

RULES

OF

INDIAN ENERGY EXCHANGE LIMITED

Disclaimer by the Central Electricity Regulatory Commission

“These rules and the bye laws, including the business rules have been approved by the Central Electricity Regulatory Commission. However, as observed by the Commission, notwithstanding the approval of the rules and bye-laws by the Commission, the persons enrolling themselves as members or clients of the power exchange or transacting trade on the power exchange shall do so after satisfying themselves of all the commercial aspects including the fees and charges leviable covered under the rules and bye laws, uninfluenced by the fact that the Commission has approved them since these are the matters exclusively between parties.”

Indian Energy Exchange Limited

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CHAPTER -1

Preamble

1. Preamble

- 1.1 These Rules shall be known as 'The Rules of Indian Energy Exchange Limited' and are for the sake of brevity and convenience, herein referred to as 'these Rules' or "the Rules of the Exchange".
- 1.2 These Rules shall come into force with effect from the date of approval by the Board of the Exchange and the Central Electricity Regulatory Commission (hereinafter referred to as "CERC or "Commission") or any other date prescribed by the CERC.
- 1.3 Any changes in these Rules shall be made only with prior approval of the CERC.. The CERC can specify any condition or to modify any of the present stipulation in light of the experience gained and to meet needs of the future.
- 1.4 These Rules shall be in addition to the provisions of the Electricity Act, 2003, the regulations made thereunder. These Rules shall at all times be read subject to the provisions of the Electricity Act, 2003 (hereinafter referred to as '**EA, 2003**') as amended from time to time and the rules, regulations, directives, orders, guidelines, norms and circulars issued by the Government of India and/or the CERC thereunder from time to time.
- 1.5 In case of a discrepancy between the provisions of any Rules, Business Rules or Bye-Laws of the Exchange and the provisions of EA, 2003, the provisions of EA, 2003 shall prevail, except where the Business Rules made under EA, 2003 allow the application or enforcement of the Rules, Articles, Bye-Laws or Business Rules of the Exchange.

CHAPTER – 2

Definitions

2. Definitions

- 2.1. **Articles** mean the Memorandum and Articles of Association of the Exchange.
- 2.2. **Approved User** as defined in the Bye-Laws.
- 2.3. **Authorised Person** as defined in the Bye-Laws.
- 2.4. **Base Capital** means and includes the initial security deposit, additional security deposit, margin money, any other credit amounts, bank guarantee, and other collateral, by whatever name called, specified to be part of the base capital.
- 2.5. **CERC** means Central Electricity Regulatory Commission.
- 2.6. **Clearing House** as defined in the Bye-Laws.
- 2.7. **Clearing Member** as defined in the Bye-Laws.
- 2.8. **Contract** means a contract for or relating to the purchase and/or sale of electricity as prescribed by the Exchange and includes all Contract types as may be approved by the CERC to be traded on the Exchange.
- 2.9. **Director** means the Director for the time being of the Exchange.
- 2.10. **Exchange** as defined in the Bye-Laws
- 2.11. **Executor or Administrator** in relation to a deceased Member of the company, means a person who has obtained probate or letter of administration as the case may be, from a court of competent jurisdiction and shall include holder(s) of succession certificate authorizing the holder(s) thereof to negotiate or transfer the share or shares of the deceased Member of the company and shall also include the holder of a certificate granted by the Administrator General under Section 31 of the Administrator Generals Act, 1963.
- 2.12. **Family Member** of an Exchange Member means, the Member's father or mother or spouse or son or unmarried daughter or daughter-in-law or father's brother son's or sons' son or brother or unmarried sister or brother's son.
- 2.13. **In writing** or **Written** includes handwriting, typewriting, printing, lithography, fax, downloading through computers, e-mail and/or other modes of representing or reproducing words in visible form.
- 2.14. **Exchange Member** or **Member** as defined in the Bye-Laws
- 2.15. **Client or Portfolio** means a Client as defined in the Bye-Laws.

- 2.16. **Notice Board** refers to the board displayed at the registered office of the Exchange and also the bulletin board, market news and Information corner displayed on the trading system of the Exchange or the news and circulars, notifications, etc. downloaded / broadcast at the trading system of the Members.
- 2.17. **Person** includes an individual, partnership firm, body corporate, corporation, joint Hindu family, a co-operative society, association of persons, bank, financial institution, public sector organisation, statutory corporation, a government department or non-government entity or such other person as the Exchange may decide from time to time.
- 2.18. **Power System** means all aspects of generation, transmission, distribution and supply of electricity, as defined by or under the Electricity Act, 2003 including one or more of the following namely:
- a) generating stations;
 - b) transmission or main transmission lines;
 - c) sub-stations;
 - d) tie-lines;
 - e) load despatch activities
 - f) mains or distribution mains;
 - g) electric supply lines;
 - h) overhead lines;
 - i) service lines;
 - j) works.
- 2.19. **Register of Exchange Members** means the register containing the names and other details of the Exchange Members registered with the Exchange.
- 2.20. **SERC** means State Electricity Regulatory Commission.
- 2.21. **SLDC** means State Load Despatch Centre.

The definitions not covered herein above will be taken from these Rules, Articles or the Bye-Laws of the Exchange for the purpose of interpretation or management of the Exchange, and in case of any discrepancy, the interpretation as may be taken by the Exchange shall be final and binding on all associated with the Exchange directly or indirectly. The interpretation provisions under Bye-Law 2.2 shall also apply to the interpretation of these Rules.

CHAPTER- 3

MANAGEMENT OF THE EXCHANGE

1. Delegation of powers to a committee or Chief Executive Officer (Managing Director) as well as powers and duties of office bearers of the Exchange are dealt with in the Memorandum and Articles of Association of the Exchange. The Managing Director, the Chief Executive Officer, and Director in charge of day to day operations, any employee, any consultant or any advisor of the Exchange shall not be directly or indirectly associated with any Member of Client or participant of the Exchange or with a holding or subsidiary company thereof.
2. The Board may appoint various committee(s)/panel, from time to time, for managing the affairs of the Exchange, which will include the following, provided that the Board will have the right to appoint other committee(s) in addition to the committees specified below:
3. **Membership Committee, Arbitration Panel, Disciplinary Action Committee, Executive Committee, Defaults Committee, Advisory Board and other committees**
 - 3.1. The Board may every year after every Annual General Meeting constitute Executive Committee, Defaults Committee, Disciplinary Action Committee and Arbitration Panel and other committees, panels, or advisory boards, as it may desire. Constitution, purpose and powers of the committees or panels shall be decided by the Board from time to time. The members of the committees will treat all information pertaining to their area of responsibility in complete confidentiality.
 - 3.2. A member of any committee who is on the committee by virtue of being an Exchange Member or of the Clearing House shall cease to hold such office forthwith if he ceases to be an Exchange Member and/or Member of Clearing House , as the case may be; or upon suspension, expulsion or declaration as defaulter by the Exchange.
 - 3.3. The Board may induct Exchange Members and power sector experts on the committees, panels and advisory boards, in such numbers as may be decided by the Board from time to time.
 - 3.4. All members of the committee, panels and advisory boards shall hold office from the date of their respective appointments till the first meeting of the Board held after the next Annual General Meeting. Provided that, if new members of the committees are not appointed at the said meeting of the Board, the existing members shall continue until the successors are validly appointed by the Board.
 - 3.5. The committees shall have such responsibilities and powers as may be delegated to it by the Board from time to time which may, inter alia, include the responsibilities and powers to be discharged in accordance with the provisions of the Bye-Laws and Rules. The board shall appoint the chairperson of each committee, panel or advisory board. The chairperson shall have a deciding (casting) vote.

- 3.6. Board will have the power to terminate the services of a committee member at any point of time, if it so desires.
- 3.7. The committees, panels and advisory boards to be constituted by the Board shall act in conformity with the provisions of the Bye-Laws and Rules in addition to the provisions of the Electricity Act, 2003 and rules and regulations made there under.

4. Composition and functions of the Membership Committee

- 4.1. The Exchange shall constitute a Membership Committee consisting of minimum 3 (three) members. The major functions of this Committee shall be to scrutinize and recommend admission of new Members of the Exchange as per the Rules and Bye-Laws of the Exchange. The Committee shall also have the power to recommend to the Board for refusing membership to an applicant, if it is satisfied that in the interest of the Exchange it is expedient to do so. In case of rejection, it shall record its recommendation in writing.
- 4.2. The Committee will select the Members based on the terms and conditions of membership as may be specified by the Board by way of Rules and Business Rules, for different categories of Members from time to time.

5. Composition and functions of the Arbitration Panel

- 5.1. The Exchange shall maintain an Arbitration Panel amongst whom the Exchange will appoint arbitrators to hear disputes and render awards in cases referred for arbitration, which shall be between different classes of Members of the Exchange *inter-se*, and between Members of the Exchange and their Clients in terms of the Rules, Articles and Bye-Laws.

6. Composition and functions of the Disciplinary Action Committee

- 6.1. The Exchange shall constitute a Disciplinary Action Committee consisting of minimum 3 (three) members. In case of any defaults of the Member, price rigging, price manipulation, price distortion, insider dealing, market manipulation or any other improper, unethical, unfair or fraudulent practice, un business like conduct or any market abuses or any violation of the Bye Laws, Rules and Business Rules by the Member, the Disciplinary Committee shall take a disciplinary action against such Member or former Members, its Authorised Persons, Approved Users.

7. Composition and functions of Executive Committee

- 7.1. The Exchange shall constitute an Executive Committee consisting of minimum 3 (three) members from amongst the senior executives of the Exchange for the day to day management of the Exchange, redressal of grievances and for the implementation of the provisions of Articles, Bye-Laws, Rules and Business Rules and for such other matters as may be directed by the Board from time to time. The Board may also appoint special invitees on this Committee from time to time and for such period, as it may deem necessary.

8. Composition and functions of Defaults Committee

- 8.1. The Exchange shall constitute a Defaults Committee consisting of minimum 3 (three) members. An Exchange Member shall be declared by the Exchange a defaulter, where the monies, commodities, securities, bank guarantees and any other collaterals deposited with the Exchange are not adequate to discharge the Member's obligations and liabilities. The functions are further explained under these Rules.

9. Advisory Board

- 9.1. The Exchange may appoint an advisory board which shall consist of experts having experience in electricity markets or power sector. Such experts may be Members of the Exchange or professionals working with important institutions or independent professionals having expertise in related fields. The Exchange may also form Regional Advisory Panels/Councils consisting of experts from the institutions like SERCs, STUs, SLDCs, Distribution Licensees, Generators etc. within the Regions. The Regional Advisory Councils will advise on matters related to contract specifications of different Contracts and Open Access.

10. Quorum for committees, panels and advisory boards

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

11. Meetings of committees and how questions determined

- 11.1. A committee, panel or an advisory board may meet and adjourn as it thinks proper.
- 11.2. Questions arising at any meeting of a committee, panel or an advisory board shall be determined by a majority of votes of the members present; in case of an equality of votes of members present, the chairperson of the committee shall have a second or casting vote in addition to his vote as a member of the committee.
- 11.3. The meetings of the committees, panels and advisory boards may be conducted by means of telephone or audio-visual conferences during which all participants and committee members are able to hear and to be heard at all times by all other participants and committee members. The participation to such conferences shall be deemed to constitute presence in person to such meetings.

12. Acts done by the Board or committees valid notwithstanding defective appointment

- 12.1. All acts done by any or a committee thereof, or by any person acting as a Director or member of a committee shall notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such Directors or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such Director and such person had been appointed and was qualified to be a Director or committee member as the case may be.

13. Board to fill vacancy

13.1. The Board shall from time to time fill in any vacancy in the membership of any committee.

14. Rules for proceedings of committee

14.1. Subject to the Rules and provisions contained in these Rules or any Bye-Laws and Business Rules, the proceedings of the committee shall be regulated by the same Rules as proceedings of the meetings of the Board.

15. Resolution by circulation

15.1. Save as otherwise expressly provided in the Act, a resolution shall be as valid and effectual as if it had been passed by the Board or a committee constituted by the Board, as the case may be, duly called and constituted if a draft thereof in writing is circulated with the necessary papers, if any, to all the Directors or to all the members of the Committee (including absentee Directors or members), as the case may be, at the usual address whether in or outside India, and has been approved in writing by a majority of such of them as are entitled to vote on the resolution.

16. Board's power in respect of committees

16.1. The Board will have absolute power to terminate, dissolve or suspend any committee or panel appointed by the Board. The Board will have absolute power to amend, modify, change, partially accept or fully override recommendations of the committee. The role of all the committees will be recommendatory in nature and their decisions will be advisory in nature so as to enable the Board to take appropriate decision.

17. Committees power to seek advice

17.1. A committee may decide to obtain opinion from others including Members of the Exchange on any matter connected with the Exchange with prior approval of the Exchange. For this purpose, a committee will have the power to invite Exchange Members and other independent professionals at a committee meeting as a special invitee for seeking their advice.

CHAPTER - 4

Membership of the Exchange

18. General

- 18.1 The Exchange may classify the membership of the Exchange in different categories for different Contracts admitted to trading on the Exchange and provide for different rights and privileges for trading, clearing and settlement of Contracts. A person, who wishes to be an Exchange Member may apply for any category of membership, subject to his fulfilling the membership criteria.
- 18.2 The membership of the Exchange shall entitle an Exchange Member to exercise such rights and privileges attached to such membership as he specifically applies for dealing on the Exchange, subject to the Bye-Laws, Rules and Business Rules as applicable and amended from time to time.
- 18.3 The provisions of the Articles of Association and the Bye-Laws, Rules and Business Rules applying to individuals shall apply *mutatis mutandis* to firms, institutions and bodies corporate who are registered as Exchange Members.
- 18.4 An Exchange Member shall not assign, mortgage, pledge, hypothecate, or charge his right of membership or any rights or privileges attached thereto, and any such attempt shall not be effective as against the Exchange. The Exchange shall expel any Exchange Member who acts or attempts to act in violation of the provisions of this Rule.
- 18.5 The membership rights of the Exchange are transferable subject to the terms and conditions that may be prescribed by the Exchange in this regard from time to time and also subject to prior approval of the Exchange.
- 18.6 There shall be different categories of membership of the Exchange along with associated rights and privileges which shall include Proprietary Member and Professional Member and other categories as may be defined by the Exchange from time to time by issuing circulars to the Members. The different types of Members of the Exchange for the present are as under:

a) Proprietary Member

Proprietary Member means a person who is admitted by the Exchange as the Member of the Exchange conferring a right to trade for its own account, and clear the same through the Clearing House as a Clearing Member and who may clear and settle such deals only. The Grid-connected Entities, including but not limited to, distribution licensees, generators, open access consumers shall be eligible to become Proprietary Members subject to their fulfillment of the membership criteria and other requirements prescribed by the Exchange.

A Proprietary Member may have injection or drawal points located within one or more control area for which separate UI accounting is being done or is required to be done. Therefore for affecting the delivery of the electricity as cleared and settled through the Exchange each of such location shall be assigned a separate portfolio identification code on ATS.

For example, a Generating Company having more than one generating station can become a proprietary member in that case each generating station would have a separate UI account for settlement of real time deviation. Accordingly for each generating station of this Proprietary Member who has separate UI account will be assigned a separate client ID / portfolio ID, and therefore there will be separate orders for each portfolio ID and will be considered a separate trade. Similarly a Corporate company which becomes a Proprietary Member may own more than one distribution company their will be a separate real time settlement for each one of them accordingly there would be a separate client ID / portfolio ID, and therefore there will be separate orders for each portfolio ID and will be considered a separate trade.

b) Professional Member

Professional Member means a person who is admitted by the Exchange as a Member conferring a right to trade for his own account and/ on behalf of its Clients and clear the same through the Clearing House as a Clearing Member and who may clear and settle such deals only. When a Professional Member trades for his own account or on behalf of his Clients, he will register each grid connected entity, or legally valid power purchase/sale agreement, which gives the Member or the Client the right to purchase and sell electricity, with the Exchange and will receive a separate client / portfolio ID provided that he pays all the necessary annual registration fees and charges for each such agreement or grid connected entity and complies with all the other requirements prescribed by the Exchange from time to time.

Example narrated above, shall also be applicable to a Client of a Professional Member so far as it relates to allotment of a client ID / portfolio ID.

Notwithstanding anything to the contrary contained in the guidelines, bye laws, rules business rules or any other documents of the exchange dealing with the rights, privileges, duties and functions of a professional member as dealt in the above, it is hereby clarified that a professional member, other than a trader, shall not carry out the activities of a trader as defined in the Electricity Act, 2003.¹

Notwithstanding anything to the contrary contained in the guidelines, bye laws, rules business rules or any other documents of the exchange

¹ Amendment for compliance of CERC order dated 31st August 2009.

dealing with the rights, privileges, duties and functions of a professional member as dealt in the above, it is hereby clarified the role of Professional Members other than the trading licensees and the grid connected entities, is that of a “facilitator”. Thus they would only provide the following services:

- (a) IT infrastructure for bidding on electronic exchange platform.
- (b) Advisory services related to power prices and the follow on bidding strategy (e.g. weather related information, demand supply position etc)
- (c) Facilitation of procedures on behalf of his client for delivery of power (e.g. SLDC standing clearances, coordination with NLDC etc)

Professional Members who are not trading licensee shall not provide any credit or financing or working capital facility to their clients.²

18.7 A decision on each membership application is entirely at the discretion of the Board and shall be final and conclusive

19. Criteria for Exchange Member

19.1 Any person, as may be approved by the Exchange, fulfilling the following criteria will be eligible to become an Exchange Member:

- a. Compliance with the capital adequacy norms as may be prescribed by the Exchange for membership of the Exchange, from time to time; and
- b. Compliance with the registration and other provisions as may be prescribed by the Exchange from time to time.
- c. Payment of such fee, charges, deposits and other monies, as may be specified by the Exchange.
 - i. The Exchange is empowered to prescribe such Rules, requirements and/or criteria for admission as an Exchange Member and to alter any such Rules including those specified above.
 - ii. Every Exchange Member shall comply with and be bound by the Articles of Association of the Exchange and by the Bye-Laws, Rules and Business Rules that may be made in accordance therewith, from time to time, and shall accept as final any decision made by the Exchange in General Meeting or by the committee approved by the Exchange.

² Amendment for compliance of CERC order dated 24th December 2009.

- iii. Prospective Exchange Members or their Authorized Persons shall, during the admission process, if required by the Exchange, appear personally before the Exchange, for an interview and/or test as may be prescribed.
- iv. Membership of the Exchange shall be transferable to any eligible person, body corporate, company, partnership firm, institution or such other person, as may be approved by the Exchange. The membership can be surrendered either by resignation from the membership of the Exchange or transfer of the membership by nomination. In case of resignation, the Exchange Member shall be entitled to receive back his deposit, if any, after the Exchange and the Clearing House have recovered all outstanding dues from the Member who has tendered his resignation, subject to such lock in period as may be specified by the Exchange. The admission fee paid by the Exchange Member shall be non-refundable.

20. Conditions precedents for eligibility

- 20.1. A Person, in case of individual, shall be eligible to be qualified as a Member, if such person, is 21 years of age and Indian national.
- 20.2. A Person, other than individual, shall be eligible to become a Member if it is established or incorporated in India.

21. General conditions

- 21.1. No person shall be eligible to be qualified as a Member of the Exchange, if such person:
 - (a) does not have a minimum net worth as the Exchange may from time to time determine and consider acceptable;
 - (b) has been declared or rendered incompetent to enter into contract under any law in force in India;
 - (c) 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) has been convicted of an offence involving moral turpitude or any other crime;
 - (e) has compounded with his creditors unless he has paid 100 paise in a Rupee;
 - (f) has been found to be of unsound mind, by a court of competent jurisdiction;
 - (g) has applied to be adjudicated as an insolvent and the application is pending;
 - (h) suffer from any disqualification as may be specified by the Exchange or the committee thereon from time to time.

22. Membership application

- 22.1. Every person who wishes to become an Exchange Member shall apply to the Exchange for admission as an Exchange Member, in the prescribed form which shall be provided by the Exchange at such fee that the Exchange may decide from time to time in the relevant Bye-Laws, Rules and Business Rules and the membership shall be subject to compliance of all the Bye-Laws, Rules, and Business Rules specified by the Exchange from time to time.

23. Admission and admission fee

- 23.1. The Exchange may admit, at its discretion, an applicant as an Exchange Member provided that he satisfies the conditions set out in the Articles, the Bye-Laws, these Rules and Business Rules made thereunder. The Exchange as aforesaid may interview and/or test the applicant before admitting him as an Exchange Member. In case of rejection of the application for admission to the membership of the Exchange, the reason for such rejection shall be recorded in writing.
- 23.2. Provided that if the membership has been refused by the Committee appointed for the purpose, the applicant shall have the right to appeal to the Exchange against the decision of the said Committee.
- 23.3. The decision of the Exchange shall be final and binding on the applicant.
- 23.4. The applicant shall meet the net worth requirement, capital adequacy norms, fees, deposits, and other requirements as decided by the Exchange from time to time in the relevant Business Rules.
- 23.5. Subject to the approval and decision of the Exchange, every person applying for the membership of the Exchange shall pay, along with the membership application, non-refundable admission fee or any other fee/deposit as may be specified by the Exchange, from time to time. Where, however, a retiring Member of the Exchange or the legal heir(s) of a deceased Exchange Member nominate(s) a person eligible for admission as an Exchange Member under these Rules, to succeed the established business of the retiring or deceased Exchange Member who is his father, uncle, brother or son or any other person in the opinion of the Exchange is a close relative, such nominee shall be admitted as an Exchange Member provided he/she is found otherwise qualified, eligible and fit for the membership of the Exchange under these Rules.
- 23.6. An Exchange Member on admission shall not be entitled to exercise any of the rights or privileges of membership until he shall have paid in full the non-refundable admission fee and any other fee or deposit as may be decided by the Exchange, and the annual subscription for the year of admission for the specific category of membership to which he has sought the admission. Where such Member fails to make such payment within such number of days of receipt of the intimation of his admission, as may be decided by the Exchange from time to time, his admission shall be deemed to have been cancelled *ab initio* and he shall be deemed never to have been admitted as a member of the Exchange and the amount remitted to the Exchange shall be forfeited.

24. Admission under misrepresentation

- 24.1. The Exchange may expel a Member of the Exchange, if in its opinion to be recorded in writing, such Member has in or at the time of his application for admission to membership of the Exchange or during the course of the inquiry made by the Exchange preceding his admission:
- a. made any willful misrepresentation;
 - b. suppressed or concealed any material information required of him as to his financial position, including financial liabilities, character and antecedents; or
 - c. has directly or indirectly given false particulars or information or made a false declaration.

25. Procedure subsequent to admission

25.1. Intimation letter for election and selection:

When a new Exchange Member is elected or selected, intimation of his election or selection may be sent to him by the Exchange.

25.2. Certificate of admission to membership of the Exchange

- a) On due payment of requisite fees, subscription, deposits including the initial security deposit and such other amounts and requirement as may be prescribed in the Bye-Laws, Rules and Business Rules of the Exchange from time to time and on compliance with all the requirements necessary before commencement of trading and/or clearing and settlement activity, a Certificate of Membership, under the common seal of the Exchange and signed in such manner as the Exchange may decide from time to time, may be issued to the newly admitted Member.
- b) If any such Certificate be lost, destroyed, defaced or worn out, the Exchange may issue a new Certificate provided, however, that such Certificate shall not be granted except upon the return of the worn out or defaced Certificate to the Exchange or upon proof of destruction or loss of the original Certificate and on such indemnity and at such fee as the Exchange may require before the issue of any such Duplicate Certificate.

25.3. Certificate of Membership

Certificate of membership of the Exchange may be issued to the new Member in the form prescribed in these Rules or in such other form as the Exchange may, from time to time, prescribe together with the intimation of the date from which he shall enjoy the rights and privileges and be subject to all the duties, liabilities and obligations of an Exchange Member.

25.4. Publication of notice

When an Exchange Member is admitted and a Certificate of Membership as provided above is issued to the Exchange Member, notice of such admission shall be published on the Notice Board of the Exchange or notified by way of broadcast to the Exchange Members through the automated trading system or any other system of the Exchange.

26. Register of Members

- 26.1 The Exchange shall maintain a register and index of Exchange Members. In the register of Exchange Members, the style, constitution and such other information as may be considered appropriate by the Exchange may be collected and recorded for the use of the Exchange. In case of any change in these records, the Members shall be liable to intimate the Exchange and take written approval prior to carrying out such changes. Further all other details of the Exchange Members may be stored on the system in electronic form apart from the hard copies of the details as provided by the Exchange Members along with the application form, which shall be stored appropriately.
- 26.2 Every Exchange Member shall promptly notify the Exchange in writing about any change in the information provided by the Exchange Member at the time of admission or at a later stage to the Exchange. The Exchange shall indicate the changes in respect of which the Exchange Member should take prior written approval from the Exchange. In case the Member fails to do so, then the Exchange shall charge penalty and/or take further disciplinary action as may be required.

27. Subscription

- 27.1. Every Exchange Member shall pay the subscription, fee, deposit or any other charges as may be fixed by the Board, from time to time.
- 27.2. If any Exchange Member fails or neglects to pay subscription, fee, deposit or any other levies as required by the Board for a continuous period of six (6) months, the Board may declare such Member as a defaulter within the meaning of these Rules.
- 27.3. Provided that such defaulting Exchange Member shall be at liberty to apply for re-admission as an Exchange Member by complying with the provisions of these Rules as applicable to re-admission of defaulters.

28. Security Deposit

- 28.1. Provision as to security deposit: The Exchange may prescribe payment of initial security deposit from a Member payable at the time of his admission. A new Exchange Member shall, not later than such number of days as may be specified by the Exchange, from the date of intimation in writing by the Exchange conveying its decision on admission, provide security deposit of a sum and in such mode(s) as may be decided by the Exchange from time to time and shall maintain such security deposit with the Exchange at all times.
- 28.2. Provision for additional deposit: The Exchange Member shall provide additional deposits in order to get higher limits to trade.
- 28.3. Form of security deposit: The security deposit to be paid by a Member shall be payable in such form, as specified by the Exchange subject to such terms and conditions as the Exchange may from time to time stipulate.
- 28.4. First Charge and paramount Lien on initial security deposit or additional deposit: The initial security deposit and additional security deposit provided by an Exchange Member or designated partner or representative Member shall be subject to a first charge and paramount lien on any sum due to the Exchange or to the Clearing House by him or by the partnership of which he is a designated partner or by the company or body corporate in which he is a designated director or nominee or holds a place of profit or has holding in share capital as one of the promoters. Such security deposit and additional base capital shall also be subject to further charge and paramount lien for the purpose of fulfilment of his engagements, obligations and liabilities or of the partnership of which he is a designated partner or of the company or body corporate in which he is a designated director or nominee or holds a place of profit or holds share capital as one of the promoters, arising out of or incidental to any transactions made subject to the Rules, Bye-Laws and Business Rules or anything done in pursuance thereof.

28.5. Return of security deposit or additional security deposit to Exchange Members or designated partners: On the termination of his membership of the Exchange, the security deposit and the additional base capital not applied under the Rules, Bye-Laws and Business Rules shall, at the cost of the Member or designated partner, be repaid subject to such terms and conditions as may be decided by the Exchange from time to time and transfer either to him or as directed by him or, in the absence of such direction to his legal heirs or legal representatives after recovering all the dues of the Exchange and the Clearing House.

However, the Exchange shall return back only such amount as may have been collected as a deposit in the form of refundable security deposit or additional deposit for providing trading and clearing limits, subject to settlement of all pending dues and also settlement of all outstanding Contracts. Such deposits or contributions, which are collected as non – refundable deposits, shall not be refunded.

28.6. Suspension on failure to maintain security deposit: When an Exchange Member, designated partner or representative Member fails to provide security deposit or additional security deposit as and when specified by the Exchange, the Exchange shall order deactivation of the trader work station/s suspending his business forthwith. A broadcast message of such deactivation shall immediately be released for information of other Exchange Members and such deactivation shall continue until further capital is provided by the defaulting Exchange Member to meet with the requirement of security deposit.

28.7. Letter of Declaration: An Exchange Member or designated partner or representative Member providing security deposit under the provisions of the Rules shall sign a letter of declaration and/or other specified documents in the form prescribed in these Rules or in the Business Rules.

28.8. Nomination Form for Return of security deposit and other credit Amounts lying with the Exchange: An Exchange Member may lodge with the Exchange, nomination in the form prescribed for receiving the repayment or return of the security deposit and other credit amounts or collateral lying with the Exchange.

29. Lien of deposits and funds

29.1. The security deposit, Margin, contribution to the Settlement Guarantee Fund and/or any other fund of an Exchange Member arising under these Rules, Bye-Laws, and Business Rules shall be charged with the due repayment of all debts and obligations of such Member to the Exchange, to other Exchange Members; to the Clearing House and to any person arising out of Contracts entered into and/or transacted under the Articles of Association, the Bye-Laws, Rules and Business Rules. All such debts and obligations to the Exchange shall rank in priority to all other claims; the debts to other Members shall rank *pari passu* and be entitled to have a charge on the residue thereof, if any, subject to such first charge; after payment thereof, the residue, if any, shall be charged with all dues to any person under any award made in any arbitration proceeding held under the provisions of the Articles, Bye-Laws, Rules and Business Rules; and, after the above said appropriations, the residue thereof, if any, shall vest unconditionally with the Exchange.

29.2. On the termination of his membership of the Exchange or on death or liquidation of the Exchange Member, all deposits, if any, not applied under the Bye-Laws, these Rules and the Business Rules, shall at the cost of the Member be repaid either to him/it or as directed or in the absence of such direction to the nominees or legal representatives.

PARTNERSHIPS

30. Firms as Exchange Members

30.1. A partnership firm shall be eligible for admission as an Exchange Member provided it fulfils the following:

- (a) The firm is duly registered with the Registrar of Firms;
- (b) The deed of partnership is approved by the Exchange;
- (c) The deed of partnership contains a provision to the effect that the business of the firm shall at all times be carried out so as to comply with the Bye-Laws, these Rules and the Business Rules, for the time being in force;
- (d) The partners of the firm are acceptable to the Exchange; and
- (e) The firm has undertaken to fulfil the following:
 - i) The Exchange shall be informed of any change in the partnership deed or of partners within one (1) month of such change and if any such change is unacceptable to the Exchange, the firm shall upon receipt of such written communication desist from such action and if the firm fails to comply, the Exchange shall have the right to suspend the rights and privileges of such Member, for a period as may be decided by the Board, or expel such Member;
 - ii) The deed of partnership will include such provisions as the Exchange may from time to time require;
 - iii) The partners of the Firm have undertaken unconditionally to fulfil any condition or requirement which the Exchange may insist upon for admission and continuance as an Exchange Member, from time to time; and
 - iv) No new partner shall be admitted without the prior written approval of the Exchange.

30.2. No change in the name of an existing partnership shall be affected without prior written intimation to the Board and its approval; and if it is so approved, it shall be posted on the Notice Board of the Exchange.

30.3. None of the partners shall assign or in any way encumber his interest in the firm.

30.4. No person shall at the same time be a partner in more than one partnership firm carrying on the business of electricity trading and/or clearing.

- 30.5. Notice of every change of partners, upon approval, shall be posted on the Notice Board of the Exchange.
- 30.6. Upon dissolution of the firm, firm shall cease to be an Exchange Member.
- 30.7. The erstwhile partners of a dissolved firm, other than those who are Exchange Members in their personal capacity, shall have absolutely no right, privilege, entitlement or concession of an Exchange Member, or any claim against the Exchange in connection with his partnership business, by virtue of having been a partner in the erstwhile partnership firm.
- 30.8. Any partnership that violates any of the provisions herein above, after being afforded an opportunity to be heard, shall be liable to be suspended by the Board for such period as may be decided by the Board and/or expelled from the membership of the Exchange.

31. Partnerships by Exchange Members

- 31.1. An Exchange Member desirous of carrying on business of trading on the Exchange in partnership or admitting any person or persons as new partner or partners shall obtain written approval of the Board or the Exchange in advance giving the names and particulars of the partners and the name of the partnership firm in the form, if any, prescribed. The existing membership of the desirous Exchange Member shall then be transferred to the partnership firm on admission of such firm as an Exchange Member. All regulatory compliances shall thereafter be in the name of the firm.
- 31.2. Every such application shall be accompanied by such information and a copy of the draft deed of partnership, initially in connection therewith as may be required by the Board or the Exchange. Thereupon, after giving written approval, the Board or the Exchange shall record the partnership. When the partnership is entered into, a signed copy of the deed of partnership shall be delivered to the Exchange for the purpose of record within one month of its execution.
- 31.3. No change in the name of an existing partnership shall be affected without prior written intimation to the Board or the Exchange and its approval.
- 31.4. None of the partners shall assign, or in any way encumber, his interest in the firm.
- 31.5. No Exchange Member shall at the same time be a partner in more than one such partnership firm.
- 31.6. Notice of the formation of partnership, the names of partners and every change therein shall be posted on the Notice Board by the Exchange.

- 31.7. When the firm so constituted is dissolved, the firm shall cease to be an Exchange Member and thereupon only the original Exchange Members holding membership in their individual capacity, and who was or were partner(s) thereof may carry on business in own individual names, but subject to the payment of the admission fee or deposit, if any, that shall be payable by him in accordance with the Bye-Laws, these Rules and the Business Rules on its behalf.
- 31.8. The Exchange Members which are partnership firms must communicate to the Exchange in writing under the signatures of all the partners or surviving partners any change in such partnership either by dissolution, retirement, death or reconstitution or otherwise.
- 31.9. A partner of a firm who is not an Exchange Member shall have absolutely no right, privilege, entitlement or concession of an Exchange Member, or any claim against the Exchange in connection with his partnership business, by virtue of he/she being a partner in the partnership with an Exchange Member. Provided that he shall be jointly and severally responsible for all dues, claims or demands pending, if any, against the partnership firm.
- 31.10. Any notice to the Exchange intimating dissolution of a partnership shall contain a statement as to which partner of the Exchange Member undertakes the responsibility of settling all outstanding liabilities, but that shall not deem to absolve the other partner or partners of his or their responsibility from such liabilities.
- 31.11. The Exchange Member, who is the partner of any partnership firm, which is an Exchange Member, shall be primarily liable and responsible for all dues, claims or demands against the partnership by the Exchange and also the liabilities of the partnership to the Exchange and its Exchange Members. Provided that the other partners shall also be jointly and severally responsible for all dues, claims or demands pending, if any, against the partnership firm.
- 31.12. Any Exchange Member entering into partnership with any person who is not an Exchange Member without the prior written approval of the Board or the Exchange, shall, on proof thereof, before the Board or the Exchange and upon a resolution of the Board or the Exchange to that effect, be liable to be expelled from the membership of the Exchange. Any partnership and/or Exchange Member who is a partner of such partnership that violates any of the provisions herein above, after being afforded an opportunity to be heard, shall be liable to be suspended by the Board or the Exchange for such period as may be decided by the Board or the Exchange and/or expelled from the membership of the Exchange.

32. Register of Partnerships

- 32.1. The Exchange shall maintain a register of partnerships. In the register of partnerships, there shall be entered the names of partnerships recognized by the Exchange in accordance with these presents and the partners thereof together with their respective addresses, the date of recognition and any changes in the partnerships and names together with the relevant dates.

32.2. So long as the name of the firm is included in the register of partnerships, the individual partners thereof shall not carry on the business of clearing, registering and settling any transaction or contract in their individual names.

CORPORATE MEMBERSHIP

33. Bodies corporate as Exchange Members

33.1. No company or body corporate shall be eligible for admission as an Exchange Member unless:

- a) The memorandum and articles of association of the company are approved by the Exchange.
- b) The objects for which the company is established shall include carrying on business in electricity and/or to clear and settle transactions and Contracts in electricity.

33.2. The company has undertaken to fulfil the following:

- a. The Exchange shall be informed of any appointment or re-appointment of directors within two (2) months of such appointment or re-appointment and if any such director is unacceptable to the Exchange, the company shall upon receipt of such written communication remove or exclude such director within three (3) months and if the company fails to comply, the Exchange shall have the right to suspend the rights and privileges of such Exchange Member, for a period as may be decided by the Board of the Exchange, or expel such Exchange Member;
- b. The list of shareholders along with the shareholding pattern of the company will be furnished to the Exchange, if so desired by the Exchange;
- c. The articles of association of the company will incorporate such provisions as the Exchange may from time to time require;
- d. The company has undertaken unconditionally to fulfil any condition or requirement, which the Exchange may insist upon for admission as an Exchange Member;
- e. The business of the company shall at all times be so managed as to comply with the Bye-Laws, Rules and Business Rules as may be applicable from time to time;
- f. A director of a company that is an Exchange Member shall not carry on business in electricity trading and clearing, either, as a proprietor, partner of a firm or director of any other company which is an Exchange Member, except with the previous approval of the Exchange;
- g. If there is any change in the shareholding pattern of the company, which is not acceptable to the Board of the Exchange, the Board may take such action as it may think appropriate.

In respect of other forms of organisation, the Exchange may decide the eligibility requirement, terms and conditions of the membership of the Exchange.

BUSINESS NAMES

34. Board to approve business names

- 34.1 The Exchange Members who wish to carry on their business under a particular business or firm or trade name or style shall intimate such name to the Exchange in writing. The Board may refuse to allow an Exchange Member to carry on business under a name, which it considers misleading, if such name varies from the name of the body corporate or firm, and in such cases the Exchange Member shall be at liberty to choose any other name with the approval of the Board.

REGISTER OF BUSINESS NAMES

35. Trade names register to be kept

- 35.1 Where any Exchange Member has obtained the permission or approval or ratification of the Board to carry on business under a business or trade or firm name, the particulars thereof shall be entered in the register of business names, which shall be open for inspection by Exchange Members.

36. AUTHORISED PERSONS / APPROVED USERS

36.1 Appointment of Authorised Persons

- a) Any Exchange Member shall be entitled to be represented in respect of his or its business by an Authorized Person.
- b) An Exchange Member who wishes to appoint Authorized Person(s) shall apply for the permission of the Exchange in such form as the Exchange may from time to time prescribe. The Exchange shall make, from time to time, Rules and Business Rules for the appointment, operations and cessation of Authorized Persons.

36.2 Appointment of Approved Users

- a) An Exchange Member carrying on business on the Exchange shall be entitled to appoint persons who are in his own exclusive employment or as Approved Users with the permission of the Exchange for operating the trader work stations connected with the ATS of the Exchange and entering orders in such system or segment on behalf of such Member.
- b) An Exchange Member who wishes to appoint Approved Users shall apply for the permission of the Exchange.

37. Number of Trader Work Stations

- 37.1 The Exchange shall determine from time to time the number of Trader Work Stations that may be provided to a Member of the Exchange and the number of Approved Users an Exchange Member shall be entitled to employ.

TERMINATION OF MEMBERSHIP

38. Loss of membership

38.1 Any Exchange Member shall cease to be an Exchange Member:

xi) by transfer or nomination;

xii) by death;

xiii) by dissolution;

xiv) by expulsion in accordance with the Bye-Laws, these Rules and the Business Rules and also the provisions herein contained;

xv) by revocation of license or right by CERC or other relevant authority with respect to the Member's trading in electricity

xvi) by being declared as a defaulter in accordance with these presents, the Bye-Laws, these Rules and the Business Rules; or

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

xviii) he is convicted of an act involving moral turpitude;

xix) by resignation;

xx) he is declared as lunatic;

xxi) being a company or body corporate, it ceases to maintain or have the characteristics of eligibility under the provisions of the Rules and Articles of the Exchange or is wound up; or

38.2 Notwithstanding anything contained in any other provisions of the Articles, the Bye-Laws, these Rules and the Business Rules, the expulsion of Exchange Members from the membership of the Exchange, whether bodies corporate, partnerships, individuals or such other persons as are admitted as an Exchange Member, shall be final and conclusive.

39. Nomination, transmission, surrender and declaration of defaulter

39.1 In case an individual, who is an Exchange Member in his own name or is the sole proprietor of the membership of the Exchange dies, his legal representatives or the Authorised Persons or Approved Users, if any, on behalf of such deceased shall not continue to carry on any business in the name of membership of the deceased except for the purpose of winding up of the outstanding business of the deceased.

After the death of an individual who is the Exchange Member in his own name or is the sole proprietor of the membership of the Exchange, his heirs, or his legal representatives may request the Exchange to transmit the membership of the deceased to his heir who is

otherwise eligible for the membership of the Exchange and the Exchange may at their absolute discretion transmit the membership in the name such heir.

No fresh admission fee shall be charged from the person in whose name the membership is transmitted under this Rule.

An Exchange Member shall also be entitled to surrender his membership. In case of such surrender, the membership so surrendered shall lapse and vest with the Exchange. Such surrender of membership shall be valid, only after approval thereof by the Exchange and also subject to compliance with such procedure, terms and conditions, as may be laid down by the Exchange. The application for surrender of membership, once filed, is irrevocable and irreversible. After approval by the Exchange, the erstwhile Member shall be entitled to get his refundable security deposit, subject to settlement of all pending dues and claims, if any and also subject to minimum lock in period specified by the Exchange.

39.2 Nomination

Every Exchange Member shall be entitled to nominate another person as his successor to the membership of the Exchange subject to the conditions and restrictions set forth hereinafter or in the Business Rules of the Exchange. Where, however, the legal heir(s) of a deceased Exchange Member nominate(s) a person eligible for admission as an Exchange Member under these presents to succeed the established business of the deceased Exchange Member, who is his father, uncle, brother or son or such other person who in the opinion of the Exchange, is a close relative, such nominee shall be admitted as a Member of the Exchange provided he/she is otherwise qualified and eligible for membership of the Exchange under these presents.

a) Forms of nomination

- (i) Form for Exchange Member nominating during his lifetime: A Member may lodge with the Exchange nomination in the form prescribed by the Exchange tendering his resignation from membership of the Exchange. This nomination in favour of a person other than a Family Member shall be valid if lodged with the Exchange during the lifetime of the Exchange Member and shall automatically get revoked, if the Exchange Member expires before this nomination form is lodged with the Exchange.

b)

i. Form of Nomination in Favour of a Family Member:

An Exchange Member may lodge with the Exchange nomination in the prescribed form, tendering his resignation from membership. This nomination lodged by an Exchange Member during his lifetime in favour of a Family Member shall be valid until substituted by a fresh nomination.

ii. Form for legal heirs or legal representatives:

Legal heirs or legal representatives shall be required to lodge with the Exchange nomination in the prescribed form, exercising right of nomination vested in them in respect of the deceased Exchange Member.

- c) The membership of the Exchange shall be transferable on payment of such fee as the Exchange may prescribe from time to time provided that such transfer shall be affected only from the date of the approval by the Exchange. The Exchange shall have the power to refuse transfer of membership if in the interests of the Exchange; it is expedient to do so.
- d) The Exchange shall also be competent to decide other terms and conditions relating to transfer of membership from time to time.
- e) Notice of nomination

A notice of the proposed nomination shall be posted on the Notice Board or notified by way of broadcast through the ATS of the Exchange. Within 15 (fifteen) calendar days of the posting or notifying, as the case may be, of such notice, any person or any Exchange Member may file claims against the Member in respect of whom the nomination has been made and/or the persons in whose favour the nomination has been made and any claim not so filed, within the said period, shall be rendered liable for summary rejection and may not be considered by the Exchange.

- f) Dues and claims

The Exchange shall not approve a nomination unless the nominating Exchange Member, and in the case of a deceased Member, his legal heirs/legal representatives or the person/s in whose favour the nomination has been made, shall have paid and satisfied in full:

- g)
 - (i) Dues of the Exchange: Such subscriptions, debts, fines, fees, charges and other monies due to the Exchange and/or the Clearing House payable by the nominating Exchange Member or by the legal heirs or legal representatives on behalf of the deceased Exchange Member;
 - (ii) Liabilities relating to Contracts: Such debts, liabilities, obligations and claims arising out of any Contract made by the nominating or deceased Exchange Member, subject to the Rules, Bye-Laws and Business Rules, as shall have been admitted by the Exchange or the Membership Committee and all amounts due or payable by the nominating or deceased Exchange Member to the Settlement Guarantee Fund or any other fund of the Exchange.

- h) Fresh nomination

If a nominee is not eligible under the Rules or Business Rules or if a nominee be rejected by the Exchange, a fresh nomination or nominations may be submitted to the Exchange, until a nominee is admitted as an Exchange Member.

- i) Interview

A candidate for admission shall appear personally before any meeting of the Membership Committee or the Exchange for an interview.

- j) Rules for nomination

- i. The nomination may be made by a Member of the Exchange whether before or after his resignation and shall be in such form or forms as the Exchange may, from time to time, prescribe.
- ii. The legal representatives of a deceased Exchange Member or his heirs, with the sanction of the Exchange, may nominate any person eligible under these presents for admission to membership of the Exchange as a candidate for admission in the place of the deceased Exchange Member.
- iii. An Exchange Member, who has resigned from membership of the Exchange, shall be entitled to exercise the power of nomination hereby conferred only if he had been an Exchange Member for a period of not less than three (3) years prior to the date of his resignation. Provided further that the requirement as to membership of the Exchange for three (3) years shall not apply to succession by nomination on death of an Exchange Member.
- iv. An Exchange Member, who intends to resign, may also exercise the aforesaid power of nomination, provided that in his letter of nomination, the nominating Exchange Member shall also tender his resignation as an Exchange Member to take effect immediately upon the admission of the nominee as a Member.
- v. If any person so nominated is found ineligible for admission as an Exchange Member under the provisions of these presents or if the Exchange rejects the application of the nominee for membership of the Exchange, the nominating Exchange Member or nominating legal representatives of a deceased Exchange Member shall be entitled to make fresh nomination or nominations until his nominee has been admitted as an Exchange Member and thereafter he shall not be entitled to make any such nomination.
- vi. Where an Exchange Member makes a nomination before resigning and has tendered his resignation thereafter, and if the application of the nominee for membership of the Exchange is rejected by the Exchange, the resignation of the nominating Exchange Member shall not take effect until his nominee has been admitted as an Exchange Member.
- vii. The person so nominated by an Exchange Member or by his legal representatives shall send in his application for membership of the Exchange in accordance with these presents and the application shall be dealt with on its merits and no nominee shall be entitled to be admitted by reason only of his having been nominated unless he is duly qualified in accordance with these presents.

- viii. A person applying for membership of the Exchange with a nomination as aforesaid shall be bound to pay such fee as prescribed in the Bye-Laws and Rules. Provided that, the Exchange may decline to consider the nomination made by an Exchange Member or legal representative of a deceased Exchange Member unless all amounts due by the Exchange Member or the deceased Exchange Member to the Exchange arising out of the Contracts cleared and/or transacted by the nominating Exchange Member or deceased Exchange Member under these presents shall have been paid and satisfied in full; and if not so paid in full within such period as may be notified by the Exchange, the Exchange shall be entitled to reject such nomination.
- ix. The Board shall recognize the executor or administrator of the estate of the deceased Exchange Member as the person entitled to nominate in accordance with these presents; provided that where there is no executor or administrator of the estate of the Exchange Member, the Exchange may recognize the claim of any person to be the heir of the deceased Exchange Member for the purpose of making the nomination as aforesaid on such evidence and subject to such conditions as to indemnity and security as the Exchange may consider necessary.

DEFAULT

40. Declaration of defaulter

- 40.1 An Exchange Member shall be declared by the Exchange a defaulter, where the monies, securities, bank guarantees and any other collaterals deposited with the Exchange are not adequate to discharge the Member's obligations and liabilities.

An Exchange Member shall also be declared a defaulter by direction of the Exchange, or a committee, on the happening of any one or more of the following instances:

- a. If he is unable to fulfill his engagements or obligations
- b. If there is inadequate balance in his designated bank account and as a consequence an instruction issued by the Exchange for debiting his account towards recovery of pay in dues, margin dues or any other dues fails;
- c. If he admits or discloses his inability to fulfill or discharge his engagements, obligations or liabilities;
- d. If he fails or is unable to pay within the specified time the damages and the money difference due on a closing out affected against him under the Bye-Laws and Business Rules;
- e. If he fails to pay any sum due to the Clearing House or NLDC / SLDC, concerned ERC / SLDC/ NLDC advises the Exchange to debar him from trading on account of non-payment of dues as prescribed by CERC / SERC
- f. If he fails to pay or reimburse to the Settlement Guarantee Fund or any other fund established by the Exchange in respect of the amount used from it for the purpose of fulfilling settlement obligations on his behalf; or

- g. If he commits any physical delivery default including taking and giving delivery with intention of gaming / market manipulation.
- h. If he fails to pay or deliver such money and arising out of an award given by the Arbitrator under the arbitration proceedings provided in the Bye-Laws of the Exchange;
- i. If he fails to pay or deliver such money arising out of a transaction executed on the Exchange, provided such obligation is not disputed by the Member;
- j. If he fails to pay or deliver to the Exchange all monies, within such time as directed by the Exchange.
- k. If any Exchange Member fails or neglects to pay subscription, security deposit or any other levies as required by the Exchange for a continuous period of six (6) months.
- l. If he violates any Bye-Laws, Rules and Business Rules of the Exchange and the Electricity Act, 2003 and the Indian Electricity Grid Code and rules and regulations made thereunder, and any orders, circulars, directives of the CERC, SERC and other relevant government authority.

40.2 Declaration of deemed defaulter

- a) In case of death of an Exchange Member, if the legal heirs or legal representatives of a deceased Exchange Member or any other person on his behalf do not or are unable to pay and satisfy his dues, debts, liabilities, obligations and claim as provided in the Rules, Bye-Laws and Business Rules, such deceased Exchange Member shall be declared a deemed defaulter by direction of the Exchange.
- b) In case an Exchange Member does not clear his liability on the Exchange and such liability is more than his available security deposits, margin and other assets available with the Exchange, then the Exchange may declare a person deemed defaulter until the Member clears his liabilities. However, the Exchange will have the right to declare such deemed defaulter as defaulter any time, as it may decide.

40.3 Compromise forbidden

An Exchange Member guilty of accepting from any Exchange Member anything less than a full and bona fide money payment in settlement of a debt arising out of a transaction in electricity shall be suspended for such period as the Exchange may determine.

- 40.4 Post declaration of defaulter process
On an Exchange Member being declared a defaulter, a notice to that effect shall be posted forthwith on the Notice Board of the Exchange.
- 40.5 Defaulter's books and documents:
When an Exchange Member has been declared a defaulter, the defaulter shall hand over all his books, documents, papers, assets, cheque books and other documents, as may be specified by the Exchange.
- 40.6 List of debtors and creditors:
The defaulter shall file with the Exchange, within such time of the declaration of his default as the Exchange may direct, a written statement containing a complete list of his debtors and creditors and the sum owing by and to each of them.
- 40.7 Defaulter to provide information
The defaulter shall submit to the Exchange such statement of accounts, information and particulars of his affairs as the Exchange may from time to time require and if the Exchange so desires, he shall appear before the Exchange at its meeting in connection with his default.
- 40.8 Assets to vest in the Exchange
Ipso facto on declaration of a defaulter or deemed defaulter automatically as provided hereinabove, all monies, securities, bank guarantees lying with the Exchange in respect of a defaulter shall vest with the Exchange for the benefit and on account of the creditors, who may have a tenable claim and the Exchange shall deal with such monies, securities or bank guarantees and claims, as provided in the relevant Rules herein and specifically as provided in these Rule.
- 40.9 Consequences of declaration of defaulter
- a. Cessation of membership of the Exchange at once: An Exchange Member who is declared a defaulter or deemed defaulter shall at once cease to be an Exchange Member and as such ceases to enjoy any of the rights and privileges of membership of the Exchange but the rights of his creditors, arising out of or incidental to the transactions, against him shall remain unimpaired as provided herein.
 - b. Lapse of right of membership of the Exchange: The right of Exchange Member shall lapse or forfeit to and vest in the Exchange if so facto upon such Member being declared a defaulter or a deemed defaulter.
 - c. Prohibition to re-admission: No person, who was an Exchange Member and declared a defaulter or expelled by the Exchange, shall be readmitted to the membership of the Exchange for a minimum period of 5 (five) years from the date, he is declared a defaulter or expelled by the Exchange.

No person, who was an Exchange Member or any other exchange and who has been declared a defaulter or expelled by the other exchange, shall be admitted as an Exchange Member.

- d. Right to membership of the Exchange shall lapse and vest in the Exchange immediately after he is declared as a defaulter. On the declaration as defaulter he shall at once cease to be an Exchange Member and as such cease to enjoy any of the rights and privileges of membership of the Exchange but the rights of the Exchange and his creditor Exchange Members against him shall remain unimpaired.
- e. The right of nomination of the interest in the Exchange held by an Exchange Member who has been declared a defaulter shall vest with the Exchange and shall be exercised by the Exchange as detailed in these presents.
- f. Auction of rights of the Exchange Member declared as defaulter.

40.10 Auction of rights of membership of the Exchange of defaulter

- a. The Exchange shall sell the interests and the membership in the Exchange of the defaulting Exchange Member within a reasonable period through auction or such other process as fixed by the Exchange and nominate to membership of the Exchange in the place of the defaulting Exchange Member any person who offers the highest bid, provided such successful bidder is otherwise eligible to become an Exchange Member as per these presents.
- b. A notice, of the auction or disposal detailing the terms and conditions shall be put up on the Notice Board of the Exchange at least fourteen (14) clear days before the day fixed for the auction or disposal.
- c. The admission fee payable by the successful bidder shall be used to clear the outstanding dues of the defaulter in accordance with these presents.
- d. The net amount realized by the Exchange in the auction pursuant to these presents shall be charged with the due repayment of all debts and obligations of such defaulting Exchange Member to the Exchange, to other Exchange Members, and to any person arising out of Contracts entered into and/or transacted under these presents, the Bye-Laws, Rules and Business Rules. All such debts and obligations to the Exchange shall rank in priority to all other claims; the debts to other Exchange Members shall rank *pari passu* and be entitled to have a charge on the residue thereof, if any, subject to such first charge; after payment thereof, the residue, if any, shall be charged with all dues to any person under any award made in any arbitration proceeding held under the provisions of these presents, Bye-Laws, Rules and Business Rules; and, after the above said appropriations, the residue thereof, if any, shall vest unconditionally with the Exchange.
- e. In the case of default by a partnership firm, the individual memberships of the Exchange, if any, of the partners of the defaulting firm shall also lapse and the provisions of defaulters shall apply to the interest of all the Exchange Members who are partners of the defaulting firm.

40.11 Re-admission of defaulters

- a. The Exchange may, upon an application by the defaulter for re-admission, re-admit a defaulter to the membership of the Exchange, at any time before any action pursuant to these presents is initiated or affected by the Exchange, subject to the provisions contained in the Articles, Bye-Laws, Rules and Business Rules.
- b. The Exchange shall cause a notice of every such application to be posted on the Notice Board of the Exchange for at least fourteen (14) days prior to such re-admission.
- c. Any person intending to object to the re-admission of the defaulter shall communicate the grounds of his objection to the Exchange within fourteen (14) days from the date of posting of the notice of the application. The Exchange shall not make public the grounds of objection, which shall be confidential.
- d. Upon an application for re-admission by a defaulter, the Exchange shall investigate his conduct and accounts and no further proceedings shall be taken by the Exchange with regard to his re-admission until the report of the Exchange shall have been submitted together with a statement as to the defaulter's estate signed by himself.
- e. The Exchange may re-admit only such defaulter who in its opinion:
 - i. has defaulted owing to the default of principals whom he might have reasonably expected to be good for their commitments;
 - ii. has not been guilty of bad faith or breach of the Bye-Laws, Rules and Business Rules;
 - iii. has kept his business within a reasonable proportion of his means or resources; and
 - iv. has been irreproachable in his general conduct.
- f. A defaulter shall not be eligible for re-admission unless he had made out of his own resources, a bona fide money payment of the amount of loss, dues and other arrears in the manner and to the extent, as may be prescribed by the Exchange and to its satisfaction.
- g. Any defaulter so re-admitted shall not be required to pay the admission fee as prescribed in these presents provided the Exchange has not nominated any other person in exercise of its rights to nominate a successor to the defaulting Exchange Member. But if such nomination has been made and the nominee admitted to the membership of the Exchange, then the defaulter shall be re-admitted only on meeting all the admission criteria and payment of a fresh admission fee as may be prescribed in these presents.

- h. Surrender of names of Clients and books - a condition of eligibility
A defaulter shall not be eligible for re-admission if he fails to give the names of any Clients indebted to him or if he fails to deliver to the Exchange as soon as he is so required to do, his original books and accounts and all other papers, vouchers, documents and records and any information, explanations and statements he is called upon to submit.
- i. Full payment - a condition of eligibility
A defaulter shall not be eligible for re-admission unless, within such time as may be specified by the Exchange, he has made full payment of all amounts payable by him to the Exchange, to the Clearing House or to the Settlement/ Guarantee Fund and also of all amounts payable by him to all other creditors (whether they be Exchange Members or not) arising out of, or in connection with and/or incidental to the Contracts made subject to the Rules, Bye-Laws and Business Rules for which the decision of the Exchange shall be final and binding; provided that where a claim of a creditor other than the Exchange, the Clearing House or the Settlement Guarantee Fund is the subject matter of an arbitration proceeding under the Rules, Bye-Laws and Business Rules which is pending, the Exchange may, at its absolute discretion, consider the defaulter to be eligible for re-admission if he deposits with the Exchange a sum equal to the amount of such disputed claim. The sum so deposited shall be paid to the claimant to the extent of which the arbitration award is in favor of the claimant and the balance shall be refunded to the defaulter.
- j. Defaulter when not to be re-admitted
A defaulter shall not be readmitted if his default has been contributed to by reckless dealings on his own account or if his conduct has been marked by indiscretion and by the absence of reasonable caution.

41. Apportionment of consideration realized and other realization of receivables

- 41.1 The consideration received against disposal of the right of membership right vesting in the Exchange shall be merged with the security deposit and any other securities or monies lying to the credit of the Member prior to declaration of a defaulter or deemed defaulter, together with any realization that may have been made by the Exchange, and shall be applied to the following purposes and in the following order of priority:
 - a) Dues to Transmission Utilities / NLDC / SLDCs as the case may be:
First – Payment of transmission charges, scheduling and system operation charges as specified by the CERC.
 - b) Dues of the Exchange :
Second - payment of subscriptions, debts, fines, fees, charges and other moneys including interest on such dues to the Exchange.
 - c) Dues of the Exchange and Clearing House:
Third - payment of dues, pay in liabilities, fines, charges and other moneys due to the Clearing House and the Settlement Guarantee Fund including interest on such dues by the Member prior to or in respect of his declaration as a defaulter or deemed defaulter and also liabilities arising out of his declaration as a defaulter or deemed defaulter like loss arising out of closing out of outstanding Contracts.

d) Liabilities relating to Contracts:

Fourth- payment of such debts, liabilities, obligations and claims arising out of any Contract made by such Exchange Member with other Exchange Members, prior to declaration of defaulter or deemed defaulter only in respect of transactions done on the Exchange, subject to the Rules, Bye-Laws and Business Rules, as shall have been admitted by the Exchange. If the amount available be insufficient to pay and satisfy all such debts, liabilities, obligations and claims in full, they shall be paid and satisfied pro rata.

Provided that under this class only such claims of the Members will be entertained which pertain to contracts made as per the Bye-Laws and Rules. All agreements pertaining to loan or financing or personal adjustment/accommodation nature or any such transactions will be rejected altogether.

e) Balance: Fifth – claims pertaining to the clients of the defaulter Exchange Member, provided they pertain to valid legal transactions entered into at the Exchange. If the amount available be insufficient to pay and satisfy all such debts, liabilities, obligations and claims in full, they shall be paid and satisfied pro rata.

Sixth– payment of the dues, if any, pertaining to the Government – Central and State, Income Tax, stamps, custom or other statutory authorities.

Seventh - payment of the dues, if any, to meet with any claims, which are found to be genuine and admitted by the Exchange, not strictly arising on account of a transaction on the Exchange but incidental to such transaction.

Eighth – The balance amount, if any, remaining after satisfying all the above claims in full, will be appropriated and transferred to the Settlement Guarantee Fund.

42. Liability of Exchange Member for the acts and omissions of his Authorized Person and others

42.1 A Member shall be fully responsible for the acts and omissions of his partnership firm and of his partners, attorneys, Authorized person, Approved Users, and employees, by whatever name called. If any such act or omission be held by the Exchange to be done by any such representative, which if done or omitted to be done by the Exchange Member would subject him to any of the penalties as provided in these presents, the Bye-Laws, the Rules and these Business Rules, then such Member shall be liable thereof to the same penalty to the same extent as if such act or omission had been done or omitted to be done by him personally.

43. Power of the Exchange to define the grounds of suspension and expulsion

43.1 The Exchange may at its discretion, make Bye-Laws, Rules and Business Rules for defining the conduct or acts or omissions which renders an Exchange, liable to expulsion, suspension, fine or withdrawal or suspension of rights and privileges of membership of the Exchange and other consequences.

43.2 If any Exchange Member is guilty of such conduct or act or omission that under the aforesaid Bye-Laws, Rules and Business Rules made on its behalf render him liable to

suspension, expulsion or other consequences, the Exchange shall suspend, expel or impose other consequences as the Exchange may deem fit.

- 43.3 In exercising the said powers, the Exchange shall observe and follow the procedure respectively set out in that behalf in the aforesaid Bye-Laws, Rules and Business Rules.

44. General grounds for suspension and expulsion

44.1 The Exchange may expel, suspend, fine, censure, warn and/or withdraw any of the membership rights of an Exchange Member if he be guilty of contravention, non compliance, disobedience, disregard or evasion of any of the presents herein, Bye-Laws, Rules and Business Rules or of any of the resolutions, orders, notices, directions or decisions or rulings of the Exchange or any committee or officer of the Exchange authorized on its behalf, or of any conduct, proceeding or method of business which the Exchange in accordance with these presents, Bye-Laws, Rules and Business Rules in force from time to time deems dishonourable, disgraceful or unbecoming of an Exchange Member or inconsistent with just and equitable principles of trade or detrimental to the interest, good name or welfare of the Exchange or prejudicial or subversive to its objects and purposes.

44.2 The Exchange may expel, suspend, fine, censure and/or warn Authorized Persons and Approved User, agent, or employee, of an Exchange Member, for any conduct, act or omission, which if done or omitted to be done by the Member, would subject him to the same penalties.

Provided that the Exchange, when it has found an Exchange Member guilty of such conduct or acts as would entitle the Exchange to expel him may, at its absolute discretion, instead of expelling, suspend him from all or any of the rights and privileges of membership of the Exchange for such period as the Exchange may deem fit or until the Exchange Member has carried out or performed any lawful condition imposed by the Exchange on its behalf.

44.3 The Board may expel or suspend and/or fine and/or censure and/or warn a Member and or any or all of its Clients in case of any breach of the membership admission criteria for e.i., Permission of the open access is withdrawn by the SLDC for any reason whatsoever or in the event of disconnection of the Member or Client from the grid by the distribution company/STU etc.

45. Opportunity to be heard

45.1 No decision of the Exchange expelling or suspending an Exchange Member shall be passed or voted upon until and unless the Member has been given an opportunity to explain the charges against him. Such Member may appear at such meeting or state his case in writing addressed to the Exchange.

46. Expulsion of an Exchange Member

46.1 In addition to the grounds mentioned elsewhere in these presents, the Exchange may expel any Member from the membership of the Exchange in the following cases:

- a) Where a Member fails or has failed to carry out any award made in arbitration proceedings held by the Exchange, or held under provisions of these presents, or under the Bye-Laws, Rules and Business Rules framed under any power conferred under these presents, within twenty-one (21) days of the communication of the award or such further period as the Exchange may extend on the written application of the party;
- b) Where an Exchange Member has refused to submit a dispute to arbitration, which by the provisions of these presents, is required to be submitted to arbitration and institutes any suit or legal proceeding in contravention of the provisions of these presents.

47. Forfeited or lapsed right of membership

- 47.1 A right of membership of an Exchange Member shall lapse or shall be liable to be forfeited or vest in the Exchange *ipso facto* upon such Member being declared a defaulter or deemed defaulter or expelled under the Rules, Bye-Laws or Business Rules for the time being in force, and it shall belong absolutely to the Exchange free of all rights, claims or interest of such Member or any person or authority claiming through or against such Member, and the Exchange shall be entitled to deal with or dispose off such right of membership, as it may think fit.

Explanation: In case where an Exchange Member had obligations, engagements or dues outstanding and such member of the Exchange expires before his fulfilment to the Exchange, the Clearing House or the Settlement Guarantee Fund, such Member shall be declared a deemed defaulter by the Exchange, if the legal heirs or legal representatives of the deceased Exchange Member fail to fulfil such obligations, engagements or dues as per the stipulated and pre-notified schedule. As a result, the same consequences shall follow as in case of declaration of a defaulter.

48. Expelled Exchange Member not to be re-admitted

- 48.1 A Member Exchange, who has been expelled by the Exchange, shall not be re-admitted under any circumstances unless expelled for non-compliance of continued requirements for membership of the Exchange.

49. Attachment order against any Exchange Member by court and the consequences

- 49.1 Where any security deposit and/or other payments made by any Exchange Member with the Exchange under this Article or any Rule, Bye-law or Business Rule, has been attached by an order of any court or on behalf of any Income Tax Authority, Revenue, Office, or by any authority or officer of the Government under any law, for the time in force and if the Member whose deposit and/or other payments has been so attached or encumbered fails to have such attachment cancelled or removed within three (3) days of a notice by the Exchange, notifying him of the service on the Exchange of such order of attachment and calling upon the Member of the Exchange to have the said attachment removed or cancelled, the Exchange shall suspend the said Member provided that any Member whose deposit as aforesaid has been attached in the manner aforesaid pays into the hands of the Exchange within the such period as may be specified by the Exchange a sum equal to the amount so attached, the Exchange shall not exercise its powers to suspend him under this clause so long as the said additional deposit so made

is free of any attachment. The provisions of this clause shall apply to any attachment against the said additional deposit made in the like manner as to the original payment and/or security deposit.

50. Exchange Members required to make personal appearance

- 50.1 A Member shall appear and testify before and cause his partners, Authorized persons, and employees to appear and testify before the Exchange or before a committee or officer of the Exchange authorized on its behalf and shall produce and cause to be produced before the Exchange or before a committee or officer of the Exchange authorized on its behalf such books correspondence, documents, papers and records or any part thereof which may be in his or their possession and which may be deemed relevant or material to any matter under inquiry or investigation or which the Exchange at its absolute discretion deems necessary in the interests of just and equitable principles of trade or in public interest and welfare of the Exchange and the Exchange Members.

51. Appointment of legal counsel to defend proceedings not allowed

- 51.1 Exchange Members shall not have the right to be represented by professional counsel, advocate, attorney or other Authorized person in any investigation, proceeding or hearing before the Exchange

52. Failure to pay fine attracts suspension and expulsion

- 52.1 If a Member fails to pay any fine or penalty imposed upon him within fourteen (14) days after notice in writing has been served upon him by the Exchange, he may be suspended by the Exchange until he makes payment, and if within a further period of thirty (30) days he fails to make such payment, he may be expelled by the Exchange.

53. Exchange's discretion in lieu of suspension and expulsion

- 53.1 The Exchange may, at its absolute discretion, in any case suspend an Exchange Member in lieu of the expulsion warranted or may withdraw one or any of the membership rights or impose a fine in lieu of suspension or expulsion warranted and may direct that the guilty Member be censured or warned or may reduce or remit any such penalty on such terms and conditions as it deems fair and equitable.

- 53.2 The Exchange may of its own motion or on appeal by the Member concerned reconsider and may rescind, revoke or modify its resolution withdrawing all or any of the membership rights or fining, censuring or warning any Member. In a like manner the Exchange may rescind, revoke or modify its resolution suspending any Member.

Provided that where any expulsion, suspension or other penalty as aforesaid is imposed in accordance with the directions of the CERC, Government or other authority issued in exercise of any powers conferred on them by the Act or the rules made thereunder, then the Exchange shall not exercise the power to rescind or revoke or modify the same, except with the previous sanction of the authorities concerned.

- 53.3 Suspension on intimation by statutory organizations: When an Exchange Member, designated partner or representative Member fails to fulfill his obligations and duly

intimated by such statutory organizations, as specified in the regulations issued by CERC or the procedures issued by CTU for 'scheduling of collective transactions' duly approved by CERC, the Exchange shall order deactivation of the trader work station/s suspending his business forthwith. A broadcast message of such deactivation shall immediately be released for information of other Exchange Members and such deactivation shall continue until information or advice received from such statutory organizations.

54. Effect of suspension of Exchange Member

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

- a) The suspended Member shall, during the term of his suspension, be deprived of and excluded from all the rights and privileges of membership of the Exchange but he may be proceeded against by the Exchange for any offence committed by him either before or after his suspension and the Exchange shall not be debarred from taking of and adjudicating on or dealing with any claim made against him under these presents, Bye-Laws, Rules and Business Rules;
- b) The suspension shall not affect the rights of the Exchange and/or other Exchange Members who are creditors of the suspended Member;
- c) The suspension shall create a vacancy in any office or position held by the suspended Member;
- d) The suspended Member shall be bound to fulfil Contracts outstanding at the time of his suspension; and
- e) The suspended Member shall not, during the term of his suspension, clear and register any Contracts on the Exchange, provided that he may with the permission of the Exchange close out through other Members of the Exchange the transactions outstanding at the time of his suspension.

55. Effect of expulsion of an Exchange Member

55.1 The expulsion of an Exchange Member shall have the following consequences:

- a) The expelled Exchange Member shall forfeit to the Exchange his rights of membership of the Exchange and all his rights and privileges as a Member of the Exchange including any right to the use of or any claim upon or any interest in any property or funds with the Exchange including the Settlement Guarantee Fund; but any liability of any such Member of the Exchange to the Exchange shall continue and remain unaffected by his expulsion;
- b) The right of nomination shall vest in the Exchange and shall not be exercised by the expelled Member;
- c) The expulsion shall create a vacancy in any office or position held by the expelled Member;

- d) The expulsion shall not affect the rights of the Exchange and Members of the Exchange who are creditors of the expelled Member of the Exchange; and
- e) The expelled Member shall be bound to fulfil transactions outstanding at the time of his expulsion and he may with the permission of the Exchange close such outstanding transactions with or through another Exchange Member.

56. The Exchange to notify suspension, expulsion and default of an Exchange Member

56.1 Notice shall be given to the Exchange Member concerned and to the Exchange Members in general, by posting a notice on the Notice Board of the Exchange or on the trading system, Exchange of the expulsion or suspension of or of the suspension of business by an Exchange Member or of any other penalty imposed upon him or his partners, attorneys, agents, Authorized Persons or Approved Users or other employees. The Exchange may, at its absolute discretion and in such manner as it thinks fit notify or cause to be notified to the Exchange Members or to the public that any person who is named in such notification has been expelled, suspended, penalised, or declared a defaulter or has suspended his business or ceased to be an Exchange Member. No action or other proceedings shall in any circumstances be maintainable by such person against the Exchange or its directors, officers, employees and agents for the publication or circulation of such notification.

CHAPTER 5

RECORDS AND ACCOUNTS OF THE EXCHANGE

57. Accounts

- 57.1 The Exchange shall maintain the accounts and records in accordance with the provisions of The Companies Act 1956 and any other laws applicable to the Company.