# *SECURITIES CONTRACTS (REGULATION) RULES, 1957

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

**Short title.**

**1.** These rules may be called the Securities Contracts (Regulation) Rules, 1957.

**Definitions.**

**2.** In these rules, unless the context otherwise requires,—

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

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

*(c)*"Government company" means a company in which not less than fifty-one per cent of the share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments*;*

1[(d) "public" means persons other than –

(i) the promoter and promoter group;

(ii) subsidiaries and associates of the company.

**Explanation:** For the purpose of this clause the words "promoter" and "promoter group" shall have the same meaning as assigned to them under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;]

2[(da) "public sector company" means a body corporate constituted by an Act of Parliament or any State Legislature and includes a government company:]

3[(e) "public shareholding" means equity shares of the company held by public including shares underlying the depository receipts if the holder of such depository receipts has the right to issue voting instruction and such depository receipts are listed on an international exchange in accordance with the Depository Receipts Scheme, 2014:

Provided that the equity shares of the company held by the trust set up for implementing employee benefit schemes under the regulations framed by the

*** These Rules have been updated based on the Rules and Amendments available on the website of the Department of Economic Affairs- http://finmin.nic.in/law/index.asp and available amendment notifications.**

1 Inserted by the Securities Contracts (Regulation) (Amendment) Rules, 2010, w.e.f. 04.06.2010.

2 Inserted by the Securities Contracts (Regulation) (Second Amendment) Rules, 2010, w.e.f. 09.08.2010. 3 Substituted by the Securities Contracts (Regulation) (Amendment) Rules, 2015, w.e.f. 25.02.2015. Prior to substitution, clause (e) read as under-

"public shareholding" means equity shares of the company held by public and shall exclude shares which are held by custodian against depository receipts issued overseas.

Securities and Exchange Board of India shall be excluded from public shareholding]

**Application for recognition.**

**3.** An application under section 3 of the Act for recognition of a stock exchange shall be made to the 4[Securities and Exchange Board of India] in Form A.

**Fees for application.**

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

(2) The amount of the fee shall be deposited in the nearest Government treasury or the nearest branch of the State Bank of India:

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

(3) The amount of the fee so deposited shall be credited to the receipt head "XLVI—Miscellaneous—Other fees, fines and forfeitures".

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

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

[5]**[Power to make inquiries and call for information.**

**5A.** Before granting recognition to a stock exchange under section 4 of the Act, the [6][Securities and Exchange Board of India] may make such inquiries and require such further information to be furnished, as it deems necessary, relating to the information furnished by the stock exchange in the Annexure to its application in Form A.]

**Form of recognition.**

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

(*a*) that the recognition unless granted on a permanent basis, shall be for such period not less than one year as may be specified in the recognition;

[4] Substituted for "Central Government" by the Securities Contracts (Regulation) (Amendment) Rules, 1996, w.e.f. 23.12.1996.

[5] Inserted by GSR 1096 dated 14.07.1967, w.e.f. 22.07.1967

[6] Substituted for "Central Government" by the Securities Contracts (Regulation)(Amendment )Rules, 1996, w.e.f. 23.12.1996.

(*b*) that the stock exchange shall comply with such conditions as are or may be prescribed or imposed under the provisions of the Act and these rules from time to time.

**Renewal of recognition.**

**7.** (1) Three months before the expiry of the period of recognition, a recognised stock exchange desirous of renewal of such recognition may make an application to the [7][Securities and Exchange Board of India] in Form A.

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

**Qualifications for membership of a recognised stock exchange.**

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

(*1*) No person shall be eligible to be elected as a member if—

(*a*) he is less than twenty-one years of age;

(*b*) he is not a citizen of India; provided that the governing body may in suitable cases relax this condition with the prior approval of the [9][Securities and Exchange Board of India];

(*c*) he has been adjudged bankrupt or a receiving order in bankruptcy has been made against him or he has been proved to be insolvent even though he has obtained his final discharge;

(*d*) he has compounded with his creditors unless he has paid sixteen annas in the rupee;

(*e*) he has been convicted of an offence involving fraud or dishonesty;

(*f*) he is engaged as principal or employee in any business other than that of securities [8][or commodity derivatives] except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such business :

[9][***]

**[10][**Provided that nothing herein shall be applicable to any corporations, bodies corporate, companies or institutions referred to in clauses (a) to (n) of sub-rule (8).]

[7] Substituted for "Central Government" by the Securities Contracts (Regulation) (Amendment) Rules, w.e.f. 23.12.1996.

[8] Inserted by the Securities Contracts (Regulation) (Amendment) Rules, 2003, w.e.f. 28.08.2003.

[9] Omitted by the Securities Contracts (Regulation) (Second Amendment) Rules, 2017, w.e.f. 27.06.2017.

Prior to omission it read as under:

"[Provided that no member may conduct business in commodity derivatives, except by setting up a separate company which shall comply with the regulatory requirements, such as, networth, capital adequacy, margins and exposure norms as may be specified by the Forward Market Commission, from time to time:"

(*g*) [11][***]

(*h*) he has been at any time expelled or declared a defaulter by any other stock exchange;

(*i*) he has been previously refused admission to membership unless a period of one year has elapsed since the date of such rejection.

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

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

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

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

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

(*3*) No person who is a member at the time of application for recognition or subsequently admitted as a member shall continue as such if—

(*a*) he ceases to be a citizen of India :

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

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

(*c*) he is convicted of an offence involving fraud or dishonesty; (*d*) [12][* * *]

(*e*) [13][* * *]

(*f*) he engages either as principal or employee in any business other than that of securities [14][or commodity derivatives] except as a broker or agent not involving any personal financial liability, provided that—

[10] Substituted by the Securities Contracts (Regulation) (Second Amendment) Rules, 2017, w.e.f. 27.06.2017. Prior to substitution it read as under:
"Provided further that nothing herein shall be applicable to any corporations, bodies corporate, companies or institutions referred to in items (a) to (n)[10] of the proviso to sub-rule (4).];"
Footnote in above amendment read as under- "Substituted for "(a) to (k)" by Securities Contracts (Regulation) (Amendment) Rules, 2014, w.e.f.16.1.2014."

[11] Omitted by GSR 1070(E) dated 15.11.1988

[12] Ibid.

[13] Ibid.

(*i*) the governing body may, for reasons, to be recorded in writing, permit a member to engage himself as principal or employee in any such business, if the member in question ceases to carry on business on the stock exchange either as an individual or as a partner in a firm,

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

[15][*(iii)* nothing herein shall affect members of a recognised stock exchange which are corporations, bodies corporate, companies or institutions referred to in items [(*a*) to (n) of sub-rule (8)][16].

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

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

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

(*iii*) the directors of such company, who are members of that stock exchange, have ultimate liability in such company.

17[***]

14 Inserted by the Securities Contracts (Regulation) (Amendment) Rules, 2003, w.e.f. 28.08.2003.

15 Substituted, ibid. Prior to its substitution, sub-clause (iii) read as under:

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

16 Substituted for "items (a) to (n) of the proviso to sub-rule (4)", by the Securities Contracts (Regulation) (Second Amendment) Rules, 2017, w.e.f. 27.06.2017.

Prior to this, Substituted "(a) to (k)" by Securities Contracts (Regulation) (Amendment) Rules, 2014, w.e.f.16.1.2014

17 Omitted by the Securities Contracts (Regulation) (Amendment) Rules, 2017, w.e.f. 20.03.2017. Prior to omission the proviso read as under-

"Provided that where the17[Securities and Exchange Board of India] makes a recommendation in this regard, the governing body of a stock exchange shall, in relaxation of the requirements of this clause, admit as member the following corporations 18[,bodies corporate], companies or institutions, namely :— (*a*) the Industrial Finance Corporation, established under the Industrial Finance Corporation Act, 1948 (15 of 1948);

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

18[(*c*) any insurance company granted registration by the Insurance Regulatory Development Authority under the Insurance Act, 1938 (4 of 1938)]

(*d*)19 [* * *]

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

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

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

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

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

(*iii*) 18[* * *]

(*iv*) the directors of the company are not disqualified from being members of a stock exchange under 19[clause (1) [except sub-clause (*b*) and sub-clause (*f*) thereof] or clause (3) [except sub-clause (*a*) and sub-clause (*f*) thereof]] and the Directors of the company had not held the offices of the Directors in any company which had been a member of the stock exchange and had been declared defaulter or expelled by the stock exchange; and

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

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

[20][(*h*)any bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);

(*i*)the Export Import Bank of India, established under the Export Import Bank of India Act, 1981 (28 of 1981);

(*j*)the National Bank for Agriculture and Rural Development, established under the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981); and

*(k)*the National Housing Bank, established under the National Housing Bank Act, 1987 (53 of 1987).]

[21][(l) Central Board of Trustees, Employees' Provident Fund, established under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952);

(m) any pension fund registered or appointed or regulated by the Pension Fund Regulatory and Development Authority under the Pension Fund Regulatory And Development Authority Act, 2013 (23 of 2013); and

(n) any Standalone Primary Dealers authorised by the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934)]"

Note- Footnotes for the above amended portion are as under-

17 Inserted by the Securities Contracts (Regulation) (Amendment) Rules, 2003, w.e.f. 28.08.2003. 18 Substituted for" the Life Insurance Corporation of India, established under the Life Insurance Corporation Act, 1956 (31 of 1956)" by Securities Contracts (Regulation) (Amendment) Rules, 2014, w.e.f.16.1.2014

19 Omitted, by Securities Contracts (Regulation) (Amendment) Rules, 2014. w.e.f.16.1.2014. Prior to its omission, item (d) read as under:

"the General Insurance Corporation of India constituted under the General Insurance Corporation (Nationalisation) Act, 1972 (57 of 1972)"

20 Inserted, ibid.

21Inserted by Securities Contracts (Regulation) (Amendment) Rules, 2014. w.e.f.16.1.2014

18 Omitted by GSR 749 (E), dated 12.10.1994

19 Substituted by GSR 790(E), dated 07.11.1994

(*a*) in dealing in securities; or

(*b*) as portfolio managers; or

(*c*) as investment consultants.

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

[20][(6)A limited liability partnership as defined in the Limited Liability Partnership Act, 2008 (6 of 2009), shall also be eligible to be elected its a member of a stock exchange if

(i) such "limited liability partnership" undertakes to comply with such financial requirements and norms as may be provided by the Securities and Exchange Board of India for registration of such limited liability partnerships under sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(ii) the designate partners of the 'limited liability partnership' are not disqualified from being members of a stock exchange under sub-rule (1) [except clause (b) and (f) thereof] or sub-rule (3) [except clause (a) and clause (f) thereof and the designated partners of the 'limited liability partnership' had not held the offices of Directors in any company or body corporate or partner in any firm or 'limited liability partnership', which had been a member of the stock exchange and had been declared defaulter or expelled by the stock exchange; and

(iii) not less than two designated partners of the 'limited liability partnership' are persons who possess a minimum experience of two years:-

(a) in dealing in securities; or

(b) as portfolio managers; or

(c) as investment consultants.]

21[(7) Any provident fund represented by its trustees, of an exempted establishment under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952), shall also be eligible to be elected as a member of a stock exchange.]

22[(8) Where the Securities and Exchange Board of India makes a recommendation, the governing body of a stock exchange shall, admit as member the following corporations, bodies corporate, companies or institutions, namely :-

20 Inserted by the Securities Contracts (Regulation) Amendment Rules, 2013. *w.e.f.* 24.10.2013

21 Sub-rule (7) inserted by the Securities Contracts (Regulation) (Second Amendment) Rules, 2014, w.e.f. 22-9-2014.

22 Inserted by the Securities Contracts (Regulation) (Amendment) Rules, 2017, w.e.f. 20.03.2017.

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

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

(c) any insurance company granted registration by the Insurance Regulatory Development Authority under the Insurance Act, 1938 (4 of 1938);

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

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

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

(g) any bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);

(h) the Export Import Bank of India, established under the Export Import Bank of India Act, 1981 (28 of 1981);

(i) the National Bank for Agriculture and Rural Development, established under the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981);

(j) the National Housing Bank, established under the National Housing Bank Act, 1987 (53 of 1987);

(k) Central Board of Trustees, Employees' Provident Fund, established under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952);

(l) any pension fund registered or appointed or regulated by the Pension Fund Regulatory and Development Authority under the Pension Fund Regulatory And Development Authority Act, 2013 (23 of 2013);

(m) any Standalone Primary Dealers authorised by the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934); and

(n) Category I and Category II foreign portfolio investors registered under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014:

Provided that such foreign portfolio investors shall engage only in proprietary trades in such class of securities as may be specifically permitted for them by the Securities and Exchange Board of India.]

**Contracts between members of recognised stock exchange.**

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

[23]**[Nominees of the Securities and Exchange Board of India] on the governing bodies of recognised stock exchanges.**

**10.** The [24][Securities and Exchange Board of India] may nominate one or more persons not exceeding three in number, as member or members of the governing body of every recognised stock exchange. Such member or members shall enjoy the same status and powers as other members of the governing body.

**Obligation of the governing body to take disciplinary action against a member if so directed by the [25][Securities and Exchange Board of India].**

**11.** After receiving the report of the result of an enquiry made under clause (*b*) of sub-section (3) of section 6 of the Act, the [21] [Securities and Exchange Board of India] may take such action as they deem proper and, in particular, may direct the governing body of the stock exchange to take such disciplinary action against the offending member, including fine, expulsion, suspension or any other penalty of a like nature not involving the payment of money, as may be specified by the [21][Securities and Exchange Board of India]; notwithstanding anything to the contrary contained in the rules or bye-laws of the stock exchange concerned, the governing body shall give effect to the directions of the [21][Securities and Exchange Board of India] in this behalf and shall not in any manner commute, revoke or modify the action taken in pursuance of such directions, without the prior approval of the [21][Securities and Exchange Board of India]. The [21][Securities and Exchange Board of India] may, however, either of its own motion or on the representation of the member concerned, modify or withdraw its direction to the governing body.

**Audit of accounts of members.**

**12.** Every member shall get his accounts audited by a chartered accountant whenever such audit is required by the [21][Securities and Exchange Board of India].

**Withdrawal of recognition.**

Form C.

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

[23] Substituted by F. No. 1/37/SE/94, dated 26.10.1994.

[24] Ibid.

[25] Substituted for "Central Government" by the Securities Contracts (Regulation) (Amendment) Rules, 1996, w.e.f. 23.12.1996.

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

(*1*) Minute books of the meetings of—

(*a*) members;

(*b*) governing body;

(*c*) any standing committee or committees of the governing body or of the general body of members.

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

(*3*) Register of authorised clerks.

(*4*) Register of remisiers of authorised assistants.

(*5*) Record of security deposits.

(*6*) Margin deposits book.

(*7*) Ledgers.

(*8*) Journals.

(*9*) Cash book.

(*10*) Bank pass-book.

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

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

(*a*) Register of transactions (*Sauda* book).

(*b*) Clients' ledger.

(*c*) General ledger.

(*d*) Journals.

(*e*) Cash book.

(*f*) Bank pass-book.

(*g*) Documents register showing full particulars of shares and securities received and delivered.

(*2*) Every member of a recognised stock exchange shall maintain and preserve the following documents for a period of two years:

(*a*) Member's contract books showing details of all contracts entered into by him with other members of the same exchange or counterfoils or duplicates of memos of confirmation issued to such other members.

(*b*) Counterfoils or duplicates of contract notes issued to clients.

(*c*) Written consent of clients in respect of contracts entered into as principals.

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

**16.** (1)(*a*) The person or persons appointed by the [26][Securities and Exchange Board of India] to make an inquiry under clause (*b*) of sub-section (3) of section 6 of the Act shall hereafter in this rule be referred to as the 'inquiring authority';

(*b*) where the inquiring authority consists of two or more persons, one of them shall be appointed as the chairman or senior member thereof;

(*c*) the inquiring authority shall hand over a statement of issues to be inquired into to the governing body or the member concerned, as the case may be, who will be given a reasonable opportunity to state their or his side of the case;

(*d*) if any witness is called for examination, an opportunity shall be provided to the governing body or the member whose affairs are being inquired into, as the case may be, to cross-examine such witness;

(*e*) where the inquiring authority consists of more than one person, the views of the majority shall be deemed to represent the findings of such authority and, in the event of an equality of votes, the chairman or senior member shall have a casting vote;

(*f*) the inquiring authority shall submit its report in writing to the [22][Securities and Exchange Board of India] within the period specified in the order of appointment;

(*g*) temporary absence from any hearing or hearings of any member of the inquiring authority shall not vitiate its proceedings.

(2) Where the [22][Securities and Exchange Board of India] has directed the governing body of a stock exchange to make an inquiry under clause (*b*) of sub-section (3) of section 6 of the Act, the governing body concerned shall appoint one or more members thereof to make the inquiry and the provisions of sub-rule (1) shall apply *mutatis mutandis* to such inquiry.

**Submission of annual report.**

**17.** (1) Every recognised stock exchange shall before the 31st day of January in each year or within such extended time as the [27][Securities and Exchange Board of India] may, from time to time, allow, furnish the [23][Securities and Exchange Board of India] annually with a report about its activities during the preceding calendar year, which shall *inter alia* contain detailed information about the following matters :

(*a*) changes in rules and bye-laws, if any;

(*b*) changes in the composition of the governing body;

(*c*) any new sub-committees set up and changes in the composition of existing ones;

(*d*) admissions, re-admissions, deaths or resignations of members;

(*e*) disciplinary action against members;

[26] Substituted for "Central Government" by the Securities Contracts (Regulation) (Amendment) Rules, 1996, w.e.f. 23.12.1996

[27] Ibid.

(*f*) arbitration of disputes (nature and number) between members and non-members;

(*g*) defaults;

(*h*) action taken to combat any emergency in trade;

(*i*) securities listed and de-listed; and

(*j*) securities brought on or removed from the forward list.

(2) Every recognised stock exchange shall within one month of the date of the holding of its annual general meeting, furnish the [28][Securities and Exchange Board of India] with a copy of its audited balance-sheet and profit and loss account for its preceding financial year.

**Submission of periodical returns.**

**17A.** Every recognised stock exchange shall furnish the [24][Securities and Exchange Board of India] periodical returns relating to—

(*i*) the official rates for the securities enlisted thereon;

(*ii*) the number of shares delivered through the clearing house;

(*iii*) the making-up prices;

(*iv*) the clearing house programmes;

(*v*) the number of securities listed and de-listed during the previous three months;

(*vi*) the number of securities brought on or removed from the forward list during the previous three months; and

(*vii*) any other matter as may be specified by the [24][Securities and Exchange Board of India].

**Manner of publication of bye-laws for criticism.**

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

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

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

(*a*) Memorandum and articles of association and, in the case of a debenture issue, a copy of the trust deed.

[28] Ibid.

(*b*) Copies of all prospectuses or statements in lieu of prospectuses issued by the company at any time.

(*c*) Copies of offers for sale and circulars or advertisements offering any securities for subscription or sale during the last five years.

(*d*) Copies of balance-sheets and audited accounts for the last five years, or in the case of new companies, for such shorter period for which accounts have been made up.

(*e*) A statement showing—

(*i*) dividends and cash bonuses, if any, paid during the last ten years (or such shorter period as the company has been in existence, whether as a private or public company),

(*ii*) dividends or interest in arrears, if any.

(*f*) Certified copies of agreements or other documents relating to arrangements with or between :—

(*i*) vendors and/or promoters,

(*ii*) underwriters and sub-underwriters,

(*iii*) brokers and sub-brokers.

(*g*) Certified copies of agreements with—

(*i*) managing agents and secretaries and treasurers,

(*ii*) selling agents,

(*iii*) managing directors and technical directors,

(*iv*) general manager, sales manager, manager or secretary.

(*h*) Certified copy of every letter, report, balance-sheet, valuation contract, court order or other document, part of which is reproduced or referred to in any prospectus, offer for sale, circular or advertisement offering securities for subscription or sale, during the last five years.

(*i*) A statement containing particulars of the dates of, and parties to all material contracts, agreements (including agreements for technical advice and collaboration), concessions and similar other documents (except those entered into in the ordinary course of business carried on or intended to be carried on by the company) together with a brief description of the terms, subject-matter and general nature of the documents.

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

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

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

(*m*) Certified copies of—

[29][(*i*) acknowledgement card or the receipt of filing offer document with the Securities and Exchange Board of India;]

(*ii*) agreements, if any, with the Industrial Finance Corporation, Industrial Credit and Investment Corporation and similar bodies.

(*n*) Particulars of shares forfeited.

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

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

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

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

(*a*) Its articles of association provide for the following among others—

(*i*) that the company shall use a common form of transfer,

(*ii*) that the fully paid shares will be free from all lien, while in the case of partly paid shares, the company's lien, if any, will be restricted to moneys called or payable at a fixed time in respect of such shares,

(*iii*) that any amount paid-up in advance of calls on any share may carry interest but shall not entitle the holder of the share to participate in respect thereof, in a dividend subsequently declared,

(*iv*) there will be no forfeiture of unclaimed dividends before the claim becomes barred by law,

(*v*) that option or right to call of shares shall not be given to any person except with the sanction of the company in general meeting :

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

**30[** (b) 31[The minimum offer and allotment to public in terms of an offer document shall be-]

29 Substituted by the Securities Contracts (Regulation) (Amendment) Rules, 1996, w.e.f. 23.12.1996. Prior to its substitution, sub-clause (i), read as under:
"(i) letters of consent of the Controller of Capital Issues."

30 Clause (*b*) substituted by the Securities Contracts (Regulation) Third Amendment Rules, 2014, w.e.f. 19-11-2014. Prior to its substitution, the said clause, as amended by the Amendment Rules, 2001, w.e.f. 1-6-2001; the Securities Contracts (Amendment) Rules, 2010, w.e.f. 4-6-2010 and the Securities Contracts (Regulation) (Second Amendment) Rules, 2010, w.e.f. 9-8-2010, read as under :
"(b)(*i*) At least twenty five per cent of each class or kind of equity shares or debentures convertible into equity shares issued by the company was offered and allotted to public in terms of an offer document; or

(i) at least twenty five per cent of each class or kind of equity shares or debenture convertible into equity shares issued by the company, if the post issue capital of the company calculated at offer price is less than or equal to one thousand six hundred crore rupees;

(ii) at least such percentage of each class or kind of equity shares or debentures convertible into equity shares issued by the company equivalent to the value of four hundred crore rupees, if the post issue capital of the company calculated at offer price is more than one thousand six hundred crore rupees but less than or equal to four thousand crore rupees;

(iii) at least ten per cent of each class or kind of equity shares or debentures convertible into equity shares issued by the company, if the post issue capital of the company calculated at offer price is above four thousand crore rupees:

Provided that the company referred to in sub-clause (ii) or sub-clause (iii), shall increase its public shareholding to at least twenty five per cent within a period of

three years from the date of listing of the securities, in the manner specified by the Securities and Exchange Board of India:

Provided further that this clause shall not apply to a company whose draft offer document is pending with the Securities and Exchange Board of India on or before the commencement of the Securities Contracts (Regulation) Third Amendment Rules, 2014, if it satisfies the conditions prescribed in clause (b) of sub-rule (2) of rule 19 of the Securities Contracts (Regulation) Rules, 1956 as existed prior to the date of such commencement.**]**

[32][***]]

(c) [33][***]

(3) A company applying for listing shall, as a condition precedent, undertake *inter alia*—

(*ii*) At least ten per cent of each class or kind of equity shares or debentures convertible into equity shares issued by the company was ofered and allotted to public in terms of an offer document if the post issue capital of the company calculated at offer price is more than four thousand crore rupees:

**Provided** that the requirement of post issue capital being more than four thousand crore rupees shall not apply to a company whose draft offer document is pending with the Securities and Exchange Board of India on or before the commencement of the Securities Contracts (Regulation) (Amendment) Rules, 2010, if it satisfies the conditions prescribed in clause (*b*) of sub-rule (2) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 as existed prior to the date of such commencement :

**Provided further** that the company, referred to in sub-clause (*ii*), shall increase its public shareholding to at least twenty five per cent, within a period of three years from the date of listing of the securities, in the manner specified by the Securities and Exchange Board of India."

[31] Inserted by the Securities Contracts (Regulation) (Amendment) Rules, 2015, w.e.f. 25.02.2015.

[32] Omitted, ibid. Prior to its omission, third proviso, read as under:

"Provided further that the company may increase its public shareholding by less than five per cent in a year if such increase beings its public shareholding to the level of twenty five per cent in that year."

[33] Clause (*c*) omitted by the Securities Contracts (Regulation) Third Amendment Rules, 2014, w.e.f. 19-11-2014. Prior to its omission, the said clause, as inserted by the Securities Contracts (Regulation) (Second Amendment) Rules, 2010, w.e.f. 9-8-2010, read as under :

"(c) Notwithstanding anything contained in clause (*b*), a public sector company, shall offer and allot at least ten per cent of each class or kind of equity shares or debentures convertible into equity shares to public in terms of an offer document."

(*a*) (*i*) that letters of allotment will be issued simultaneously and that, in the event of its being impossible to issue letters of regret at the same time, a notice to that effect will be inserted in the press so that it will appear on the morning after the letters of allotment have been posted,

(*ii*) that letters of right will be issued simultaneously,

(*iii*) that letters of allotment, acceptance or rights will be serially numbered, printed on good quality paper and examined and signed by a responsible officer of the company and that whenever possible, they will contain the distinctive numbers of the securities to which they relate,

(*iv*) that letters of allotment and renounceable letters of right will contain a proviso for splitting and that, when so required by the exchange, the form of renunciation will be printed on the back of or attached to the letters of allotment and letters of right,

(*v*) that letters of allotment and letters of right will state how the next payment of interest or dividend on the securities will be calculated,

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

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

(*c*) when documents are lodged for sub-division or consolidation or renewal through the clearing house of the exchange :

(*i*) to accept the discharge of an official of the stock exchange clearing house on the company's split receipts and consolidation receipts and renewal receipts as good and sufficient discharge without insisting on the discharge of the registered holders, and

(*ii*) to verify when the company is unable to issue certificates or split receipt or consolidation receipts or renewal receipts immediately on lodgement whether the discharge of the registered holders, on the documents lodged for sub-division or consolidation or renewal and their signatures on the relative transfers are in order;

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

(*e*) to issue certificates in respect of shares or debentures lodged for transfer within a period of one month of the date of lodgement of transfer and to issue balance certificates within the same period where the transfer is accompanied by a larger certificate;

(*f*) to advise the stock exchange of the date of the board meeting at which the declaration or recommendation of a dividend or the issue of right or bonus share will be considered;

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

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

(*i*) to notify the stock exchange of any change—

(*i*) in the company's directorate by death, resignation, removal or otherwise,

(*ii*) of managing director, managing agent or secretaries and treasurers,

(*iii*) of auditors appointed to audit the books and account of the company;

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

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

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

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

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

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

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

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

(*r*) to promptly notify the stock exchange—

(*i*) of any action which will result in the redemption, cancellation or retirement in whole or in part of any securities listed on the exchange,

(*ii*) of the intention to make a drawing of such securities, intimating at the same time the date of the drawing and the period of the closing of the transfer books (or the date of the striking of the balance) for the drawing,

(*iii*) of the amount of securities outstanding after any drawing has been made;

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

*(t)(t)*that in the event of the application for listing being granted, such listing shall be subject to the rules and bye-laws of the exchange in force from time to time and that the company will comply within a reasonable time, with such further listing requirements as may be promulgated by the exchange as a general condition for new listings.

[34][(4) An application for listing shall be necessary in respect of the following:

(a) all new issues of any class or kind of securities of a company to be offered to the public;

(b) all further issues of any class or kind of securities of a company if such class or kind of securities of the company are already listed on a recognised stock exchange.]

34 Substituted by the Securities Contracts (Regulation) (Amendment) Rules, 2010, w.e.f. 04.06.2010. Prior to its substitution, sub-rule (4), read as under:

"(4) A fresh application for listing will be necessary in respect of all new issues desired to be dealt in, provided that, where such new securities are identical in all respects with those already listed, admission to dealings will be granted on the company intimating to the stock exchange particulars of such new issues.

Explanation: Shares are identical in all respects only if—

(a) they are of the same nominal value and the same amount per share has been called up; (b) they are entitled to dividend at the same rate and for the same period, so that at the next ensuing distribution, the dividend payable on each share will amount to exactly the same sum, net and gross; and

(c) they carry the same rights in all other respects."

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

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

[35][Provided further that where a recognised stock exchange has withdrawn admission to dealings in any security, or where suspension of admission to dealings has continued for a period exceeding three months, the company or body corporate concerned may prefer an appeal to the Securities Appellate Tribunal constituted under section 15K of the Securities and Exchange Board of India Act, 1992 (15 of 1992), and the procedure laid down under the Securities Contracts (Regulation) (Appeal to Securities Appellate Tribunal) Rules, 2000 shall apply to such appeal. The Securities Appellate Tribunal may, after giving the stock exchange an opportunity of being heard, vary or set aside the decision of the stock exchange and its orders shall be carried out by the stock exchange.]

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

[37][(6A) Except as otherwise provided in these rules or permitted by the Securities and Exchange Board of India under sub-rule (7), all requirements with respect to listing prescribed by these rules shall, so far as they may be, also apply to a public sector company.]

[38][***]

35 Substituted by the Securities Contracts (Regulation) (Amendment) Rules, 2000, w.e.f. 08.08.2000. Earlier, the second proviso was amended by the Securities Contracts (Regulation) (Amendment) Rules, 1996, w.e.f. 23.12.1996.

36 Substituted by the Securities Contracts (Regulation) (Amendment), 2000, w.e.f. 08.08.2000. Earlier, sub-rule (6) was amended by the Securities Contracts (Regulation) (Amendment), 1996, w.e.f. 23.12.1996. 37 Substituted by the Securities Contracts (Regulations) (Second Amendment) Rules, 2010, w.e.f. 09.8.2010. Prior to its substitution, sub-rule (6A) as amended by the Securities Contracts (Regulations)(Amendment) Rules, 2010, w.e.f. 04.06.2010 and GSR 121(E) w.e.f. 09.03.1995, read as under:
"(6A) All the requirements with respect to listing and continuous listing prescribed by these rules, shall so far as they may be, also apply to a body corporate constituted by an Act of Parliament or any State Legislature :"

38 Omitted by the Securities Contracts (Regulation)(Amendment) Rules, 2010, w.e.f. 04.06.2010. Prior to its omission, proviso, as substituted by the Securities Contracts (Regulation) (Amendment) Rules, 1996, w.e.f. 23.12.1996 and inserted by GSR 291 (E) dated 27.03.1995, read as under:
"Provided that a recognised stock exchange may relax the requirement of offer to public for subscription of atleast twenty-five percent of the each class or kind of securities issued in respect of a body corporate referred to in this sub-rule with the previous approval of the Securities and Exchange Board of India and also subject to such instructions as that Board may issue in this behalf from time to time."

(7) The 39[Securities and Exchange Board of India] may, at its own discretion or on the recommendation of a recognised stock exchange, waive or relax the strict enforcement of any or all of the requirements with respect to listing prescribed by these rules.

40[**Continuous Listing Requirement.**

**19A.** (1) Every listed company 41[other than public sector company] shall maintain public shareholding of at least twenty five per cent.:

42[Provided that any listed company which has public shareholding below twenty five per cent, on the commencement of the Securities Contracts (Regulation) (Amendment) Rules, 2014, shall increase its public shareholding to at least twenty five per cent, within a period of 43[four] years from the date of such commencement, in the manner specified by the Securities and Exchange Board of India.

Explanation: For the purposes of this sub-rule, a company whose securities has been listed pursuant to an offer and allotment made to public in terms of 44[***] clause (b) of sub-rule (2) of rule 19, shall maintain minimum twenty five per cent, public shareholding from the date on which the public shareholding in the company reaches the level of twenty five percent in terms of said sub-clause.]

(2) Where the public shareholding in a listed company falls below twenty five per cent. at any time, such company shall bring the public shareholding to twenty five per cent. within a maximum period of twelve months from the date of such fall in the manner specified by the Securities and Exchange Board of India.]

(3) 45[***]

46[(4) Where the public shareholding in a listed company falls below twenty-five per cent. in consequence to the Securities Contracts (Regulation) (Amendment) Rules, 2015, such company shall increase its public shareholding to at least twenty-five per cent. in the

39 Substituted for "Central Government" by the Securities Contracts (Regulation) (Amendment), Rules, 1996, w.e.f. 23.12.1996.

40 Inserted by the Securities Contracts (Regulations) (Amendment) Rules, 2010, w.e.f. 04.06.2010 41 Inserted by the Securities Contracts (Regulations) (Second Amendment) Rules, 2010, w.e.f. 09.08.2010.

42 Substituted, ibid. Prior to substitution, provisos, read as under:
"Provided that any listed company which has public shareholding below twenty five per cent on the commencement of the Securities Contracts (Regulation) (Amendment) Rules, 2010, shall bring the public shareholding to the level of atleast twenty five per cent by increasing its public shareholding to the extent of at least five per cent per annum beginning from the date of such commencement, in the manner specified by the Securities and Exchange Board of India:

Provided further that the company may increase its public shareholding by less than five per cent in a year if such increase brings its public shareholding to the level of twenty five per cent in that year."

[43] Substituted for the word "three" by the Securities Contracts (Regulation) (Third Amendment) Rules, 2017, w.e.f. 3.07.2017.

[44] Words "sub-clause (ii) of" omitted by the Securities Contracts (Regulation) Third Amendment Rules, 2014, w.e.f. 19-11-2014.

[45] Sub-rule (3) omitted by the Securities Contracts (Regulation) (Second Amendment) Rules, 2014, w.e.f. 22-8-2014. Prior to its omission, said sub-rule, as inserted by the Securities Contracts (Regulation) (Second Amendment) Rules, 2010, w.e.f. 9-8-2010, read as under :

"(3) Notwithstanding anything contained in this rule, every listed public sector company shall maintain public shareholding of at least ten per cent :"

[46] Inserted by the Securities Contracts (Regulation) (Amendment) Rules, 2015, w.e.f. 25.02.2015.

manner specified by the Securities and Exchange Board of India within a period of three years, as the case may be, from the date of notification of:

(a) the Depository Receipts Scheme, 2014 in cases where the public shareholding falls below twenty five per cent. as a result of such scheme;

(b) the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 in cases where the public shareholding falls below twenty-five per cent., as a result of such regulations.]

[47][**Requirements with respect to the listing of units or any other instrument of a Collective Investment Scheme on a recognised stock exchange.**

**20.** (1) A Collective Investment Management Company (CIMC) which is desirous of getting its any collective investment scheme listed on a recognised stock exchange, shall apply for the purpose to the stock exchange and forward along with its application the following documents and particulars :

(*a*) Certificate of incorporation, memorandum and articles of association of the company and the copy of the trust deed of the scheme intended to be listed.

(*b*) Copies of all prospectuses or statements in lieu of prospectuses issued by the company at any time.

(*c*) Copies of offers for sale and circulars or advertisements offering any unit or other instrument for subscription or sale during the last five years, or in the case of a new company, such shorter period during which the company has been in existence.

(*d*) Copies of balance sheets and audited accounts for the last five years, or in the case of a new company, for such completed financial year for which accounts have been made up.

(*e*) A statement showing,—

(*i*) returns and cash bonuses, if any, paid during the last ten years (or such shorter period as the company has been in existence whether as a private or public company);

(*ii*) returns or interest in arrears, if any.

(*f*) Certified copies of agreements or other documents relating to arrangements pertaining to each scheme of the company with or between,—

(*i*) vendors and/or promoters;

(*ii*) underwriters and sub-underwriters;

(*iii*) brokers and sub-brokers.

(*g*) Certified copies of agreements pertaining to each scheme of a company with— (*i*) selling agents and other service providers;

(*ii*) managing directors and technical directors;

(*iii*) general manager, sales manager, manager or secretary.

(*h*) Certified copies of every letter, report, balance sheet, valuation contract, court order or other document, part of which is reproduced or referred to in any

47 Inserted by the Securities Contracts (Regulation) (Amendment) Rules, 2000, w.e.f. 08.08.2000

prospectus, offer for sale, circular or advertisement offering units or any other instruments of the scheme for subscription or sale, during the last five years.

(*i*) A statement containing particulars of the dates of, and parties to all material contracts, agreements (including agreements for technical advice and collaboration), concessions and similar other documents (except those entered into in the ordinary course of business carried on or intended to be carried on by the company) together with a brief description of the terms, subject-matter and general nature of the documents pertaining to such scheme.

(*j*) A brief history of the Company since its incorporation giving details of its activities including any re-organisation, reconstruction or amalgamation, changes in its capital structure (authorised, issued and subscribed) and debenture borrowings, if any, and the performance of other collective investment schemes of the company.

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

(*l*) A statement containing particulars of any commission, brokerage, discount or other special terms granted to any person pertaining to such scheme.

(*m*) Certified copies of—

(*i*) certificate of registration granted by the Securities and Exchange Board of India;

(*ii*) acknowledgement card or the receipt of filing offer document with the Securities and Exchange Board of India;

(*iii*) agreements, if any, with any public financial institution as specified in section 4A of the Companies Act, 1956 (1 of 1956).

(*n*) A list of the highest ten holders of units of each scheme of the company as on the date of application along with particulars as to the number of units held by and the address of each such holder.

(*o*) Particulars of units of the scheme for which permission to deal is applied for :

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

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

(*a*) Its articles of association provide for the following among others—

(*i*) that the company shall use a common form of transfer of units of a particular scheme;

(*ii*) that the fully paid units issued under the scheme will be free from all lien, while in the case of partly paid units the company's lien, if any, will be restricted to moneys called or payable at a fixed time in respect of such units;

(*iii*) that any amount paid-up in advance of calls on any units may carry interest but shall not entitle the holder of the unit to participate in respect thereof, in a return subsequently declared;

(*iv*) there will be no forfeiture of unclaimed returns before the claim becomes barred by law;

(*v*) that option or right to call of units shall not be given to any person except with the sanction of the company in general meeting :

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

(*b*) At least twenty-five per cent of the units or any other instrument of a scheme issued by the company was offered to the public for subscription through advertisement in newspapers for a period not less than two days and not more than ninety days, and that applications received in pursuance of such offer were allotted fairly and unconditionally :

Provided that a recognised stock exchange may relax this requirement, with the previous approval of the Securities and Exchange Board of India in respect of a Government company within the meaning of section 617 of the Companies Act, 1956 (1 of 1956) and subject to such instructions as the Securities and Exchange Board of India may issue in this behalf from time to time.

*Explanation.*—Where any part of the units or any other instruments sought to be listed have been or are agreed to be taken up by the Central Government, a State Government, development or investment agency of a State Government, Industrial Development Bank of India, Industrial Finance Corporation of India, Industrial Credit and Investment Corporation of India Limited, Life Insurance Corporation of India, General Insurance Corporation of India and its subsidiaries, namely, the National Insurance Company Limited, the New India Assurance Company Limited, the Oriental Insurance Company Limited and the United Insurance Company Limited, or Unit Trust of India, the total subscription to the units or any other instrument, whether by one or more of such bodies, shall not form part of the twenty-five per cent of the units or any other instrument to be offered to the public.

(3) A company applying for listing of a scheme shall, as a condition precedent, undertake, *inter alia*,—

(*a*) (*i*) that letters of allotment of units or any other instrument will be issued simultaneously and that, in the event of its being impossible to issue letters of regret at the same time, a notice to that effect will be inserted in the press so that it will appear on the morning after the letters of allotment have been posted;

(*ii*) that letters of right will be issued simultaneously;

(*iii*) that letters of allotment, acceptance or rights will be serially numbered, printed on good quality paper and, examined and signed by a responsible officer of the

company and that whenever possible, they will contain the distinctive numbers of the units or any other instrument to which they relate;

(*iv*) that letters of allotment and renounceable letters of right will contain a proviso for splitting and that, when so required by the exchange, the form of renunciation will be printed on the back of or attached to the letters of allotment and letters of right;

(*v*) that letters of allotment and letters of right will state how the next payment of interest or return on the units or any other instrument will be calculated;

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

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

(*d*) when documents are lodged for sub-division or consolidation or renewal through the clearing house of the exchange :

(*i*) to accept the discharge of an official of the stock exchange clearing house on the company's split receipts and consolidation receipts and renewal receipts as good and sufficient discharge without insisting on the discharge of the registered holders; and

(*ii*) to verify when the company is unable to issue units or any other instruments or split receipt or consolidation receipts or renewal receipts immediately on lodgement whether the discharge of the registered holders, on the documents lodged for sub-division or consolidation or renewal and their signatures on the relative transfers are in order;

(*e*) on production of the necessary documents by unit holders or by members of the exchange, to make on transfers an endorsement to the effect that the power of attorney or probate or letters of administration or death certificate or similar other document has been duly exhibited to and registered by the company;

(*f*) to issue certificates in respect of units or any other instrument lodged for transfer within a period of one month of the date of lodgement of transfer and to issue balance units or any other instrument within the same period where the transfer is accompanied by a larger unit or any other instrument certificate;

(*g*) to advise the stock exchange of the date of the board meeting at which the declaration or recommendation of a return or the issue or right or bonus units or any other instrument will be considered;

(*h*) to recommend or declare all returns and/or cash bonuses at least five days before the commencement of the closure of its transfer books or the record date fixed for the

purpose and to advise the stock exchange in writing of all returns and/or cash bonuses recommended or declared immediately after a meeting of the board of the company has been held to finalise the same;

(*i*) to notify the stock exchange of any change—

(*i*) in the company's directorate by death, resignation, removal or otherwise,

(*ii*) of managing director,

(*iii*) of auditors appointed to audit the books and account of the company;

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

(*k*) to forward to the stock exchange as soon as they are issued copies of all other notices and circulars sent to the unit/other instrument holders regarding any important development or resolutions passed by the company affecting the performance of the scheme and to file with the stock exchange certified copies of resolutions of the company as soon as such resolutions become effective;

(*l*) to notify the stock exchange prior to intimating the unit/any other instrument holders, of any new issue of units/other instruments whether by way of right, privilege, bonus or otherwise and the manner in which it is proposed to offer or allot the same;

(*m*) to notify the stock exchange in the event of re-issue of any forfeited units/other instruments or the issue of units/other instruments held in reserve for future issue;

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

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

(*p*) to forward to the stock exchange an annual return immediately after the preparation of annual accounts of at least ten principal holders of each class of units/any other instruments of the company along with particulars as to the number of units/any other instrument held by, and address of, each such holder;

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

(*r*) to promptly notify the stock exchange—

(*i*) of any action which will result in the redemption, cancellation or retirement in whole or in part of any unit/other instrument listed on the exchange;

(*ii*) of the intention to make a drawing of such unit/other instrument intimating at the same time the date of the drawing and the period of the closing of the transfer books (or the date of the striking off the balance) for the drawing;

(*iii*) of the amount of units/other instruments outstanding after any drawing has been made;

(*s*) to intimate the stock exchange any other information necessary to enable the unit/any other instrument holders to appraise the position of the scheme and to avoid the establishment of a false market in the units/any other instruments of the company;

(*t*) that in the event of the application for listing being granted, such listing shall be subject to the rules and bye-laws of the exchange in force from time to time and that the company will comply within a reasonable time, with such further listing requirements as may be promulgated by the exchange as a general condition for new listings.

(4) A fresh application for listing will be necessary in respect of all new schemes desired to be dealt in :

Provided that, where such new units/other instruments are identical in all respects with those already listed, admission to dealing will be granted on the company intimating to the stock exchange particulars of such new schemes.

*Explanation*.—Units/any other instruments are identical in all respects only if—

(*a*) they are issued under the same scheme;

(*b*) they are of the same nominal value and the same amount per unit/other instruments has been called up;

(*c*) they are entitled to returns at the same rate and for the same period, so that at the next ensuing distribution, the return payable on each unit/other issue will amount to exactly the same sum, net and gross; and

(*d*) they carry the same rights in all other respects.

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

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

Providedfurther that where a recognised stock exchange has withdrawn admission to dealings in any unit/other instrument of a collective investment scheme, or where suspension of admission to dealings has continued for a period exceeding three months, the company or body corporate concerned may prefer an appeal to the Securities Appellate Tribunal constituted under section 15K of the Securities and Exchange Board of India Act, 1992 (15 of 1992), and the procedure laid down under the Securities Contracts (Regulation) (Appeal to Securities Appellate Tribunal) Rules, 2000 shall apply to such appeal. The Securities Appellate Tribunal may, after giving the stock exchange an opportunity of being heard, vary or set aside the decision of the stock exchange and thereupon the orders of the Securities Appellate Tribunal shall be carried out by the stock exchange.

(6) A recognised stock exchange may, either at its own discretion or shall in accordance with the orders of the Securities Appellate Tribunal under sub-rule (5) restore or readmit to dealings any units/other instruments suspended or withdrawn from the list.

(7) All the requirements with respect to listing prescribed by these rules, shall, so far as they may be, also apply to a body corporate constituted by an Act of Parliament or any State Legislature :

Provided that a recognised stock exchange may relax the requirement of offer to the public for subscription of at least twenty-five per cent of the units or any other instrument of a collective investment scheme issued in respect of a body corporate referred to in this sub-rule with the previous approval of the Securities and Exchange Board of India and also subject to such instructions as the Securities and Exchange Board of India may issue in this behalf from time to time.

(8) The Securities and Exchange Board of India may, at its own discretion or on the recommendation of a recognised stock exchange, waive or relax the strict enforcement of any or all of the requirements with respect of listing prescribed by these rules.]

[48][**Delisting of securities.**

**21.** A recognized stock exchange may, without prejudice to any other action that may be taken under the Act or under any other law for the time being in force, delist any securities listed thereon on any of the following grounds in accordance with the regulations made by the Securities and Exchange Board of India, namely:—

(*a*) the company has incurred losses during the preceding three consecutive years and it has negative networth;

(*b*) trading in the securities of the company has remained suspended for a period of more than six months;

(*c*) the securities of the company have remained infrequently traded during the preceding three years;

(*d*) the company or any of its promoters or any of its director has been convicted for failure to comply with any of the provisions of the Act or the Securities and Exchange Board of India Act, 1992 or the Depositories Act, 1996 (22 of 1996) or rules, regulations, agreements made thereunder, as the case may be and awarded a penalty of not less than rupees one crore or imprisonment of not less than three years;

(*e*) the addresses of the company or any of its promoter or any of its directors, are not known or false addresses have been furnished or the company has changed its registered office in contravention of the provisions of the Companies Act, 1956 (1 of 1956); or

(*f*) shareholding of the company held by the public has come below the minimum level applicable to the company as per the listing agreement under the Act and the company has failed to raise public holding to the required level within the time specified by the recognized stock exchange :

Providedthat no securities shall be delisted unless the company concerned has been given a reasonable opportunity of being heard.

(2) If the securities is delisted under clause (1),

[48] Inserted by the Securities Contracts (Regulation) (Amendment) Rules, 2008, w.e.f. 10.06.2009

(*a*) the company, promoter and director of the company shall be jointly and severally liable to purchase the outstanding securities from those holders who wish to sell them at a fair price determined in accordance with regulations made by Securities and Exchange Board of India, under the Act; and

(*b*) the said securities shall be delisted from all recognized stock exchanges.

(3) A recognized stock exchange may, on the request of the company, delist any securities listed thereon in accordance with the regulations made under the Act by Securities and Exchange Board of India, subject to the following conditions, namely :—

(*a*) the securities of the company have been listed for a minimum period of three years on the recognized stock exchange;

(*b*) the delisting of such securities has been approved by the two-third of public shareholders; and

(c) the company, promoter and/or the director of the company purchase the outstanding securities from those holders who wish to sell them at a price determined in accordance with regulations made by Securities and Exchange Board of India under the Act:

Providedthat the condition at (c) may be dispensed with by Securities and Exchange Board of India if the securities remain listed at least on the National Stock Exchange of India Limited or the Bombay Stock Exchange Limited.]

***FORM A***

(*See* Rules 3 and 7)

**Application for recognition/renewal of recognition of a stock exchange under section 3 of the Securities Contracts (Regulation) Act, 1956**

To

.....

.....

*Subject:—Application for recognition/renewal of recognition of a stock exchange under section 3 of the Securities Contracts (Regulation) Act, 1956.*

Sir,

Pursuant to the [49][Securities and Exchange Board of India] Notification No. ..... ..... dated ...../Certificate of recognition dated.....We/I on behalf of ..... (name and address of stock exchange) being a stock exchange as defined in section 2 of the Securities Contracts (Regulation) Act, 1956 hereby apply for recognition/renewal of recognition for the purposes of the said Act in respect of contracts in securities.

**2.** Four copies of the rules, memorandum and articles of association relating in general to the constitution and management of the stock exchange and four copies of the bye-laws for the regulation and control contracts in securities are enclosed.

[49] Substituted for "Central Government" by the Securities Contracts (Regulation) (Amendment) Rules, 1996, w.e.f. 23.12.1996.

Form is enclosed. Any additional information will be furnished as and when called for by the [50][Securities and Exchange Board of India].

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

**5.** Treasury Receipt No. .....dated.....for Rs.....is attached.

Yours faithfully,

Signature of applicant

## ANNEXURE TO FORM 'A'

### *Part I - General*

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

### *Part II - Membership*

6. State the number of members at the time of application. Also specify how many are inactive.
7. State whether there is any provision, resolution or convention for limiting the number of members and whether in pursuance thereof you have fixed a ceiling on the number of members that you would take.
8. Do you insist on any minimum qualifications and experience before enrolling new members ? If so give details.
9. State the different classes of members, if any, the number thereof and the privileges enjoyed by each class. What is the procedure followed by your exchange for the admission of different classes of new members ?
10. What are the rates of your annual subscription in respect of the different classes of members ?
11. Do you collect any security deposit from your members ? If so, give details and also state the manner in which such deposits are utilised and the rate of interest allowed, if any.
12. Do you collect any admission or entrance fees from your members or from partners of firms who are members ? If so, how much ?
13. Do you insist on your members and partners of firms who are members divesting themselves of other activities either as principal or as employee ?

[50] Substituted for "Central Government" by the Securities Contracts (Regulation) (Amendment) Rules, 1996, w.e.f. 23.12.1996.

14. Do your rules permit firms to become members ? If so, is it incumbent on members to seek the approval of the governing body before admitting new partners ? State the conditions, if any, laid down in your rules for the admission of such partners.

15. If your rules do not permit of firms being enrolled as members, do you permit individual members to form a partnership ? State the procedure followed for the recognition of such partnership.

16. Do you permit members to work in partnership with non-members ? If so, how far such non-members subject to the control of the stock exchange ?

***Part III - Governing Body***

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

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

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

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

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

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

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

***Part IV - Trading***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

41. Do you prescribe margin requirements ? If yes, give details.

42. Do you prescribe maximum and minimum prices for securities ? If so, how and under what conditions.

43. Do you provide any safeguards for the prevention of 'bullsqueezes' and ; 'bear- raids' and for meeting emergencies in trade ? Give details.

44. What are the measures adopted by you to regulate or prohibit advertising or issue of circulars by your members ?

45. What are the disciplinary power with the governing body to enforce due compliance by members of the rules and bye-laws of the exchange and generally to ensure proper standard of business conduct ?

46. Do you require members to supply such information or explanation and to produce such books relating to their business as your governing body may require ?

47. Do you publish any statistics in regard to business done on the exchange including the transactions settled through the clearing house, if maintained ? In particular, have you evolved any machinery for computing the volume of transactions in the different kinds of contracts permitted on your exchange ? Give details.

48. Do you have any bye-laws contravention of which makes a contract void ?

***Part V - Miscellaneous***

49. Do you have any machinery for arbitration of disputes between members and/or between members and their constituents ? Give details.

50. What are the conditions subject to which securities are listed for dealings on your exchange ?

51. What are your requirements for admitting securities to forward-trading ?

52. Do you have the right to prohibit, withdraw or suspend dealings in a listed security ? If so, under what circumstances is this right exercised ?

53. What provisions have you made for the levy and recovery of fees, fines and penalties ?

***FORM B***

(*See* rules 6 and 7)

[51]**[The Securities and Exchange Board of India]**

*New Delhi, the 20.....*

No. .....The [52][Securities and Exchange Board of India], having considered the application for recognition/renewal of recognition made under section 3 of the Securities Contracts (Regulation) Act, 1956 by..... (name and address of exchange) and being satisfied that it would be in the interest of the trade and also in the public interest so to do, hereby grants, in exercise of the powers conferred by section 4 of the Securities Contracts (Regulation) Act, 1956 recognition to the said exchange under section 4 of the said Act for ..... year/years ending .....20 .....on a permanent basis in respect of contracts in securities subject to the conditions stated herein below or as may be prescribed or imposed hereafter.

Seal of the [53][Board] Signature of Officer

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

[54]**[*FORM C***

(*See* rule 13)

**Notice to show cause against the withdrawal of recognition**

THE SECURITIES AND EXCHANGE BOARD OF INDIA

*Mumbai, the.....*

To

.....

.....

(name and address of the exchange)

[51] Substituted for "Government of India, Ministry of Finance" by the Securities Contracts (Regulation) (Amendment) Rules, 1996, w.e.f. 23.12.1996.

[52] Substituted for "Central Government", ibid.

[53] Substituted for "Ministry", ibid.

[54] Substituted by the Securities Contracts (Regulation) (Amendment) Rules, 1996, w.e.f. 23.12.1996

You are hereby called upon to show cause on or before ..... at the office of ..... ( designation of the officer) why the recognition granted to you under the Ministry of Finance/the Securities and Exchange Board of India, Notification No. ..... dated ..... and Certificate No. ..... dated ..... should not be withdrawn for the reasons given in the annexure to this notice.

By order and in the name of the Securities and Exchange Board of India.

Seal of the Securities and

Exchange Board of India.

**Notification :** *No. 576, dated 21-2-1957.*