

RULES OF POWER EXCHANGE INDIA LIMITED

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

Arrangement of Chapters

1	PRELIMINARY	3
2	DEFINITIONS	4
3	BOARD	7
4	CHIEF EXECUTIVE.....	10
5	MEMBERSHIP	11
6	DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND EXPULSION	24

1 PRELIMINARY

- 1.1 These Rules define, regulate and govern the rights, liabilities and obligations of the Members of Power Exchange India Limited Interse and of Power Exchange India Limited.
- 1.2 These Rules shall be known as `Rules of Power Exchange India Limited ` and shall for convenience, be hereinafter referred to as `these Rules` or `Rules` or `Rules of the Exchange`.
- 1.3 These Rules shall come into force on the date as the Board of the Exchange shall notify.
- 1.4 These Rules shall be in addition to the provisions of the Electricity Act, 2003 (“the Act”), any regulations there under or order or circular issued or amended from time to time (herein after collectively referred to as “Relevant Regulations (s)”) and shall always be read together with the Act and the Relevant Regulations (s) whenever and wherever the context requires.
- 1.5 In the event of any inconsistency between these Rules and the Act or Relevant Regulation (s), the Act or Relevant Regulation (s) shall prevail.
- 1.6 The titles of the clauses are only for convenience and may not be read as subject for the contents of the clauses.
- 1.7 Words denoting singular shall include plural and vice versa. Words denoting masculine gender shall include feminine gender and vice versa.

Any amendments in the rules approved shall be made only with the prior approval of the CERC and CERC reserves its right to specify any condition or to modify any of the present stipulation, in the light of the experience gained and to meet the needs of the future.

2 DEFINITIONS

Unless in the context it is explicitly stated otherwise, all words and expressions used herein but not defined, and defined in the following, shall have the meanings respectively assigned to them therein in the following order of priority:

- Electricity Act, 2003
- Companies Act, 1956 / Partnership Act 1932
- Rules of Power Exchange India Limited

2.1 “CERC” means the Central Electricity Regulatory Commission as defined in the Electricity Act 2003.

2.2 “the Act” means the Electricity Act, 2003 as amended from time to time.

2.3 “Board” means Board of directors of Power Exchange India Limited.

2.4 “Rules” “Bye Laws” “Business Rules” “Code of Conduct” “Circulars”, shall mean the Rules, Bye Laws, Business Rules, Code of Conduct and Circulars framed by the Exchange as amended from time to time and unless the context indicates otherwise, for regulating the activities and responsibilities of Members of the Exchange and as prescribed by the Relevant Authority from time to time for the constitution, organisation and functioning of the Exchange.

2.5 “Clearing Bank(s)” means such bank(s) as Exchange may appoint to act as funds settling agency, for the collection of margin money, deposits, consideration for all Contracts cleared through the Exchange and any other funds movement between Members and the Exchange and between Members as may be directed or prescribed by the Exchange from time to time.

2.6 “Constituent” means a person registered with the Exchange and on whose instructions and on whose account the Member enters into Contracts on the Exchange and / or clear and settles Contracts. The words Clients and Constituents shall be used interchangeably and shall have the same meaning.

- 2.7 “Contracts” means contracts permitted by the any regulatory authority like CERC and as defined in the Rules, Bye Laws and Business Rules of the Exchange.
- 2.8 “Electricity” shall for these purposes, shall have the meaning as defined in Electricity Act, 2003.
- 2.9 “Exchange” means Power Exchange India Limited
- 2.10 "Relevant Authority" means the Board or such other authority as specified by the Board from time to time as relevant for a specified purpose.
- 2.11 “Relevant Regulation” means any order, circular, notification or directives issued by any relevant authority under the provision of the Electricity Act 2003.
- 2.12 “Trading Segment” trading segment means the different segments or divisions into which the Contracts are admitted for Trading, Clearing and Settlement on the Exchange, as classified by the Exchange for admission of Members to the Exchange and for the purpose of Trading, Clearing and Settlement of Contracts on any Trading System used or operated by the Exchange.
- 2.13 "Member" means a Member of the Exchange who has been granted Membership by Exchange under the Rules of Exchange but does not denote the shareholder of the Exchange.
- 2.14 “Order” order means an offer to buy or sell any Contract through any Trading System used or operated by the Exchange.
- 2.15 “Trading System” of the Exchange means a system which carries out Contract matching and allied functions and makes available to Members and the investing public, by whatever method, quotations in Contracts or commodities and disseminates information regarding Contracts effected,

volumes or any other relevant matter, etc. and such other notifications as may be placed thereon by the Relevant Authority.

2.16 “Clearing and Settlement” means Clearing or Settlement or Clearing and Settlement of rights and obligations arising out of Contracts in underlying units on Exchange and subject to such conditions as may be prescribed by the Relevant Authority from time to time, unless the context indicates otherwise.

2.17 “Trading” means trading on the exchange by putting bids and offers for Contracts on the Exchange and subject to such conditions as may be prescribed by the Relevant Authority from time to time, unless the context indicates otherwise.

3 BOARD

- 3.1 The Board may organise, maintain, control, manage, regulate and facilitate the operations of the Exchange and of the transactions by Members, subject to the provisions of the Act and the Relevant Regulation (s).
- 3.2 All appointments to the Board shall be in accordance with the procedure prescribed for appointment of directors under the Companies Act, 1956 and the Articles of Association of the Exchange.
- 3.3 The Board is empowered to make Rules, Bye Laws, Business Rules and code of conduct; and issue necessary Circulars and/or amendments from time to time, for all or any matters relating to the conduct of business of the Exchange, the business and transactions of the Members of the Exchange inter-se and with Constituents; and to organise, maintain, control, manage, regulate and facilitate all such transactions and dealings on the Exchange and to do all or any such Acts and things which are necessary for the purposes of conducting the business of the Exchange. Without prejudice to the generality of the foregoing, the Board is empowered to make the same for all or any matters, including but not limited to the following matters:
 - 3.3.1 Norms, procedures, terms and conditions for admission to Membership of the Exchange;
 - 3.3.2 Conduct of business of the Exchange, including but not limited to admitting of Contracts to be transacted on the Exchange;
 - 3.3.3 Conduct of Members with regard to the business of the Exchange;
 - 3.3.4 Prescription from time to time, and administration of penalties, fines and other consequences, including suspension/expulsion of Members from the Exchange for violation of any provision of the Rules, Bye Laws, Business Rules, the Codes Of Conduct and any Circular prescribed by the Exchange;
 - 3.3.5 Manner of operations and interfacing with the Exchange for Trading on the Exchange;
 - 3.3.6 Manner of operations and interfacing with Clearing Bank(s) and the Exchange for Clearing and Settlement on the Exchange;
 - 3.3.7 Prescription, from time to time, of capital adequacy including deposits and

- margins and other norms which shall be required to be maintained by different categories of Members and Clearing Banks;
- 3.3.8 Maintenance of records and books of accounts by Members as may be specified from time to time;
- 3.3.9 Investigation of the financial condition, business conduct and dealings of the Members;
- 3.3.10 Disciplinary action/procedures against any Member;
- 3.3.11 Declaration of any Member as a defaulter or suspension or resignation or exclusion from Membership and consequences thereof and readmission;
- 3.3.12 Terms and conditions, charges, fees, levy, margin, security deposit or any other monies for admission or subscription for admission or continuance of Membership
- 3.3.13 Terms and conditions, charges, levy, fees, margin, security deposit or any other monies for business transacted through the Exchange, as may be laid down from time to time;
- 3.3.14 Appointment and dissolution of committee (s) for any purpose of the Exchange;
- 3.3.15 Such other matters in relation to the Exchange as may be necessary or expedient for the organisation, maintenance, control, management, regulation and facilitation of the operation of the Exchange.
- 3.4 The Board is empowered to delegate, from time to time, to the Managing Director who may be referred to as Relevant Authority or to any person (s) or committee (s) who / which may be referred to as Relevant Authority, such of the powers vested in it and upon such terms as it may think fit, to manage all or any of the affairs of the Exchange and from time to time, to revoke, withdraw, alter or vary all or any of such powers, as deem fit or necessary by the Board.
- 3.5 The Board may, from time to time, constitute one or more committees comprising of Member (s) of the Board or such other person (s) as the Board may in its discretion deem fit or necessary.
- 3.6 The Board shall have the authority to issue directive (s) from time to time to

the committee (s) or any other person (s) to whom any powers have been delegated by the Board. Such directives issued in exercise of this power, which may be of policy nature or may include directive (s) to dispose off a particular matter or issue, shall be binding on the concerned committee (s) or person (s).

3.7 The Board is empowered to vary, amend, repeal or add to the Rules, Bye Laws, Business Rules, Code of Conduct or any Circular framed by it.

3.8 The Directors on the Board and person (s) on any of the committee (s) constituted by the Board shall adhere to the Code of Conduct as may be prescribed by the Board from time to time.

4 CHIEF EXECUTIVE

- 4.1 The Managing Director of the Exchange shall be the Chief Executive of the Exchange and shall be the Relevant Authority for day-to-day management and affairs of the Exchange including but not limited to Trading, Clearing and Settlement of Contracts on the Exchange.
- 4.2 The Chief Executive shall function in accordance with the directives of the Board, as given from time to time.
- 4.3 The Chief Executive shall represent the Exchange officially in all public matters.
- 4.4 Without prejudice the generality of above provisions, the Chief Executive shall perform such function and shall exercise such powers as may be delegated by the Board.
- 4.5 The Board may from time to time delegate to the Chief Executive such powers and upon such terms as deemed fit or necessary. The Board may revoke, withdraw, alter or vary all or any of such powers as deemed fit or necessary from time to time.
- 4.6 The Chief Executive shall have such responsibilities and powers as may be delegated by the Board from time to time which may include but not limited to the following responsibilities and powers to be discharged in accordance with the provisions of the Rules and the Bye Laws of the Exchange:
- 4.6.1 Admitting Contracts which can be transacted on the Exchange;
- 4.6.2 Devise policies for development of the Exchange and recommend to the Board for implementation.
- 4.6.3 To do such other things as it may deem fit for the promotion and development of the Exchange,
- 4.6.4 Any other matter delegated by the Board.
- 4.6.5 The Managing Director, the Chief Executive Officer, any Director in-charge of

day-to-day operations, any employee, any consultant or any advisor of the power exchange shall not be directly or indirectly associated with any trading member or client or participant of the power exchange or with a holding or subsidiary company thereof.

5 MEMBERSHIP

- 5.1 The Exchange shall have any categories of Members as may be permitted by the Relevant Authority and admitted from time to time.
- 5.2 Members: Members shall be the persons admitted as such by the Exchange who shall be entitled to carry out Trading and / or Clearing and Settlement functions on the Exchange on behalf of others or on their own account as per the provisions of the Bye Laws, Business Rules and any Circular of the Exchange.
- 5.3 The rights and privileges of a Member (s) shall be subject to the Rules, Bye Laws, Business Rules or any Circular of the Exchange.
- 5.4 All Members of the Exchange shall have to register themselves with the Exchange prior to commencing operations on the Exchange. Members may also have to comply with any other registration as may be required under law, including with the competent regulatory authority or any such other authority as may be required from time to time.
- 5.5 The Relevant Authority may define and admit more than one category of Members and may specify different norms including eligibility, admission and cessation of Membership for each type of Members.
- 5.6 The Relevant Authority may specify pre-requisites, conditions, formats and procedures for application for admission, termination, re-admission, etc. Of Members and eligibility criteria for Trading in all or any of the Trading Segments or Contracts of the Exchange. The Relevant Authority may, at its absolute discretion, refuse permission to any applicant to be admitted as Member.

5.7 Such charges, fees, levy, margin, security deposit, and such other monies as are prescribed by the Relevant Authority would be payable on or before admission as Member and for continued admittance thereof.

5.8 Such charges, fees, levy, margin, security deposit, and such other monies as are prescribed by the Relevant Authority would be payable on or before transacting of Contracts by any Member on the Exchange for admittance of the Contracts on the Exchange.

5.9 ELIGIBILITY FOR MEMBERS

5.9.1 All or any of the following person (s) shall be eligible to become Members of the Exchange:

5.9.1.1 Individual who are Indian Nationals

5.9.1.2 Sole proprietorship

5.9.1.3 Partnership firm

5.9.1.4 Cooperative Society registered with the registrar of cooperative societies of respective states/union territories.

5.9.1.5 Statutory body

5.9.1.6 Company as defined in the Companies Act, 1956 and

5.9.1.7 Such other person or entity as may be permitted by Relevant Authority

5.9.2 No person shall be admitted as a Member of the Exchange if such proposed Member:

5.9.2.1 Has not completed 21 years of age;

5.9.2.2 Has committed any act which renders the entity liable to be wound up under the provisions of the law;

5.9.2.3 Has a provisional liquidator or receiver or official liquidator appointed to the person;

5.9.2.4 Has been adjudged bankrupt or a receiving order in bankruptcy has been made against the person or the person has been proved to be insolvent even though he has obtained his final discharge;

5.9.2.5 Has been convicted of an offence involving a fraud or dishonesty;

5.9.2.6 Has compounded with his creditors for less than full discharge of debts;

5.9.2.7 Has been at any time expelled or declared a defaulter by any other

Commodity Exchange / Stock Exchange / Clearing Corporation;

5.9.2.8 Has been previously refused admission to Membership unless the period of one year has elapsed since the date of rejection;

5.9.2.9 Has incurred such disqualification under the provisions of the Act or Relevant Regulations so as to disentitle such person from seeking Membership of the Exchange or from Trading on such Contracts.

5.10 Further, the Exchange shall not admit any person as a Member of the Exchange if it so determines that the admission would not be in public interest. The Exchange may add, modify or amend the admission criteria as deemed fit or necessary from time to time.

5.11 No person shall be eligible to be admitted to the Membership of the Exchange unless the person satisfies:

5.11.1.1 The requirements as may be prescribed in that behalf under the Act or Relevant Regulation (s),

5.11.1.2 The requirements of passing the certification programme as may be prescribed by the Exchange as eligibility criteria, and

5.11.1.3 Such additional eligibility criteria as the Board or Relevant Authority may prescribe for the different categories of Members.

5.12 ADMISSION

5.12.1 Any person desirous of becoming a Member shall apply to the Exchange for admission to the Membership during the period as permitted by the Exchange and specify the relevant Trading Segment of the Exchange he is desirous of Trading in. Every applicant shall be dealt with by the Relevant Authority who shall be entitled to admit or reject such applications at its discretion.

5.12.2 The application shall be made in such formats as may be prescribed by the Relevant Authority from time to time for application for admission of Members.

5.12.3 The application shall have to be submitted along with such charges, fees, levy, margin, security deposit and other monies in such form and in such manner as may be prescribed by the Relevant Authority from time to

time. The Relevant Authority may modify, waive, increase all or any of the above requirements or the manner of calculation of any or all the requirements from time to time in respect of Member.

- 5.12.4 The applicant shall have to furnish such documents and declarations as may be prescribed from time to time by the Relevant Authority.
- 5.12.5 The Relevant Authority shall have the right to call upon the applicant to pay such charges, fees, levy , security deposit, margin or to furnish any additional security in cash or kind, or to furnish any additional guarantee or to require the deposit of fund or fee for any purpose as the Relevant Authority may prescribe from time to time.
- 5.12.6 The Relevant Authority may admit the applicant to the Membership of the Exchange provided that the person satisfies the eligibility conditions and other procedures and requirements of admission. The Relevant Authority may at its absolute discretion reject any application for admission without communicating the reason thereof.
- 5.12.7 If for any reason the application is rejected, the application fee or admission fee, as the case may be, or part thereof as may be decided by the Relevant Authority may at its discretion be refunded to the applicant, without any interest.
- 5.12.8 Relevant Authority may, at its discretion, accept application (s) for further admissions to Membership of the Exchange as and when deemed appropriate by it and may stipulate any premium amount as precondition (s) for granting such Membership.
- 5.12.9 The Relevant Authority may at any time from the date of admission to the Membership of the Exchange cancel the admission and expel a Member if he has in or at the time of his application for admission to Membership or during the course of the inquiry made by the Relevant Authority preceding his admission:
 - 5.12.9.1 Made any wilful misrepresentation; or
 - 5.12.9.2 Suppressed any material information required of him as to his character and antecedents; or
 - 5.12.9.3 Has directly or indirectly given false particulars or information or made a false declaration.

5.13 When a person is admitted to the Membership of the Exchange, intimation of the person's admission shall be sent to the person and to any appropriate authority under law, if so required under the law. If the person admitted to the Membership of the Exchange and after intimation of his admission is duly sent, does not become a Member by complying with acts and procedures for exercising the privileges of Membership as may be prescribed by the Relevant Authority within a specified time period from the date of despatch of the intimation of admission, the admission fee and other monies paid by him shall be forfeited by the Exchange.

5.14 Every Member of the Exchange shall, upon being admitted as such, be issued a certificate or entitlement slip as proof of having been admitted to the benefits and privileges of the Membership of the Exchange. Such a certificate or entitlement slip shall not be transferable or transmittable except as herein mentioned.

5.15 TRANSFER

Subject to such terms and conditions as the Relevant Authority may prescribe from time to time and with the prior written approval of the Relevant Authority, transfer of the certificate / entitlement slip may be effected as follows:

- By making nomination under these Rules;
- By an amalgamation or merger of a Member company;
- By takeover of a Member;
- By transfer of the Membership of a Member firm to a new firm, in which, all the existing partners are not partners; and
- By two or more Members firms coming together to form a new partnership firm/company.

The approval for the said transfer will be at the discretion of the Relevant Authority. Mere takeover or merger or any other type of reorganization of the company would not entitle continuance of the membership unless approved by the Relevant Authority .

5.15.1 Nomination: An individual/sole proprietorship Member or his successor(s) may make a nomination to the certificate / entitlement slip of Membership. The nomination(s) made by such a Member or successor(s) of the Member shall be subject to the following conditions,

namely:

- 5.15.1.1 The nominee(s) shall, at the time when the nomination becomes effective, be person(s) who shall be qualified to be admitted as Member(s) of the Exchange;
- 5.15.1.2 The nominee(s) shall give to the Relevant Authority his/their unconditional and irrevocable acceptance of his/their nomination;
- 5.15.1.3 A Member shall nominate one or more of his successor(s) as per the applicable succession laws. If the Member has no successor(s) willing to carry on the Membership, then, the Member may nominate person(s) other than his successor(s);
- 5.15.1.4 If the Member has not nominated any person and is rendered incompetent to carry on his business on the Exchange on account of physical disability, then the Member may, within a period of six months, make a nomination as per the provisions of sub-clause (c) above;
- 5.15.1.5 If the Member has not nominated any person, the successor(s) of the Member may nominate one or more persons from among themselves within six months from the date of the death of the Member ;
- 5.15.1.6 If the nomination of the Member is such that it cannot be given effect to by the Relevant Authority, at the time when the nomination would have become effective, then the successor(s) of such a Member may nominate any other person(s) within six months from the date on which the nomination would have become effective;
- 5.15.1.7 If more than one person(s) are nominated by the Member or the successor(s), then such nominated person(s) shall be required to form a company/partnership firm to carry on the Membership;
- 5.15.1.8 A nomination made by a Member or successor(s) may be revoked with the prior written approval of the Relevant Authority and subject to such terms and conditions as the Relevant Authority may prescribe from time to time. No such revocation shall be permitted after the nomination becomes effective; and
- 5.15.1.9 The nomination shall become effective in the case of a nomination made by a Member, from the date of his death or physical disability or from the date of approval by the Relevant Authority, whichever is later and in the case of a nomination made by successor(s), from the date on which such

nomination is made or from the date of approval by the Relevant Authority, whichever is later.

5.15.2 The Relevant Authority may permit the transfer of the certificate / entitlement slip subject to payment of such transfer fee as it may be fit in the following circumstances:

5.15.2.1 Death of a Member;

5.15.2.2 If in the opinion of the Relevant Authority, the Member is rendered incompetent to carry on his business on the Exchange on account of physical disability;

5.15.2.3 Upon amalgamation or merger of a Member company;

5.15.2.4 Upon take over of a Member company; and

5.15.2.5 Upon the death of or resignation or notice of dissolution by a partner of a Member firm, and re-alignment, if any, by the partners in such firm or by the partners in such firm and the nominee(s)/successor(s) of the outgoing partner or by the partners in such firm and person(s) other than the nominee(s)/successor(s) of the outgoing partner in a new firm, within a period of six months from the date of such death or resignation or notice of dissolution.

5.15.3 For the purpose of the clauses (4.8.11) to (4.11), the term Member shall to the extent applicable, include a partner of a Member firm or a shareholder of a Member company. The term successor(s) shall to the extent applicable, include successor(s) of a partner of a Member firm or successor(s) of a shareholder of a Member company.

5.15.4 Without prejudice to any other provision of the Rules, the Membership may be suspended, for such period as the Relevant Authority may deem fit, in the following circumstances:

5.15.4.1 Upon the individual Member or a partner of a Member firm, in the opinion of the Relevant Authority, being rendered incompetent to carry on his business on account of physical disability;

5.15.4.2 Upon the mental disability of the individual Member or a partner of a Member firm provided the partner holds at least 51% of share in the profits and losses of and / or at least 51% of share in the capital of such firm or a shareholder of a Member company provided the shareholder is a majority shareholder in such Member company;

- 5.15.4.3 Upon the death of an individual Member or a partner of a Member firm provided the partner holds at least 51% of share in the profits & losses of and / or at least 51% of share in the capital of such firm or a shareholder of a Member company, provided the shareholder is a majority shareholder in such Member company and during the six month period within which successor(s) of such individual Member or partner or shareholder, may nominate person(s) to take up the stake/ shares of such deceased individual Member or partner or shareholder;
- 5.15.4.4 Upon the dissolution of a Member firm and during the six month period as referred to in sub clause (e) of clause (13); and
- 5.15.4.5 Upon any deadlock in the management of a Member firm or Member company, which, in the opinion of the Relevant Authority will affect the ability of such Member firm or Member company to carry on its business. The Member shall be entitled for an opportunity for representation before the Relevant Authority, before being suspended under this sub-clause, but the decision of the Relevant Authority shall be final.

Explanation I

For the purposes of this sub-clause, the term " Deadlock in the Management " means a situation wherein there is a loss of confidence or disagreement among the partners of a Member firm or among the directors/shareholders of a Member company, which, in the opinion of the Relevant Authority, will affect or is likely to affect the conduct of business by the Member firm or Member company, as the case may be or an equality of vote at a meeting of the directors or shareholders of a Member company.

- 5.15.5 Without prejudice to any other provision of the Rules, the Membership may be terminated by the Relevant Authority if an acceptable nomination or realignment, as the case may be, does not take place to the satisfaction of the Relevant Authority, within the said period of six months.
- 5.15.6 The nominee(s), successor(s), partners of a Member firm or such other persons, as the case may be shall be entitled for an opportunity for representation before the Relevant Authority, before being terminated under clause (h) above, but the decision of the Relevant Authority shall be final.

5.16 CONVERSION OF LEGAL STATUS OF THE MEMBER

5.16.1 Subject to such terms and conditions as the Relevant Authority may prescribe from time to time and with the prior written approval of the Relevant Authority, conversion of the legal status of a Member may be effected as follows:

5.16.1.1 By conversion of an individual Member into a partnership firm / company;

5.16.1.2 By conversion of a Member firm into a company.

5.16.2 The certificate of Membership / entitlement slip does not confer any ownership right as a Member of the Exchange and shall not be a transferable instrument without prior specific permission in writing from the Relevant Authority and subject to these Bye Laws and conditions as may be prescribed by the Relevant Authority from time to time.

5.16.3 A Member shall not assign, mortgage, pledge, hypothecate or charge his right of Membership or any rights or privileges attached thereto and no such attempted assignment mortgage, pledge, hypothecation or charge shall be effective as against the Exchange for any purpose, nor shall any right or interest in any Membership other than the personal right or interest of the Member therein be recognized by the Exchange. The Relevant Authority shall expel any Member of the Exchange who acts or attempts to act in violation of the provisions of this Rule.

5.17 CONDITIONS

5.17.1 Members shall adhere to the Rules, Bye Laws, Business Rules, Code of Conduct and any Circular prescribed by the Exchange, and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the Relevant Authority as may be applicable.

5.17.2 Members shall be bound by the provisions of the Relevant Regulation framed there under as in force from time to time and all other applicable laws in force from time to time.

5.17.3 All Contracts issued for admitted deals shall be in accordance with and subject to Rules, Bye Laws, Business Rules, Code of Conduct and any Circular prescribed by the Exchange.

- 5.17.4 Members shall furnish declarations, undertakings, confirmation and such other documents and papers relating to such matters and in such forms as may be prescribed by the Relevant Authority from time to time.
- 5.17.5 Members shall furnish to the Exchange, within such time as may be specified, an annual Auditors' Certificate certifying that specified requirements as may be prescribed by the Relevant Authority from time to time pertaining to their operations have been complied with.
- 5.17.6 Members shall furnish such information and periodic returns pertaining to their operations as may be required by the Relevant Authority from time to time.
- 5.17.7 Members shall furnish to the Exchange such audited and/or unaudited financial or qualitative information and statements and in such manner as may be required by the Relevant Authority from time to time.
- 5.17.8 Members shall comply with such requirements as may be prescribed by the Relevant Authority from time to time with regard to advertisements, booklets and any similar act in connection with their activities as Members.
- 5.17.9 Members shall extend full cooperation and furnish such information and explanation and in such manner as may be required by the Relevant Authority or authorised person of the Exchange for inspection or audit or in regard to any dealings, settlement, accounting and/or other related matters.
- 5.17.10 Members shall maintain the net worth requirement as may be prescribed by the Relevant Authority from time to time.
- 5.17.11 Members shall pay such fees, security deposits and other charges as may be prescribed by the Relevant Authority from time to time.
- 5.17.12 No person (s) other than Government of India or any State Government shall at the same time, be a partner in more than one Member firm or a have controlling shareholding in more than one Member company, which is a Member of the Exchange without prior approval of the Relevant Authority.

Explanation I

Further, in case of individual and sole proprietorship Member (s) they can not be a partner in any Member firm or a have controlling shareholding in any Member

company, which is a Member of the Exchange without prior approval of the Relevant Authority

5.18 TERMINATION OF MEMBERSHIP

Any Member may cease to be a Member, if one or more of the following apply:

1. By surrender of Membership;
2. By death;
3. By expulsion in accordance with the provisions contained in the Rules and Bye Laws of the Exchange;
4. By being declared a defaulter in accordance with the Rules and Bye Laws of the Exchange;
5. By dissolution in case of partnership firm;
6. By winding up or dissolution of such company in case of a company.

The termination of Membership shall not in any way absolve the Member from any obligations and liabilities incurred by the Member prior to such termination.

5.19 SURRENDER OF MEMBERSHIP

- 5.19.1 A Member who intends to surrender the Membership of the Exchange shall intimate to the Exchange by a written notice to that effect which shall be displayed on the Trading System or through such other mode.
- 5.19.2 Any other Member of the Exchange objecting to any such surrender shall communicate the grounds of his objection to the Relevant Authority by letter within such period as may be prescribed by the Relevant Authority from time to time.
- 5.19.3 The Relevant Authority may accept the surrender of a Member either unconditionally or on such conditions as it may think fit or may refuse to accept such surrender and in particular may refuse to accept such surrender until it is satisfied that all outstanding transactions with such Member have been settled.

5.20 DEATH

On the death of a Member, his legal representatives and authorized representatives, if any, shall communicate due intimation thereof to the Relevant Authority in

writing immediately and all future activities of the Member shall cease immediately except so far as it pertains to past obligations prior to his death.

5.21 FAILURE TO PAY CHARGES

Save as otherwise provided in the Rules, Bye Laws and Business Rules of the Exchange if a Member fails to pay his annual subscription or any other fees, charges, deposits, fines, penalties, contribution to Settlement Fund(s), other charges, or other monies which may be due by him to the Exchange within such time as the Relevant Authority may prescribe from time to time after notice in writing has been served upon him by the Exchange, he may be suspended by the Relevant Authority until he makes payment and if within a further period of time as may be prescribed by the Relevant Authority from time to time, he fails to make such payment, he may be declared a defaulter or expelled by the Relevant Authority.

5.22 CONTINUED ADMITTANCE

The Relevant Authority shall from time to time prescribe conditions and requirements for continued admittance to Membership which may, inter alia, include maintenance of minimum networth and capital adequacy. The Membership of any person who fails to meet these requirements shall be liable to be terminated.

5.23 READMISSION OF DEFAULTERS

5.23.1 A Member's right of Membership shall lapse and vest with the Exchange immediately he is declared a defaulter. The Member who is declared a defaulter shall forfeit all his rights and privileges as a Member of the Exchange, including any right to use of or any claim upon or any interest in any property or funds of the Exchange, if any.

5.23.2 The Relevant Authority may, at its absolute discretion, readmit a defaulter as a Member subject to the provisions, terms and conditions as may be prescribed by the Relevant Authority from time to time.

5.23.3 The Relevant Authority may readmit only such defaulter who in its opinion:

5.23.3.1 Has paid up all dues to the Exchange, other Members and Constituents;

5.23.3.2 Has no insolvency proceedings against him in a Court or has not been

declared insolvent by any Court;

- 5.23.3.3 Has defaulted owing to the default of principals whom he might have reasonably expected to be good for their commitments;
- 5.23.3.4 Has not been guilty of bad faith or breach of the Rules, Bye Laws, and Code of Conduct of the Exchange;
- 5.23.3.5 Has been irreproachable in his general conduct.

6 DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND EXPULSION

6.1 DISCIPLINARY JURISDICTION

The Relevant Authority may expel or suspend and/or fine under censure and/or warn and/or withdraw any of the Membership rights of a Member if it be guilty of contravention, non-compliance, disobedience, disregard or evasion of any of the provisions of Rules, Bye Laws, Business Rule and Code of Conduct of the Exchange or of any resolutions, orders, notices, directions or decisions or rulings of the Exchange or the Relevant Authority or of any other committee or officer of the Exchange authorised in that behalf or of any conduct, proceeding or method of business which the Relevant Authority in its absolute discretion deems dishonourable, disgraceful or unbecoming a Member or inconsistent with just and equitable principles of trade or detrimental to the interests, good name or welfare of the Exchange or prejudicial or subversive to its objects and purposes.

6.2 PENALTY FOR MISCONDUCT, UNBUSINESS LIKE CONDUCT AND UNPROFESSIONAL CONDUCT

In particular and without in any way limiting or prejudicing the generality of the provisions in Rule 5.1 above, a Member shall be liable to expulsion or suspension or withdrawal of all or any of its Membership rights and/or to payment of a fine and/or to be censured, reprimanded or warned for any misconduct, un-business like conduct or unprofessional conduct in the sense of the provision in that behalf contained herein.

6.3 MISCONDUCT

6.3.1 A Member shall be deemed guilty of misconduct for any of the following or similar acts or omissions namely:

- i. Fraud: If it is convicted of a criminal offence or commits fraud or a fraudulent act which in the opinion of the Relevant Authority renders it unfit to be a Member;
- ii. Violation: If it has violated provisions of any statute governing the activities, business and operations of the Exchange, ;

- iii. Improper Conduct: If in the opinion of the Relevant Authority it is guilty of dishonorable or disgraceful or disorderly or improper conduct on the Exchange or of willfully obstructing the business of the Exchange;
- iv. Breach of Rules and Bye Laws: If it shields or assists or omits to report any Member / clearing Member whom it has known to have committed a breach or evasion of any Rule or Bye Law or Business Rules or Code of Conduct of the Exchange or of any resolution, order, notice or direction thereunder of the Relevant Authority or of any committee or officer or the Exchange authorised in that behalf;
- v. Failure to comply with Resolutions: If it contravenes or refuses or fails to comply with or abide by any resolution, order, notice, direction, decision or ruling of the Relevant Authority or of any committee or officer of the Exchange or other person authorised in that behalf under the Rules, Bye Laws and Business Rules of the Exchange;
- vi. Failure to submit to or abide by Arbitration: If it neglects or fails or refuses to submit to arbitration or to abide by or carry out any award, decision or order of the Relevant Authority or the arbitration committee or the arbitrators made in connection with a reference under the Bye Laws, Rules of the Exchange;
- vii. Failure to testify or give information: If it neglects or fails or refuses to submit to the Relevant Authority or to a committee or an officer of the Exchange authorised in that behalf, such books, correspondence, documents and papers or any part thereof as may be required to be produced or to appeal and testify before or cause any of its partners, attorneys, agents, authorised representatives or employees to appear and testify before the Relevant Authority or such committee or officer of the Exchange or other person authorised in that behalf;
- viii. Failure to submit Special Returns: If it neglects or fails or refuses to submit to the Relevant Authority within the time notified in that behalf special returns in such form as the Relevant Authority may from time to time prescribe together with such other information as the Relevant Authority may require whenever circumstances arise which in the opinion of the Relevant Authority make it desirable that such special returns or information should be furnished by any or all the Members;
- ix. Failure to submit Audited Accounts: If it neglects or fails or refuses to submit its audited accounts to the Exchange within such time as may be prescribed by the Relevant Authority from time to time.

- x. Failure to compare or submit accounts with Defaulter: If it neglects or fails to compare its accounts with the defaulters' committee or to submit to it a statement of its accounts with a defaulter or a certificate that it has no such account or if it makes a false or misleading statement therein;
- xi. False or misleading Returns: If it neglects / fails / refuses to submit or makes any false / misleading statement in its clearing forms or returns required to be submitted to the Exchange under the Rules, Bye Laws and Business Rules;
- xii. Vexatious complaints: If it or its agent brings before the Relevant Authority or a committee or an officer of the Exchange or other person authorised in that behalf a charge, complaint or suit which in the opinion of the Relevant Authority is frivolous, vexatious or malicious;
- xiii. Failure to pay dues and fees: If it fails to pay its subscription, fees, margins, arbitration charges or any other money which may be due by it or any fine or penalty imposed on it.

6.3.2 Unbusiness like Conduct

A Member shall be deemed guilty of unbusiness like conduct for any of the following or similar acts or omissions namely:

- i. Fictitious Names: If it transacts its own business or the business of its Constituent in fictitious names or if he carries on business in more than one Trading Segment of the Exchange under fictitious names;
- ii. Fictitious Dealings: If it makes a fictitious transaction or gives an Order for the purchase or sale, the execution of which would involve no change of ownership or executes such an Order with knowledge of its character;
- iii. Circulation of rumours: If it, in any manner, circulates or causes to be circulated, any rumours;
- iv. Prejudicial Business: If it makes or assists in making or with such knowledge is a party to or assists in carrying out any plan or scheme for the making of any purchases or sales or offers of purchase or sale for the purpose of upsetting the equilibrium of the market or bringing about a condition in which prices will not fairly reflect market values;
- v. Market Manipulation and Rigging: If it, directly or indirectly, alone or with other persons, effects transactions in any Contract to create actual or apparent active Trading in such Contract or raising or depressing the prices of any Contract for the purpose of inducing purchase or sale such by others;

- vi. Unwarrantable Business: If it engages in reckless or unwarrantable dealings in the market or effects purchases or sales for its Constituent's account or for any account in which it is directly or indirectly interested which purchases or sales are excessive in view of its Constituent's or his own means and financial resources or in view of the market for electricity trading or market underlying any Contract;
- vii. Compromise: If it connives at a private failure of a Member or accepts less than a full and bona fide money payment in settlement of a debt due by a Member arising out of a transaction in electricity;
- viii. Dishonoured Cheque: If it issues to any other Member or to its Constituents a cheque which is dishonoured on presentation for whatever reasons;
- ix. Failure to carry out transactions with Constituents: If it fails in the opinion of the Relevant Authority to carry out its committed transactions with its Constituents;

6.3.3 Unprofessional Conduct

A Member shall be deemed guilty of unprofessional conduct for any of the following or similar acts or omissions namely:

- i. Business in which dealings not permitted: If it enters into dealings in underlying units of contracts , which dealings are not permitted;
- ii. Business for Defaulting Constituent: If it transacts business directly or indirectly or executes an Order for a Constituent who has within its knowledge failed to carry out engagements relating to trading of any underlying units of Contracts including contracts relating to electricity trading and is in default to another Member unless such Constituent shall have made a satisfactory arrangement with the Member who is its creditor;
- iii. Business for Insolvent: If without first obtaining the consent of the Relevant Authority it directly or indirectly is interested in or associated in business with or transacts any business with or for any individual who has been bankrupt or insolvent even though such individual shall have obtained his final discharge from an Insolvency Court;
- iv. Business without permission when under suspension: If without the permission of the Relevant Authority it does business on its own account or on account of a principal with or through a Member during the period it is required by the Relevant Authority to suspend business on the Exchange;
- v. Business for or with suspended, expelled and defaulter Members: If without the special permission of the Relevant Authority it shares brokerage with or carries on

- business or enters into any Contract for or with any Member who has been suspended, expelled or declared a defaulter;
- vi. Business for Employees of other Members: If it transacts business directly or indirectly for or with or executes an Order for a authorised representative or employee of another Member without the written consent of such employing Member;
 - vii. Advertisement: If it advertises contrary to guidelines if any, issued by the Relevant Authority for advertisement by the Members.
 - viii. Evasion of Margin Requirements: If it will fully evades or attempts to evade or assists in evading the margin requirements prescribed by Relevant Authority and/or in Rules, Bye Laws and Business Rules;
 - ix. Brokerage Charge: If it deviates from or evades or attempts to evade the Rules, Bye Laws and Business Rules relating to charging and sharing of brokerage.

6.4 MEMBER'S RESPONSIBILITY FOR PARTNERS, AGENTS AND EMPLOYEES

A Member shall be fully responsible for the acts and omissions of its authorised officials, attorneys, agents, authorised representatives and employees and if any such act or omission be held by the Relevant Authority to be one which if committed or omitted by the Member would subject it to any of the penalties as provided in the Rules, Bye Laws and Business Rules of the Exchange then such Member shall be liable therefore to the same penalty to the same extent as if such act or omission had been done or omitted by itself.

6.5 SUSPENSION ON FAILURE TO PROVIDE MARGIN DEPOSIT AND/OR CAPITAL ADEQUACY REQUIREMENTS AND / OR DEPOSIT OR CONTRIBUTION TO SETTLEMENT FUND

The Relevant Authority shall require a Member to suspend its business when it fails to provide the margin deposits, deposits and contribution to Settlement Fund and/or meet capital adequacy norms as provided in these Rules, Bye Laws and Business Rules of the Exchange and the suspension of business shall continue until it furnishes the necessary margin deposits, deposits and contribution to Settlement Fund or meet capital adequacy requirements. The Relevant Authority may expel a Member acting in contravention of this provision.

6.6 SUSPENSION OF BUSINESS

The Relevant Authority may require a Member to suspend its business in part or in whole:

6.6.1 Prejudicial Business: When in the opinion of the Relevant Authority, the Member conducts business in a manner prejudicial to the Exchange by making purchases or sales of Contracts or offers to purchase or sell Contracts for the purpose of upsetting equilibrium of the market or bringing about a condition of demoralisation in which prices will not fairly reflect market values, or

6.6.2 Unwarrantable Business: When in the opinion of the Relevant Authority it engages in unwarrantable business or effects purchases or sales for its Constituent's account or for any account in which it is directly or indirectly interested which purchases or sales are excessive in view of its Constituent's or its own means and financial resources or in view of the market, or

6.6.3 Unsatisfactory Financial Condition: When in the opinion of the Relevant Authority it is in such financial condition that it cannot be permitted to do business with safety to its creditors or the Exchange.

6.7 REMOVAL OF SUSPENSION

The suspension of business under clause 5.8 above shall continue until the Member has been allowed by the Relevant Authority to resume business on its paying such deposit or on its doing such act or providing such thing as the Relevant Authority may require.

6.8 PENALTY FOR CONTRAVENTION

A Member who is required to suspend its business shall be expelled by the Relevant Authority if he/she acts in contravention of this provision.

6.9 MEMBERS AND OTHERS TO TESTIFY AND GIVE INFORMATION

A Member shall appear and testify before and cause its partners, attorneys, agents, authorised representatives and employees to appear and testify before the Relevant

Authority or before other committee(s) or an officer of the Exchange authorised in that behalf and shall produce before the Relevant Authority or before other committee(s) or an officer of the Exchange authorised in that behalf, such books, correspondence, documents, papers and records or any part thereof which may be in its possession and which may be deemed relevant or material to any matter under inquiry or investigation.

6.10 PERMISSION NECESSARY FOR LEGAL REPRESENTATION

No person shall have the right to be represented by professional counsel, attorney, advocate or other representative in any investigation or hearing before the Relevant Authority or any other committee unless the Relevant Authority or other committee so permits.

6.11 EXPLANATION BEFORE SUSPENSION OR EXPULSION

A Member shall be entitled to be summoned before the Relevant Authority and afforded an opportunity for explanation before being suspended or expelled but in all cases the findings of the Relevant Authority shall be final and conclusive.

6.12 TEMPORARY SUSPENSION

6.12.1 Notwithstanding what is contained in clauses herein above if in the opinion of the Chief Executive it is necessary to do so, he may, for reasons to be recorded in writing, temporarily suspend a Member, pending completion of the proceedings for suspension under this chapter by the Relevant Authority, and no notice of hearing shall be required for such temporary suspension and such temporary suspension shall have the same consequences of suspension under this chapter.

6.12.2 Any such temporary suspension may be revoked at the discretion of the Chief Executive, for reasons to be recorded in writing, if the Chief Executive is satisfied that the circumstances leading to the formations of opinion of the Chief Executive to effect temporary suspension, have ceased to exist or are satisfactorily resolved.

6.12.3 A Member aggrieved by the temporary suspension may appeal to the Relevant Authority, provided that such appeal shall not automatically suspend the temporary suspension unless otherwise directed by the

Relevant Authority.

The penalty of suspension, withdrawal of all or any of the Membership rights, fine, censure or warning may be inflicted singly or conjointly by the Relevant Authority.

The penalty of expulsion may be inflicted by the Relevant Authority.

6.13 PRE-DETERMINATION OF PENALTIES

The Relevant Authority shall have the power to pre-determine the penalties, the period of any suspension, the withdrawal of particular Membership rights and the amount of any fine that would be imposed on contravention, non-compliance, disobedience, disregard or evasion of any Rules, Bye Laws and Business Rules of the Exchange or of any resolution, order, notice, direction, decision or ruling there under of the Exchange, the Relevant Authority or of any other committee or officer of the Exchange authorized in that behalf.

6.14 COMMUTATION

Subject to the provision of the Relevant Regulation (s), the Relevant Authority in its discretion may in any case suspend a Member in lieu of the penalty of expulsion or may withdraw all or any of the Membership rights or impose a fine in lieu of the penalty of suspension or expulsion and may direct that the guilty Member be censured or warned or may reduce or remit any such penalty on such terms and conditions as it deems fair and equitable.

6.15 RECONSIDERATION/REVIEW

Subject to the provisions of the Relevant Regulation (s), the Relevant Authority may of its own motion or on appeal by the Member concerned reconsider and may rescind, revoke or modify its resolution withdrawing all or any of the Membership rights or fining, censuring or warning any Member. In a like manner the Relevant Authority may rescind revoke or modify its resolution expelling or suspending any Member.

6.16 FAILURE TO PAY FINES AND PENALTIES

If a Member fails to pay any fine or penalty imposed on it within such period as prescribed from time to time by the Relevant Authority after notice in writing has been served on it by the Exchange it may be suspended by the Relevant Authority

until it makes payment and if within a further period as prescribed from time to time it fails to make such payment it may be expelled by the Relevant Authority.

6.17 CONSEQUENCE OF SUSPENSION

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

- 6.17.1.1 Suspension of Membership Rights: The suspended Member shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of Membership including the right to attend or vote at any meeting of the general body of Members of the relevant segment, but it may be proceeded against by the Relevant Authority for any offence committed by it either before or after its suspension and the Relevant Authority shall not be debarred from taking cognizance of and adjudicating on or dealing with any claim made against it by other Members;
- 6.17.1.2 Rights of creditors unimpaired: The suspension shall not affect the rights of the Members who are creditors of the suspended Member;
- 6.17.1.3 Fulfillment of Contracts: The suspended Member shall be bound to fulfil Contracts outstanding at the time of its suspension;
- 6.17.1.4 Further business prohibited: The suspended Member shall not during the terms of its suspension enter into any Contract or transact any business with or through a Member provided that it may with the permission of the Relevant Authority close with or through a Member the transactions outstanding at the time of its suspension;
- 6.17.1.5 Members not to transact: No Member shall transact business for or with or share brokerage with a suspended Member during the terms of its suspension except with the previous permission of the Relevant Authority.

6.18 CONSEQUENCES OF EXPULSION

The expulsion of a Member shall have the following consequences namely:

- 6.18.1 Membership rights forfeited: The expelled Member shall forfeit to the Exchange its right of Membership and all rights and privileges as a Member of the Exchange including any right to the use of or any claim

upon or any interest in any property or funds of the Exchange but any liability of any such Member to the Exchange or to any Member of the Exchange shall continue and remain unaffected by its expulsion;

- 6.18.2 Office vacated: The expulsion shall create a vacancy in any office or position held by the expelled Member;
- 6.18.3 Rights of Creditors unimpaired: The expulsion shall not affect the rights of the Members who are creditors of the expelled Member;
- 6.18.4 Fulfillment of Contracts and Obligations: The expelled Member shall be bound to fulfil transactions and obligations outstanding at the time of his expulsion and it may with the permission of the Relevant Authority close such outstanding transactions with or through a Member;
- 6.18.5 Members not to transact: No Member shall transact business for or with or share brokerage with the expelled Member except with the previous permission of the Relevant Authority.
- 6.18.6 Consequences of declaration of defaulter to follow: The provisions of the Bye Laws pertaining to default, shall become applicable to the Member expelled from the Exchange as if such Member has been declared a defaulter.

6.19 EXPULSION RULES TO APPLY

When a Member ceases to be such under the provisions of Rules, Bye Laws and Business Rules of the Exchange otherwise than by death, default or resignation it shall be as if such Member has been expelled by the Relevant Authority and in that event all the provisions relating to expulsion contained in these Rules shall apply to such Member in all respects.

6.20 SUSPENSION OF BUSINESS

- 6.20.1 The Relevant Authority shall require a Member to suspend its business when it fails to maintain or provide further security as prescribed in the Rules, Bye Laws and Business Rules of the Exchange and the suspension shall continue until it pays the necessary amount by way of security.
- 6.20.2 Penalty for Contravention: A Member who is required to suspend its business hereunder shall be expelled by the Relevant Authority if it acts in contravention of the provisions of the Rules, Bye Laws and Business

Rules of the Exchange.

6.21 NOTICE OF PENALTY AND SUSPENSION OF BUSINESS

- 6.21.1 Notice shall be given to the Member concerned and to the Members in general by a notice on the Trading System or such other method as the Exchange may decide of the expulsion or suspension or default of or of the suspension of business by a Member or of any other penalty imposed on it or on its partners, attorneys, agents, authorised representatives or other employees. The Relevant Authority may in its absolute discretion and in such manner as it thinks fit notify or cause to be notified to the Members of the Exchange or to the public that any person who is named in such notification has been expelled, suspended, penalised or declared a defaulter or has suspended its business or ceased to be a Member. No action or other proceedings shall in any circumstances be maintainable by such person against the Exchange or the Relevant Authority or any officer or employee of the Exchange for the publication or circulation of such notification and the application for Membership or the application for registration as the constituted attorney or authorised representative or by the person concerned shall operate as license and the Rules, Bye Laws and Business Rules of the Exchange shall operate as leave to print, publish or circulate such advertisement or notification and be pleadable accordingly.
- 6.21.2 Notwithstanding anything contained in these provisions, if in the opinion of the Relevant Authority it is necessary to do so, he may, for reasons to be recorded in writing, temporarily suspend forthwith the Member, pending completion of appropriate proceedings for suspension under this chapter by the Relevant Authority, and no notice of hearing shall be required for such temporary suspension and such temporary suspension shall have the same consequences of suspension under this chapter, provided that appropriate proceedings provided in this chapter shall be commenced by issue of a notice to show cause to the Member within specified days of such temporary suspension. Any such temporary suspension may be revoked at the discretion of the Relevant Authority, for reasons to be recorded in writing, if the Relevant Authority is satisfied

that the circumstances leading to the formation of opinion of the Relevant Authority to suspend, has ceased to exist or are satisfactorily resolved.