividend from the transferor has lodged the security and all other documents relating to the transfer which may be required by the company with the company for being registered in his name within fifteen days of the date on which the dividend became due.

Explanation - The period specified in this section shall be extended -

i) in case of death of the transferee, by the actual period taken by his legal representative to establish his claim to the dividend;
ii) in case of loss of the transfer deed by theft or any other cause beyond the control of the transferee, by the actual period taken for the replacement thereof; and
iii) in case of delay in the lodging of any security and other documents relating to the transfer due to causes connected with the post, by the actual period of the delay.

2. Nothing contained in sub-section (1) shall affect -

a) the right of a company to pay any dividend which has become due to any person whose name is for the time being registered in the books of the company as the holder of the security in respect of which the dividend has become due; or
b) the right of the transferee of any security to enforce against the transferor or any other person his rights, if any, in relation to the transfer in any case where the company has refused to register the transfer of the security in the name of the transferee.

28. Act not to apply in certain cases

1. The provisions of this Act shall not apply to -

a) the government, the Reserve Bank of India, any local authority or any corporation set up by a

23 Substituted by Act 49 of 1959, section 3, for section 28.
special law or any person who has effected any transaction with or through the agency of any such authority as is referred to in this clause;

b) any convertible bond or share warrant or any option or right in relation thereto, in so far as it entitles the person in whose favour any of the foregoing has been issued to obtain at his option from the company or other body corporate issuing the same or from any of its shareholders or duly appointed agents of the company or other body corporate whether by conversion of the bond or warrant or otherwise, on the basis of the price agreed upon when the same was issued.

2. Without prejudice to the provisions contained in sub-section (1), if the Central Government is satisfied that in the interests of trade and commerce or the economic development of the country it is necessary or expedient so to do, it may, by notification in the Official Gazette, specify any class of contracts as contracts to which this Act or any provision contained therein shall not apply, and also the conditions, limitations or restrictions, if any, subject to which it shall not so apply.

29. Protection of action taken in good faith

No suit, prosecution or other legal proceeding whatsoever shall lie in any court against the governing body or any member, office bearer or servant of any recognised stock exchange or against any person or persons appointed under sub-section (1) of section 11 for anything which is in good faith done or intended to be done in pursuance of this Act or of any rules or bye-laws made thereunder.

29A. Power to delegate

The Central Government may, by order published in the official Gazette direct that powers exercisable by it under any provision of this Act and subject to such conditions, if any may be specified in the order, be exercisable also by the Securities and Exchange Board of India.

30. Power to make rules

1. The Central Government may, by notification in the Official Gazette, make rules for the purpose of carrying into effect the objects of this Act.

2. In particular, and without prejudice to the generality of the foregoing power, such rules may provide for,

a) the manner in which applications may be made, the particulars which they should contain and the levy of a fee in respect of such application;

b) the manner in which any inquiry for the purpose of recognizing any stock exchange may be made, the conditions which may be imposed for the grant of such recognition, including conditions as to the admission of members if the stock exchange concerned is to be the only recognised stock exchange in the area; and the form in which such recognition shall be granted;

c) the particulars which should be contained in the periodical returns and annual reports to be furnished to the Central Government;

d) the documents which should be maintained and preserved under section 6 and the periods for which they should be preserved;

e) the manner in which any inquiry by the governing body of a stock exchange shall be made under section 6;

f) the manner in which the bye-laws to be made or amended under this Act shall before being so made or amended be published for criticism;

g) the manner in which applications may be made by dealers in securities for licences under section 17, the fee payable in respect thereof and the period of such licences, the conditions subject to which licences may be granted, including conditions relating to the forms which may be used in making contracts, the documents to be maintained by licensed dealers and the furnishing of periodical information to such authority as may be specified and the revocation of licences for breach of conditions;

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21 Section 29A has been added by the Part II of the Schedule to the Securities & Exchange Board of India Act, 1992 (15 of 1992)
h) the requirements which shall be complied with by public companies for the purpose of getting their securities listed on any stock exchange; and
i) any other matter which is to be or may be prescribed.

3. Any rules made under this section shall be subject to the condition of previous publication and shall, as soon as may be, after their publication in the Official Gazette, be laid before both Houses of Parliament.
THE GAZETTE OF INDIA
EXTRAORDINARY
PART II- SECTION I
PUBLISHED BY AUTHORITY
NEW DELHI, SATURDAY, APRIL 4, 1992

Ministry of Law, Justice and Company Affairs
(Legislative Department)

The following Act of Parliament received the assent of the President on the 4th April 1992, and is hereby published for general information

THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992
NO. 15 OF 1992

Amendments of certain enactments.

Section 33. The enactments specified in Parts I and II of the Schedule to this Act shall be amended in the manner specified therein and such amendments shall take effect on the date of establishment of the Board.

THE SCHEDULE

(See section 33)

AMENDMENT OF CERTAIN ENACTMENTS

PART I

AMENDMENT TO THE CAPITAL ISSUES (CONTROL) ACT, 1947

(29 of 1947)

In section 10, for "to that Government" substitute "to that Government or the Securities and Exchange Board of India".

PART II

AMENDMENTS TO THE SECURITIES CONTRACTS (REGULATION) ACT, 1956

(42 of 1956)

1. Section 2, in clause (h), for sub-clause (ii), substitute the following :-

(ii) Government securities;
(iii) such other instruments as may be declared by the Central Government to be securities; and,

2. Section 6,-

(i) in sub-section (1), for "Central Government", substitute "Securities and Exchange Board of India",
(ii) in sub-section (2), for "by the Central Government", substitute "by the Securities and Exchange Board of India",
(iii) in sub-section (3), for "Central Government", wherever it occurs, substitute "Securities and Exchange Board of India".
3. Section 9, for “Central Government”, wherever it occurs, substitute “Securities and Exchange Board of India”;

4. Section 10, for “Central Government”, wherever it occurs, substitute “Securities and Exchange Board of India”;

5. Section 17, in sub-section (1), for “licence granted by the Central Government”, substitute “licence granted by the Securities and Exchange Board of India”;

6. Section 21, for “Central Government”, substitute “Securities and Exchange Board of India”;

7. Section 22A, in sub-section (3), for clause (b), substitute the following :-
   “(b) that the transfer of the securities is in contravention of any law or rules made thereunder or any administrative instructions or conditions of listing agreement laid down in pursuance of such laws or rules”;

8. In sub-section (2) of section 23, for “Central Government under section 21 or section 22”, substitute “Securities and Exchange Board of India under section 21 or the Central Government under section 22”.

Power to delegate.

9. After section 29, insert the following :-

   “29A. The Central Government may, by order published in the Official Gazette, direct that the powers exercisable by it under any provision of this Act, shall, in relation to such matters and subject to such conditions, if any as may be specified in the order, be exercisable also by the Securities and Exchange Board of India”.

K.L. MOHANPURIA.
Secy. to the Govt. of India

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
NEW DELHI

DATED THE 30TH JULY, 1992

NOTIFICATION

S.O. 573 (E) In exercise of the powers conferred by section 28 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Central Government hereby directs that the powers exercisable by it under sub-section (5) of section 4, section 7, section 8, section 11, section 12 and section 16 of the said Act shall also be exercisable by the Securities and Exchange Board of India.

F. NO. 1(27)SE/92

(KAMAL PANDE)
JOINT SECRETARY TO THE GOVERNMENT OF INDIA
THE SECURITIES CONTRACTS (REGULATION) RULES, 1957

In exercise of the powers conferred by section 30 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Central Government hereby makes the following rules, the same having been previously published as required by sub-section (3) of the said section, namely—

1. **Short title**

These rules may be called by Securities Contracts (Regulation) Rules, 1957.

2. **Definition**

In these rules, unless the context otherwise requires—

a) "form" means a form appended to these rules;

b) "the Act" means the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

c) "government company" means a company in which not less than fiftyone per cent of the share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments.

3. **Application for recognition**

An application under section 3 of the Act for recognition of a stock exchange shall be made to the Central Government in Form A.

4. **Fees for application**

1. There shall be paid in respect of every application under rule (3) a fee of rupees five hundred.

2. The amount of the fee shall be deposited in the nearest government treasury or the nearest branch of the State Bank of India:

Provided that at Bombay, Calcutta, Madras, Delhi and Kanpur, the amount shall be deposited in the Reserve Bank of India.

3. The amount of the fee so deposited shall be credited to the receipt-head "065 - Other Admin. Services, Other Services - Other Receipts"

5. **Documents to be filed along with the application and particulars it should contain**

Every application shall be accompanied by four copies of the rules (including the memorandum and articles of association where the applicant stock exchange is incorporated body) and bye-laws of the stock exchange applying for recognition as specified in section 3 of the Act and the receipt granted by the government treasury, or as the case may be, the State Bank of India or the Reserve Bank of India, in respect of the amount of the fee deposited and shall contain clear particulars as to the matters specified in the annexure to Form A.

5A. **Power to make inquiries and call for information**

Before granting recognition to a stock exchange under section 4 of the Act, the Central Government may make such inquiries and require such further information to be furnished, as it deems necessary, relating to the information to be furnished by the stock exchange in the Annexure to its application in Form A.

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1. Issued by Ministry of Finance, Department of Economic Affairs vide Notification No. SR0576 dated February 21, 1957. Published in the Gazette of India, Part II, Section 3, Page 619 dated February 21, 1957.

6. Form of recognition

The recognition granted to a stock exchange shall be in Form B and be subject to the following conditions, namely:-

a) that the recognition unless granted on a permanent basis, shall be for such period not less than one year as may be specified in the recognition;
b) that the stock exchange shall comply with such conditions as are or may be prescribed or imposed under the provisions of the Act and these rules from time to time.

7. Renewal of recognition

1. Three months before the expiry of the period of recognition, a recognised stock exchange desirous of renewal of such recognition may make an application to the Central Government in Form A.

2. The provisions of rule 3, rule 4, rule 5 (rule 5A) and rule 6 shall apply in relation to renewal of recognition as they apply in relation to grant of recognition except that the fee payable in respect of an application for renewal of recognition shall be rupees two hundred.

8. Qualifications for membership of a recognised stock exchange

The rules relating to admission of members of a stock exchange seeking recognition shall inter alia provide that:

1. No person shall be eligible to be elected as a member if -

a) he is less than twentyone years of age;
b) he is not a citizen of India; provided that the governing body may in suitable cases relax this condition with the prior approval of the Central Government;
c) he has been adjudged bankrupt or a receiving order in bankruptcy has been made against him or he has been proved to be insolvent even though he has obtained his final discharge;
d) he has compounded with his creditors unless he has paid sixteen annas in the rupee;
e) he has been convicted of an offence involving fraud or dishonesty;
f) he is engaged as principal or employee in any business other than that of securities except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such business:

Provided that the Central Government may, for reasons sufficient in the opinion of the said government, permit a recognised stock exchange to suspend the enforcement of this clause for a specified period on condition that the applicant is not associated with or is a member of or subscriber to or shareholder or debentureholder in or connected through a partner or employee with any other organisation, institution, association, company or corporation in India where forward business of any kind whether in goods or commodities or other wise is carried on or is not engaged as a principal or employee in any such business;

g) [Omitted]?
h) he has been at any time expelled or declared a defaulter by any other stock exchange;
i) he has been previously refused admission to membership unless a period of one year has elapsed since the date of such rejection.

2. No person eligible for admission as a member under sub-rule (1) shall be admitted as a member unless:

a) he has worked for not less than two years as a partner with, or as an authorised assistant or authorised clerk or remisier or apprentice to, a member or

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b) he agrees to work for a minimum period of two years as a partner or representative member with another member and to enter into bargains on the floor of the stock exchange and not in his own name but in the name of such other member; or

c) he succeeds to the established business of a deceased or retiring member who is his father, uncle, brother or any other person who is, in the opinion of the governing body, a close relative:

Provided that the rules of the stock exchange may authorise the governing body to waive compliance with any of the foregoing conditions if the person seeking admission is in respect of means, position, integrity, knowledge and experience of business in securities, considered by the governing body to be otherwise qualified for membership.

3. No person who is a member at the time of application for recognition or subsequently admitted as a member shall continue as such if-

a) he ceases to be citizen of India:
  Provided that nothing herein shall affect those who are not citizens of India but who were members at the time of such application or were admitted subsequently under the provisions of clause (b) of sub-rule (1) of this rule, subject to their complying with all other requirements of this rule;

b) he is adjudged bankrupt or a receiving order in bankruptcy is made against him or he is proved to be insolvent;

c) he is convicted of an offence involving fraud or dishonesty;

d) [Omitted]²⁵

e) [Omitted]²⁵

f) he engages either as principal or employee in any business other than that of securities except as a broker or agent not involving any personal financial liability, provided that-
  i) the governing body may, for reasons, to be recorded in writing, permit a member to engage himself as principal or employee in any such business, if the member in question ceases to carry on business on the stock exchange either as an individual or as a partner in a firm,

  ii) in the case of those members who were under the rules in force at the time of such application permitted to engage in any such business and were actually so engaged on the date of such application, a period of three years from the date of the grant of recognition shall be allowed for severing their connection with any such business,

  iii) nothing herein shall affect members of a recognised stock exchange, permitted under the proviso to clause (f) of sub-rule (1) to suspend the enforcement of the aforesaid clause, for so long as such suspension is effective, except that no member of such exchange shall engage in forward business of any kind whether in goods or commodities or otherwise and, if actually so engaged on the date of such application, he shall sever his connection with any such business within a period of three years from the date of the grant of recognition.

* (4) A company as defined in the Companies Act, 1956 (1 of 1956) shall be eligible to be elected as a member of a stock exchange if -

  i) such company is formed in compliance with the provisions of section 322 of the said Act;

  ii) a majority of the directors of such company are shareholders of such company and also members of that stock exchange; and

  iii) The Directors of such company, who are members of that stock exchange, have unlimited liability in such company:

Provided that where the Central Government makes a recommendation in this regard the Governing Body of a stock exchange shall, in relaxation of the requirements of this clause admit as member the following corporations, companies or institutions namely:-

a) The Industrial Finance Corporation established under the Industrial Finance Corporation Act, 1948 (15 of 1948);  


b) The Industrial Development Bank of India, established under the Industrial Development Bank Act, 1964 (18 of 1964);

c) The Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956);

d) The General Insurance Corporation of India constituted under the General Insurance Corporation (Nationalisation) Act, 1972 (57 of 1972);

e) The Unit Trust of India, established under the Unit Trust of India Act, 1963 (52 of 1963);

f) The Industrial Credit and Investment Corporation of India, a company registered under the Companies Act, 1956 (1 of 1956);

g) the subsidiaries of any of the corporations or companies specified in (a) to (f) and any subsidiary of the State Bank of India or any Nationalised Bank set up for providing merchant banking services, buying and selling securities and other similar activities.

* "(4A) A company as defined in the Companies Act, 1956 (1 of 1956), shall also be eligible to be elected as a member of a Stock Exchange if –

i) such company is formed in compliance with the provisions of section 12 of the said Act;

ii) such company undertakes to comply with such financial requirements and norms as may be specified by the Securities and Exchange Board of India for the registration of such company under sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

iii) majority of the directors of such company are shareholders of the company and not less than 40% of the paid-up equity capital of the company is held by these directors themselves or by the body corporate appointing them as directors on the board of such company;

iv) the directors of the company are not disqualified for being members of a stock exchange under clause (1) [except sub-clause (f) thereof] or clause (3) [except sub-clause (f) thereof] and the Directors of the company had not held the offices of the Directors in any company which had been a member of the stock exchange and had been declared defaulter or expelled by the stock exchange; and

v) not less than two directors of the company are persons who possess a minimum two years' experience:

a) in dealing in securities; or

b) as portfolio managers; or

c) as investment consultants”.

5. Where any member of a stock exchange is a firm, the provisions of sub-rules (1), (3) and (4), shall, so far as they can, apply to the admission or continuation of any partner in such firm

9. Contracts between members of recognised stock exchange

All contracts between the members of a recognised stock exchange shall be confirmed in writing and shall be enforced in accordance with the rules and bye-laws of the stock exchange of which they are members.

10. Government nominees on the governing bodies of recognised stock exchanges

The Central Government may nominate one or more persons not exceeding three in number, as member or members of the governing body of every recognised stock exchange. Such member or members shall enjoy the same status and powers as other members of the governing body.

11. Obligation of the governing body to take disciplinary action against a member if so directed by the Central Government

After receiving the report of the result of an enquiry made under clause (b) of sub-section (3) of section 6 of the Act, the Central Government may take such action as they deem proper and, in particular,

* Added by the Securities Contracts (Regulation) Amendment Rules, 1957.
may direct the governing body of the stock exchange to take such disciplinary action against the offending member, including fine, expulsion, suspension or any other penalty of a like nature not involving the payment of money, as may be specified by the Central Government; notwithstanding anything to the contrary contained in the rules or bye-laws of the stock exchange concerned, the governing body shall give effect to the directions of the Central Government in this behalf and shall not in any manner commute, revoke or modify the action taken in pursuance of such directions, without the prior approval of the Central Government. The Central Government may, however, either of its own motion or on the representation of the member concerned, modify or withdraw its direction to the governing body.

12. **Audit of accounts of members**

Every member shall get his accounts audited by a chartered accountant whenever such audit is required by the Central Government.

13. **Withdrawal of recognition**

The written notice referred to in section 5 of the Act shall be in Form C.

14. **Books of Account and other documents to be maintained and preserved by every recognised stock Exchange**

Every recognised stock exchange shall maintain and preserve the following books of account and documents for a period of five years:

1. Minute books of the meetings of—
   a) members;
   b) governing body;
   c) any standing committee or committees of the governing body or of the general body of members.

2. Register of members showing their full names and addresses. Where any member of the stock exchange is a firm, full names and addresses of all partners shall be shown.

3. Register of authorised clerks.
4. Register of remisiers or authorised assistants.
5. Record of security deposits
6. Margin deposits book
7. Ledgers
8. Journals
9. Cash book

15. **Books of account and other documents to be maintained and preserved by every member of a recognised stock exchange**

1. Every member of a recognised stock exchange shall maintain and preserve the following books of account and documents for a period of five years:

   a) Register of transactions (Sauda book).
   b) Clients' ledger
   c) General ledger
   d) Journals
   e) Cash book
   f) Bank pass-book.
   g) Documents register showing full particulars of shares and securities received and delivered.
2. Every member of a recognised stock exchange shall maintain and preserve the following documents for a period of two years:
   a) members' contract books showing details of all contracts entered into by him with other members of the same exchange or counter - foils or duplicates of memos of confirmation issued to such other members.
   b) Counter-foils or duplicates of contract notes issued to clients.
   c) Written consent of clients in respect of contracts entered into as principals.

16. Manner of inquiry in relation to the affairs of the governing body of a recognised stock exchange or the affairs of any member of the stock exchange in relation to the stock exchange

   1. a) The person or persons appointed by the Central Government to make an inquiry under clause (b) of sub-section (3) of section 6 of the Act shall hereafter in this rule be referred to as the inquiring authority;
   b) where the inquiring authority consists of two or more persons, one of them shall be appointed as the chairman or senior member thereof;
   c) the inquiring authority shall hand over a statement of issues to be inquired into to the governing body or the member concerned, as the case may be, who will give a reasonable opportunity to state their or his side of the case;
   d) if any witness is called for examination, an opportunity shall be provided to the governing body or the member whose affairs are being inquired into, as the case may be, to cross examine such witness;
   e) where the inquiring authority consists of more than one person, the views of the majority shall be deemed to represent the findings of such authority and, in the event of an equality of votes, the chairman or senior member shall have a casting vote;
   f) the inquiring authority shall submit its report in writing to the Central Government within the period specified in the order of appointment;
   g) temporary absence from any hearing or hearings of any member of the inquiring authority shall not vitiate its proceedings.

   2. Where the Central Government has directed the governing body of stock exchange to make an inquiry under clause (b) of sub-section (3) of section 6 of the Act, the governing body concerned shall appoint one or more members thereof to make the inquiry and the provisions of sub-rule (1) shall apply mutatis mutandis to such inquiry.

17. Submission of annual report

   1. Every recognised stock exchange shall (before the 31st day of January in each year or within such extended time as the Central Government may, from time to time, allow), furnish the Central Government annually with a report about its activities during the preceding calendar year, which shall inter alia contain detailed information about the following matters:

   a) changes in rules and bye-laws, if any;
   b) changes in the composition of the governing body;
   c) any new sub-committees set up and changes in the composition of existing ones;
   d) admissions, re-admissions, deaths or resignations of members;
   e) disciplinary action against members;
   f) arbitration of disputes (nature and number) between members and non-members;
   g) defaults;
   h) action taken to combat any emergency in trade;
   i) securities listed and de-listed; and
   j) securities brought on or removed from the forward list.

   2. Every recognised stock exchange shall within one month of the date of the holding of its annual general meeting, furnish the Central Government with a copy of its audited balance sheet and profit and loss account for its preceding financial year.
17A. Submission of periodical returns

Every recognised stock exchange shall furnish the Central Government periodical returns relating to-

i) the official rates for the securities enlisted thereon;
ii) the number of shares delivered through the clearing house;
iii) the making-up prices;
iv) the clearing house programmes;
v) the number of securities listed and delisted during the previous three months;
vi) the number of securities brought on or removed from the forward list during the previous three months; and
vii) any other matter as may be specified by the Central Government.

18. Manner of publication of bye-laws for criticism

The bye-laws to be made, amended or revised under the Act shall be published for criticism in accordance with the provisions of section 23 of the General Clauses Act, 1897 both in the Gazette of India and Official Gazette of the State in which the principal office of the recognised stock exchange is situate.

19. Requirements with respect to the listing of securities on a recognised stock exchange

1. A public company as defined under the Companies Act, 1956, desirous of getting its securities listed on a recognised stock exchange, shall apply for the purpose to the stock exchange and forward along with its application the following documents and particulars:

   a) memorandum and articles of association and, in the case of a debenture issue, a copy of the trust deed.
   b) Copies of all prospectuses or statements in lieu of prospectuses issued by the company at any time.
   c) Copies of offers for sale and circulars or advertisements offering any securities for subscription or sale during the last five years.
   d) Copies of balance sheets and audited accounts for the last five years, or in the case of new companies, for such shorter period for which accounts have been made up.
   e) A statement showing-
      
      i) dividends and cash bonuses, if any, paid during the last ten years (or such shorter period as the company has been in existence, whether as a private or public company).
      ii) dividends or interest in arrears, if any.
   f) Certified copies of agreements or other documents relating to arrangements with or between:-
      i) vendors and/or promoters,
      ii) underwriters and sub-underwriters.
      iii) brokers and sub-brokers.
   g) Certified copies of agreements with-
      i) managing agents and secretaries and treasurers
      ii) selling agents,
      iii) managing directors and technical directors,
      iv) general manager, sales manager, manager or secretary.
   h) Certified copy of every letter, report, balance sheet, valuation, contract, court order or other document, part of which is reproduced or referred to in any prospectus, offer for sale, circular or advertisement offering securities for subscription or sale, during the last five years.
   i) A statement containing particulars of the dates of, and parties to all material contracts, agreements (including agreements for technical advice and collaboration), concessions and similar
other documents (except those entered into in the ordinary course of business carried on or intended to be carried on by the company) together with a brief description of the terms, subject-matter and general nature of the documents.

j) A brief history of the company since its incorporation giving details of its activities including any reorganisation, reconstruction or amalgamation, changes in its capital structure (authorised, issued and subscribed) and debenture borrowings, if any.

k) Particulars of shares and debentures issued – (i) for consideration other than cash, whether in whole or part, (ii) at a premium or discount, or (iii) in pursuance of an option.

l) A statement containing particulars of any commission, brokerage, discount or other special terms including an option for the issue of any kind of the securities granted to any person.

m) Certified copies of –
   i) letters of consent of the Controller of Capital Issues;
   ii) agreements, if any, with the Industrial Finance Corporation, Industrial Credit and Investment Corporation and similar bodies.

n) Particulars of shares forfeited.

o) A list of highest ten holders of each class or kind of securities of the company as on the date of application along with particulars as to the number of shares or debentures held by and the address of each such holder.

p) Particulars of shares or debentures for which permission to deal is applied for:

Provided that a recognised stock exchange may either generally by its bye-laws or in any particular case call for such further particulars or documents as it deems proper.

2. Apart from complying with such other terms and conditions as may be laid down by a recognised stock exchange, an applicant company shall satisfy the stock exchange that:

a) Its articles of association provide for the following among others-
   i) that the company shall use a common form of transfer,
   ii) that the fully paid shares will be free from all lien, while in the case of partly paid shares, the company’s lien, if any, will be restricted to moneys called or payable at a fixed time in respect of such shares.
   iii) that any amount paid-up in advance of calls on any shares may carry interest but shall not entitle the holder of the share to participate in respect thereof, in a dividend subsequently declared,
   iv) there will be no forfeiture of unclaimed dividends before the claim becomes barred by law,
   v) that option or right to call of shares shall not be given to any person except with the sanction of the company in general meeting.

Provided that a recognised stock exchange may provisionally admit to dealings the securities of a company which undertakes to amend its articles of association at its next general meeting so as to fulfil the foregoing requirements and agrees to act in the meantime strictly in accordance with the provisions of this clause.

(b) At least sixty per cent of each class or kind of securities issued by the company was offered to the public for subscription through advertisement in newspapers for a period not less than two days and that applications received in pursuance of such offer were allotted fairly and unconditionally:
Provided that a recognised stock exchange may relax this requirement, with the previous approval of the Central Government and subject to such instructions as that government may issue in this behalf from time to time, on satisfactory evidence being produced by the company concerned that the securities sought to be listed are not unduly concentrated in a few hands.

Explanation - Where any part of the securities sought to be listed have been or are agreed to be taken up by the Central Government, a State Government, development or investment agency of a State Government, Industrial Development Bank of India, Industrial Finance Corporation of India, Industrial Credit and Investment Corporation of India Limited, Life Insurance Corporation of India, General Insurance Corporation of India and its subsidiaries, namely, the National Insurance Company Limited, the New India Assurance Company Limited, the Oriental Fire and General Insurance Corporation of India and the United India Fire and General Insurance Company Limited, or Unit Trust of India, the total subscription to the securities, whether by one or more of such bodies, up to eleven per cent, shall be construed as a part of the sixty per cent of the securities to be offered to the public.

3: A company applying for listing shall, as a condition precedent, undertake inter alia –

a) i) that letters of allotment will be issued simultaneously and that, in the event of its being impossible to issue letters of regret at the same time, a notice to that effect will be inserted in the press so that it will appear on the morning after the letters of allotment have been posted,
   ii) that letters of right will be issued simultaneously,
   iii) that letters of allotment acceptance or rights will be serially numbered, printed on good quality paper and examined and signed by a responsible officer of the company and that whenever possible, they will contain the distinctive numbers of the securities to which they relate,
   iv) that letters of allotment and renounceable letters of right will contain a proviso for splitting and that, when so required by the exchange, the form of renunciation will be printed on the back of or attached to the letters of allotment and letters of right,
   v) that letters of allotment and letters of right will state how the next payment of interest or dividend on the securities will be calculated,

b) to issue, when so required, receipts for all securities deposited with it whether for registration, sub-division, exchange or for other purposes; and not to charge, any fees for registration of transfers, for sub-division and consolidation of certificates and for sub-division of letters of allotment, renounceable letters of right, and split, consolidation, renewal and transfer receipts into denominations of the market unit trading;

bb) to issue, when so required, consolidation and renewal certificates in denominations of the market unit of trading to split certificates, letters of allotment, letters of right, and transfer, renewal, consolidation and split receipts into smaller units, to split call notices, issue duplicates thereof and not require any discharge on call receipts and to accept the discharge of members of stock exchange on split, consolidation and renewal receipts as good and sufficient without insisting on the discharge of the registered holders;

c) when documents are lodged for sub-division or consolidation [or renewal] through the clearing house of the exchange:
   i) to accept the discharge of an official of the stock exchange clearing house on the company’s split receipts and [consolidation receipts and receipts and renewal receipts] as good and sufficient discharge without insisting on the discharge of the registered holders, and
   ii) to verify when the company is unable to issue certificates or split receipt or [consolidation receipts or renewal receipts] immediately on lodgment whether the discharge of the registered holders, on the documents lodged for subdivision or consolidation [or renewal] and their signatures on the relative transfers are in order;

d) on production of the necessary documents by shareholders or by members of the exchange, to make on transfers an endorsement to the effect that the power of attorney or probate or letters of administration of death certificate or certificate of the Controller of Estate Duty or similar other document has been duly exhibited to and registered by the company;

e) to issue certificates in respect of shares or debentures lodged for transfer within a period of one month of the date of lodgment of transfer and to issue balance certificates within the same period where the transfer is accompanied by a larger certificate;
f) to advise the stock exchange of the date of the board meeting at which the declaration or recommendation of a dividend [or the issue of right or bonus share] will be considered;

g) [to recommend or declare all dividends and or cash bonuses at least five days before the commencement of the closure of its transfer books or the record date fixed for the purpose and to advise the stock exchange] in writing of all dividends and/or cash bonuses recommended or declared immediately after a meeting of the board of the company has been held to finalise the same;

h) to notify the stock exchange of any material change in the general character or nature of the company's business;

i) to notify the stock exchange of any change –
   i) in the company's directorate by death, resignation, removal or otherwise,
   ii) of managing director, managing agent or secretaries and treasurers,
   iii) of auditors appointed to audit the books and accounts of the company;

j) to forward to the stock exchange copies of statutory and annual reports and audited accounts as soon as issued, including directors' report;

k) to forward to the stock exchange as soon as they are issued, copies of all other notices and circulars sent to the shareholders including proceeding of ordinary and extraordinary general meetings of the company and to file with the stock exchange certified copies of resolutions of the company as soon as such resolutions become effective;

l) to notify the stock exchange prior to intimating the shareholders of any new issue of securities whether by way of right, privilege, bonus or otherwise and the manner in which it is proposed to offer or allot the same;

m) to notify the stock exchange in the event of re-issue of any forfeited securities or the issue of securities held in reserve for future issue;

n) to notify the stock exchange of any other alteration of capital including calls;

o) to close the transfer books only for the purpose of declaration of dividend or issue of right or bonus shares or for such other purposes as the stock exchange may agree and to give notice to the stock exchange as many days in advance as the exchange may from time to time reasonably prescribe, stating the dates of closure of its transfer books or, when the transfer books are not to be closed, the date fixed for taking a record of its shareholders or debentureholders) and specifying the purpose or purposes for which the transfer books are to be closed (or the record is to be taken): [and in the case of a right or bonus issue to so close the transfer books or fix a record date only after the sanctions of the competent authority subject to which the issue is proposed to be made have been duly obtained, unless the exchange agrees otherwise]:

p) to forward to the stock exchange an annual return immediately after each annual general meeting of at least ten principal holders of each class of security of the company along with particulars as to the number of shares or debentures held by, and address of, each such holder;

q) to grant to shareholders the right of renunciation in all cases of issue of rights, privileges and benefits and to allow them reasonable time [not being less than four weeks] within which to record, exercise, or renounce such rights, privileges and benefits. [and to issue, where necessary, coupons or fractional certificates or provide for the payment of the equivalent of the value of the fractional right in cash unless the company, in general meeting or the stock exchange agrees otherwise];

r) to promptly notify the stock exchange –
   i) of any action which will result in the redemption, cancellation or retirement in whole or in part of any securities listed on the exchange,
   ii) of the intention to make a drawing of such securities, intimating at the same time the date of the drawing and the period of the closing of the transfer books (or the date of the striking of the balance) for the drawing,
   iii) of the amount of securities outstanding after any drawing has been made;

s) to intimate the stock exchange and other information necessary to enable the shareholders to apprise the position of the company and to avoid the establishment of false market in the shares of the company;

 t) that in the event of the application for listing being granted, such listing shall be subject to the rules and bye-laws of the exchange in force from time to time and that the company will comply within a reasonable time, with such further listing requirements as may be promulgated by the exchange as a general condition for new listings.
4. A fresh application for listing will be necessary in respect of all new issues desired to be dealt with, provided that, where such new securities are identical in all respects with those already listed, admission to dealings will be granted on the company intimating to the stock exchange particulars of such new issues.

Explanation.- Shares are identical in all respect only if
a) they are of the same nominal value and the same amount per share has been called up;
b) they are entitled to dividend at the same rate and for the same period, so that at the next ensuing distribution, the dividend payable on each share will amount to exactly the same sum, net and gross; and
c) they carry the same rights in all other respects.

5. A recognised stock exchange may suspend or withdraw admission to dealings in the securities of a company or body corporate either for a breach of or non-compliance with, any of the conditions of admission to dealings or for any other reason, to be recorded in writing, which in the opinion of the stock exchange justifies such action:

Provided, however, that no such action shall be taken by a stock exchange without affording to the company or body corporate, concerned a reasonable opportunity by a notice in writing, stating the reasons, to show cause against the proposed action:

Provided further that where a recognised stock exchange has withdrawn admission to dealings in any security, or where suspension of admission to dealings has continued for a period exceeding three months, the company or body corporate concerned may appeal to the Central Government and the Central Government may, after giving the stock exchange an opportunity of being heard, vary or set aside the decision of the stock exchange and thereupon the orders of the Central Government shall be carried out by the stock exchange.

6. A recognised stock exchange may, either at its own discretion or shall in accordance with the orders of the Central Government under sub-rule (5) restore or re-admit to dealings any securities suspended or withdrawn from the list.

7. The Central Government may, at its own discretion or on the recommendation of a recognised stock exchange, waive or relax the strict enforcement of any or all of the requirements with respect to listing prescribed by these rules.

FORM A
(See rules 3 and 7)


To,


Sir,

Pursuant to the Central Government Notification No. .......................... dated .............. /Certificate of recognition dated .............. we/I on behalf of ..................................................... being a stock exchange as

(Name & Address of Stock Exchange)
defined in section 2 of the Securities Contracts (Regulation) Act, 1956 hereby apply for recognition/renewal of recognition for the purposes of the said Act in respect of contracts in securities.
2. Four copies of the rules, memorandum and articles of association relating in general to the constitution and management of the stock exchange and four copies of the bye-laws for the regulation and control of contracts in securities are enclosed.

3. All the necessary information required in the Annexure to this Form is enclosed. Any additional information will be furnished as and when called for by the Central Government.

4. We/I on behalf of the said stock exchange hereby undertake to comply with the requirements of section 4 of the said Act and such other conditions and terms as may be contained in the Certificate of Recognition or be prescribed or imposed subsequently.


Yours faithfully,

Signature of applicant

ANNEXURE TO FORM 'A'
Part I - General

1. Name of the applicant stock exchange.
2. Address.
3. Date of establishment.
4. Is your exchange a joint stock company (state whether public or private) registered under the Indian Companies Act or an association for profit or otherwise? If it is organised on some other basis, this may be stated.
5. Give details of your capital structure and attach three copies of the audited balance sheets and profit and loss account of the Exchange for the preceding three years.

Part II - Membership

6. State the number of members at the time of application. Also specify how many are inactive.
7. State whether there is any provision, resolution or convention for limiting the number of members and whether in pursuance thereof you have fixed a ceiling on the number of members that you would take.
8. Do you insist on any minimum qualifications and experience before enrolling new members? If so, give details.
9. State the different classes of members, if any, the number thereof and the privileges enjoyed by each class. What is the procedure followed by your exchange for the admission of different classes of new members?
10. What are the rates of your annual subscription in respect of the different classes of members?
11. Do you collect any security deposit from your members? If so, give details and also state the manner in which such deposits are utilised and the rate of interest allowed, if any.
12. Do you collect any admission or entrance fees from your members or from partners of firms who are member? If so, how much?
13. Do you insist on your members and partners of firms who are members divesting themselves of other activities either as principal or as employee?
14. Do your rules permit firms to become members? If so, is it incumbent on members to seek the approval of the governing body before admitting new partners? State the conditions, if any, laid down in your rules for the admission of such partners.
15. If your rules do not permit of firms being enrolled as members, do you permit individual members to form a partnership? State the procedure followed for the recognition of such partnership.
16. Do you permit members to work in partnership with non-members? If so, how far are such non-members subject to the control of the stock exchange?
Part III - Governing Body

17. What is the present strength of your governing body? Give details of the constitution, powers of management, election and tenure of office of members of the governing body, and the manner in which its business is transacted.

18. Are any trade or commercial interests represented on your governing body? If so, give details of interests represented.

19. Do you associate shareholders of investors' associations with the management of your exchange? If so, state the manner in which it is done.

20. Are there any government representatives on your governing body? If so, furnish their names.

21. Do your rules provide for the direct election by members of any other bodies or committees, apart from the governing body? If so, give details of their constitution, tenure, powers and functions.

22. Do you have any provision for the appointment of standing or ad hoc sub-committees of the governing body? If so, furnish details of the method of their appointment, terms of office, powers and functions.

23. Give the designations, powers and duties of principal office-bearers of your exchange. Are any of these office-bearers in the pay of the stock exchange? If so, give details as to the mode of their appointment, tenure of office and remuneration.

Part IV - Trading

24. Do you have a trading ring? If not, how do you carry on the business? give details.

25. State the different kinds of contracts in use of your exchange e.g. spot, ready and forward. State the period of delivery and payment in each case.

26. Give details of business hour for each type of contract.

27. Give details of the scale of brokerage and other charges, if any, prescribed by your exchange.

28. Do you prescribe standard forms of contract for the use of your members? Attach three copies of each such contract form.

29. Do you classify your members into brokers and jobbers? If so, specify the bye-law under which this is done.

30. Do you have a system of registration of remisiers and/or authorised clerks? If so, give details as to their qualifications, obligations and rights, etc.

31. Do you have any regulations regarding dealings by members on their own account whether in nature of Taravani (day-to-day) or otherwise?

32. Do you have any provisions for regulating the volume of business done by any individual member other than through a system of margins? If so, give details.

33. What provisions have you made for periodical settlement of contracts and differences thereunder, the delivery of, and payment for securities and the passing of delivery orders?

34. Do you have a clearing house for the settlement of contracts? If so, give details of its organisation and management.

35. If you have clearing house, what returns do the members of your exchange submit regarding the transactions cleared through such clearing house? Does the exchange ask for any regular returns in respect of transactions settled out-side the clearing house? Submit three copies of forms used in this connection.

36. How do you fix, alter or postpone the dates of settlement?

37. How do you determine and declare making-up prices?

38. Do you have any arrangements for making or recording of bargains?

39. Have you any arrangements for recording and publishing market rates including opening, closing, highest and lowest rates?

40. What provisions have you made for regulating - (a) the entering into contracts, their performance and rescission, including contracts: (i) between members, (ii) between a member and his constituent; and (iii) between a member and non-member; (b) the consequences of breach, default or insolvency on the part of members whether acting as buyers, sellers or intermediaries; and (c) 'havalas' and other matters relating to conduct of business of members in the exchange?

41. Do you prescribe margin requirements? If yes, give details.
42. Do you prescribe maximum and minimum prices for securities? If so, how and under what conditions.
43. Do you provide any safeguards for the prevention of bull-squeezes' and 'bear-raids' and for meeting emergencies in trade? Give details.
44. What are the measures adopted by you to regulate or prohibit advertising or issue of circulars by your members?
45. What are the disciplinary powers with the governing body to enforce due compliance by members of the rules and bye-laws of the exchange and generally to ensure proper standard of business conduct?
46. Do you require members to supply such information or explanation and to produce such books relating to their business as your governing body may require?
47. Do you publish any statistics in regard to business done on the exchange including the transactions settled through the clearing house, if maintained? In particular, have you evolved any machinery for computing the volume of transactions in the different kinds of contracts permitted on your exchange? Give details.
48. Do you have any bye-laws contravention of which makes a contract void?

Part V - Miscellaneous

49. Do you have any machinery for arbitration of disputes between members and or between members and their constituents? Give details.
50. What are the conditions subject to which securities are listed for dealings on your exchange?
51. What are your requirements for admitting securities to forward-trading?
52. Do you have the right to prohibit, withdraw or suspend dealings in a listed security? If so, under what circumstances is this right exercised?
53. What provisions have you made for the levy and recovery of fees, fines and penalties?

FORM B
(See rules 6 and 7)
Government of India, Ministry of Finance

New Delhi, the 19 ............

No ............ The Central Government, having considered the application for recognition/renewal of recognition made under section 3 of the Securities Contracts (Regulation) Act, 1956 by ......................................... and being satisfied that it would be in the interest of the trade (Name & Address of the Exchange) and also in the public interest so to do, hereby grants, in exercise of the powers conferred by section 4 of the Securities Contracts (Regulation) Act, 1956 recognition to the said exchange under section 4 of the said Act for ...... year/years ending ........ 19 ...... on a permanent basis in respect of contracts in securities subject to the conditions stated herein below or as may be prescribed or imposed hereafter.

Seal of the Ministry

Signature of Officer

Note :- Application for renewal of recognition shall be made so as to reach the Central Government not less than three months before the expiry of the period. (This certificate, will also have to be published as a Notification in the Gazette of India and also in the Official Gazette of the State in which principal office of the recognised stock exchange is situate).
FORM C
(See rule 13)

Notice to show cause against the withdrawal of recognition
Government of India, Ministry of Finance

New Delhi, the 19 ———

To

_________________________________________
(name and address of the exchange)

You are hereby called upon to show cause on or before ....... at the office of ........................................ (Desg. of Officer) why the recognition granted to you under the Ministry of Finance Notification ............... dated ............... and Certificate No ............... dated ............... should not be withdrawn for the reasons given in the Annexure to this Notice.

By order and in the name of the Central Government.

Seal of the Ministry

Signature of Officer
THE SECURITIES CONTRACTS (REFERENCE TO THE COMPANY LAW BOARD) RULES, 1986*

In exercise of the powers conferred by sub-section (1) and clause (i) of sub-section (2) of section 30 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Central Government hereby makes the following rules, namely:

1. **Short title and commencement. (i) These rules may be called the Securities Contracts (Reference to the Company Law Board) Rules, 1986. (ii) They shall come into force on the date of their publication in the Official Gazette.**

2. **Definitions:- In these rules, unless the context otherwise requires, —**
   a) "Act" means the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
   b) "Bench" means a Bench of the Company Law Board formed under sub-section (4B) of section 10F of the Companies Act, 1956 (1 of 1956);
   c) "Bench Rules" means the Company Law Board (Bench) Rules, 1975;
   d) "Form" means form appended to these rules.

3. **Notice to the transferor and the transferee— The notice referred to in clause (b) of sub-section (4) of section 32A of the Act, shall be in Form No. 1.**

4. **Reference to the Company Law Board - Every reference under clause (c) of sub-section 22A of the Act, as referred to in sub-section (8) of that section, shall be in Form No. 10 of Appendix I to the Bench Rules and shall be accompanied by such documents and enclosures as are specified in Appendix II to the said Rules.**

5. **Fees:— Every reference under rule 4 shall be accompanied by a fee of Rupees one hundred only.**

**FORM No. 1**
(See Rule 3)

*Notices to the Transferor and Transferee*

To
1. Mr./Mrs./Ms. Messrs
(The Transferor)

2. Mr./Mrs./Ms. Messrs
(The Transferee)

The instruments of transfer of securities of the company (as per details given in the Annexure to this notice) was/were lodged on ............... for the purpose of transfer of the said securities in the name of .................................................. (hereinafter referred to as "the Transferee")

(Name and Address of Transferee)

from ................................................................. (hereinafter referred to as "the Transferor")

(Name and Address of Transferor)

Please take notice that the company has, for the undermentioned reasons, formed, in good faith, the opinion in its Board Meeting held on ............... that the registration of the said securities in the name

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1. Issued by Ministry of Finance, Department of Economic Affairs, Stock Exchange Division vide Notification No. GSR 33 (E) dated 17th January, 1986.
2. Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (i) dated 17th January, 1986.
of the Transferee ought to be refused:
1.
2.
3.

As required under clause (b) of sub-section (4) of section 22A of the Securities Contracts (Regulation) Act, 1956, the Company hereby informs the transferor and the transferee, on this .......................... (Date)
date of ............................................. that the following requirements of law relating to registration of transfer have not been complied with for securing registration of the aforesaid securities.
(Month) (Year)

(Here mention the requirements of law not complied with)

Station: 
Dated: 

Signature
Name

For and or behalf of the Company

Designation

Annexure referred to in the Notice

<table>
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<tr>
<th>No. and full description of Securities</th>
<th>No. in Figures</th>
<th>No. in Words</th>
<th>Description Equity Shares/Pref. Shares/Debentures</th>
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<td>Distinctive No. .............................................</td>
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NOTIFICATIONS

Important Notifications Issued by the Government of India, Ministry of Finance, Department of Economic Affairs/Stock Exchange Division

General

S.R.O. 528

New Delhi, the 16th February, 1957

In exercise of the powers conferred by sub-section(3) of section 1 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Central Government hereby appoints the 20th day of February, 1957 as the date on which the said Act shall come into force.

S.O. 1490

New Delhi, the 27th June, 1961

Whereas the Central Government is satisfied that in the interest of trade and commerce and the economic development of the country, it is necessary or expedient so to do; now, therefore, in exercise of the powers conferred by sub-section (2) of section 28 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Central Government hereby specifies contracts for pre-emption or similar rights contained in the promotion or collaboration agreements or in the articles of association of limited companies as contracts to which the said Act shall not apply.

S.O. 3644

New Delhi, the 29th November, 1962

In exercise of the powers conferred by sub-section (1) of section 16 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Central Government hereby declares that no person in the whole of India shall, save with the permission of the Central Government, enter into any contract for the sale or purchase of securities other than such spot delivery contract or contract for cash or hand delivery or special delivery in any securities as is permissible under the said Act and the rules, bye-laws and regulations of a recognised stock exchange:

Provided that a contract other than a spot delivery contract or contract for cash or hand delivery or special delivery in any securities on the cleared securities list of a recognised stock exchange may be entered into between its members or through or with any such member for the purpose of closing out or liquidating all existing contracts entered into up to the date of this Notification and remaining to be performed after the said date, but such contract shall be subject to the rules, bye-laws and regulations of the recognised stock exchange that come into force when further new dealings are prohibited in any securities on the cleared securities list and subject also to such terms and conditions, if any, as the Central Government may from time to time impose.

S.O. 1591

New Delhi, the 6th June, 1963

In exercise of the powers conferred by sub-section (1) of section 16 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Central Government hereby makes the following amendment to the Notification of the Government of India in the Ministry of Finance (Department of Economic Affairs) No. S.O. 3644 dated the 29th November, 1962, namely:

In the said Notification, after the words "the whole of India" the words "except the States of Madras and Maharashtra" shall be inserted.
S.O. 1599
New Delhi, the 10th June, 1963

In exercise of the powers conferred by sub-section (1) of section 16 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Central Government hereby makes the following amendment to the Notification of the Government of India in the Ministry of Finance (Department of Economic Affairs) No. S.O. 3644 dated the 29th November, 1962, namely -

In the said Notification for the words "except the States of Madras and Maharashtra" the words "except the States of Madras, Maharashtra, Madhya Pradesh and Gujarat and the Union Territory of Delhi" shall be substituted.

S.O. 1797
New Delhi, the 25th June, 1963

In exercise of the powers conferred by sub-section (1) of section 16 of the Securities Contracts (Regulation) Act, 1956, the Central Government hereby rescinds the Notification of the Government of India in the Ministry of Finance (Department of Economic Affairs) No. S.O. 3644 dated the 29th November, 1962.

S.O. 2561
New Delhi, the 27th June, 1969

In exercise of the powers conferred by sub-section (1) of section 16 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Central Government, being of opinion that it is necessary to prevent undesirable speculation in securities in the whole of India, hereby declares that no person, in the territory to which the said Act extends, shall, save with the permission of the Central Government, enter into any contract for the sale or purchase of securities other than such spot delivery contract or contract for cash or hand delivery or special delivery in any securities as is permissible under the said Act and the rules, bye-laws and regulations of a recognised stock exchange:

Provided that a contract other than a spot delivery contract or contract for cash or hand delivery or special delivery in any securities list of a recognised stock exchange may be entered into between its members or through or with any such member for the purpose of closing out or liquidating all existing contracts entered into up to the date of this notification and remaining to be performed after the said date, but such contract shall be subject to the rules, bye-laws and regulations of the recognised stock exchange that come into force when further new dealings are prohibited in any securities on the cleared securities list and subject also to such terms and conditions, if any, as the Central Government may from time to time impose.

BOMBAY

S.R.O. 2782 — B

Bombay, the 31st August, 1957

The Central Government having considered the application for recognition made under section 3 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), by the Stock Exchange, Bombay and being satisfied that it would be in the interest of trade and also in the public interest so to do, hereby grants in exercise of the powers conferred by section 4 of the Securities Contracts (Regulation) Act, 1956 recognition to the said Exchange under section 4 of the said Act on a permanent basis in respect of contracts in securities subject to the conditions stated herein below and such conditions as may be prescribed or imposed hereafter.

CONDITIONS

1. A membership deposit of Rs. 20,000 each (of which Rs. 10,000 shall be paid within two months and the balance of Rs. 10,000 paid within the next two months from the date of recognition) shall be taken from those members carrying on business on the said Stock Exchange (other than representative
members) who, at present, are not required to furnish the membership deposit of Rs. 20,000 each prescribed under the rules of the Exchange and such deposit shall be furnished and maintained on the same terms and conditions as the aforesaid deposit of Rs. 20,000.

2. (i) The members of the Indian Stock Exchange Limited, Bombay, will be entitled to apply for membership of the Stock Exchange, Bombay provided they fulfil or comply with the following terms and conditions:

a) they have been active members of the Indian Stock Exchange Limited, for twelve months, immediately preceding the 6th August, 1957:
Explanation - "Active members" for purpose of this condition means members who have themselves transacted business regularly on the floor of the Indian Stock Exchange Limited either on their own account or on account of their clients;

b) they are eligible under rule 8(1) of the Securities Contracts (Regulation) Rules, 1957 to be members of a recognised stock exchange;

c) they pay a membership fee of Rs. 15,000 each in two instalments of Rs. 6,000 with the application and the balance of Rs. 9,000 within a period of 6 months but shall be admitted to membership only after the payment of the full amount of Rs. 15,000 is complete, provided that those who pay a sum of Rs. 6,000 out of the balance of Rs. 9,000 within a fortnight of their election of membership shall be admitted as members without any further payment;

d) they pay a membership deposit of Rs. 20,000 each with the application, provided that those who are not able to pay in full the amount of Rs. 20,000 with the application, may pay quarterly instalments of Rs. 5,000 each. But till the full amount of Rs. 20,000 each as membership deposit is paid, the persons concerned shall work only as "representative members";

e) they may pay the membership fee and the membership deposit earlier than the period allowed above but those who fail to pay the membership fee within the period allowed, shall cease to have any right as members and shall also forfeit any sums that may have been so far paid by them by way of part payment of their membership fee. Similarly, those who fail to pay the instalments of their membership deposit within the period allowed above, shall cease to have any right to work, even as "representative members" and the part payments of the membership deposit made by them, if any, shall be refunded to them;

f) they apply for membership before the 15th October, 1957, provided that it shall be open, to the board of the recognised stock exchange to extend this period in bona fide cases and to consider the applications received after that date.

(ii) Where an active member of the Indian Stock Exchange Limited, who fulfils or complies with the conditions laid down under (i) above is not admitted to the membership of the Stock Exchange, Bombay, he shall have a right of preferring an appeal within a period of one month from the date of refusal of his application to the Central Government and the decision of the Central Government on such appeal shall be final and binding.

S.R.O. 3842
New Delhi, the 29th November, 1957

Whereas the Central Government is satisfied having regard to the nature or the volume of transaction in the securities in the area comprising the Greater Bombay, that it is necessary so to do; now, therefore, in exercise of the powers conferred by section 13 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Central Government hereby declares that the said section 13 shall apply to the said area.

G.S.R. 677
In exercise of the powers conferred by sub-section (2) of section 19 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Central Government hereby appoints the 9th day of August, 1958, as the date on which section 19 of the said Act shall come into force in the area included in the Greater Bombay.

S.O. 1592

New Delhi, the 6th June, 1963

Whereas the Central Government has received a request from the governing body of the Stock Exchange, Bombay, that the bye-laws made by it may be amended.

Now, therefore, in exercise of the powers conferred by sub-section (1) of section 10 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Central Government hereby makes the amendments to the bye-laws of the Stock Exchange, Bombay specified in the Schedule below and in pursuance of the proviso to sub-section (4) of that section, the Central Government, in the interest of the trade, and with a view to enable the said Stock Exchange, Bombay to commence bargains for the clearing under its bye-laws without delay, hereby dispenses with the condition of previous publication of the said amendments to the bye-laws.

SCHEDULE

In the bye-laws of the Stock Exchange, Bombay

(1) for bye-law 46 the following shall be substituted, namely —

"Conditions of admission to the cleared securities list.

46. The Governing board shall from time to time specify the securities admitted to dealings on the Exchange which shall be included in the cleared securities list but no securities shall be so included unless the following conditions are satisfied, namely :

i) The securities are fully paid-up equity shares of a company other than a banking company.

ii) The securities have been admitted to dealings for at least three years on any stock exchange recognised under the Securities Contracts (Regulation) Act, 1956, or in the case of a merger company the securities of the principal merging companies had been so admitted to dealings for at least three years previous to the date of merger.

iii) The securities are not included in the cleared securities list of any other stock exchange recognised under the Securities Contracts (Regulation) Act, 1956.

iv) The company is of sufficient magnitude and public importance and the subscribed capital represented by the securities is at least Rs. 25 lakhs and their aggregate value at the ruling market price is at least one crore of rupees.

v) There is adequate public interest in the company and at least 49 per cent of the capital represented by the securities is held by the public and such holdings are broadly and evenly distributed among a large number of shareholders without any undue concentration in the hands of a few persons.

Explanations — For purposes of sub-clause (v) of this provision the word 'public' shall be deemed to exclude directors, managing directors, managing agents, secretaries and treasurers and where the managing agents or secretaries and treasurers are a partnership firm or a private limited company the partners of such firm and members of such company; the nominees and the husband, wife, brother or sister of the persons aforesaid and any private or public limited company in which such persons have a controlling interest or which is under their management or supervision.

2. In bye-law 52, for clauses (d) and (e) the following shall be substituted, namely —

"Carry-over bargains deemed to be at making-up price.

d) Carry-over bargains in any cleared security shall be deemed to be at the making-up price fixed for the security for the current clearing".

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"Performance of bargains in cleared securities.

e) Bargains in cleared securities entered into during a clearing may be closed by purchase or sale during the clearing or carried over to the ensuing clearing. All bargains entered into during the clearing that remain outstanding at the close of business on the last business day shall be performed by delivery and payment on the days fixed for the purpose."

3. Bye-law 222 shall be renumbered 222(a) and after the bye-law so renumbered, the following new clause (b) shall be inserted, namely :-

"Carry-over contracts at other than special making-up price when void.

b) Save as otherwise provided in these bye-laws and regulations carry-over contract notes rendered by members to their constituents shall be at the special making-up price fixed as prescribed in the relative regulation notwithstanding that the corresponding bargains have been entered into at a price other than such special making-up price. Carry-over contracts between members and their constituents either as agent to principal or as principal to principal in respect of which contract notes are not rendered as prescribed herein shall be deemed void."

4. In bye-law 354, in sub-clause (vi) of clause (a), for the full stop at the end, a semicolon shall be substituted; and after the said sub-clause the following new sub-clause (vii) shall be inserted, namely:-

"(vii) Carry-over contracts between members and their constituents either as agent to principal or principal to principal in respect of which contract notes are not rendered to constituents at the special making-up price as provided in these bye-laws and regulations."

S.O. 1473

New Delhi, the 13th May, 1966

In exercise of the powers conferred by sub-section (2) of section 28 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Central Government being satisfied that in the interest of trade and commerce and the economic development of the country it is necessary so to do, hereby specifies contracts for or relating to the purchase or sale of shares of any government company as defined in section 617 of the Companies Act, 1956 (1 of 1956), which are not listed on any recognised stock exchange in India as the contracts to which the Securities Contracts (Regulation) Act, 1956, shall not apply, provided that such contracts for purchase or sale or shares are approved by the Central Government.