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Government of Bombay

# Report of the Stock Exchange Enquiry Committee

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BOMBAY

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1937

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# REPORT OF THE STOCK EXCHANGE ENQUIRY COMMITTEE

## I—INTRODUCTORY

We, the undersigned members of the Committee appointed to examine and report on the organisation and methods of working of the Native Share and Stock Brokers' Association of Bombay, to consider whether any modifications are desirable in the interests of the investing public, and to make recommendations, have the honour to report as follows :

2. The Resolution of Government appointing the Committee (Appendix I) extended a general invitation to associations or persons, wishing to make proposals for the reorganisation of the Bombay Stock Exchange or for improving its methods of working, to send in written statements of their views to the Secretary of the Committee. In response to this invitation 55 representations were received. On the basis of the suggestions contained therein as well as of comments appearing in the public Press, a questionnaire (Appendix II) was drawn up by the Committee and was circulated to a number of associations and individuals and to the Press. Thirty-eight associations and individuals sent in replies to the questionnaire, and of these 22 were invited to give oral evidence before the Committee. A list of the witnesses examined and also a list of the associations and persons who submitted representations and replies to the questionnaire are appended (Appendix III).

## II—GENERAL REMARKS

3. It is now very generally recognised that reasonable facilities for speculative transactions are a necessary and healthy part of the machinery of a Stock Exchange, which provides a free market where securities may be bought and sold to the best advantage and without undue delay. The acceptance of this principle has weighed with us in arriving at our conclusions and recommendations. The difficulty will always exist of so defining what is legitimate and reasonable speculation as to be able to draw a definite line of demarcation between that and reckless speculation or mere gambling in differences. It is the confusion of thought which results from the inability clearly to differentiate speculative dealings of a legitimate nature and speculation which is gambling that has led critics of the Stock Exchange to demand strongly restrictive measures being applied to all dealings other than

those which are concerned with sales of actual holdings and purchases for the purpose of investment. We have taken the view that our efforts should be directed towards restricting as far as possible the facilities provided for reckless gambling, while, at the same time, leaving the way open for the exercise of what we claim is a perfectly legitimate function of a Stock Exchange.

4. We are of opinion that, though the Board of Directors of the Native Share and Stock Brokers' Association has taken action in some directions to improve working conditions amongst its members, since the Atlay Committee reported in 1924, and though there has been no recent recurrence of "corners" which, prior to that date, were an all too frequent cause of difficulties in the Bazaar, trading in the Bazaar and its administration still reveal certain fundamental weaknesses of practice and, almost as important, of mentality.

5. We are satisfied, from the evidence which has been placed before us, that, of the total business transacted on the Bombay Share Bazaar, too high, indeed much too high, a proportion is of a speculative nature,—several witnesses estimated such business at anything between 80 and 90 per cent.—and of that speculative business, a very high proportion has degenerated into a mere gamble in differences, thus constituting an ever present threat to the continued existence of the Bazaar as a serious place of business, capable of discharging with efficiency its proper functions as an important and essential part of the economic machinery of the Presidency and of the country.

6. The first and fundamental principle of Stock Exchange practice and administration is that there shall be no interference with the natural course of a market, except in what would be, in practice, quite clearly definable circumstances. The natural corollary to that is that every bargain must be regarded as a contract to deliver or to take delivery of a stated amount of stock at a stated price and within a stated time, and that any failure to implement fully such contract on the terms of the contract, by *bona fide* money payment, must automatically, and without exception, be followed by a public declaration of default. In the course of our enquiry we have heard evidence which, in our view, clearly proves that a mentality exists which interferes with these principles. A Stock Exchange, by reason of its peculiarly

intimate relations with the public and because the behaviour of its members has important repercussions on the public weal, demands a very high standard of conduct on the part of its members, and of administration on the part of its controlling body. Moreover, in Bombay the Share Bazaar, being recognised by Government, is placed in a privileged position, and such a privilege entails corresponding responsibilities.

7. We have tried to keep in view as our main aim the desirability of setting up this high standard of business conduct for the Bombay Stock Exchange, and many of the recommendations we make, whether they pertain to the organisation of the Stock Exchange as a whole or to the constituent parts of it, have this aim as their basis, and we wish to emphasize that, in the main, our recommendations are interdependent, and, except for those which deal with detailed or routine matters, non-acceptance of one recommendation may render the remainder ineffective.

8. We have used the direct method as little as possible, as we are of opinion that, when definite restrictive rules or regulations are laid down, the Board of Directors can only act within the limitations imposed by such rules and regulations, and that ways and means are, all too frequently, speedily found to evade them in spirit, if not in letter. In many cases it might be found that direct violation of rules was difficult to detect or to bring home to the offenders. With the direct method of checking over-trading and over-speculation, we have, therefore, combined the indirect method.

9. We are of opinion that, when members of the Association realise that there is no longer any power left to the Board of Directors to intervene in the due completion of bargains, except in very grave circumstances when the consent of Government will have to be sought and obtained, and that members themselves may not individually intervene in the completion of bargains without being liable to very severe penalties, the effect will be, in conjunction with our other recommendations, to compel members to realise that their commitments, either for themselves or for constituents, must be kept within the bounds dictated by ordinary business caution as well as by fear of consequences.

10. By withdrawing or curtailing certain powers of the Board to intervene in the due completion of bargains and to interrupt the free play of the normal factors of supply

and demand, and by strengthening the rules applying to defaulters, we have sought to create a situation where only the presence of the very gravest circumstances will be permitted to interfere with the settlement of bargains on the due date.

11. If, despite our efforts to draft rules embodying the principles we have stated, it is found that the intention underlying our proposals is being ignored or evaded, we can only draw the attention of Government and of the controlling body of the Share Bazaar to the fact that evasion constitutes the meanest and most deplorable form of treachery to fellow-members and to the public alike, and when detected, should be visited by swift and condign punishment of the offenders. In the last resort, we express the hope that Government would not hesitate to exercise its prerogative and withdraw recognition from the Association, should it be found to persist in its refusal to recognise its responsibilities to the State and to itself.

### III—WHEN THE BOARD MAY INTERVENE

12. The Board of Directors have at present the following powers of intervention in the normal operations of the market :—

- (1) Power to suspend the selling-out rule.
- (2) Power to suspend dealings in shares and securities subjected to "bear" raids.
- (3) Power to suspend the buying-in rule.
- (4) Power to suspend dealings in shares and securities in which a corner has been effected, and to fix prices at which settlement in such cases may be effected.
- (5) Power to close the market in crises, whether national or domestic in character.

13. There cannot be any doubt that some of these powers every Stock Exchange of any importance ought to have, but clearly the powers of the Board in the Bombay Share Bazaar go much beyond what is either strictly necessary or desirable. The possession of these powers by the Board, even when they have not been abused, is in itself calculated to engender, and has in fact engendered, in the operators, whether "bulls" or "bears", a wholly unhealthy mentality. These feel secure against the extreme or ultimate consequences of their own

rashness, and hence they tend to operate recklessly and regardless of the resultant consequences both to the market and to the genuine investor. It is clearly, therefore, of the first importance that this mentality should be eradicated, by eliminating from the organisation and constitution of the Bazaar the principle of intervening with a view to correct difficult situations which result entirely from the internal operations of the market.

### Suspension of selling-out Rule.

14. In the first place, then, we consider it undesirable that the Board should at any time suspend the selling-out rule. There need never be any necessity to do so, for in "bear" raids, when prices reach a level below the fair market value, a stage must inevitably arrive at which the natural forces of the market must operate and check the downward trend; and since the market continues to be in a position to correct itself automatically, it is unsound in principle to interfere in order to protect unwary or reckless "bulls", whether members or non-members.

15. It has been argued that it is necessary for the Board to possess powers to suspend the selling-out rule, because, when by reason of "bear" selling, the market value of one or more securities is lowered, the investor is penalised and forced to incur heavy losses through being compelled to realise securities at an artificially depreciated level. An examination, however, of this argument shows that when the term "investor" is used, it is not confined to the buyer who has taken up and paid for his security, but is extended to cover that speculative investor who, unable in the first place to finance his purchases out of his own resources, has had recourse to banks or other financial institutions, to assist him in completing his purchases by advancing him money against the deposit of securities. In this case, the fact that he is unable to meet any extra margin demanded by the lender, in the event of a fall taking place in the price of the security, places him in precisely the same position as the member who has entered into liabilities beyond his capacity, and there appears, therefore, to be no reason why he, any more than the member, should be saved from the results of over-trading or over-speculation, by interfering in the normal course of the market. "Bears" attack a market or security when speculative purchases have raised the price to an uneconomic level, and a weak and vulnerable "bull" account has, in their



opinion, been built up. In any stock or commodity market such a situation is remedied or sought to be remedied by sales of real stock and by short selling. Just as the "bulls" have taken prices to a level which, it is inferred, discounts immediate prospects, so no doubt, on the swing of the pendulum and under the pressure of sales, prices are driven down below that value. In due course, supply and demand, based on estimates of a fair market value, restore equilibrium. That unwary or reckless "bulls", whether members or non-members, suffer financial losses during such a period of adjustment is the inevitable consequence of assuming liabilities they cannot discharge. In so far as the trader is concerned, who, in order to finance legitimate trade commitments, has deposited securities with his banker as security for loan or overdraft, we consider that the class of securities likely to be affected by the absence of this power will be confined to the limited number of scrips in which there is a speculative market in Bombay, and these would be the last class of securities which a banker would accept or a trader would wish to deposit for the purpose of obtaining resources to carry on a legitimate business. In any case, it is significant that the practice of bankers in Bombay is to demand very heavy margins, extending up to 50 per cent., against loans on securities of this nature.

### **Suspension of Buying-in Rule.**

16. While we do not think that the Board should have the power to suspend the "selling-out" rule, we hold that they must have the power to suspend the "buying-in" of securities, when circumstances appear to them to make such suspension desirable in the general interest. This may appear to be inconsistent, but the inconsistency is more apparent than real. In the case of a market subjected to "bear" raids, it cannot be said, as has been stated above, that the natural forces of the market cease to operate. On the other hand, when an effective "corner" has been established, the natural forces do so cease to operate, and instead of the supply and demand based on estimates of fair market value being able to restore equilibrium, the settlement of the bargains can only be effected at prices which will be dictated by the individual or group of individuals who may have successfully brought about a "corner". It is only with a view to impose some limit on this absolute power obtained by such individual or group of individuals that the Board of the Stock Exchange must have the right to intervene to the extent of suspending the

“ buying-in ” rule, and thus preventing the buyer from utilising the machinery of the Stock Exchange to drive prices to an altogether unwarranted height. We do not think that the Board should have the power to fix the price at which the bargains may be closed. The effect of the suspension would merely be to compel the buyers to offer reasonable and acceptable terms to the sellers at which they may close their commitments. The buyer, on the one hand, will be induced to be reasonable, because he will realise that bargains will remain unclosed and differences will not be paid so long as the “ buying-in ” rule remains suspended, and the seller, on the other hand, will also be constrained to adopt a reasonable attitude, because he will be aware of the power of the Board of Directors to withdraw the suspension, should it come to the conclusion that the terms offered by the buyer are not unreasonable. We may, however, point out that on any Stock Exchange which realises the importance of the principles stated in this report, resort to suspension of the buying-in rule is only had in very exceptional circumstances. So far as the Chairman’s recollection goes, this power has been utilised in London only once in the past thirty years, and that was to deal with the situation created by a temporary corner in Northern Pacific Railway shares.

#### **Suspension of short-selling and Power to close the Market.**

17. There may arise also circumstances in which it may become necessary, in the interest of the general public, either to close the market or to suspend short-selling in any scrip or scrips with the least possible delay. A Stock Exchange reacts with remarkable rapidity to outside occurrences, such as the declaration of war or the announcement of a vital change in the currency policy of an industrially important country. On such occasions, prompt action by the Board alone may avert a calamity. It is, therefore, in our opinion, essential that the Board should have the power both to suspend short-selling and to close the market. But it will be evident that it is not contemplated that these powers shall be exercised either frequently or to stave off a domestic crisis resulting from operations in the market. The exercise of the power to suspend short-selling, for instance, should be restricted to occasions when the general body of investors throughout the country have to be protected from the anti-social activities

of unscrupulous individuals, who might attempt to utilise a grave national or international situation to their own advantage.

18. In order to insure against any improper use of these twin powers of the suspension of "buying-in" and of short-selling, we think it necessary that they shall only be exercised with the previous consent of Government. The power to close the market, however, cannot thus be circumscribed, if it is to be exercised to any purpose. Events may move so rapidly on the Exchange that instantaneous action may at any particular time well avert a disaster, which hesitation or delay would only precipitate. We recommend that the Board should have the power to close the market for twenty-four hours without the consent of Government, but that if it wished to keep it closed for a longer period, it must approach the Government for the purpose. Our reasons for proposing that the consent of Government be obtained in these circumstances is that, from the evidence which has been given to us, it is clear that, amongst even important representative bodies and associations, there is a certain lack of confidence in the Stock Exchange and in its administration. There is no doubt that to some extent that criticism is based on misconception of a number of factors, but there is sufficient evidence to show that it exists, and we consider it is politic to recognise that fact. We believe that when the public realise that the decisions of the Board have been concurred in by Government, the effect on the community will be to increase and to maintain a feeling of confidence in the Stock Exchange and its administration.

19. It has been suggested that Government would be in a position of considerable difficulty when called upon to agree or to disagree with any request by the Board to be allowed to exercise these powers, inasmuch as Government has no detailed technical knowledge of conditions on the Stock Exchange. We consider that these fears are unjustified. For Government the test, before giving or withholding its consent to the application of the Exchange to exercise any of these powers, is simple: they need only ask themselves whether their consent is sought with a view to serve the general good or only to save individuals from the consequences of their own rashness.

20. In fine, therefore, we propose that the Board should have—

- (1) power to suspend the "buying-in" rule, with the previous consent of Government;
- (2) power to suspend short-selling, also with the previous consent of Government; and
- (3) (i) power to close the market for twenty-four hours; and  
 (ii) power to keep it closed for any longer period only when the prior consent of Government has been obtained.

#### IV—INVIOABILITY OF BARGAINS

21. The second principle already mentioned, which governs the administration of a well organised and soundly conducted Stock Exchange, is that a bargain once entered into in the market shall be implemented regardless of the consequences. Its strict application may at times prove to be harsh towards the individual, but that harshness is necessary and justified in consideration of the general good, as indeed has been found to be the case in every Stock Exchange of importance in the world.

22. We cannot, therefore, condemn too strongly the principle of compromise to avoid default, which has gained acceptance in Bombay. Indeed, we regard it as responsible to no small extent for the existence of so much unhealthy speculation and over-trading in the Bombay market. And we are, therefore, confident that when members begin to realise that the Board has no longer power to intervene between them and the consequences of their actions, in sheer self-preservation they will discard recklessness and conduct their business on more cautious and conservative lines. Our recommendations as regards defaulters aim, therefore, at establishing alike the principle that a bargain must be implemented, and the high standard, to which we have already drawn attention, in relation to the conduct of Stock Exchange business and administration. We propose, in the first place, with all the emphasis at our command, that compromise in any shape or form, in order to avoid default, shall be prohibited under pain of severe penalties.

23. It is necessary to comment here upon a point which, though apparently minor, is one of considerable importance.

At present a member is liable to be declared a defaulter if he fails to fulfil his obligations to a fellow-member only. It is self-evident that his failure to fulfil his engagements arising out of a contract made subject to the rules of the Association with a non-member should also be followed by a declaration of default; and we suggest, therefore, that Rule 135 (a) should be amended accordingly; and, in order to add a very necessary link to the chain of responsibility, we think that some improvement is called for in the method of dealing with a defaulter's assets. At present, a defaulter's property, outside the Stock Exchange, is not made available to the Defaulters Committee for the benefit of his creditors. We suggest that, as in London, it should be made a condition of membership that in the event of a member being declared a defaulter he shall sign a deed of assignment, in a prescribed form, in favour of the Defaulters Committee. Any objection to this proposal can only be based on a reluctance to allow attachment of some part of a defaulter's assets for the benefit of his creditors, and every right-thinking member of the Association must agree that such objection is untenable.

24. The question of conditions on which defaulters shall be re-admitted is very closely allied to the actual declaration of default. It is our considered opinion that, if it is desired to secure the fullest effects of the acceptance of the principle of inviolability of bargains, the terms of re-admission of defaulters should be made very strict and rigid. For, to make them easy would be to undermine the whole principle and the whole mentality which we are at pains to build up. We recommend, therefore, that—

(1) a member whose default has been brought about or has been contributed to by speculation on his own account should not be re-admitted under any circumstances;

(2) a defaulter who has paid 16 annas in the rupee shall be eligible for re-admission by the Board if it is satisfied that his conduct in other respects gives rise to no cause for complaint;

(3) in order that the Board may be enabled to deal with the more extreme cases of hardship, it should have powers similar to those possessed by the Committee of the London Stock Exchange to re-admit a defaulter, whose conduct, on examination, is found to be irreproachable and whose failure is proved to be entirely or in the main due to

misfortunes, even if such defaulter has paid up only a portion of his liabilities.

The effect of these proposals on the rules of the Association is indicated in Appendix IV. We realise, of course, that, however sound these rules may be, they will fail to achieve their object if they are not enforced, and we earnestly trust, therefore, that the Board of Directors will enforce the rules and exercise their discretion in this matter with the same impartiality and strictness with which that discretion is exercised by the Committee of the Stock Exchange in London.

#### V—OTHER FACTORS

25. The proposals we now proceed to examine are designed to institute a check on what a considerable volume of evidence before us indicates as one of the sources of public disquiet, and that is the readiness with which speculative transactions can be opened on the Stock Exchange. They seek to make it more difficult for those members of the public who may be tempted, by various means, to engage themselves beyond their present or even prospective resources in Stock Exchange speculation.

#### Control of Remisiers (Sub-brokers).

26. One of the more important aspects to be considered in this connection is the proper regulation of the remisier or, as he used to be known, the sub-broker. The amendments proposed by the Association should go a long way towards bringing about a healthier state of affairs, and should result in materially raising the prestige and the efficiency of the remisier. Such proposals as we have made are designed still further to strengthen the proposals already put forward by the Association. It was suggested on a number of occasions in the course of the evidence given before us, that remisiers should be compelled to make some deposit, say a sum of Rs. 5,000, with the Association authorities, as a guarantee of good faith and as providing some proof that they were of some financial standing and not entirely without resources. We think that such a provision will have an effect in bringing home to the remisier that he is a responsible individual, and at the same time tend to render him more cautious in the business which he accepts, because under certain circumstances his deposit will be liable to be forfeited.

27. We have given considerable thought to the proposal to limit the number of remisiers a member or a firm of members

may employ, and have come to the conclusion that to impose a direct check would be undesirable and may even defeat its object. In our opinion, such a check will indirectly be instituted if an annual subscription, say of Rs. 200, is made payable in respect of every remisier registered with the Stock Exchange. Incidentally, this proposal will also have the effect of giving the remisier a definite standing in the Stock Exchange. For self-evident reasons, we suggest further that a remisier should not be eligible for registration so long as he is engaged in any other business than that of acting as a remisier to a member of the Association, and that, on leaving the member or firm to whom he is attached, he should not be registered as a remisier to another member or firm until he has obtained a clearance certificate to show both that his conduct with his former employer was satisfactory, and that he had left him clear of all debts and outstanding liabilities.

#### **Reduction of unhealthy Speculation.**

28. The problem of eliminating or reducing as far as possible the unhealthy or undesirable variety of speculative business is by no means easy of solution. We have examined a number of proposals that were placed before us in the course of this enquiry, and unfortunately we have had to reject most of them, mainly because they were found to be impracticable. In our opinion, something, however, can be achieved by attacking this problem in a direct manner.

#### **Restriction on Speculation by Employees.**

29. We suggest, in the first instance, that all speculative dealings with employees should be prohibited unless they have obtained the written consent of their employers. That such a restriction may possibly be resented by responsible employees constitutes no good reason for not applying a condition which can only operate as a safeguard. It may be noted that such a rule is in force on the London Stock Exchange and has been found to work satisfactorily.

#### **System of Margins.**

30. The establishment of a system of margins, too, should have the effect of keeping speculative business, to some extent at least, within the means of those speculating. We have considered a great deal of evidence tendered to us on this point, and have come to the conclusion that a system of margins is desirable, and would act as a definitely restrictive

influence on that class of speculation which we are most anxious to discourage, namely, speculation conducted by financially weak individuals. The drawback to many of the proposals submitted is that, in our opinion, they are too complicated to be put into operation on a market entirely unused to such a system, and that consequently such schemes would either be evaded or be ineffective. If a relatively simple scheme of margins could be evolved, we are of opinion that its effect could not be other than beneficial. We have in mind such a scheme as will impose (i) a percentage margin on the initial bargain price, (ii) an additional percentage margin on the make-up price at the first settlement, if the security is carried over, and (iii) further additional percentages as supplementary margins at each of the following settlements. We do not put this forward as a complete scheme, but merely as an indication of how a relatively simple method could be adopted in the first instance, which would have the effect of imposing a definite check on the initial transaction and would penalise its prolongation beyond the due date of the original settlement. Should it be found possible to put such a scheme or some variation of it into operation, in course of time, with the experience gained, it might be found possible to administer more detailed provisions.

31. We think that the combined effect of the prohibition upon accepting employees' business except with the consent of their employers, and the adoption of a system of margins, however crude, will have an appreciable effect on the volume as well as the quality of speculation.

#### Fortnightly or Monthly Settlements.

32. With the system of margins we link the question of monthly or fortnightly settlements, which is another question on which we have listened to a considerable amount of evidence. The argument in favour of the fortnightly settlement as opposed to the monthly settlement is that the former would impose an earlier check on the accumulation of speculative liabilities, and by requiring a settlement of the bargain within a few days of the transaction being entered into, would discourage the weak speculator from opening an account, and would at the same time make for safety by the more frequent settlement of differences. On the other hand, there is a considerable difference of opinion as to whether fortnightly settlements would in effect reduce the volume of speculation.



Should, however, a system of margins be adopted, we think that, that in itself would make further consideration of the institution of a fortnightly settlement, at any rate at this juncture, unnecessary. But if a system of margins is not adopted, or if it does not have the effect anticipated, then, we recommend that fortnightly settlements should be introduced.

### **Minimum Scale of Brokerage.**

33. The importance, from a number of points of view, of instituting a scheme of minimum commission scale has been argued by many witnesses, and we consider that such a rule should, without doubt, be brought into force. We prefer the minimum commission scale to the fixed scale which has been proposed by some witnesses, because the former allows a reasonable latitude to the broker to charge somewhat more than the fixed minimum scale, in special circumstances. At present, the absence of a minimum scale of commission, while there is in operation a maximum scale, has resulted in severe competition amongst members, and an uneconomic cutting of the rates of commission charged. In our opinion, one unhealthy result of this is that members are induced to accept business carrying an undue risk, in order to increase their commission account as much as possible. If the charging of a minimum commission is made compulsory, there will be less inducement for members to accept this class of business; besides, it will also eliminate the practice of a client, especially an influential client, playing one broker off against another. It is most important, however, that there shall not be any undercutting of the minimum scale which may be laid down, and we would suggest that the Board should enforce its provisions in this respect with great strictness and penalise their breach with suspensions for periods varying with the seriousness of the offence.

34. In this connection, we would point out that the proposed amendment to rule 192 provides that where the consideration money is Rs. 2,000 or under, the full brokerage laid down must be charged, but that in the case of a transaction in which the consideration money exceeds Rs. 2,000, a member may at his discretion charge a reduced brokerage, provided that such reduced brokerage shall not be less than one half of the scale prescribed. In our opinion, the limit fixed is too low and would result in the great bulk of the business being executed at half the minimum commission. This means that the initial

minimum scale would have to be fixed either so high as to bring criticism from the public, or at so moderate an amount that it would be found to be too low for the purpose in view. We, therefore, suggest that the minimum scale should be charged on all transactions for account up to Rs. 10,000 and on all transactions for cash up to Rs. 5,000, but that on transactions in one security exceeding those amounts, half commission may be charged on the amount by which the total exceeds Rs. 10,000 or Rs. 5,000, as the case may be.

### **Principal's or Agency Contract.**

35. Very closely connected with the question of brokerage scales is the question of the form in which contracts should be issued. There is clearly in the minds of the public an impression that the present practice of issuing ordinarily only principal's contracts makes it difficult, if not impossible, for the client to satisfy himself that an unduly high commission has not been extorted from him in one form or another. This is a contention which cannot, for obvious reasons, be substantiated by providing evidence of actual cases. Had it been possible to do so, such evidence would not only have been submitted to the Board of Directors, but, we presume, would also have resulted in proper disciplinary measures being taken against the offender. Apart from other considerations, the fact that the belief that such practices exist is firmly fixed in the minds of many members of the public, provides of itself sufficient ground to warrant our recommending that members should only be permitted to issue agency contracts which clearly state the amount of brokerage charged. This course is the more desirable inasmuch as it establishes a practice which emphasizes the legal position that a broker is only the agent of his constituent. It has been stated that this will interfere with the right of members to act as principals in regard to their constituents, but we are unable to find that there is a sufficient volume of legitimate business done by members as principals to justify any opposition to the proposal to issue only agency contracts. It may be objected that the existing rules make it possible for a client to demand an agency contract and that in effect responsibility is laid on the client if he accepts any other form. Many clients, however, are entirely unaware of these technical points and are lulled into the belief that they are receiving some benefit when they receive a contract which states only the net price. We understand that it is a practice amongst

members to guarantee to their constituents the due completion of any contract. This, however, is only a custom and only to the extent that it would be upheld as such by the courts is the constituent in any way protected against the common law regarding agency.

### **Put-through Business.**

36. Our attention has also been drawn to a practice amongst members, whereby one member who may have received a substantial order from a client to purchase or sell securities is deterred from executing such order in the name of his own firm by reason of his belief that the market will be put up or down against him and that his client will consequently be a loser, and to obviate this difficulty another member or members are employed to execute the business in the trading ring. Such practice is no doubt legitimate when it is inspired by an honest desire to serve the best interests of the non-member, but it is open to serious abuse in so far as it is the practice of the members executing the business not to work on any fixed scale of remuneration. We propose, therefore, that it should be laid down in the rules that when a member employs another member as intermediary to execute the business of a non-member, such intermediary shall report the business to the member employing him at the same price as he dealt in the market. The broker may pay the intermediary a share of the brokerage charged to the constituent. The contract note shall state that the business has been done through a member acting as an intermediary with whom the brokerage charged has been divided. The effect of such a rule would be that the non-member's business would be executed at the same price as, and possibly to better advantage than, if the member to whom he had entrusted the order had dealt himself, as the intermediary will be receiving his remuneration not in addition to, but out of, the broker's commission.

### **Responsibility of a Member of a Firm.**

37. We would invite attention here to a practice which, we are given to understand, exists in the Share Bazaar, of a member, who although a partner in a firm of members, yet enters into a contract for the purchase or sale of securities with non-members in his own personal capacity. We are of opinion that such a practice is highly undesirable inasmuch as it permits a member of the Association to contract

liabilities which are dischargeable only out of his own resources, which do not involve his partners in any responsibility, and which may be incurred without the knowledge of his partners. We, therefore, propose that it should be ruled that a member who is a partner in a firm shall not enter into a contract for the purchase or sale of securities either with a member or a non-member save in the name of the firm and that the firm shall be liable for the completion of the contract under the rules and regulations of the Stock Exchange. To put this point in another form, no contract shall be issued in the name of an individual member of the firm, it being laid down clearly that in the case of a firm every contract shall be issued only in the name of the firm.

### Abolition of Blank Transfers.

38. The desirability of abolishing the use of blank transfers by making them a bad delivery has been urged upon the Committee from many quarters. The matter is one which presents many technical considerations, and there are arguments in favour of such a course as well as against. The use of blank transfers, by offering the buyer an opportunity of avoiding the Government stamp duty, does undoubtedly, by reason of reducing expenses, act as an encouragement towards speculation. The existence of such documents in large numbers makes the records of companies' registers incomplete, inaccurate and misleading; besides which many persons are put to considerable trouble by reason of the fact that shares are not transferred from their names for many years after they have been sold. Clearly, the whole situation is one which is both irregular and undesirable, and, if it is at all possible, it should be stopped. Against this proposal it is urged that the effect of making blank transfers a bad delivery in Bombay Presidency only, would be to drive business from Bombay to other centres. We have given careful consideration to this point, and appreciate that uniformity all over India is a desirable end to have in mind, but, in view of the evidence we have heard as to the attitude of mind of the local investor as well as taking into consideration our experience of investors generally, we do not attach any weight to this particular argument.

39. The inevitable consequence of the abolition of blank transfers will be that the payment of stamp duty will have to be enforced on each change of ownership of a security, and

this in its turn will impose a limitation on the transaction of *badli* business, which, so long as such business is regarded as a legitimate part of Stock Exchange machinery, would be intolerable. We would consider this as an objection unless Government can see its way to make such concessions as will enable *badli* stock to be taken up on payment of a nominal stamp. It will also be necessary, we think, to make similar concessions in respect of stock pledged with banks by recognised stock-brokers.

40. We have considered the possible machinery by which this principle could be put into operation and have come to the conclusion that it does not present any insuperable difficulty. We, therefore, recommend that blank transfers should be made a bad delivery. We make this recommendation regardless of its effect on the revenues of Government, which probably will benefit by its adoption even if a reduced scale were to be fixed. We do so because we are convinced of the healthy effect the abolition of blank transfers will undoubtedly have on stock exchange transactions in general, and it is for that reason that we would like to make it clear that our recommendation is made independently of any action Government may decide to take as to the amount of the stamp duty.

41. To ensure the efficient application of this proposal, however, it would be necessary for ready delivery transactions also to be settled through the Clearing House. In that case, the blank transfer, that is a transfer that does not bear the name of the transferee, and indeed every transfer on passing through the Clearing House, will be dated by the Clearing House with a perforated or embossed stamp showing the date, and no transfer bearing the Clearing House date stamp, whether bearing revenue stamp or not, shall be accepted by the Clearing House as a good delivery, since there must, of necessity, have been a beneficial change of ownership in the interim. Obviously, it would be necessary to withdraw any concessions which may exist under the rules for permitting members to settle bargains outside the Clearing House or banks or institutions associated with the Clearing House. So also, securities held by any party in custody for another party or as security against a liability of the other party will have to be made liable to revenue stamp on a change of beneficial ownership, whether such change be by a completed deed of transfer or not, and the custodian or other holder of

such security will have to be made responsible for accounting to Government for the proper revenue stamp due to such transfer, and, in default, be made liable to whatever penalties it may be considered reasonable to impose.

### **Scripts on the Forward List.**

42. The attention of the Committee has been drawn to the exceptional violence of fluctuations in prices in the Bombay Stock Exchange. Apart from the mentality of the operators, which is greatly responsible for this, a contributory factor has been stated to be the very few scrips in which it is possible to deal speculatively, that is, on the Forward List, and, of those few, the still smaller number which are active at any one particular time. The fact of there being only these few scrips active has the effect of concentrating on a very narrow area the very considerable financial resources available for speculation, in a city like Bombay. It has been argued before us that, if that area is widened by the inclusion of more shares on the Forward List, the tendency will be for fluctuations to become less violent, and consequently to prove less attractive to the more reckless type of speculator. This will enable the legitimate speculator or speculative investor to spread his risks over a wider area of securities and industries. In this connection, various proposals have been put forward, such as that the Association should admit to dealings approved securities other than those in which there is a register kept in Bombay. It has also been suggested that the Association should admit to dealings any shares with a register in British India, which have already been admitted to dealings on the London Stock Exchange. While making no definite recommendation on these suggestions, we are of opinion that the Association and Government should give careful consideration to the possibilities inherent in these suggestions, with a view not only to achieving the results indicated above but also to providing opportunity to the Indian investor to place his money in a wider range of industrial securities. Tentatively, we suggest that a beginning in this direction may be made by admitting to dealings shares of approved companies which maintain a share transfer office in the Bombay Presidency.

43. Apart from these proposals to introduce additional approved securities into the Bombay Stock Exchange, we are of opinion that, if the recommendations which we put forward in this report are put into force, it will be possible to bring

about a state of affairs whereby dealings in the Share Bazaar would be for cash or settlement at the option of the parties to the contract. In the event of fortnightly settlements being introduced, the tendency would also be for all bargains to be done for settlement on one date instead of separately for cash and for account as at present. The effect of this would be that the Forward List as such would disappear and certain consequential alterations in some of the rules and of the Bombay Securities Contracts Control Act would be necessary. The objection which has been raised to this proposition is that, in view of the very limited market for some of the shares on the Cash List and the small amount of scrips in issue, members would be tempted to sell short and be unable to close. Our answer to that is that, as soon as members realise that the rules and amendments we are proposing are meant to be enforced, they will exercise due care and caution in the commitments they undertake. We are fully aware that the criticism may be levelled at us that we were appointed to devise means of reducing the possibilities for speculation and that our proposals in this respect increase them. With all respect, we have taken a somewhat different view of our responsibilities and, recognising that to stop speculation is impossible, we have attempted to ensure that it shall be so conducted as to afford the public the maximum of protection.

#### VI—MISCELLANEOUS SUGGESTIONS

44. It will be convenient, at this stage, to mention briefly some of the more important suggestions which have been put forward with the object either of imposing checks on speculation or of rendering it of a more legitimate order, and the reasons why we consider that they would not prove either effective or workable in practice.

(1). "There should be no transaction for two settlements on any day of the year." The argument underlying this is that the existing period of time, extending to some 7 days, during which transactions could take place for the current and for the following settlement, encourages speculation, which can be seriously curtailed only if such facilities are removed. After a careful consideration of this point, we have come to the conclusion that the exigencies of the settlement demand a certain time, during which it is necessary that transactions for the two settlements should take place. We are, however, able to establish that it should be possible to reduce that time to

a period of not more than 4 days under existing conditions, and that there are possibilities that in the future the time might be still further curtailed. We have, therefore, included in our recommendations a provision that the existing number of days should be reduced to not more than four.

(2) "The unit of dealing in Forward scrips should be bigger." The intention in this case was to render it either impossible or difficult for the small speculator to open commitments in those shares where the unit of dealings would be high. In our opinion, such a regulation would be too easily evaded to make it worth while embodying it in the rules. There would, for instance, be nothing to prevent groups of small speculators, acting together and giving the order through one of their number. The possibilities opened up by such evasion seem to us to contain the seeds of highly undesirable developments.

(3) The face value of most scrips is very high and the number of shares in a scrip too few : and it has been suggested that the face value of the shares should be reduced, so that the numbers would be correspondingly increased. The intention here is not only to increase the freedom of the market in such scrips, but also to interest the smaller investor in the industrial development of the country. There is much to be said for this proposal if, as we have suggested above, dealings can take place without restriction both for cash and for settlement. The investor would naturally, if he has funds readily available, purchase the shares for cash, if there were any advantage in so doing, and the speculative investor would have an opportunity of interesting himself in scrips the market price of which today is too high to enable him to deal in any reasonable number of shares. In reference to this, we invite attention to our earlier remarks, in which we put forward the view that facilities for legitimate speculation are a perfectly proper function of any Stock Exchange.

(4) We have been informed that, in the opinion of those who have submitted their views to us, the large number of brokers on the Share Bazaar, in relation to the amount of legitimate trading which is transacted there, is a direct contributory factor to the unquestionably large volume of speculation which goes on amongst members themselves ; and suggestions to deal with this matter have ranged from proposals to reduce the present number of members by some scheme for the purchase and cancellation of cards of membership, to the framing of rules to prohibit members dealing on their own account in



any circumstances. While we are fully seized of the fact, as we have stated earlier in our Report, that the volume of speculative business conducted by members themselves is one of the worst features of the Share Bazaar, and unquestionably forms much too large a proportion of the total business done, we are of opinion that direct methods of checking this practice would prove impracticable and almost impossible of operation. We prefer to rely on the indirect effect of our proposals as a whole, which make the penalty for over-trading and rash speculation so inevitable and so severe as to induce members, in their own interests, to limit their commitments in future to their capacity to implement them. Should these anticipations not be realised, it may be necessary at some future date to take more direct action to deal with this evil.

(5) Another widely expressed opinion was that it would be desirable to differentiate between brokers and jobbers. The idea underlying this proposal, that members should declare their status either as brokers or jobbers, is that the jobber would function as in London. He would make a double price and be prepared to purchase or sell scrips (subject, so far especially as selling is concerned, to there being a sufficiently free market), irrespective of whether he himself wishes to be a "bull" or "bear". He would thus render a service to the public, in the first place, by making it possible to buy and sell scrips more readily and in larger amounts than may be easily possible under the present system, and, secondly, by checking violent fluctuations. While we agree that such differentiation would constitute an improvement of the organisation of the Stock Exchange, we have come to the conclusion that it would be impracticable to make such a division effective or workable in the present condition of the Bombay market or in the near future.

(6) A variation of the clean cut distinction is a suggestion that the members should be divided into two classes, one class electing to act as brokers only, that is only able to issue agency contracts and not dealing as principals at all, and the second class electing to act as principals both on their own account in the market and with non-members. As regards this latter proposal, we consider that such dealers would inevitably confine their attention to the scrips which were active at the moment, and, having direct access to the public, would quite naturally recommend these scrips for speculative purchases or sales. The result of this would be to encourage

reckless speculation to a dangerous extent. This excessive speculation and its accompanying risk to the Stock Exchange would be concentrated on a few large firms of dealers, and the presence of the broker, who at present acts as an intermediary, or as a cushion of safety, would disappear. Some dealers would, we fear, run their books against their clients, with the result that the client would almost inevitably be penalised. Moreover, such a system would completely vitiate the minimum commission scale rule, and would make it impossible to restrict the issue of contracts to agency contracts; and certainly, strong opposition would come from powerful firms of brokers, who would at once realise that the speculating public will be drawn away from them to the dealers, in the belief that the latter were carrying out their transactions at a smaller cost. For these reasons, we believe any such differentiation to be impracticable and also undesirable. We are of opinion that, if conditions in the Bombay market so develop as to make it evident that the genuine jobber can provide an economic service, then the jobber will emerge naturally and by process of development.

#### **VII—IMPROVEMENT OF THE ADMINISTRATIVE MACHINERY**

45. We have been dealing so far with factors which affect the quality and volume of Stock Exchange transactions, and we now propose to consider those proposals which are concerned with the administrative machinery of the Stock Exchange.

##### **Board of Directors.**

46. Commencing with the proposals concerning the Board of Directors, we recommend, as has been done before, that this description of the Board should be altered. The present description as "Board of Directors" seems to us to draw an unnecessary and undesirable parallel between an administrative body concerned very largely with discipline and good order and the protection of the public and the Board of an ordinary trading company. It is calculated to instil into the mind of the public an entirely erroneous conception of their functions and duties. The description given in the original Articles of Association of the Native Share and Stock Brokers' Association to this body was that of Governing Body or Managing Committee, and we would advise returning to some such nomenclature as this.

47. A number of suggestions have been put in front of us, which seek to change the constitution of the Board and to curtail or circumscribe its powers. Most prominent perhaps amongst these suggestions is that some form of outside representation should be established. Some suggest that Government should nominate a number of directors; others that certain commercial bodies in the City of Bombay should be permitted to nominate a number of directors to the Board of the Stock Exchange; and yet others that Government should nominate a number of members of the Association to be directors with those elected by the General Body. We are of the opinion that any such form of outside control is unnecessary and undesirable, taking our recommendations as a whole into account. The only change which we would recommend, in order to obtain a constant influx of new blood on to the Committee is that the elections should take place annually.

48. We commend to the consideration of the Government and the Stock Exchange the advisability of instituting a system of retirement of directors by rotation, under which every year, with the exception of the President, three members of the Board will retire, such members being eligible for re-election, while the President himself will retire only after a period of five years, and will also be eligible for re-election. When it is decided to introduce this system, the order in which the existing members should retire may be decided by lot. The newly elected members will in effect remain members of the Board for five years. The advantages of such a system are that, in the first place, it makes it difficult for caucuses to dominate elections, and, secondly, it facilitates the coming in of new men on the Board of Directors without any loss in the efficiency of the administration of the Exchange.

#### Association vs. Board of Directors.

49. We are of opinion that the Board of Directors is the proper authority to govern the Stock Exchange without interference or dictation from the general body of members other than that which can be exercised at the election of the Board of Directors. It is, in our view, subversive of the authority of the Board that its actions and decisions should be capable of being reversed by the members. To establish this principle, we propose to recommend alterations to those rules which at present extend these powers to the General Body.

### Membership.

50. We have given very careful consideration to the terms of admission to the Association and of the privileges attaching to the card of membership. At present the card, on the one hand, is not held to be the personal property of the holder, and, on the other, it extends unequal privileges to the members, unequal to the extent that one member who, by reason of circumstances, has few relatives is in a different position from another who may be able to extend many of the privileges of membership to quite a considerable number of relatives on one card. In neither respect does the present position appear to us to be sound in principle. There is no apparent reason why, for instance, a member, if he chooses to retire early, should be prevented from selling his card to a purchaser whom the Board is prepared to accept as member. No less incomprehensible is the extension of the privilege to relatives. It is perhaps not sufficiently realised that stock-broking is a profession which, if it is to be carried out in the best interests of the State, the public and the Exchange, necessitates that a man should acquire a considerable amount of knowledge and experience and develop sound judgment before he should be admitted by the Board to work as a stock-broker.

51. With reference to the card of membership, we, therefore, recommend that a member may nominate any person who is eligible for admission to membership of the Association, but in order to meet the sentiment which undoubtedly exists, we recommend that, on the death of a member, his legal representatives or members of the family may nominate a person on behalf of a son who is a minor, and that it shall be within the discretion of the Board of Directors to permit the business to be carried on by such person on behalf of the minor until the minor reaches his majority.

52. We have given our attention to the rule which prohibits a member of less than 25 years' standing or a member 55 years of age and of less than 10 years' standing, from nominating a person otherwise eligible under these rules for admission to membership, and we have also considered the present position in which the card of membership is a privilege and not personal property, and have come to the conclusion that the arguments against allowing the card to become personal property have not sufficient weight to affect our decision. We therefore recommend that a card holder

who has been a member of the Association for a longer period than seven years shall be at liberty at any time to nominate his successor who is otherwise eligible for membership. There is in principle no reason why a member should not dispose of his card at any time. But the Committee have taken note of the opinion expressed that card holders should be firmly established as members of the Association before being given an opportunity of possibly securing a substantial profit from the sale of the card, and have consequently put a time limit of seven years' minimum period of membership.

53. A number of witnesses have suggested that the present members of the Association should be required to deposit a substantial sum with the Association, or, at least, that new members should be required to do so. The intention of these suggestions is no doubt to ensure as far as possible the presence on the trading floor of men who at least have given proof of some reasonably substantial financial resources. We are of opinion that such a system, while it has certain favourable aspects, would not provide any really effective guarantee to members of the public or to members of the Bazaar themselves, and, at the same time, might operate in the direction of making ineligible for membership some otherwise quite satisfactory candidates. We suggest, on the other hand, for the consideration of those concerned that three members of the Association should be required to act as sureties for each new applicant for membership in the sum of approximately Rs. 10,000 each, for a period of two years from the date of his becoming a member. This method would not call for the provision of actual funds or deposit of securities, but would impose a personal liability on the sureties for the period stated, in the event of the new member failing to meet his engagements within that time, and would, we believe, tend to institute an even more strict consideration of the character and standing of an applicant than may exist at present. Should it be felt, however, that such a condition might debar from membership one who may be fit otherwise but who, having no connection with any member of the Stock Exchange, is unable to furnish the requisite sureties, it may be laid down as an alternative to producing three sureties, that a candidate shall be required to deposit a sum of Rs. 30,000 with the Association for a period of two years.

54. The present annual subscription of Rs. 5 per member is one which is calculated, in our opinion, to bring contempt upon the Association. We recommend, therefore, that the

annual subscription for existing members should be raised to Rs. 100 per annum, and for new members should be fixed at Rs. 300 per annum. It has been argued against such a provision that the Association has ample funds, and is in no need of further supplementing them. There appears to us, however, to be a number of directions in which the Association might spend money for the general good of its members, in the way of providing greater facilities for the transaction of their business and in making accessible to them statistical information and for providing for any increase in the cost of maintaining the Clearing House.

55. A number of witnesses urged upon the Committee the desirability of removing the restriction imposed by the rule which makes men engaged in other professions or business ineligible for membership of the Stock Exchange. We are unable to accept this proposal. There is a very good reason for establishing the principle that a member of a Stock Exchange should not be permitted to engage in any other business. Quite simply stated, it is that, in view of the necessity for a member of a Stock Exchange to implement all bargains as soon as they are due, and in view of the general financial risks and liabilities which must be undertaken by a member of a Stock Exchange in the course of his business, it is highly undesirable that he should be in a position to enter into commitments and undertake liabilities in connection with any other business. Moreover, members themselves may arrive at quite a sound judgment as to the credit-worthiness of a fellow-member, so far as his Stock Exchange transactions are concerned, but such estimates might be entirely falsified if outside liabilities are assumed. As the Association has accepted the general principle of this argument, it is, in our view, unnecessary and unwise to make any exceptions, and we therefore recommend that the principle shall be strictly applied.

56. At present there are a certain number of members whose cards, by reason of the dates of their issue, entitle the holders, despite the provisions of Rule 7 (a), to engage in businesses other than that of member of the Association, and further provide that these privileges attach to the card and not to the individual who may at any given moment be the holder. We strongly recommend that this privilege shall cease on the death or resignation of any member at present in a position to exercise this right.

### Authorised Clerks.

57. Several proposals were made with the object of improving the standard of the authorised clerks. It was suggested, for instance, that the number of authorised clerks to which a member firm or a member may be entitled should be strictly limited. On the other hand, under its proposed amendments, the Board has asked for power to vary at its discretion the number of authorised clerks permitted to a member or a firm, and, in fact, we understand, is at present exercising such discretion. On the whole, we incline to agree to the amendment proposed by the Board, and do not recommend any interference with the exercise of the Board's discretion in this matter.

58. The position of the authorised clerk is an important one in the machinery of the Stock Exchange, as he exercises practically all the privileges of membership. We feel that a privileged position of this nature should only be conferred on a reasonable money payment, and suggest that an annual subscription of Rs. 200 shall be payable in respect of each authorised clerk.

59. Another proposal was that an authorised clerk should be debarred from receiving a share of the commission on business introduced by him to his employer. We see no reason to interfere with this practice which obtains, so far as we know, in every Stock Exchange.

60. At present a member is permitted to employ certain of his relatives as authorised clerks, in excess of the maximum number of paid authorised clerks to which he is entitled. This appears to us to be entirely indefensible, and, in accordance with the principle laid down in relation to the admission of relatives under a card, we recommend that any relatives who may be employed in the capacity of authorised clerks shall be included in and not be in addition to the maximum number of clerks allowed to a firm or individual.

### Tarawaniwalas' Methods of Business.

61. The Bombay Share Bazaar has developed a class of business carried on by a number of members, who in many cases do not appear to have any dealings whatsoever with non-members. Their business is that of buying and selling securities at fluctuating prices, with the intention of securing a profit between purchases and sales. These members are

given the name of Tarawaniwalas, but are frequently referred to as jobbers. While perhaps of some limited service in establishing a price in a few active securities, it is unfortunate that much of their business—and at times it reaches very large proportions—consists in effect of mere gambling in differences. We are informed that brokers are hampered in the execution of their clients' business by the fact that, if they attempt to execute a substantial order in one of the more active securities, the Tarawaniwala makes a practice of bidding the price of a stock up against a broker if he were a buyer, or offering it down against him if he were a seller. That this is so seems to be borne out by the relatively common practice of brokers with substantial orders putting them through other members of the Exchange, in order that they may not have to disclose their hand themselves in the open market. This we have dealt with earlier. To ensure, so far as possible, that irresponsible bidding and offering of this nature shall carry a certain minimum of liability, we suggest that a bid or offer of stock in the market, where the amount is not stated, shall be binding to the amount of Rs. 10,000 at the bargain price calculated to the amount nearest to this sum. In our opinion, the inclusion of a rule along these lines will restrain bids and offers which do not represent a genuine demand or supply but are made solely with the object of influencing the market price for some particular purpose; and it will in no way interfere with the execution of genuine business in smaller amounts than those stated above.

#### **Conditions precedent to granting permission to deal.**

62. The working of a Stock Exchange entails close co-operation between the authorities of the Exchange and of the companies whose shares are listed for dealings on the Exchange. There appears, however, to exist a certain misapprehension about the function of the Stock Exchange in regard to the requirements it may lay down which a company must comply with before its shares can be admitted to dealings. There is also evident, it seems to us, in the attitude of the joint stock companies towards the Stock Exchange, a certain inability to appreciate the fact that the Stock Exchange performs a very important service to their shareholders, and thus to the companies themselves. We consider it, therefore, appropriate that we should briefly state our views on this somewhat vexed question.



63. It has to be recognised that the admission of a security to dealings on the Share Bazaar is a privilege which can be conceded or withheld by the Bazaar at its discretion, and that the controlling body is entitled to specify the conditions under which it will concede the privilege. At the same time, it must also be recognised that the Share Bazaar is more than a mere collection of individuals banded together for the purpose of private gain, and that it has a duty to provide facilities to the public for the sale and purchase of securities held by the public. Moreover, Government recognition of the Share Bazaar is founded on the expectation that such facilities will not be withheld for arbitrary and vexatious reasons.

64. The Committee of a Stock Exchange has neither the knowledge nor the experience to justify it in attempting to estimate the future prospects of any public company. It must confine itself to instituting such standards pertaining to granting permission for a security to be dealt in on the Stock Exchange as will, so far as possible, ensure that a free market can be established. The law as embodied in the Companies Act is the proper authority to require disclosure of all material facts in a public prospectus or balance Sheet. From this standpoint we consider that, while, in the main, the conditions laid down for granting permission to deal are reasonable, in some instances they go too far and tend to interfere in what, after all, are the duties of the directors of a company or of the shareholders. We have, therefore, suggested certain alterations in the Rules on this matter, which will be found detailed in Appendix IV. In particular we draw attention to the amendment proposed to rule 255, the effect of which will be to give the Board full discretion in the matter of removing any security from dealings if they consider it desirable to do so.

65. We feel that, because not only members of the Bazaar but the public as shareholders are concerned with the relations between themselves and the directors and officials of public companies, we are entitled to state our opinion that much is to be gained by a sincere effort on the part of the members and of officials of companies to co-operate in every possible way to render the working of the official machinery and of brokers' offices as quick, as effective and as economical as possible. Our attention has been drawn, for instance, to the registration fees charged by some companies, which appear to be unnecessarily high, and to act as a deterrent to registration and to have encouraged the use of blank transfers. In

Great Britain, the usual charge for registration is 2s. 6d. per Deed, whether that Deed transfers 10 shares or 10,000 shares. There are no doubt other directions in which a desire to help would lead to smoother working.

66. We shall now proceed to consider certain suggestions made in order to make the conduct of business in the Stock Exchange more in accord with the convenience of the general public.

#### **Holidays.**

67. A very vexed question, the different aspects of which have been put to us in evidence is that of holidays. The majority opinion was that the number of regular holidays was excessive and acted in a way which was detrimental to the reputation of the Stock Exchange. We find that there is so much force in this argument that we recommend that the market shall only be closed, for the purpose of holidays, on all Sundays throughout the year, all bank holidays declared by the Government of Bombay under the Negotiable Instruments Act, and the following Association holidays, namely, Shree Mahavir Swami's Birthday, Jain Samvatsari and the 21st day of Ramzan. It may be noted that we agree to the continuance of all holidays other than Christmas, which are now observed as whole holidays by the Association. We do not, therefore, apprehend that the limitation of holidays to those mentioned above will cause offence to the religious susceptibilities of any community.

#### **Hours of Business.**

68. A number of witnesses expressed a desire that the hours of trading, particularly on the Forward List, should be extended. In our opinion, the present hours of business are sufficient to extend all necessary facilities to the public for the due execution of their business, and we therefore do not recommend any change in the hours fixed at present.

#### **Daily and Monthly Official Lists.**

69. A view was very generally expressed that the Stock Exchange should undertake to issue a Daily Official List. We may state that we are strongly in favour of this proposal, and are pleased to note that steps have already been taken by the Board (in consultation with the Chairman of this Committee) to put the suggestion into operation. We might, however, draw attention to the fact that a considerable field

for the instruction and information not only of members but of the public lies in the issue of a monthly publication, which would contain more detailed information, both statistical and general, regarding joint stock companies and Government securities and other kindred financial questions than is possible in the daily Official List; and we venture to express the hope that the Board of Directors will explore this subject thoroughly and find themselves before long in a position to put this suggestion into effect.

We suggest that in any future issue of lists of members of the Share Bazaar, the name of the firm to which a member may belong should be inserted against his name; and it would serve to indicate any differences in the nature of their business if those members or firms acting as brokers only were differentiated from those acting both as brokers and principals.

#### **Contract Forms.**

70. We are of opinion that a change is necessary in the form of the contract note which is in use at present (Form A in Appendix H of the Rules and Regulations of the Association), and have, therefore, drawn up a revised form of contract which, we hope, will prove more satisfactory (Appendix V). The present form is calculated to perpetuate the mentality which regards a transaction merely as a liability for the settlement of differences and not for the capital sum involved, and the adoption of the form we recommend will gradually have a different psychological effect, inasmuch as it will bring clearly to the notice of the constituent the full extent of the liabilities he has undertaken. The form we have proposed is in accordance with the practice elsewhere, and we can see no reason why it should not be adopted in Bombay. If, as is possible, the change means some additional work in brokers' offices, that is only incidental and of no importance in comparison with the establishment of a sound practice.

There is, we understand, considerable laxity in the matter of affixing stamps to the contract notes, and we think it desirable to have it embodied in the rules that the contract stamp shall be affixed to every contract.

It may be noted finally that in accordance with our recommendations as to net contract notes being prohibited, Form B in Appendix H of the Rules and Regulations of the Association will have to be deleted.

### Stock Exchange Building.

71. Interest in the matter of the Stock Exchange building and the facilities it affords was general and not limited to members of the Association. We understand that plans are in existence for the further improvement of the building and that such improvements will be carried out at an early date. In this connection, we recommend that the public should not be allowed entrance to the Stock Exchange other than such as will give them access to brokers' offices. We are also of the opinion that when the reconstruction of the building is taken in hand, no gallery for the accommodation of the public should be provided. Amongst the reasons which have actuated us to make these recommendations is the fact that the existing facilities are in the main made use of by speculators who come to the Stock Exchange day after day and remain there for long periods at a time. This, to our mind, merely encourages a highly undesirable type of speculation, and in so far as withdrawing this permission will tend to limit it, we consider that a good purpose would be served. We are unable to imagine any good reason to justify extending this facility to members of the public.

By inference it follows that we consider it indefensible to admit members of the public under any circumstances whatever to the trading ring. We consider it desirable to express our opinion on this point specifically, because we understand that in the past for a short while the Board did throw open admission to the floor to members of the public on payment of an annual subscription.

### VIII—BOMBAY SECURITIES CONTRACTS CONTROL ACT OF 1925

72. We are of the opinion that the Bombay Securities Contracts Control Act, 1925, should be amended in certain respects. Two of the amendments we propose, aim at removing what appears to us to be a serious defect in the Act, while the third, if accepted, will involve a definite extension of the principle underlying the Act.

(1) As it now stands, the Act provides that a recognised Association may, subject to the sanction of the Government, make, vary or rescind rules for the recognition and control of transactions in securities other than ready delivery contracts. Government, however, have not taken power either to make new rules for the Association or even to amend rules which

may be submitted to them for their approval. This means that should a situation arise when the Association incontinently turns down a suggestion of the Government for the framing of a new rule or the improvement of an amendment submitted for their approval, and should the Government regard their suggestion to be one of fundamental importance, then they will have no alternative to the course prescribed in section 4 (3), namely, the withdrawal of the recognition given to the Association. In a situation such as is visualised here, it should be possible for Government to take strong and yet not drastic action, and we consider that the ability to amend or to frame any rules will enable the Government to do so. It appears to us that the drastic power to withdraw recognition is not designed for use except in the case of an association which persisted in abusing its powers and in evading its rules to such an extent that the abuse and the evasion amounted unmistakably to a public scandal. We propose, therefore, two intermediate steps. The first step, namely, the power to amend rules submitted for approval or to frame new rules, may be exercised if the Association proves to be recalcitrant and persists in its refusal to accept an amendment or a rule which Government deems to be vitally important. The second step we propose, will become necessary in the event of the Board of the Association proving itself incapable of discharging its functions with a due sense of responsibility. In such an eventuality, we suggest that Government should have the power to appoint its own directors to work with the Board, if possible, or independently of the Board, if necessary, till such time as the Association is prepared itself to elect a new Board imbued with a more adequate sense of its responsibilities. The number of these special directors may be fixed by Government in the light of circumstances that may be obtaining at the time of exercising this power. It will be necessary for Government to give overriding powers to such directors, so that they may be able to administer the affairs of the Stock Exchange should the Board continue to maintain its intransigent attitude. It is only in the very last resort that we think Government should have recourse to the extreme power of withdrawal of recognition.

(2) "Ready delivery contract" has been defined in this Act as "a contract for the purchase or sale of securities for performance of which no time is specified and which is to be performed immediately or within a reasonable time". The question of the reasonable time is in each particular case

a question of fact. It is evident that this is a very vague definition inasmuch as it lays down no definite time for the completion of the contract. This facilitates evasion and vitiates any rules the Association might draft to define "ready delivery bargain". We suggest, therefore, that the Act should be amended so as to make "ready delivery contract" mean a contract which must be implemented by the actual delivery of and payment for the security specified in such contract on any business day not later than the seventh day from the date of the original contract.

(3) We would like, however, to go further than this, and propose that ready delivery contracts too should be subjected to the control of the recognised association, particularly as this will ensure a more effective check over the association's rules and regulations. We realise, of course, that this will in effect mean the grant of absolute monopoly to the Association in respect of every contract for the purchase or sale of securities, but we are unable to see any objection to this in principle, nor do we feel that the Board will abuse its privileged position.

73. We think it necessary to draw the attention of Government to the fact that if the control of the Association is extended to ready delivery contracts as proposed, section 6 of the Act, as it now stands, will render void even contracts for the purchase or sale of securities not admitted to dealings on the Stock Exchange unless they are made through members of the Association subject to and in accordance with the rules of the Association. It is undesirable to go to this length, and in amending the Act care will have to be taken to see that the control of the Association over ready delivery contracts extends only to transactions in such shares and securities as are admitted to dealings on the Stock Exchange.

#### IX—SUMMARY

74. We may summarise our recommendations as under :—

1. The Board of Directors should have only the following powers of intervention in the natural course of the market :—

- (1) Power to suspend the "buying-in" rule, with the previous consent of Government (Para. 20);
- (2) power to suspend short-selling, also with the previous consent of Government (Para. 20); and

- (3) (i) power to close the market for twenty-four hours (Para. 20); and  
 (ii) power to keep it closed for any longer period only when the prior consent of Government has been obtained (Para. 20).

2. Rules in regard to Defaulters must be strengthened as follows :—

- A. (i) Compromise in any shape or form to avoid default should be prohibited (Para. 22).  
 (ii) A member's failure to fulfil his obligations arising out of transactions on the Stock Exchange with a non-member must entail declaration of default (Para. 23).  
 (iii) A defaulter's property outside of the Stock Exchange must also be made available to the Association for the benefit of his creditors (Para. 23).
- B. (i) A member whose default has been brought about or has been contributed to by speculation on his own account should not be re-admitted under any circumstances (Para. 24).  
 (ii) A defaulter who has paid 16 annas in the rupee may be eligible for re-admission by the Board if it is satisfied that his conduct in other respects gives rise to no cause for complaint (Para. 24).  
 (iii) In order that the Board may be enabled to deal with the more extreme cases of hardship, it should have powers similar to those possessed by the Committee of the London Stock Exchange, to re-admit a defaulter, whose conduct, on examination, is found to be irreproachable and whose failure is proved to be entirely or in the main due to misfortunes, even if such defaulter has paid up only a portion of his liabilities (Para. 24).

3. The rules in regard to remisiers should be strengthened further by requiring a remisier—

- (i) to deposit with the Association a sum of Rs. 5,000 (Para. 26);  
 (ii) to pay an annual subscription to the Association of Rs. 200 (Para. 27);  
 (iii) to sever his connection with any other business (Para. 27); and  
 (iv) to produce before the Association a clearance certificate from the broker he leaves, should he desire to work as remisier to another broker (Para. 27).

4. Speculative dealings for employees must be prohibited, unless they obtain the written consent of their employers (Para. 29).

5. A simple system of margin deposits should be instituted immediately (Para. 30).

6. A. (i) A minimum scale of brokerage should be established and enforced strictly (Para. 33).

(ii) Concessional scale for large business should operate when the business for account is in excess of Rs. 10,000, and for cash is in excess of Rs. 5,000, in one security (Para. 34).

B. (i) The issue of only agency contracts, showing clearly the amount of brokerage charged should be made compulsory (Para. 35).

(ii) The existing Form A should be amended on the lines of the draft contract form in Appendix V (Para. 70).

(iii) If a member instructs another member to execute any business, the latter should receive his remuneration out of and not in addition to the former's commission (Para. 36).

7. A member who is a partner in a firm shall not enter into a contract for the purchase or sale of securities either with a member or a non-member save in the name of the firm and the firm shall be liable for the completion of the contract under the rules and regulations of the Stock Exchange (Para. 37).

8. Blank transfers should be made a bad delivery (Para. 40).

9. Transactions for two settlements should be permitted on not more than four days during the currency of one settlement [Para. 44 (1)].

10. The Board of Directors should be elected every year (Para. 47).

11. The Association should not have any overriding power; its control over the Board should consist only in its power to refuse to elect men who, in its opinion, were not fit to retain its confidence (Para. 49).



12. (i) The right of nomination should be regarded as personal and non-transferable (Paras. 50 and 51).

(ii) A member of seven years' standing should be entitled to dispose of his card to any eligible person (Para. 52).

(iii) A candidate for membership must furnish either three sureties in the sum of Rs. 10,000 each and for two years, or, in the alternative, a deposit of Rs. 30,000 for the same period (Para. 53).

(iv) The annual subscription should be raised to Rs. 100 for an existing member and Rs. 300 for all new members (Para. 54).

(v) The privilege of retaining connections with other businesses, given to pre-1926 members should be regarded as personal and terminate with the death or resignation of the member (Para. 56).

13. (i) A subscription of Rs. 200 per annum should be payable in respect of each authorised clerk (Para. 58).

(ii) Relatives should not be employed as authorised clerks *in addition to* the prescribed number of authorised clerks (Para. 60).

14. A bid or offer of stock in the market, where the amount is not stated, shall be binding to the amount of Rs. 10,000 at the bargain price calculated to the amount nearest to the sum (Para. 61).

15. Association holidays should be limited to Shree Mahavir Swami's Birthday, Jain Samvatsari and the 21st day of Ramzan (Para. 67).

16. The public should not be allowed access to any part of the Stock Exchange building other than the brokers' offices (Para. 71).

17. The Bombay Securities Contracts Control Act of 1925 should be amended as indicated in section VIII (Para. 72).

We have also dealt with the following questions :—

1. Fortnightly settlements should be introduced if it is found for any reason impossible to establish a system of margins (Para. 32).

2. The Forward List should be extended, so as to widen the area open to legitimate speculation (Para. 42).

3. "The Board of Directors" may be dropped in favour of some more appropriate description such as "Governing Body" or "Managing Committee" (Para. 46).

4. The advisability of instituting a rotational system of retirement of the directors may be considered (Para. 48).

5. Sundry amendments to the proposed requirements for permission to deal (Para. 62).

6. Issue of Daily and Monthly Official Lists is advisable both in the interest of the public and of members (Para. 69).

7. List of Members (a) might show against a member's name the firm to which he belongs; (b) also indicate members who work only as brokers and those who work as Principals and brokers (Para. 69).

#### X—EFFECT OF RECOMMENDATIONS

75. It is possible that, at first sight, some of our recommendations may not appear to be consistent in principle with others. It may be said, for instance, that the Committee recommends, on the one hand, the grant of considerable additional powers to the Board and, on the other, recommends that its powers should be subject to even greater control than before. In reality, there is no fundamental contradiction at all. What has actuated the Committee throughout this report is the realisation that the Board must have as wide a discretion and authority as possible, if it is to discharge its duties with adequate efficiency. The object of a number of our recommendations is gradually to develop amongst the members a desire for the acceptance of that discipline and the adoption of that high standard of conduct without which it is useless to hope that a Stock Exchange can ever command the confidence of Government and of the public. It is equally necessary that the controlling body should learn to exercise its powers with firmness and impartiality, and brook no insubordination or refusal of the members to carry out orders and instructions issued in accordance with the rules and regulations. We feel that the Board of Directors has not been in such a position of undisputed authority, and to strengthen its

hands and enable such a position to be reached, we have proposed giving to Government certain powers of control and supersession. We are confident that, when that stage is reached, the need for Government control will have ceased, and no objection will be raised to the Board managing its affairs with unfettered discretion.

76. In Appendix IV we have endeavoured to show in as complete a manner as it was possible to do in the time at our disposal the effect of our recommendations on the rules of the Association as also on the amendments proposed by the Association in August 1935 and April and September 1936. While going through the rules and the amendments we came across several which appeared to us to be either superfluous or not satisfactorily expressed, and we have sought to indicate briefly how and why they should either be improved or deleted. In the case of a few others, we have suggested certain amendments which raise relatively minor questions of principle and to which we have not made any reference in the body of the report. In order to appreciate fully the various issues raised by our terms of reference, we had naturally to study the rules of, and the amendments proposed by, the Association with great care. In surveying them as a whole it appeared to us desirable to incorporate the suggestions which fell in the second and third categories described above, at some place in our report, and it appears to us that the appendix serves this purpose best.

77. In conclusion, we would like to express our appreciation of the public spirit exhibited by all those associations and gentlemen who sent in written statements in response to the general invitation extended by Government and in reply to our questionnaire. Our thanks are also due to those who gave oral evidence before us for their courtesy and evident desire to help in the course of sittings which in many cases were prolonged. In particular, we wish to thank Mr. K. R. P. Shroff who, in his capacity as President of the Native Share and Stock Brokers' Association, spared no effort to render us every assistance in his power.

The Committee desire to place on record their keen appreciation of the services rendered by their Secretary, Mr. H. M. Patel of the Indian Civil Service, whose grasp of both the details

and the principles involved in a technical subject proved an invaluable help during the course of our enquiry and in drawing up this report.

(Signed) WALTER B. MORISON, *Chairman.*

( .. ) S. N. POCHKHANAWALA

( .. ) RAHIMTOOLA M. CHINYOY

} *Members.*

H. M. PATEL,

*Secretary.*

The Secretariat, Bombay.

6th March 1937.

## APPENDIX I.

Stock Exchange Enquiry  
Committee :  
Appointment of —

### GOVERNMENT OF BOMBAY.

#### FINANCE DEPARTMENT.

Resolution No. 2902.

Bombay Castle, 24th November 1936.

The Governor in Council is pleased to appoint a Committee to examine and report on the organisation and methods of working of the Native Share and Stock Brokers' Association of Bombay, to consider whether any modifications are desirable in the interests of the investing public, and to make recommendations.

2. The Committee will be constituted as follows :—

- |                                   |    |                      |
|-----------------------------------|----|----------------------|
| (1) Mr. W. B. Morison ..          | .. | <i>Chairman.</i>     |
| (2) Sir Sohrabji Pochkhanawala .. | }  | .. <i>Members.</i>   |
| (3) Sir Rahimtoola Chinoy ..      |    |                      |
| Mr. H. M. Patel, I.C.S. ..        | .. | .. <i>Secretary.</i> |

3. The Committee will assemble in Bombay at such place and time as will hereafter be notified.

4. Associations or persons wishing to make proposals for the reorganisation of the Bombay Stock Exchange or for improving its methods of working are invited to send their written representations to the Secretary, Stock Exchange Enquiry Committee, Finance Department, Secretariat, Bombay, as early as possible and not later than the 23rd of December 1936.

By order of the Governor in Council,

C. G. FREKE,  
Secretary to Government.

## APPENDIX II.

*Questionnaire.*

1. Should forward trading be stopped completely? Or should it be allowed with restrictions? And, if so, with what restrictions? Do the conditions for putting a scrip on the forward list require any modification?

2. Have you any suggestions to offer as regards the control of sub-brokers, their status, position and responsibility?

3. Is strict differentiation between jobbers, tarawniwalas and brokers advisable?

4. *Stock Exchange Building.*—Is present accommodation therein sufficient? Are facilities, such as installation of electric boards for giving latest prices, necessary?

5. Do you consider that the existing powers of the President and the Board of Directors require to be enlarged or modified in any way? Should the Board be given power to prevent individual members of the Association, under certain circumstances, from speculating in forward scrips? Should the Board have power to intervene in transactions between members?

6. Do you consider that the intervention of Government is necessary under any special circumstances?

7. *Holidays.*—Are they excessive at present?

8. *Hours of Business.*—Are any changes therein necessary or desirable?

9. *Brokerage.*—Should there be a fixed minimum scale of commissions?

10. *Amendments to Contract Notes.*—Should it be compulsory for brokerage to be shown separately in an agency contract?

11. *Defaulters.*—Circumstances under which they should be reinstated. Should defaulters who have not paid their creditors in full be allowed to do business, say, as sub-brokers, and under what conditions?

12. Should restrictions imposed under Rule 7 of the Rules of the Native Share and Stock Brokers' Association on persons having connection with other trades be removed?

13. *Clearing House.*—Should all dealings in shares, either cash or forward, be arranged through the Clearing House? Should monthly clearing be expedited? Should settlements be fortnightly? Is it necessary to publish daily official price lists?

14. Member's card constitutes a security for the benefit of his fellow members. Should members be required to provide additional security for protecting their clients' interests?

15. Are any powers required for the investigation of brokers' books of accounts and contracts in addition to those at present enjoyed by the Board of Directors?

16. Should blank transfers of shares be allowed? If so, should their currency be limited?

17. Should Rule 335 dealing with corners be revived? Have you any suggestions for the improvement of the rules dealing with corners?

18. *Bear Raids*.—Should the present rule 188 be continued? Is it adequate for the purpose? Does it require modification in any respect?

19. Should the scrip of a company not be allowed to be quoted for forward dealings where any partner interested in the managing agency of the company and holding a very large number of shares enters into speculative transactions in shares of his own company?

20. *Margins*.—Whether brokers should be required to insist upon margins from their clients for putting through transactions on their behalf? If so, how can such requirements be enforced on all the parties concerned?

21. *Listing requirements*.—Are they adequate? Or should they be enlarged further with a view to safeguard the interests of the public?

22. Should it be made compulsory to disclose the identity of a client in all circumstances in the broker's books?

23. Whether it is necessary to prevent members from speculating on their own account? If so, how?

24. Are you of the opinion that the Bombay Securities Contracts Control Act, 1925, requires any amendment; and if so, in what manner? Do you think it is desirable that Government should reserve to itself the power it has at present under the Act of sanctioning the rules of the recognised Association?

25. Are there any other factors in addition to the foregoing which, in your opinion, are responsible for overtrading and the periodical difficulties on the Stock Exchange? What steps would you suggest to prevent these?

## APPENDIX III.

*A. List of witnesses examined orally.*

1. Representatives of the Native Share and Stock Brokers' Association (Messrs. K. R. P. Shroff and J. J. Kapadia).
2. Representative of Messrs. Forbes and Lund, Stock and Share Brokers (Mr. E. F. Groombridge).
3. Representatives of the Marwadi Chamber of Commerce—
  - (i) Mr. Begraj Gupta,
  - (ii) Mr. Kedarnath Agarwal,
  - (iii) Mr. Umashanker Dikshit.
4. Representative of the Indian Merchants' Chamber (Mr. Mangaldas B. Mehta accompanied by Mr. Jaisukhlal K. Mehta, the Secretary of the Chamber).
5. Representatives of the Bombay Millowners' Association—
  - (i) Mr. F. E. Stileman, and
  - (ii) Sir H. P. Modi.
6. Mr. R. R. Nabar (Member of the Native Share and Stock Brokers' Association).
7. Representatives of the East India Cotton Association—
  - (i) Mr. Chunilal B. Mehta, and
  - (ii) Mr. Prataprai M. Mehta.
8. Mr. Chunilal B. Mehta (as the representative of the Bombay Shroff Association, as well as in his individual capacity).
9. Mr. Walchand Hirachand.
10. Representative of the Exchange Banks' Association (Mr. D. Laidlaw).
11. Mr. W. I. Thakor.
12. Mr. Jaya Raj (Member of the Native Share and Stock Brokers' Association).
13. Mr. D. C. Mehta (of Messrs. Mehta Vakil & Co., Brokers).
14. Representatives of the Bombay Chamber of Commerce—
  - (i) The Hon'ble Mr. R. H. Parker,
  - (ii) Mr. D. D. Storrar.
15. Representatives of the Bombay Shareholders' Association—
  - (i) Professor S. R. Davar, and
  - (ii) Mr. Mohamed Ali Chahewala.



16. Mr. R. E. M. Patel (of Messrs. Patel and Ramdutt, Share and Stock Brokers).
17. Mr. Minocher H. Engineer.
18. Mr. Ali Mahomed G. Moloobhai.
19. Mr. A. D. Shroff.
20. Mr. Dhirajlal Tribhovandas (on behalf of the Provisional Committee of the sub-brokers of the Bombay Stock Exchange).
21. Mr. Jamnadas Morarjee (of Messrs. Jamnadas Morarjee & Sons, Share and Stock Brokers).

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*B. List of associations and persons who submitted representations or replies to questionnaire.*

1. Mr. M. S. Challa.
2. Mr. Satyapal S. Malhotrá (Member of the Native Share and Stock Brokers' Association).
3. The Ankleshwar Nagari Sahakari Bank Ltd.
4. Mr. M. A. Peerbhoy, Bandra.
5. The Bombay Millowners' Association.
6. Mr. Chhotalal I. Parekh.
7. The Bombay Shroff Association.
8. Mr. D. C. Mehta (of Messrs. Mehta Vakil & Co., Share and Stock Brokers).
9. Mr. R. C. Keshani.
10. Mr. Ardeshir R. Subedar.
11. Mr. A. D. Baria.
12. Mr. C. C. Master.
13. Mr. W. I. Thakor.
14. Mr. R. D. Tanna.
15. The Bombay Exchange Banks' Association.
16. Mr. C. C. Chokshi.
17. Mr. Narandas Vithaldas, Daman.
18. Messrs. E. A. Haveliwala & Sons.

19. The East India Cotton Association, Bombay.
20. Maconochie & Co., Madras (Stock, Share, Exchange and Freight Brokers).
21. The Madras Chamber of Commerce.
22. Mr. Gangadas J. Damania.
23. Mr. J. P. Patel.
24. The Bombay Chamber of Commerce.
25. Mr. Walchand Hirachand.
26. The Indian Merchants' Chamber, Bombay.
27. Mr. C. M. Eastley.
28. Mr. Ishwarlall B. Desai.
29. Chairman and Managing Director, Premier Construction Co., Ltd.
30. Mr. Jaya Raj (Member, Native Share and Stock Brokers' Association).
31. Mr. Vusonji Mulji.
32. Mr. M. M. Desai.
33. Mr. D. N. Bapasola.
34. Mr. E. F. Groombridge (of Messrs. Forbes and Lund, Share and Stock Brokers).
35. The Scindia Steam Navigation Co., Ltd.
36. Mr. M. H. Engineer.
37. Mr. R. R. Nabar (Member, Native Share and Stock Brokers' Association).
38. Mr. Chunilal B. Mehta.
39. Mr. Motilal Bawalal (Share, Stock and Finance Broker).
40. Mr. D. N. Shroff.
41. R. Chhotalal & Co.
42. Mr. Vrajlal Keshavlal.
43. The Marwadi Chamber of Commerce, Bombay.

44. Mr. R. E. M. Patel (of Messrs. Patel and Ramdutt, Share and Stock Brokers).
45. Mr. Jamnadas Morarjee (of Messrs. Jamnadas Morarjee and Sons, Share and Stock Brokers).
46. Mr. Bhagwandas Kariwala.
47. Mr. Veerjee Madhavjee.
48. Mr. A. D. Shroff.
49. Mr. Dhirajlal Tribhovandas (on behalf of the Provisional Committee of Sub-brokers of the Bombay Stock Exchange).
50. Mr. Rajendra Somnarayan Dalal.
51. Mr. Bisesarlal Chirawawala.
52. Mr. Dipchand B. Shah.
53. The Bombay Shareholders' Association.
54. Mr. Shivji Karsandas.
55. Mr. Liladhar Premjee.
56. Mr. C. M. Dalal.
57. Mr. Bhagwandas Ratansej.
58. Mr. Ali Mohammed Moloobhai (of Messrs. Goolamhusein Moloobhai, Share, Stock and Exchange Brokers).
59. The Mahratta Chamber of Commerce and Industries, Poona.
60. The Karachi Indian Merchants' Association.
61. Millowners' Association, Ahmedabad.
62. Mr. J. V. Somayajulu.
63. The Indian Cotton Exchange, Bombay.
64. The Memon Chamber of Commerce, Bombay.
65. Southern India Chamber of Commerce, Madras.
66. The Premier Construction Co. Ltd.
67. Mr. Shantilal B. Kothari.
68. Mr. Chhaganlal M. Mehta.
69. Mr. M. K. Mehta.
70. Mr. Framroj S. Mistry.
71. Mr. J. R. Parik.
72. Mr. K. K. D. and others.

APPENDIX IV.

*Effect of proposals on the Rules of the Association.*

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
1	<p><i>Note.</i>—Association's proposals which have not yet been incorporated in the rules are shown in italics.</p> <p>3. No person shall be eligible for membership of the Association unless—</p> <p style="padding-left: 40px;"><u>Natives of India.</u></p> <p>(a) he is a native of India, or</p> <p style="padding-left: 40px;"><u>British subjects.</u></p> <p>(b) is a British subject, having resided in the Bombay Presidency for at least 10 years prior to his application for membership.</p>	<p>For the figure "10" in clause (b), substitute the figure "5".</p>	<p>Five years gives enough time to understand local conditions.</p>
2	<p><u>Lady Members.</u></p> <p>3A. <i>Ladies, if otherwise eligible, may be members of the Association; and words importing the masculine gender used in these rules with reference to a member shall be taken to include females.</i></p>	<p>New rule may not be accepted</p>	<p>We have proposed modification of the rights or privileges of relatives in a card and on general grounds we consider that time is not yet ripe to admit ladies to membership.</p>

Other occupations.

7 (a) No person shall be eligible for membership of the Association if he be engaged as principal or employee in any business other than that of a broker in stocks, shares and like securities or of a general financial Broker or of a bullion and exchange Broker, unless he shall undertake on admission to the Association forthwith to sever his connection with such business ;

Exceptions.

(b) Nothing in sub-rule (a) shall apply to any person who prior to 1st March 1926 shall have been duly admitted a Member of the Association ;

Membership of other Associations.

(c) No person shall be eligible for Membership of the Association if he be a Member of or subscriber to or shareholder or debenture holder in any other institution, Association, company or corporation in Bombay where dealings in stock, shares or like securities are carried on, unless he shall undertake on admission to Membership of the Association instantly to sever his connection with such institution, association, company or corporation as the case may be ;

Other occupations when allowed.

(d) A nominee of a member appointed under rule 12 shall be at liberty to carry on any business that the member in whose place he is nominated carried on at the time of his death provided that he is a member of the family of such member.

(i) Delete the words "or of a general financial broker or of a bullion and exchange broker", occurring in sub-rule (a).

(i) *Vide* paragraph 55 of the Report. It was thought inadvisable that members of the Stock Exchange should be engaged in any other business.

(ii) Delete sub-rule (d) and explanation below it.

It was considered that as the principle of rule 7 (a) was sound exceptions to it were undesirable ; *vide* paragraph 56 of the Report.

Serial No.	Rules as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
3— contd.	<p>7—contd.</p> <p><i>Explanation.—In this rule and the following rules the expression "a Member of the family" includes the father, the mother, the wife or the husband and the lineal descendants of the father of the Member concerned.</i></p> <p style="text-align: center;"><u>Member's family.</u></p> <p>11. (a) A Member who desires to resign, may with the sanction of the Board nominate a <i>Member of the family</i> otherwise eligible under these rules for admission to Membership of the Association as a candidate for admission in his place ;</p> <p>(b) A Member of not less than twenty-five years' standing or a Member 55 years old and of not less than ten years' standing who desires to resign may nominate a person otherwise eligible under these Rules for admission to Membership of the Association as a candidate for admission in his place.</p>	<p>(i) Delete sub-Rule (a) and the heading.</p> <p>(ii) Re-number 11 (b) as 11' and substitute the following :—</p> <p style="text-align: center;"><u>"Nomination by Member.</u></p> <p>A Member of not less than 7 years' standing who desires to resign may nominate a person otherwise eligible under these Rules for admission to Membership of the Association as a candidate for admission in his place."</p>	<p><i>Vide</i> paragraphs 51 and 52 of the Report.</p>

RESIGNATION.

5

Rights of resigning Members.

22. A Member may resign from the Association by giving fifteen days' notice in writing to the Secretary of the Association of his intention, and upon the expiration of the notice he shall cease to be a Member of the Association and shall forfeit all rights and privileges as a Member of the Association, including any right to the use of or any claim upon or any interest in any property or funds of the Association, and such right, claim or interest shall vest in and become the absolute property of the Association.

EXCLUSION AND SUSPENSION OF MEMBERS.

6

Unworthy Conduct.

23. The Association may by Resolution expel a Member who is guilty of any conduct which in the opinion of the Members renders him unfit to be a Member. Such Resolution shall be passed by a majority of three-fourths of the Members present at a meeting of not less than seventy-six Members and shall be confirmed by a majority of Members at a meeting of not less than fifty Members, held not less than seven and not more than fourteen days after the first meeting.

Substitute the following for this rule :-

" Resignation of Members.

22. A Member may resign from the Association by giving fifteen days' notice in writing to the Secretary of the Association of his intention, which shall be forthwith posted, and if, on the expiration of the fifteen days, no objection shall have been received, he shall cease to be a Member of the Association."

It is desirable that such notice should be posted so that Members may have an opportunity to notify the Board if for any reason they wished to oppose the resignation.

Delete this rule

.. .. *Vide* paragraph 49 of the Report.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
7	<p style="text-align: center;"><u>Membership of other Associations.</u></p> <p>26. The Board of Directors shall by Resolution expel any Member of the Association who subsequently to his admission shall become a member of or subscriber to or shareholder or debenture holder in any institution, association, company or corporation in Bombay where dealings in stock, shares and like securities are carried on, or shall be connected through a partner with such institution, association, company or corporation.</p> <p><i>Explanation.—For the purpose of this rule, five or more members of the Association making any bid or offer or entering into any contract or transaction in stocks, shares and like securities before, during or after business hours or during holidays at any place other than the floor of the Association shall be deemed to be members of an Association other than the Association.</i></p>	<p>After the word "admission" insert the words "is engaged as principal or employee in any business other than that of stocks, shares and like securities or".</p>	<p><i>Vide</i> remarks against rule 7; rule 26-A becomes unnecessary in view of the amendment proposed to this Rule.</p>
8	<p style="text-align: center;"><u>Other occupations.</u></p> <p>26A. The Board of Directors may by resolution suspend or expel any member of the Association who, subsequently to his admission and during the period he remains an active member of the Association, shall be engaged either directly or indirectly as principal or employee in any business other than that of a Broker in stocks, shares and other like securities or of a general financial broker or of a bullion and exchange broker.</p>	<p>Delete rule 26-A.</p>	



Fraudulent conduct.

28. (a) The Board of Directors may by Resolution expel or suspend a Member of the Association who is guilty of fraudulent conduct.

(b) The said Board may by Resolution suspend and/or fine a Member of the Association who—

Refusal to obey.

(i) may refuse or fail to comply with any Resolution or decision of the said Board ;

Breach of Rule.

(ii) .....

Dishonourable or disgraceful conduct.

(iii) .....

Expulsion of Director by Association.

29. The Association may by Resolution expel a member of the Board of Directors from the said Board ; such Resolution shall be passed by a majority of three-fourths of the Members present at an extraordinary general meeting at which not less than one hundred Members shall have been present.

Add at the end of sub-rule (a) the words " or who is proved to be transacting business in fictitious names ".

In sub-rule (b), insert the word "expel" between the words "Resolution" and "suspend".

To define the penalty attaching to the use of improper business methods.

The offences in (i), (ii) and (iii) may, on occasions, be serious enough to merit expulsion.

Delete this rule

.. Vide remarks against rule 23 ; and paragraph 49 of the Report.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
11	<p style="text-align: center;"><u>Expulsion of Director by Board.</u></p> <p>30. The Board of Directors may by Resolution expel from the said Board any Member of the said Board who may, in the opinion of the said Board, be guilty of improper conduct: such Resolution shall be passed by a majority of three-fourths of the Members present at a meeting of the said Board especially summoned for the purpose at which not less than one-half of all the Members of the said Board shall have been present. The said Board shall be the sole judge of what is improper conduct within the meaning of this Rule.</p>		
12	<p style="text-align: center;"><u>Expulsion of Director interested in syndicate.</u></p> <p>31. The Board of Directors shall by Resolution expel from the said Board a Member of the Board who, having a direct or indirect interest (except brokerage) in any Bull or Bear syndicate or combination formed to rig or to depress the market or who being a partner or sub-partner in such syndicate or who managing the business of such syndicate or who being a responsible representative of such syndicate, does not forthwith tender his resignation as a Member of the said Board. The said Board shall be the sole judge as to whether a Member of the said Board has any such interest or is such a partner, sub-partner, manager or representative, as the case may be, and their decision shall be final.</p>	<p>Substitute the words "remove" and "removal" respectively for the words "expel" and "expulsion" wherever they occur in rules 30 and 31.</p>	<p>Expulsion appears to be an inappropriate expression to use, because the Member is presumably only removed from the Board and continue to be a Member of the Association.</p>

13

Resolution of expulsion how carried.

32. Save where it is otherwise provided in these Rules, a Resolution of the Board of Directors for the expulsion of a Member of the Association or of the said Board must be passed by a majority of three-fourths of the Members present at a meeting of the said Board specially summoned for the purpose at which not less than one-half of all the Members of the said Board shall have been present.

After the word "or" insert the words  
"removal of a member".

For the reason given for the amendment to rule 30.

14

Reconsideration of Resolution of expulsion.

33. The Board of Directors may of its own motion and shall on a written requisition of fifty-one Members of the Association reconsider and may cancel, revoke or modify a Resolution of the said Board expelling a Member of the Association. Such Resolution shall not be deemed valid or come into force unless it is passed by a majority of three-fourths of the Members present at a meeting of the said Board specially summoned for the purpose at which not less than one-half of all the Members of the said Board shall have been present and is confirmed by a majority of the Members of the said Board at a subsequent meeting specially summoned.

Delete the words "and shall on a written requisition of fifty-one Members of the Association".

Vide paragraph 49 of the Report.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
15	<p data-bbox="455 390 646 413"><u>Notice of Expulsion.</u></p> <p data-bbox="455 447 664 470"><u>No action maintainable.</u></p> <p data-bbox="282 505 809 746">34. The Board of Directors may in their absolute discretion and in such manner as they think fit notify or cause to be notified to the Members of the Association or the public any Resolution of the Association or of the said Board expelling or suspending a Member of the Association or of the said Board. No action or other proceedings shall under any circumstances be maintainable by the Member expelled or suspended against the Association or the said Board or any Member thereof or any officer or servant of the Association for the publication or circulation of such notification.</p>	<p data-bbox="819 505 1210 551">This rule requires re-drafting in view of the remarks against rule 30.</p>	
16	<p data-bbox="391 803 709 826"><u>Business for or with person expelled.</u></p> <p data-bbox="282 878 809 958">36. (c) A member shall not, without the special permission of the Board of Directors, share commission with or carry on business for or with a person who has been suspended or expelled from the Association.</p>	<p data-bbox="819 878 1037 901">Recommend acceptance.</p>	

17

Card inalienable.

37. A Member shall not be entitled to assign, transfer, pledge, hypothecate or charge, nor shall a Member assign, transfer, pledge, hypothecate or charge his card or right of Membership or any rights or privileges attached thereto and no such attempted transfer, assignment, pledge, hypothecation or charge shall be effective as against the Association for any purpose; nor shall any right or interest in any Card other than the personal right or interest of the Member therein, be recognised by the Association. The Board of Directors shall expel any Member of the Association who acts or attempts to act in violation of the provisions of this Rule.

- (i) Delete the words "be entitled to" ..
- (ii) Delete the word "transfer" wherever it occurs.
- (iii) Delete the words "nor shall a Member assign, transfer, pledge, hypothecate or charge".

Vide paragraph 50 of the Report and alterations to rule 38.

18

Membership a personal right.

38. The Card or right of Membership of a Member and the rights and privileges attached to Membership including all rights to the use of or any claim upon or any interest in any property or funds of the Association shall be the purely personal privilege of the Member attached to his Membership and shall not be deemed part of the property, estate and effects of such Member and shall not pass from such Member to any person or persons by act of the parties or by operation of Law.

Substitute the following for this rule :—

Nomination.

- (i) The right of nomination shall be personal and non-transferable.
- (ii) The right of nomination shall not be exercised by a former member who has been expelled or who has ceased to be a member under rule 28 or 136.
- (iii) The Defaulters' Committee shall have a right of nomination in the case of defaulters, and should the Defaulters' Committee exercise such right of nomination, the proceeds shall be applied in discharge of the defaulters' debt in the Stock Exchange.

Vide paragraphs 50 and 21 to 24 of the Report.

Serial No.  1	Rule as at present or rule as it would be if altered according to the Association's proposals.  2	Amendments as proposed by the Committee.  3	Reasons.  4
18— contd.	38—contd.	<p>(iv) A defaulter shall not be required to obtain a nomination before his readmission. But a defaulter in whose case the Defaulters' Committee has exercised the right of nomination shall not have any right of nomination unless he shall have purchased, on or after readmission, a nomination and registered his name in respect thereof with the Secretary.</p> <p>(v) Nominations must be executed and lodged with the Secretary within 12 months of the death or resignation of the member, or, in the event of his discontinuance of his subscription, within the current Stock Exchange year. If not so executed and lodged, the right of nomination shall pass to the Board of Directors, who may sell such right to any member either immediately or at any future time as they may deem fit.</p> <p>(vi) A nominee must be eligible under these rules, and if a nominee is rejected, a further nomination may be lodged within the prescribed period, i.e., within 12 months from the date on which the member from whom the nomination was obtained or purchased ceased to be a member.</p>	

(vi) When accepted by the Board nominations shall carry all rights and privileges as a member of the Association including any right to the use of or any claim upon or any interest in any property or funds of the association.

(vii) In the case of a deceased member the nomination form shall be issued in accordance with the probate of the will or letters of administration.

(ix) When a member dies, all his debts and other obligations and claims on any member of the Association and to the extent the same shall have been admitted by the Board of Directors shall be paid and satisfied by his legal representatives before the transfer of his right of nomination.

(x) If the legal representatives of any such Member shall be unable to pay and satisfy such debts, obligations and claims, the Card or right of Membership shall be disposed of by the said Board and the proceeds thereof shall be applied in the following order of priority to the following purposes, namely :—

(1) The payment of all debts, fines, monies and other charges due and payable by such Member to the Association or the Clearing House ;

Serial No.  1	Rule as at present or rule as it would be if altered according to the Association's proposals.  2	Amendments as proposed by the Committee.  3	Reasons.  4
18— contd.	38—contd.	<p>(2) The payment and satisfaction of all debts, obligations and claims arising from all contracts made subject to the Rules of the Association and to the extent that such claims shall be admitted by the said Board; and if the proceeds of the Card shall not be sufficient to pay and satisfy such debts, obligations and claims in full, they shall be paid and satisfied <i>pro rata</i>;</p> <p>(3) The payment and satisfaction of all debts, obligations and claims arising out of contracts made subject to the Rules of the Association in respect of which a promissory note shall have been passed, provided that such note shall not be barred by the Law of Limitation;</p> <p>(4) The payment to the legal representatives of any surplus upon the execution by them of such release or indemnities the said Board may require."</p>	



19

Membership rights not to pass on insolvency.

39. A Member who is adjudicated an insolvent shall thereby cease to be a Member and his Card or right of Membership and all his rights and privileges as a Member of the Association including any right to the use of or any claim upon or any interest in any property or funds of the Association shall stand forfeited to and become the absolute property of the Association.

Delete this rule

20

Card of deceased Member.

41. When a Member of the Association dies, his Card or right of Membership and all his rights as a Member of the Association including his right to the use of or claim upon or interest in any property or funds of the Association shall, save as is otherwise prescribed by any Rule for the time being in force, vest in and become the absolute property of the Association.

Delete this rule

21

Disposal of forfeited Card and proceeds thereof.

42. A Card or right of Membership which under any rule for the time being in force is forfeited to or vests in the Association, shall belong absolutely to the Association free of all rights, claims or interest of such Member or any person claiming through such Member or in his insolvency, and the Board of Directors shall be entitled to deal with or dispose of the said Card as the said Board may think fit. If the said Board sell such Card, the sale proceeds thereof shall in the first place be applied as provided in rule 146 in satisfying the liability of the Member, whose Card is sold, to other Members in respect of any contract made subject to the Rules of the Association, and the balance thereof shall be paid into the funds of the Association :

Delete the words " or in his insolvency " ..

The words appear to be unnecessary.

Unnecessary in view of rule 134 and rule 38 as now amended.

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21— contd.	<p>42—<i>contd.</i> • Provided always that the Association may in their absolute discretion by a Resolution passed at a general meeting of the Members direct such balance to be disposed of or applied in such other manner as they may think fit.</p>		
22	<p style="text-align: center;"><u>Notice of Partnership.</u></p> <p>43. (1) <i>When—</i>            (a) <i>any two or more members of the Association, or</i>            (b) <i>a member of the Association and one or more members of his family, or</i>            (c) <i>two or more members of the Association and one or more members of the family of any one of them—</i></p> <p><i>intend to carry on business in partnership in the name of a firm such member or members of the Association shall give to the Board of Directors previous notice in writing of such intention and of the name of the firm and thereupon the said Board shall give permission to the member or members concerned to carry on the business in partnership in such name.</i></p> <p style="text-align: center;"><u>Power of Board to disallow.</u></p> <p><i>Provided that the said Board may refuse such permission and may in the case referred to in clauses (b) and (c) require the dissolution of such partnership if they are of opinion that any such member of the family is unfit to be a partner.</i></p>	<p>In clause (1), delete sub-clauses (b) and (c), and omit the numbering for sub-clause (a) and the word "or" occurring at the end of sub-clause (a).</p> <p>Delete the proviso with the heading.</p>	<p>Vide paragraph 50 of the report. The alterations are consequential on recommendations dealing with conditions of membership.</p>

(2) No such partnership shall be recognised until such permission shall have been given by the Board.

Delete clause (2).

23

Register of Partnership.

44. (a) The Secretary of the Association shall keep a register of partnerships and shall enter therein the name of the partnership and the names of the members and any change in such partnership or names ;

Names and change of names to be notified.

- (b) The members of the partnership must communicate to the said Secretary in writing, signed by all the members, the name of the partnership and the names of the members and shall likewise communicate to the said Secretary any change in such partnership or such names. The said Secretary shall forthwith post a notice of the name of the partnership and the names of the members and of any change therein upon the notice board of the Association and no partnership shall be considered altered or dissolved until it is so notified.

- (i) After the first sentence of sub-rule (b) insert the following :—

“The notice to the Secretary, intimating dissolution of a partnership, shall contain a statement as to who undertakes the responsibility of settling all outstanding liabilities.”

This defines the position more clearly.

- (ii) The second sentence of sub-rule (b) should become 44 (c).

24

Partnerships with non-members forbidden.

45. (a) No person who is not a Member of the Association or who is not a member of the family of such Member shall be admitted a member of any partnership firm and a Member of the Association entering into partnership with any such person shall on proof thereof before the Board of Directors and upon a Resolution of the said Board to that effect, cease to be a member of the Association.

- (i) In sub-rule (a), delete “or who is not a member of the family of such member”.

Vide paragraph 50 of the Report.

Serial No. 1	Rule as at present or rule as it would be if altered according to the Association's proposals. 2	Amendments as proposed by the Committee. 3	Reasons. 4
24— contd.	<p>45—<i>contd.</i></p> <p><u>Partnerships with expelled or suspended Members forbidden.</u></p> <p>(b) A member shall not <i>without the special permission of the Board of Directors</i> form a partnership with a person who has been suspended or expelled from the Association.</p> <p><u>Contingent partnership.</u></p> <p>(c) A member shall not borrow money or securities from a non-member on terms that the lender shall receive a rate of interest varying with the profits or shall receive a share of the profits.</p> <p><u>Remuneration of employees.</u></p> <p>(d) No employee of a Member shall be paid any remuneration other than a fixed salary. The salary shall not save as provided in rule 194 vary with the business.</p> <p><u>Board sole judge.</u></p> <p>(e) The Board of Directors shall be the sole judge as to what constitutes partnership within the meaning of this rule and their decision shall be final.</p>	<p>(ii) Delete this sub-rule and re-number (c), (d) and (e) as (b), (c) and (d) respectively.</p> <p>(iii) At the end of re-numbered sub-rule (c), add "but may be supplemented by a reasonable bonus".</p>	<p>In view of the fact that partnership, as rule 43 is proposed to be amended, is only permissible with Members of the Association.</p> <p>To enable cash bonuses to be paid to the staff.</p>

Liability to continue.

47. A member of the Association whose name is registered as a member of a partnership firm shall continue liable as such until his name is removed from the register by the Secretary of the Association.

Delete this rule

This rule is unnecessary in view of the amendment proposed to rule 44 (b).

Non-Members as authorised clerks.

52. (a) The Board shall from time to time fix the number of authorised clerks a member may be allowed to employ.

Members as authorised clerks.

(b) Members of the Association may be employed as authorised clerks in excess of the number permitted by this rule. A Member so employed shall not himself be entitled to employ any authorised clerk.

Remisier as authorised clerk.

(c) A member may with the permission of the Board of Directors employ his Remisier also as his authorised clerk but not in addition to the number of authorised clerks allowed to him under this rule.

(i) Delete sub-rule (c), and re-number sub-rule (d) as (c).  
(ii) Insert the following as new sub-rule (d) :-

It was considered undesirable that an individual should act in the dual capacity.

“(d) The employer shall pay to the Association an annual subscription of Rs. 200 in respect of each authorised clerk employed by him. No such subscription shall be payable in respect of a member who acts as an authorised clerk”.

Vide paragraph 58 of the Report.

Admission of clerks.

(d) A member desirous of obtaining admission to the market for his authorised clerks shall apply for the permission of the Board of Directors on such form as the said Board may from time to time prescribe.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
27	<p style="text-align: center;"><b>Power of authorised clerks.</b></p> <p>54. (a) An authorised clerk may make bargains on behalf of his employer but shall not make bargains in his own name or sign Contract Notes in his own name or on behalf of his employer ;</p> <p style="text-align: center;"><u>Member liable for bargains of authorised clerk.</u></p> <p>(b) A Member shall be liable for all bargains made on the market by any authorised clerk employed by him and he shall fulfil such bargains according to the Rules of the Association in the same manner as if such bargains had been made personally by him.</p>	<p>(1) For sub-rule (a) substitute the following :—</p> <p>“ An authorised clerk or a member acting as an authorised clerk shall transact business only on behalf of his employer. He shall not make bargains in his own name or in any name other than that of his employer or sign contracts in his own name or in any other name or on behalf of his employer.”</p> <p>(2) Insert the following as new sub-rule (b) :—</p> <p>“The Board shall expel immediately an authorised clerk or a member acting as an authorised clerk who violates or evades this rule.”</p> <p>(3) Re-number existing Rule 54 (b) as 54 (c).</p>	<p>This amendment is proposed to make the meaning of the rule clear.</p> <p>It is very necessary that severe disciplinary measures should be taken for a breach of a rule which is framed for the protection of the members themselves.</p>

28	<p style="text-align: center;"><u>Substitute clerks.</u></p> <p>56. A Member may, on giving notice in writing to the Secretary of the Association and on payment of a fee prescribed by the Board of Directors, nominate a substitute clerk to act temporarily in the absence of an authorised clerk.</p>	Add at the end of the rule "for a period not exceeding 30 days".	It is obviously desirable that a reasonable time limit should be fixed.
29	<p style="text-align: center;"><u>Relatives as authorised clerks.</u></p> <p>57. A member may <i>after obtaining the consent of the Board of Directors</i> authorise his father, sons, brothers or brothers' sons to act for him in addition to the number of authorised clerks permitted to him under Rule 52. The father, sons, brothers or brothers' sons so authorised shall be in the same position as authorised clerks and the rules applicable to the authorised clerks shall in like manner apply to them.</p>	Delete rule 57 .. ..	Vide paragraph 60 of the Report.
30	<p style="text-align: center;"><u>Admission during good behaviour.</u></p> <p>58. Authorised clerks shall be admitted to the market only during good behaviour and the Board of Directors may by a Resolution in their absolute discretion refuse admission to the market to the authorised clerk of any Member and may at any time suspend or terminate the right of admission of such clerk <i>without assigning any reason whatsoever.</i></p>	Acceptance of the amendment is recommended.	
31	<p style="text-align: center;"><u>Bargains for other than employer forbidden.</u></p> <p>59. (a) An authorised clerk shall not transact any business on behalf of any Member other than his own employer. The Board of Directors shall expel or suspend a clerk violating the provisions of this rule; (b) A Member acting as an authorised clerk or as the representative of another Member shall not make any transaction in his own name.</p>	Delete this rule .. ..	This Rule is merged into Rule 54 (a) except for the words "or as the representative etc." in clause (b). Deletion of these words is contingent upon acceptance of our proposed Rule 189 (d).

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
32	<p align="center"><u>Penalty for improper use of badge.</u></p>		
61.	<p>The Board of Directors shall expel or suspend an authorised clerk who transfers his badge to any <i>person</i>.</p>		
33	<p><i>61-A. When a clerk is expelled or suspended for any reason, his employer shall not be permitted to authorise a clerk in his place for a period not exceeding three months.</i></p>		
34	<p align="center"><u>Expelled Members.</u></p>	<p>Acceptance of the amendments to rules 61, 61-A and 65 is recommended.</p>	
65.	<p><i>No Member shall, without the special permission of the Board of Directors, take into, or continue in, his employment, in any capacity in any business carried on by him as a Member, a former member who has been suspended or expelled.</i></p>		
35	<p align="center"><u>Making of Rules.</u></p>		
66.	<p>The Association in an extraordinary general meeting may, subject to the sanction of the Governor in Council as provided in the Bombay Securities Contracts Control Act, 1925, by a Resolution, from time to time make, add to, vary or rescind any rule or rules to carry out the objects of the Association. No such Resolution shall be deemed valid unless it shall have been passed by a majority of three-fourths of the Members present at a meeting of not less than seventy-six Members and shall have been confirmed by a majority of the Members present at a meeting of not less than fifty Members, held not less than seven days and not more than fourteen days after the first.</p>	<p>Delete this rule .. ..</p>	<p>In view of paragraph 49 of the Report.</p>



Rescinding Resolution of the Board.

67. (a) The Association in an extraordinary general meeting may, by a Resolution passed by a majority of the Members present at a meeting of not less than seventy-six Members *alter, amend or rescind* any Resolution of the Board of Directors making, adding to, varying or rescinding any rule or rules of the Association.

Delete this rule .. ..

In view of paragraph 49 of the Report.

Convening of meeting.

(b) Such meeting shall be convened by the President of the Association or the said Board upon a written requisition of not less than fifty-one Members of the Association, made to the said Board within seven days of the posting upon the notice board of a copy of the Resolution of the said Board, and by a notice upon the notice board of the Association, posted not later than three days before the date appointed for the meeting.

Extraordinary General Meeting.

69. (a) The Board of Directors or the President or the Secretary of the Association shall have the power to convene an extraordinary general meeting of the Association at any time by notice upon the notice board of the Association as aforesaid.

Renumber rule 69 (a) as 69, and delete 69 (b) and (c). In rule 69, as renumbered, delete the words "or the Secretary".

Vide paragraph 49 of the report. It is considered undesirable for the Secretary to have this power.

How to be convened.

(b) The said Board or the said President shall on the requisition of not less than fifty-one Members convene an extraordinary general meeting in the manner aforesaid. Such requisition shall state the objects of such meeting to which the discussion shall be strictly confined;

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
37— contd.	<p>69—<i>contd.</i></p> <p><u>Secretary or five requisitionists may convene.</u></p> <p>(c) Should the said Board or the said President fail upon such requisition to convene such meeting within fifteen days of the receipt of the requisition, the Secretary of the Association or five of the requisitionists may convene such extraordinary meeting by notice in the manner aforesaid.</p>		
38	<p><u>Proceedings at General Meeting—Who may attend.</u></p> <p>71. (a) No person other than a Member of the Association except the Solicitor of the Association and the officers or servants of the Association shall be entitled to be present at a General Meeting. A Member before taking his seat shall sign his name in the book provided for that purpose ;</p> <p style="text-align: center;"><u>Quorum.</u></p> <p>(b) The quorum for a General Meeting shall be not less than twenty-five Members present unless it is otherwise provided in any rule for the time being in force. No business shall be transacted at any General Meeting unless a quorum shall have been present at the commencement of the transaction of such business :</p> <p style="text-align: center;"><u>No quorum—Adjournment of meeting.</u></p> <p>(c) .....</p>	<p>(1) For the heading to sub-rule (a) substitute "Proceedings at Annual and Extraordinary General Meetings".</p> <p>(2) In sub-rules (a), (b), (d) and (j), before the word "General", wherever it occurs, insert the words "Annual or Extraordinary".</p> <p>(3) For the letter "a" occurring before the word "General" in sub-rules (a) and (b), substitute "an".</p>	<p>To define the classes of meetings which may be held.</p>

Chairman of Meeting.

(d) The President of the Association or in his absence the Vice-President shall be entitled to take the Chair at every General Meeting. If there be no President or Vice-President or if at any meeting the President or Vice-President be not present within fifteen minutes of the time appointed for such meeting, the Members present shall choose a Member of the Board of Directors as Chairman and if no Member of the said Board be present or if all the Members of the said Board present decline to take the Chair, the Members present shall choose one of their number to preside;

Decision by majority—Ballot.

(e) .....

Declaration by Chairman.

(f) .....

Poll.

(g) .....

Validity of Vote.

(h) .....

Voting by proxy.

(i) .....

Serial No. 1	Rule as at present or rule as it would be if altered according to the Association's proposals. 2	Amendments as proposed by the Committee. 3	Reasons. 4
39— contd.	<p>71—<i>contd.</i></p> <p style="text-align: center;"><u>Defaulter may not vote.</u></p> <p>(j) A Member who has been declared a defaulter shall not be entitled to be present or to vote at any general meeting ; but a Member shall not be disentitled to be present and vote merely because money is due and payable by him to the Association ;</p> <p style="text-align: center;"><u>Adjournment of Meeting.</u></p> <p>(k) .....</p>		
39	<p style="text-align: center;"><u>Election.</u></p> <p>79. (a) The Association shall, in the month of March of every alternate year in the manner hereinafter provided, elect by ballot sixteen Members of the Association, designated the Board of Directors, to constitute the governing body of the Association. One month's previous notice of any such ballot shall be given by the Board ;</p>	Delete the word " alternate "	.. <i>Vide</i> paragraph 47 of the Report.
40	<p style="text-align: center;"><u>Retiring Directors.</u></p> <p>80. All the Members of the Board of Directors for the time being shall retire on the 31st March of every alternate year and all Members retiring shall be eligible for re-election.</p>	Delete the word " alternate "	.. <i>Vide</i> paragraph 47 of the Report.

Occasional vacancies.

84. (a) An occasional vacancy in the Board of Directors shall be filled by the Election by ballot by Members of the Association on a date fixed by the said Board not later than one month from the date of such vacancy. The surviving or continuing Members of the said Board, notwithstanding any vacancy in their number, may act until the vacancy shall have been filled, provided that such Members constitute a requisite quorum;

Limited powers of surviving Members.

(b) If such Members do not constitute a quorum they shall exercise the powers of the said Board only for the purpose of filling up such vacancies in accordance with the rules applicable thereto.

(1) Insert the following as new rule 84 (a) :—

*" Vacancy due to absence of a member of the Board :*

(a) If a member of the Board of Directors be absent from the meetings of the said Board for a continuous period of three months without the leave of the said Board, the said Board may by a Resolution declare the seat of such member to be vacated."

Amendments (1) and (3) define more clearly what constitutes a *casus* vacancy.

(2) Renumber 84 (a) and (b) as 84 (b) and (c), respectively.

(3) In rule 84 (b), so renumbered, for the heading 'Occasional vacancies' substitute 'Casual vacancies'; and for the words 'An occasional vacancy in the Board of Directors' substitute 'If a casual vacancy arises in the Board by reason of death, resignation, removal, expulsion, or absence for a period of three months, such vacancy'."

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
42	<p style="text-align: center;"><u>Casual vacancy.</u></p> <p>87. If a member of the Board of Directors be absent from the meetings of the said Board for a continuous period of three months without the leave of the said Board, the said Board may by a Resolution declare the seat of such Member to be vacated and may proceed to fill up the vacancy by the appointment of a Member of the Association eligible for election to the said Board.</p>	Delete this rule	Amalgamated with rule 84 as proposed to be amended.
43	<p style="text-align: center;"><u>Decision of Board.</u></p> <p>89. (a) All questions before the Board of Directors shall, where it is not otherwise specially provided by any rule for the time being in force, be decided by a Resolution of the majority of the Members present at the meeting of the said Board.</p> <p style="text-align: center;"><u>Resolution by circular.</u></p> <p>(b) A resolution in writing approved by not less than one-half of the total number of the members of the Board, unless a special majority is otherwise required by any rule for the time being in force, shall be as valid and effective as if it had been passed at a meeting of the Directors duly called and constituted.</p>	<p>(1) Replace sub-rule (a) of this rule by sub-rule (a) of rule 256 as under :—</p> <p><i>Decision by Majority. Members interested not to vote.</i></p> <p>(a) Any question before the Board of Directors or any sub-committee shall be decided by the votes of the majority of the Members present at a meeting unless a specified majority is required by</p>	It is considered desirable to bring together all rules defining the nature of voting required to make them effective.

any Rule for the time being in force but no Member of the said Board or sub-committee shall be competent to vote on any question in which he is personally interested. The Chairman of the meeting shall be the final judge of whether any such Member is so interested within the meaning of this Rule.

(2) Insert the following as a new sub-rule (c) :—

“(c) In deciding the questions or issues involved in rules Nos. 24, 28, 30, 32, 33, 169, 170, 206, 248, 254, 255, 262 and 333, no decision shall be valid unless it shall have been passed by the votes of not less than a majority of three-fourths of those present at a meeting at which not less than three-fourths of the total number of members of the Board shall have been present.”

(N.B.—If new sub-rule (c) is accepted, rules referred to therein will have to be suitably modified.)

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
44	<p style="text-align: center;"><u>Insolvents ineligible.</u></p> <p>91. (a) No Member who has failed at any time to meet his liabilities in ordinary course on or outside the Market shall be eligible to be elected a Member of the Board of Directors;</p> <p style="text-align: center;"><u>Compounding with creditors.</u></p> <p>(b) No Member who has on any occasion compounded with his creditors on or outside the Market shall be eligible to be elected a Member of the said Board.</p>	<p>In sub-rules (a) and (b), delete the words "on or outside the Market".</p>	<p>These words are superfluous.</p>
45	<p style="text-align: center;"><u>Ordinary Meetings.</u></p> <p>93. (a) The Board of Directors shall ordinarily meet once in every week on such day and at such time as the said Board may from time to time determine. The President of the Association may at any time call a special meeting of the said Board;</p> <p style="text-align: center;"><u>Secretary may convene meeting.</u></p> <p>(b) The Secretary of the Association may at any time call a special meeting of the said Board and shall call a special meeting on a requisition of two or more Members of the said Board;</p>	<p>(1) In the headings to rules 93, and 94 (a) and (b), add the words "of the Board", and in the heading to 94 (b) for the word "Emergent" substitute the word "Emergency".</p> <p>(2) Delete the words "may at any time call a special meeting of the said Board and" occurring in rule 93 (b).</p>	<p>It is not considered desirable that such power should be vested in the Secretary.</p>



Requisitionists may convene meeting.

- (c) Should the said Secretary not call such meeting within twenty-four hours of the receipt of the requisition, such meeting may be called by the Members who signed the requisition or any two Members of the said Board.

46

Notice of special meeting.

94. (a) A notice calling a special meeting shall specify the purpose for which it is called and if the meeting is called at less than twenty-four hours' notice, the notice shall state the urgency of and the business to be transacted at the meeting and no other business shall be transacted at such meeting;

Emergent meetings.

- (b) In case of emergency, one hour's notice of a special meeting shall be deemed sufficient notice, but the nature of the emergency shall be stated in such notice. The President or any two of the directors may convene such a special meeting.

47

Adjourned meeting.

96. (a) The Board of Directors may from time to time adjourn any meeting and it shall be no objection to any Resolution passed or any decision arrived at an adjourned meeting of the said Board that all or any of those present thereat were not present at the former meeting or meetings or that any of those present at any former meeting or meetings were not present at any adjourned meeting;

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
47— <i>contd.</i>	<p>96—<i>contd.</i></p> <p style="text-align: center;"><u>Co-opting of Members.</u></p> <p>(b) When at a meeting of the said Board it is not possible to obtain the presence of a sufficient number of Members of the said Board to constitute the quorum required by any Rule for the time being in force, it shall be competent to those Members of the said Board who are present to co-opt as Members of the said Board for the purpose of that meeting, such Members of any sub-committee as will with the Members of the said Board who are present constitute the requisite quorum and the members so co-opted shall for the purpose of that meeting be deemed members of the said Board.</p>	<p>Substitute the following for sub-rule (b):—</p> <p>“(b) (1) No quorum shall be necessary for an adjourned meeting.</p> <p>(2) If a meeting called for the consideration of any proposal or proposals which do not, in the opinion of the President, and for reasons to be recorded in writing, admit of any delay, a sufficient number of members of the Board are not present to constitute a quorum, the members present shall co-opt for the purpose of that meeting only, from among the members of the Association, as many as are necessary to make up a quorum.”</p>	Self-explanatory.
48	<p style="text-align: center;"><u>Minute Books.</u></p> <p>98. (a) The Secretary of the Association shall keep a minute book in which shall be entered in full account of the proceedings at the meetings of the Board of Directors. The said Board may, subject to any Rules for the time being in force, regulate its own proceedings.</p>	<p>Delete the first sentence of sub-rule (a), and the word “said” in its second sentence.</p>	(i) In view of rule 104.

(b) A member shall have access to the minutes of the meetings of the Association but not to the minutes of the meetings of the Board of Directors or to the minutes of the meetings of any special or sub-committee unless such member is personally interested therein.

Delete the words "unless such member is personally interested therein", occurring in sub-rule (b).

(ii) There is no reason why any member should have the right of access to the minute book of the Board.

POWERS OF THE BOARD OF DIRECTORS.

49

Rules.

99. (a) The Board of Directors may, subject to the sanction of the Governor in Council as provided in the Bombay Securities Contracts Control Act, by a Resolution from time to time make, add to, vary or rescind any rule or rules of the Association; and unless such Resolution be rescinded by the Association in Extraordinary General Meeting in the manner provided in rule 87, such Resolution shall be deemed valid eight days after the posting of a copy of such Resolution upon the notice board of the Association:

In sub-rule (a), delete "and unless such Resolution be rescinded by the Association in Extraordinary General Meeting in the manner provided in rule 87".

Vide paragraph 49 of the Report.

Provided always that nothing shall be done whereby a Member other than a member of the native community of the Bombay Presidency shall be or be deemed competent to be a Member of the said Board or a Trustee of the properties or funds of the Association.

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49— contd.	<p>99—<i>contd.</i></p> <p><u>Disposal of Fund and Property.</u></p> <p>(b) <i>The Board of Directors is authorised to make payments or disbursements out of the fund or property of the Association or otherwise dispose of or deal with all or any part of the said fund or property with the sanction of the majority of members of the Association present at an extraordinary general meeting convened for the purpose, at which not less than one hundred members are present.</i></p> <p><u>Delegation of powers by Board.</u></p> <p>(c) <i>The Board of Directors may from time to time delegate to Sub-Committees appointed out of their own number or to the President any of the powers expressly conferred on the said Board by any rule for the time being in force for the conduct and despatch of business of the Association.</i></p> <p><u>Appeals.</u></p> <p>(d) <i>Any Member interested in a decision of any Sub-Committee or President, may appeal to the said Board: Provided that no appeal shall lie to the said Board unless such Member files a written notice of the appeal with the Secretary within seven days of the date of such decision.</i></p>		

General Powers of the Board.

100. The management of the business and the control of the Association and the management and control of the properties and funds of the Association and of its income and expenditure shall, subject to the rules of the Association, vest in the Board of Directors which in addition to the powers and authorities expressly conferred by any Rule for the time being in force, may exercise all such powers and do all such acts and things as may be exercised or done by the Association in general meeting assembled and which are not expressly required to be so exercised and done, and more particularly and without prejudice to any power or authority generally or expressly conferred by any Rule for the time being in force, the said Board is specially authorised subject to any rule for the time being in force, to do any of the following acts or things or exercise any of the following authorities or powers, namely:—

Brokerage.

- (a) to make and from time to time alter the scale of charges for brokerage on all transactions for the sale and purchase of stock, shares and like securities and to fix the unit of dealings in such securities;

Disputes.

- (b) to decide all questions and disputes affecting Members in making, settling or closing of bargains and in their conduct towards each other or towards third parties and to punish such members as may be found guilty;

Acceptance of these amendments is recommended.

Serial No.  1	Rule as at present or rule as it would be if altered according to the Association's proposals.  2	Amendments as proposed by the Committee.  3	Reasons.  4
50— contd.	<p>100—contd.</p> <p style="text-align: center;"><u>Expenses.</u></p> <p>(c) .. .. . <u>Litigation.</u></p> <p>(d) .. .. . (e) to issue from time to time orders ;</p> <p style="text-align: center;"><u>Holidays.</u></p> <p>(i) closing the Market on days other than or in addition to the holidays prescribed by the Rules ;</p> <p style="text-align: center;"><u>Settlement.</u></p> <p>(ii) fixing, altering or postponing ordinary settling days or days for buying-in and selling-out or days and hours for the payment of differences or for the delivery of and payment for securities ;</p> <p style="text-align: center;"><u>Permission to deal.</u></p> <p>(iii) granting or refusing special settlements or admission to dealings in the Market either for ready delivery or for the settlement or permission for dealings in new issues ; and from time to time cancel or modify such orders ;</p>	<p>(1) Substitute the following for clause (e) (i) :— <u>“ Closing the market.</u> (i) closing the market for reasons to be recorded on days other than or in addition to the holidays under rule 245 ; provided that such closing shall be effective for 24 hours only, and for any further period shall be effective only with the previous consent of Government.”</p> <p>(2) Substitute the following for clause (e) (ii) :— “ (ii) fixing at their last meeting in December, 12 Account days, days for buying-in and selling-out, days and hours for the payment of differences, and for the delivery of and payment for securities for the ensuing year.”</p> <p>(3) Delete the last line in clause (e), viz., “ and from time to time cancel or modify such orders ”.</p> <p>(4) Number rule 100 (a) to (e), as “ 100 (1) (a) to (e) ”, and add the following</p>	<p><i>Vide</i> paragraphs 18 and 20 of the Report. Provision is made for holidays in rule 245.</p> <p>It is considered necessary to fix such days for 12 months ahead and that they should not be varied.</p> <p>Self-explanatory.</p>

Resolution of the Board not to be rescinded by Association.

(f) It shall not be competent to the Association to rescind, alter or vary any Resolution passed by the Board of Directors under the powers or authority conferred upon the said Board by the provisions of this Rule or under any other Rule for the time being in force, unless it is otherwise expressly provided, and all such Resolutions shall, when they come into force, be deemed valid and binding upon all Members.

Validity of Resolution.

101. A Resolution of the Board of Directors shall not, save as is otherwise provided in these Rules, be deemed valid or come into force until eight working days after it has been posted on the notice board of the Association, unless it be a Resolution which relates to the admission, expulsion or suspension of Members or their authorised clerks, the declaration or readmission of defaulters, settling disputes between Members or between Members and their constituents, fixing, altering or postponing ordinary settling days or days for buying-in or selling-out and days and hours for the payment of differences, granting or refusing special settlements, permission for dealing in shares, closing the Market, altering hours of business, suspension of forward dealings and buying-in and selling-out rules and declaring making up prices, the appointment, suspension or dismissal of the paid officers and servants of the Association, when it shall come into force when

as proviso to it—

“ Provided that the President shall be entitled to exercise any or all of the powers exercisable by the Board under (a) to (e) whenever he is of the opinion that immediate action is necessary, subject to his action being confirmed by the Board within 24 hours.”

(5) Re-number clause (f) as sub-rule (2) of rule 100, and delete therefrom the words “unless it is otherwise expressly provided.”

Substitute the following for this rule :—

“(a) Except in the cases specified in (b) below, a Resolution of the Board of Directors shall not be deemed valid or come into force until eight working days after it has been posted on the notice board of the Association.

(b) In the following cases, a Resolution of the Board shall come into force as soon as it is passed unless it requires confirmation, in which case it shall come into force when it is confirmed.

(1) The admission, expulsion or suspension of members or their authorised clerks ;

The amendment does not allow the Board to alter or postpone settling days or other days on which the account is in the course of settlement. In other respects it alters the set-up by tabulating the powers.

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1	2	3	4
51— <i>contd.</i>	<p>101—<i>contd.</i> it is passed, unless any such Resolution requires confirmation when it shall come into force when it is confirmed :</p> <p style="text-align: center;"><u>Urgent Resolutions.</u></p> <p>Provided that the Board of Directors may in case of urgency, the reasons whereof shall be shown in the minutes of its proceedings by a Resolution in which nine Members of the said Board concur, direct that any Resolution of the said Board be deemed valid and come into force forthwith.</p>	<p>(2) the declaration or readmission of defaulters ;</p> <p>(3) settling disputes between Members or between Members and their constituents ;</p> <p>(4) altering hours for the payment of differences ;</p> <p>(5) granting or refusing special settlements ;</p> <p>(6) permission for dealing in shares ;</p> <p>(7) closing the market ;</p> <p>(8) altering hours of business ;</p> <p>(9) suspension of forward dealings and of the buying-in and short selling rules ;</p> <p>(10) declaring making-up prices ; and</p> <p>(11) the appointment, suspension or dismissal of the paid officers and servants of the Association :</p> <p>Provided that the Board of Directors may in case of urgency, the reasons whereof shall be shown in the minutes of its proceedings by a Resolution in which nine Members of the said Board concur, direct that any Resolution of the said Board be deemed valid and come into force forthwith."</p>	<p>In view of para. 20 of the Report.</p>



Secretary not an active Member.

103. The Board of Directors shall appoint a paid Secretary and if necessary paid Assistant Secretary of the Association, but such Secretary or Assistant Secretary shall not be an active member of the Association. *The Secretary shall be the Secretary of the said Board, and shall be the Secretary of each standing and special Committee, unless another Secretary to such Committee has been appointed.* The Secretary or Assistant Secretary shall not, under the penalty of dismissal, be a party to or concerned in any speculative dealing with any Member of the Association. For the purpose of these rules the term Secretary includes Assistant Secretary.

Minute Books.

104. The Secretary shall, unless otherwise ordered by the Board of Directors, attend all meetings of the Association or of the said Board or of sub-committees and shall keep [in Gujarati]\* proper minutes of the proceedings of all such meetings.

Arbitration Committee—Defaulters' Committee.

110. The Association shall every alternate year at their Annual General Meeting elect for the more efficient and harmonious working of the affairs of the Association and for the carrying out of the objects of the Association the following sub-committees:—  
(i) Arbitration Committee;  
(ii) Defaulters' Committee.
- The Association may in general meeting from time to time increase or reduce the number of members of any sub-committee.

Acceptance of the amendments to rules 103 and 104 is recommended.

Substitute the following for the rule:—

“The Board shall every year appoint from among the Members of the Association the following sub-committees:  
Arbitration Committee,  
Defaulters' Committee,  
The Board may from time to time increase or reduce the number of Members of either sub-committee.”

To meet proposed alteration to an annual election.

\* The words in bracket have been deleted.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
55	<p style="text-align: center;"><u>Chairman and Honorary Secretary.</u></p> <p>112. A sub-committee <i>may</i> after its election elect from its own body its Chairman and Honorary Secretary.</p>	<p>Substitute the following for this rule :—</p> <p>“A sub-committee shall, immediately after its election, elect from its own body its Chairman. It may also elect from its own body an Honorary Secretary.”</p>	<p>It is considered desirable to lay down that a Chairman shall be elected.</p>
56	<p style="text-align: center;"><u>Removal of Member.</u></p> <p>115. The Association may by a Resolution passed by a majority of three-fourths of the Members present at a meeting specially summoned for the purpose at which not less than one hundred Members shall have been present remove a member of a sub-committee from such committee.</p>	<p>Substitute the following for this rule :—</p> <p>“The Board may, for reasons to be recorded, remove a member of a sub-committee from such sub-committee.”</p>	<p><i>Vide</i> remarks against rule 23. It is undesirable for the Association to have this power.</p>
57	<p style="text-align: center;"><u>Minutes.</u></p> <p>117. True and proper minutes of the proceedings of all meetings of a sub-committee shall be kept in Gujarati.</p>	<p>Delete this rule</p>	<p>Provision is made in rule 104 for the keeping of minutes.</p>

58

Disputes to be referred to Arbitration.

120. All *claims and* disputes between Members of the Association arising out of any transactions made subject to the Rules of the Association, which are not otherwise amicably adjusted, shall be referred to the Arbitration Committee in the manner hereinafter provided.

59

122. (a) Appointment of Arbitrators

(b) Notice.

(c) Both Parties present.

(d) Ex-parte decision and summary disposal.

Remedies at Law.

(e) *The Committee may decline to hear the dispute or may dismiss any case and refer the parties to their remedies at Law, and it shall so refer them upon the joint request of the parties.*

60

Late claims barred.

124. The Arbitration Committee shall not take cognizance of any *claim or* dispute which shall not be referred to them within three months from the date when it arose.

Acceptance of amendments to rules 120, 122 and 124 is recommended.

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1	2	3	4
61	<p style="text-align: center;"><u>Adjourned Meetings.</u></p> <p>128. (a) It shall be no objection to an award of the Arbitration Committee or of the Board of Directors that the meeting at which a dispute was enquired into or an appeal was heard was adjourned from time to time or that the enquiry was not completed or that the appeal was not finally heard at one meeting.</p> <p>(b) <i>It shall be no objection to an award of the Arbitration Committee or of the Board of Directors that the composition of the said Committee or Board changed during the enquiry or appeal:</i></p> <p style="padding-left: 40px;"><i>Provided however that no member of the Committee or the Board, as the case may be, who shall not have been present at every meeting at which enquiry into the dispute was made or appeal was heard shall participate in giving the final decision.</i></p> <p>(c) <i>Five Members of the said Committee or said Board shall be necessary to constitute a quorum for the purpose of the enquiry or appeal.</i></p> <p>(d) <i>In case the members of the said Committee or the said Board are equally divided, the President or Chairman shall be entitled to have a casting vote.</i></p>	<p>Acceptance of amendments to this rule is recommended.</p>	

Declaration of default.

135. (a) A Member who has failed to fulfil or is unable to fulfil his engagements or to meet his obligations or liabilities to other members arising out of any contract made subject to the Rules of the Association either as a principal or as a constituent or who has failed to submit his clearance sheets (Forms I and II) shall be declared a defaulter in the open Market by direction of the President of the Association or any two Members of the Board of Directors, unless he shall have succeeded in arriving at a compromise with his creditor Members under these rules.

Application for Declaration.

- (b) Such declaration shall be made on application in writing to the Secretary of the Association, signed by a creditor Member of the defaulter or on receipt of complaint from the Clearing House that default has been made in submitting clearance sheets (Forms I and II).
- (c) An application for such declaration in case a member has failed to pay his differences for a particular settlement shall be submitted to the Secretary not later than the day following the Pay Day for the said settlement. Such declaration shall be announced on the Settling Day.

(1) In sub-rule (a), delete "to other members". Delete also the words "unless he shall have succeeded in arriving at a compromise with his creditor members under these rules."

(2) For sub-rule (b) substitute the following:—

"(b) It shall be the duty of the Clearing House to inform the Secretary of any failure of a member or a firm of members to submit his or its clearance sheets (Forms I and II). The declaration of default shall be publicly announced on the first day for the delivery of shares, and the Secretary shall forthwith communicate the announcement to the press."

(3) For sub-rule (c), substitute the following:—

"(c) It shall also be the duty of any member immediately to advise the Secretary of any failure by a member or a firm of members to discharge his or its liabilities in full. An application for the declaration of default in such a case shall be submitted to the Secretary not later than the day following the Pay Day for the said settlement. Such declaration shall be publicly announced on the Settling Day, and the Secretary shall forthwith communicate the announcement to the press."

Vide paragraphs 21 to 23 of the Report.

Alternatively the more simple wording of London Rule 171 might be adopted instead of rule 135(a) as now proposed to be amended.

Rule 135 (b) and (c):—

It is considered to be very necessary to define whose duty it shall be to communicate an act of default to implement a bargain.

Serial No. 1	Rule as at present or rule as it would be if altered according to the Association's proposals. 2	Amendments as proposed by the Committee. 3	Reasons. 4
63	<p>136. (a) <u>Penalty for default.</u></p> <p style="text-align: center;"><u>Insolvent a defaulter.</u></p> <p>(b) A Member who has been adjudicated an insolvent shall be declared a defaulter and shall at once cease to be a Member of the Association <i>although he may not be at the same time a defaulter on the Stock Exchange.</i></p>	<p>Acceptance of amendment to rule 136 is recommended.</p>	
64	<p style="text-align: center;"><u>Defaulter's Books, Accounts.</u></p> <p>137. When a Member has been declared a defaulter, the Defaulters' Committee shall take charge of all his books of accounts, documents, papers and vouchers to ascertain the state of his affairs and the defaulter shall hand over such books, documents, papers and vouchers to the said Committee.</p>	<p>Insert the following as rule 137 (a), re-numbering the existing rule as 137 (b):—"A member who has been declared a defaulter shall forthwith execute and deliver to the Native Share and Stock Brokers' Association or to such person or persons as may be nominated by that Association a deed of assignment of his property in the form in Appendix ."</p>	<p>It is necessary that the Association on behalf of the Defaulters' Committee should be in possession of an enforceable authority to attach Defaulters' property. The deed of assignment prescribed on the London Stock Exchange, which is printed as Appendix VI may be adopted for use here with necessary modifications.</p>

65 140. (a) Defaulter's assets.

Distribution.

(b) The Defaulter's Committee shall pay all such assets into such Bank and in such names as the Board may from time to time direct and shall distribute the same as soon as possible *pro-rata up to sixteen annas in the rupee but without interest* among the creditor Members of the Association whose claims are admitted in accordance with the Rules.

(c) Payments to Defaulters' Committee.

66

Hammer Prices.

141. *In every case of default, the Board of Directors shall fix the prices current in the Market immediately after the declaration at which prices all Members having contracts open with the Defaulter shall close their transactions by buying of, or selling to, him such securities as he may have contracted to take or deliver, the differences arising from the Defaulter's transactions being paid to, or claimed from, the Defaulter's Committee.*

67

142. (a) Claim against Defaulter .. .. .

(b) Delay in submission of accounts.

(c) Report of delay.

Acceptance of amendments to rules 140, 141 and 142 is recommended.

Serial No.	Rule as at present or Rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
67— contd.	<p>142—contd:</p> <p style="text-align: center;"><u>Statement of Accounts.</u></p> <p>(d) <i>Such statement of accounts for each settlement and ready delivery must be set out on separate forms prescribed by the Board of Directors, showing respectively:—</i></p> <p>(1) <i>All bargains, which have been closed either by repurchase or resale before the day of default;</i></p> <p>(2) <i>All unsettled bargains, temporarily adjusted at the making up prices;</i></p> <p>(3) <i>All bargains open with the Defaulter and closed at Hammer Prices;</i></p> <p>(4) <i>All outstanding bargains for ready delivery closed by purchase or sale in the open Market.</i></p>		
68	<p style="text-align: center;"><u>Accounts of Defaulters' Committee.</u></p> <p>144. (a) .....</p> <p style="text-align: center;"><u>Report.</u></p> <p>(b) .....</p>		



Inspection of Accounts.

(c) All accounts kept by the Defaulters' Committee in accordance with the Rules shall be open to inspection by any Member.

In sub-rule (c), insert the word "creditor" between the words "any" and "Member".

It is not necessary that such a right should be extended to include any one not a creditor.

Scale of charges.

(d) The scale of charges to be paid to the Association on the assets collected shall be as follows:—

Acceptance of amendment is recommended.

5 per cent. on the first Rs. 5,000 collected or part thereof

and

2 per cent. on any sum in excess of Rs. 5,000.

69

Application of Assets.

145. (a) The Defaulters' Committee shall apply the net assets remaining in their hands after defraying all such costs, charges and expenses referred to in Rule 144 in satisfying rateably the claims of all Members against such defaulter arising out of any contract between a Member and such defaulter in the Market made subject to the Rules of the Association.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
69— contd.	<p>145—<i>contd.</i></p> <p><u>Certain claims not to be entertained.</u></p> <p>(b) The Defaulters' Committee shall not entertain any claim against a defaulter which does not arise out of any contract between a Member and such defaulter subject to the Rules of the Association, nor shall it entertain any claim against a defaulter, in respect of any contract unless a comparison shall have been made by initialling the entries as provided in rule 198 or a contract note shall have been rendered as provided in rule 189 and receipt for the same obtained either on the duplicate or counterpart of such contract note or in the peon's book stating the date and number of the contract rendered.</p> <p><u>Private compromise.</u></p> <p>(c) <i>Any claim, arising from any arrangement for settlement of claims without first obtaining the consent of the Board of Directors in lieu of bona fide money payment on the day when such claims become due, cannot be proved against a defaulter's estate.</i></p> <p><u>Loan.</u></p> <p>(d) <i>A loan with or without securities shall not be admitted as a claim against a Defaulter's estate.</i></p>	<p>(1) In sub-rule (c), delete the words "without first obtaining the consent of the Board of Directors".</p> <p>(2) Add the following at the end of sub-rule (c) :—</p> <p>"Any member or firm guilty of accepting anything less than a full and bona fide money payment in settlement of a debt arising out of a transaction in securities shall be suspended for a period of not less than one year."</p>	<p>Vide paragraphs 21 and 22 of the Report.</p>

Deferred Claims.

146. (a) In distributing the assets of a defaulter the following claims shall not rank against the defaulter's estate until all other claims have been satisfied in full. All such claims subsisting in favour of the defaulter shall be enforced and the assets arising therefrom shall be distributed amongst the creditor Members in the same way as other assets collected by the Defaulter's Committee; but a Member having any of the following claims against a defaulter shall not be entitled to set off such claims against any monies due by him to the defaulter but shall pay such monies to the Defaulter's Committee in full and prove all such claims as a deferred creditor:—

- (1) Claims arising from bargains for ready delivery made more than twenty-one days previous to the declaration of default;
- (2) Claims arising from differences which have been allowed to remain unpaid for more than seven and less than 100 business days beyond the day on which they have become due;
- (3) Claims upon a Promissory Note provided that such Note shall not be barred by the Law of Limitation and was accepted by way of arrangement or compromise made by the defaulter with his creditors with the sanction of the Board of Directors.

Defaulter's failure to settle.

151. (a) A defaulter who fails within six months from the date of his default to settle with his creditors as provided in these rules may on a recommendation of

Acceptance of amendments to Rule 146 is recommended.

- (1) For sub-rule (a), substitute the following three sub-rules:—  
“(a) A Member's card shall lapse to the

Vide paragraph 24 of the Report.

Serial No. 1	Rule as at present or rule as it would be if altered according to the Association's proposals. 2	Amendments as proposed by the Committee. 3	Reasons. 4
71— contd.	<p>151—<i>contd.</i></p> <p>the Defaulters' Committee be declared by the Board of Directors to forfeit to the Association his Card or right of Membership which shall include any rights to the use of or claim upon or interest in the property or funds of the Association and the said Board may deal with or dispose of the Card in the manner provided in Rule 42 ;</p> <p style="text-align: center;"><u>Extension of time.</u></p> <p>(b) The said Board may extend the time during which a defaulter may settle with his creditors for a period not exceeding one year and at the expiry of such time the said Board may deal with the Card of the defaulter in the manner provided in Rule 42.</p>	<p>Board of Directors immediately he is declared a defaulter under Rules 135 and 136 (b).</p> <p>(b) Such forfeited card shall be re-issued to the defaulter if he is re-admitted a member within six months from date of default.</p> <p>(c) If an application for re-admission by a defaulter be rejected by the Board of Directors, or if no such application be made within six months of the declaration of default, the right of nomination of the defaulter may be disposed of by the said Board and the proceeds of the sale thereof shall be dealt with in the manner provided in rule 42 ”.</p> <p>(2) <i>Delete</i> existing sub-rule (b).</p>	<p>The amendments follow on the recommendation to change the nature of the card of membership and to strengthen the Defaulter Rules.</p>
72	<p style="text-align: center;"><u>Composition scheme by defaulter.</u></p> <p>152. (a) When a defaulter proposes to make a composition for the payment of his debts or a scheme for the arrangement of his affairs, he must lodge a signed proposal with the Secretary of the Association, setting out the terms of such composition or scheme and particulars of any sureties or securities proposed ;</p>	<p><i>Deletes</i> this rule</p>	<p>.. <i>Vide</i> remarks against rule 151 above.</p>

Acceptance of composition.

(b) The said Secretary shall then hold a meeting of the creditors. If the creditors whose claims equal or exceed in value three-fourths of the claims admitted by the Defaulters' Committee accept such composition or scheme the same shall be deemed binding on all the creditors of the defaulter ;

Defaulters' Committee to accept composition.

(c) If a defaulter succeeds in settling with his creditors and obtains from them receipts or releases in full of their claims against him and if the Defaulters' Committee as representing the estate of another defaulter be one of the creditors of the defaulter so settling, the Defaulters' Committee shall accept the settlement accepted by the other creditors.

Readmission of Defaulters.

73

156. The Board of Directors in its discretion may by a Resolution readmit, subject to the following rules, a Member who has been declared a defaulter.

Delete rules 156 and 157. . . .

Vide paragraph 24 of the Report and see amended rule 159.

Twice a defaulter.

74

157. A defaulter shall not be eligible for readmission :-

(a) if he has been declared a defaulter on a previous occasion, unless he shall have, through the Defaulters' Committee satisfied his debts in full ;

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
74— contd.	<p>157—<i>contd.</i></p> <p style="text-align: center;"><u>Non-disclosure.</u></p> <p>(b) if he has failed to disclose the names of his creditors; or</p> <p style="text-align: center;"><u>Non-delivery of accounts.</u></p> <p>(c) if he has not within fifteen days from the date of the declaration of default delivered to the Defaulters' Committee his original books and accounts and a statement of the sums owing to and by him on any transaction or dealing in the market made subject to the Rules of the Association.</p>		
75	<p style="text-align: center;"><u>Defaulter to pay one-fourth loss.</u></p> <p>158. A defaulter shall not be eligible for re-admission who shall not have paid from his own resources at least one-fourth of the amount of loss he has incurred whether on his own account or on account of constituents on any transaction or dealing in the Market made subject to the Rules of the Association.</p>	Delete this rule	.. In view of amended rule 159.

Payment in full.

159. A defaulter shall be readmitted by the Board of Directors upon the report of the Defaulters' Committee that all his debts and liabilities have been *bona fide* discharged in full within six months from the date of declaration of default or *within such further time as may be granted by the Board under the rules.*

For rule 159, substitute the following:—

"159. (1) Upon an application for re-admission by a defaulter, the Defaulters' Committee shall investigate his conduct and accounts, and no further proceedings shall be taken by the Board with regard to his re-admission until the report of the Defaulters' Committee shall have been submitted together with a statement as to the defaulter's estate signed by himself.

(2) The attention of the Defaulters' Committee shall be directed—

- (i) to ascertain the greatest balance of securities during the previous 3 months; the highest volume of purchases and sales separately on any day during the same period; the proportion of the total purchases and sales during that period on his own account and on account of his constituents;
- (ii) to ascertain the total amount paid to his estate, specifying the sums collected in the Stock Exchange, those received from principals, and those from the defaulter himself;
- (iii) to ascertain the conduct of the defaulter preceding and subsequent to his failure.

The amendments to rules 159 to 161 are considered essential to establish and administer the general principles dealt with in paragraph 24 of the Report.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
76— contd.	159—contd.	<p>159A. (a) The Board may only re-admit such defaulter as, in their opinion,—</p> <ul style="list-style-type: none"> <li>(i) has defaulted owing to default of the principals whom he might reasonably have expected to be good for their commitments;</li> <li>(ii) has not been guilty of bad faith or breach of the rules;</li> <li>(iii) has kept his operations within a reasonable proportion of his means or resources; and</li> <li>(iv) has been irreproachable in his general conduct: Provided that he shall not be eligible for readmission unless he has made a <i>bona fide</i> money payment of not less than six annas in the rupee.</li> </ul> <p>(b) A defaulter shall not be readmitted if his default has been contributed to by dealings on his own account or his conduct has been marked by indiscretion and by the absence of reasonable caution."</p>	



77	<p style="text-align: center;"><u>Readmission of Insolvent.</u></p> <p>160. A Member, who, as an insolvent, has been declared a defaulter, shall not be eligible for readmission until he shall have paid sixteen annas in the rupee or the petition has been withdrawn.</p>	Delete the words " or the petition has been withdrawn "	Vide remarks against rule 159.
78	<p style="text-align: center;"><u>Application for Readmission.</u></p> <p>161. (a) A defaulter applying for readmission shall prove to the satisfaction of the Defaulters' Committee that he has obtained from his creditors receipts or releases in full of all their claims against him and shall at the same time submit to the Board of Directors a list of his creditors, a statement of the sums owing by him and the nature of the settlement in each case ;</p> <p style="text-align: center;"><u>Report of Defaulters' Committee.</u></p> <p>(b) The Defaulters' Committee shall report to the said Board upon the application of the defaulter and the said Board shall then take the application into consideration.</p>	Delete the rule	.. Vide remarks against rule 159.
79	<p style="text-align: center;"><u>Rejection of Application for Readmission.</u></p> <p>164. If an application for readmission by a defaulter be rejected by the Board of Directors or if no such application be made within six months of the declaration of default or <i>within such further time as may be granted by the Board under the rules</i>, the card or right of Membership of the defaulter may be disposed of by the said Board and the proceeds of the sale thereof shall be dealt with in the manner provided in rule 42.</p>	Delete this rule	.. In view of amendments proposed to rule 151.

Serial No. 1	Rule as at present or rule as it would be if altered according to the Association's proposals. 2	Amendments as proposed by the Committee. 3	Reasons. 4
80	<p style="text-align: center;"><u>Business with Defaulter forbidden.</u></p> <p>167. (a) A Member shall not carry on business for or with a defaulter before his re-admission to the Association.</p> <p style="text-align: center;"><u>Business for Insolvents.</u></p> <p>(b) A Member may, with the sanction of the Board of Directors, carry on business for a person who has ceased to be a Member under rule 136 (b).</p>	<p>Acceptance of amendment to rule 167 is recommended.</p>	
81	<p style="text-align: center;"><u>Members only parties to bargains.</u></p> <p>170. (a) The Association does not recognise as parties to any transaction or dealing in the Market any parties other than its own Members; and every such transaction or dealing whether for the account of a Member or for the account of a constituent must be made and carried out according to the Rules and Regulations of the Association made subject to the provisions of the Bombay Securities Contracts Control Act, 1925.</p>		

All bargains subject to Rules.

- (b) All contracts made by a Member with another Member for the purchase or sale of stocks, shares and like securities in which dealings have been permitted shall in all cases be deemed made subject to the Rules of the Association made subject to the provisions of the Bombay Securities Contracts Control Act, 1925.

Inviolability of Bargains.

- (c) An application to annul a bargain in the Stock Exchange shall not be entertained by the Board of Directors, except upon a specific allegation of fraud or wilful misrepresentation or upon prima facie evidence of such material mistake in the bargain as in their judgment renders the case one which in fitting for their adjudication.

Acceptance of amendment to rule 170 is recommended.

Majority of one-half of the entire Board.

- (d) A resolution of the said Board under this rule shall not be deemed valid and come into force unless it shall have been passed by the votes of not less than one-half of the total number of Members of the Board at a meeting at which not less than three-fourths of the total number of members of the Board shall have been present and which meeting shall have been specially summoned for the purpose. A resolution so passed shall be final and shall come into force forthwith.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
81— contd.	<p>170—<i>contd.</i></p> <p>(e) <i>If within fifteen minutes of the time fixed for the special meeting three-fourths of the total number of Members of the Board are not present the members present shall co-opt Members as provided in rule 96 (b).</i></p>		
82	<p><u>Havala.</u></p> <p>171. (a) Contracts for crossing stock, shares and like securities, that is, for Havala, confirmed by both members on behalf of a constituent at the rate agreed by initialling the relevant entries in their books shall not be cancelled or modified by any subsequent default of the constituent; but each shall be responsible to the other for due fulfilment of the contracts. <i>Such contract, if not confirmed and initialled as above, can be modified on subsequent default of a constituent by notice in writing given at any time before the payment is made by the Clearing House on the Settling Day and the official making up price shall be binding on both members.</i></p>	<p>Acceptance of amendment to rule 171 is recommended.</p>	

Dealings in certain securities forbidden.

172. (a) All transactions and dealings in stock, shares and like securities in which permission for dealings has not been granted by the Board of Directors are forbidden and a Member who shall execute any order with a Member or non-Member for the purchase or sale of any such securities shall be suspended or fined by a Resolution of the said Board.

Variation in bids and offers.

- (b) Bids or offers shall not be made at a variation less than—

*1/8 of a rupee when market price does not exceed Rs. 25.*

*1/4 of a rupee when market price is between Rs. 25 and Rs. 50.*

*1/2 of a rupee when market price is between Rs. 50 and Rs. 100.*

*5/8 of a rupee when market price is between Rs. 100 and Rs. 250.*

*1 1/4 of a rupee when market price is between Rs. 250 and Rs. 1,000.*

*2 1/2 of a rupee when market price is over Rs. 1,000.*

*1/32 of 1 per cent. in securities of the Government of India, Local Governments, Debentures and stock of Port Trusts, Municipal Corporations and such other securities: Provided that the Board of Directors may from time to time determine that dealings may be made at any other variations.*

Insert the following as new sub-rule (c) :—

“(c) Any offer to buy or sell in the open market, when no amount is named, shall be binding to the amount of Rs. 10,000 at the bargain price calculated to the amount nearest to this sum.”

Vide paragraph 61 of the Report.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
84	<p data-bbox="469 353 633 373" style="text-align: center;"><u>Fictitious dealing.</u></p> <p data-bbox="287 391 815 529">173. (a) Fictitious transactions or dealings in the market are forbidden and the member who shall give or execute an order for the purchase or sale of securities which to his knowledge would involve no change of ownership shall be deemed guilty of disgraceful and dishonourable conduct and may be suspended or expelled by a Resolution of the Board of Directors.</p> <p data-bbox="433 548 657 568" style="text-align: center;"><u>Demoralisation of market.</u></p> <p data-bbox="287 606 815 960">(b) <i>Purchases or sales of securities or offers to purchase or sell securities, made for the purpose of upsetting the equilibrium of the market and bringing about a condition of demoralisation in which prices will not fairly reflect market value shall be forbidden. Any member who makes or assists in making any such purchases or sales or offers to purchase or sell with knowledge of the purpose thereof, or who, with such knowledge, shall be a party to or assist in carrying out any plan or scheme for the making of such purchases or sales or offers to purchase or sell, shall be deemed to be guilty of disgraceful or dishonourable conduct and may be fined or suspended or both fined and suspended by a Resolution of the Board of Directors passed by a majority of three-fourths of the members present at a meeting of the said Board specially summoned for the purpose and at which not less than one-half of all the members shall have been present.</i></p>	<p data-bbox="824 606 1206 625">Proposed sub-rule (b) may not be accepted.</p>	<p data-bbox="1224 606 1547 709">Merged in rule 333 (a). Also, in circumstances such as these, the Board has already got power to take necessary action under rule 28 (b) (iii).</p>

Speculation for employees.

178. *No Member shall make a speculative transaction in which an employee of the Association is directly or indirectly interested, unless the written consent of the Board of Directors has first been obtained.*

(1) Number rule 178 as 178 (a) and insert the following as 178 (b) :—

“(b) A Member shall not transact forward business directly or indirectly for or with an employee in any public or private establishment, without the written consent of his employer.”

To restrict speculation by employees.

*Vide* paragraph 29 of the Report.

(2) Add the following explanation to the rule :—

“*Explanation.*—A Remisier for the purpose of this rule shall be deemed an employee.”

Bargains by suspended Member.

179. (a) A Member who has been suspended shall not be entitled to transact any business or make any bargain in the Market nor shall he be entitled to attend any meeting of the Association.

Suspension of business of a financially weak Member.

(b) *Whenever it shall appear to the Board of Directors that a Member is in such financial condition that he cannot be permitted to continue in business with safety to his constituents or to the Members, the Board shall require such Member to suspend all further forward or speculative dealings on the Exchange for such period as the said Board may direct.*

Delete sub-rule (b) and re-number sub-rule (c) as sub-rule (b).

Sub-rule (b) is proposed to be deleted because (1) it is administratively a difficult rule to enforce, (2) it may operate very unfairly and (3) the Board has sufficient power under rule 333.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
86— contd.	<p data-bbox="282 332 382 350">179—contd.</p> <p data-bbox="282 390 800 585"><i>A resolution under this rule shall not be valid and shall not come into force unless it is passed by a majority of three-fourths of the Members present at a meeting of the said Board specially summoned for the purpose at which not less than three-fourths of all the Members of the said Board shall have been present and unless it is confirmed by a majority of the Members of the said Board, present at a subsequent meeting of the said Board, held not less than seven days and not more than fourteen days after the first meeting.</i></p> <p data-bbox="282 625 800 683"><i>A Member, who refuses or fails to comply with any such requisition of the said Board, shall be liable to be suspended.</i></p> <p data-bbox="391 786 664 809"><u><i>Business for suspended Member.</i></u></p> <p data-bbox="282 843 800 958">(c) <i>No member shall without the permission of the said Board carry on forward business for or with, or make any bargain on behalf of, any member who has been suspended or who has ceased doing business in his own name under this rule or under notice signed by him and published on the Notice Board by the Secretary.</i></p>		



Brokerage for non-Members.

180. (a) A Member shall not execute an order with a non-Member without charging such non-Member the usual brokerage. *While executing the order the Member shall not take or supply securities, directly or indirectly, for his own account or for any account in which he has a direct or indirect interest except when he is obliged to close the account of his constituent under the rules or when his constituent directly authorises him to act as Principal and provided that the price is fair and justified by the condition of the Market.*

(1) In sub-rule (a) for the words "the usual brokerage" substitute the words "not less than the minimum scale of brokerage."

(2) In sub-rule (a) for the words "authorises him to act as Principal", substitute the words "authorises him in writing to act as a Principal."

The reasons for these amendments are obvious.

Dealings with Members of other Associations forbidden.

(b) A Member of the Association shall not under any circumstances whatever directly or indirectly enter into any transaction relating to stocks, shares and like securities with any stock and share broker who is a Member of any other Association *within a distance of 50 miles from Bombay* dealing in stocks, shares and like securities nor shall he divide brokerage with such broker.

Constituent in default.

181. (a) A Member shall not transact business *directly or indirectly or execute an order* for a constituent who to his knowledge is in default to another Member, unless such constituent shall have made a satisfactory arrangement with the Members who are his creditors.

Acceptance of the amendments is recommended.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
88— contd.	<p>181—<i>contd.</i></p> <p style="text-align: center;"><u>Business for an insolvent.</u></p> <p>(b) <i>No Member shall without first obtaining the consent of the Board of Directors, be directly or indirectly interested in or associated in business with, or transact any business directly or indirectly 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.</i></p>		
89	<p style="text-align: center;"><u>Bargains for ensuing Settlement</u></p> <p>183. No bargains made for a period beyond the current and ensuing Settlements will be recognised and all such bargains shall be deemed void. The Board of Directors shall fix every month a date from which a bargain for the ensuing settlement may be made.</p>	<p>Add the following at the end of rule 183 :— “Such dates shall not be more than four business days previous to and including the Last day.”</p>	<p><i>Vide</i> paragraph 44(1) of the Report.</p>
90	<p style="text-align: center;"><u>Panics or Bear Raids.</u></p> <p>188. (a) <i>In the case of panics or bear raids or reckless heavy sales or when prices of securities are unduly depressed in a crisis the Board may by a resolution of not less than one-half of the total number of members of the Board at a special meeting at which not less than three-fourths of the total number shall have been present—</i></p>	<p>Delete this rule</p>	<p><i>Vide</i> paragraphs 14 and 15 of the Report.</p>

- (1) suspend all further dealings in such security or securities for such period as the Board may from time to time decide,
  - (2) extend the time for payment of the securities to the next settlement and if necessary to the following settlements provided that the sanction of Government shall be obtained before the time for payment is extended beyond a period exceeding the next two settlements and suspend at the same time the selling-out rule with respect to all unsettled contracts in such security or securities. The liability of intermediaries shall continue during such suspension. The buyer shall, however, be entitled to enforce delivery at any of such settlements. If the buyer after issuing tickets (Kapli) for taking delivery fails to take up and pay for all or any of such securities on Pay Day a penalty of 2 per cent. on the making-up price shall be imposed upon him irrespective of any other liability. If the seller fails to give such delivery, the buyer shall be entitled to buy-in and it shall not be necessary to open the market for such buying-in ;
- (b) If within fifteen minutes of the time fixed for the special meeting three-fourths of the total number of members of the Board are not present the members present shall co-opt as provided in rule 98 (b) ;
- (c) when the Board extends the time for payment under sub-clause (a), the Board shall by a resolution—
- (1) fix from time to time the making-up prices for such securities. For the first settlement such making-up prices shall be slightly higher than the prices of such securities prevailing in the market prior to the suspension of business.

Serial No. 1	Rule as at present or rule as it would be if altered according to the Association's proposals. 2	Amendments as proposed by the Committee. 3	Reasons. 4
90— contd.	<p>188—<i>contd.</i></p> <p>for each subsequent settlement the Board may reduce the making-up prices as they may deem fit in case of each security but in no case such reduction shall exceed 5 per cent. of the previous making-up prices. All contracts remaining unsettled at the end of each settlement shall be carried over to the following settlement at such making-up prices. All accounts shall be adjusted with such making-up prices and the differences shall be payable on the Pay Day fixed for the settlement,</p> <p>(2) fix from settlement to settlement budlee gala (contango) for such securities determined on the basis of interest at a rate not more than 9 per cent. per annum on such making-up prices payable by the buyer to the seller ;</p> <p>(d) Members shall render contract notes as provided in rule 189 to non-members in respect of each such carry-over and shall be entitled to charge brokerage not exceeding one-half of the usual rate prescribed in Appendix G ;</p> <p>(e) If a member is declared a Defaulter, all members having dealings with him may close all outstanding contracts either forthwith at the making-up prices fixed by the Board, and shall give immediate notice of the same</p>		

in writing to the Defaulters' Committee, or by purchase or sale, as the case may be, in the market on the day of its re-opening.

- (f) If a constituent fails to pay on the Pay Day the differences due by him to his broker, the latter may close all outstanding contracts either at any time thereafter in his discretion during the time such constituent is in default at the making-up prices fixed by the Board or by purchase or sale as the case may be in the market on the day of its re-opening and any balance due on such closing shall be immediately payable by such constituent to his broker.

Suspension of Dealings in companies wound up.

- (g) When a Company is wound up or when dealings in any security or securities on Forward list are suspended and when the Board of Directors shall deem it inadvisable in the public interest or in the interest of just and equitable principles of trade, to allow further trading therein, the said Board may forthwith remove such security from the Forward list and direct that all outstanding contracts for the current and following settlements before the date of suspension shall be closed and concluded by delivery and payment as usual on the date to be fixed by the said Board and at the same time shall fix a settlement price at which all unsettled contracts for the short sales existing at the time of suspension shall be finally closed and concluded; such settlement prices shall not be higher than the prices of such security or securities prevailing in the market prior to the suspension of business.

Serial No. 1	Rule as at present or rule as it would be if altered according to the Association's proposals. 2	Amendments as proposed by the Committee. 3	Reasons. 4
90— contd.	<p>188—<i>contd.</i></p> <p><u>Majority of one-half of three-fourths Board.</u></p> <p>(h) <i>A resolution of the said Board under sub-rule (g) shall not be deemed valid and shall not come into force unless it shall have been passed by the votes of not less than one-half of the total number of Members of the Board at a meeting at which not less than three-fourths of the total number of the Members of the Board shall have been present and which meeting shall have been specially summoned for the purpose. A resolution so passed shall be final and shall come into force forthwith.</i></p> <p><u>Closing of Unsettled Contracts.</u></p> <p>(i) <i>Payment of differences between the contract price and the settlement price fixed by the Board of Directors under the provisions of this rule shall be deemed finally to close all unsettled contracts and shall be deemed finally to settle and determine the rights and liabilities under such contracts of one member to another member or of members to constituents or of constituents to members.</i></p>		
91	<p><u>Contract Notes and Brokerage.</u></p> <p>189. (a) <i>Members shall render contract notes to non-Members in respect of every bargain made for such non-Member's account, stating the price at which the bargain has been made. Such contract notes shall contain a charge for commission at rates not exceeding the scale prescribed in Appendix G annexed to these Rules. Such contract notes shall be in</i></p>	<p>(1) In sub-rule (a), substitute "not less than" for "not exceeding".</p> <p>(2) <i>Substitute the following for sub-rule (b):—</i>  <i>"(b) The issue of a net contract is prohibited, i.e., every contract shall show brokerage separately".</i></p>	<p><i>Vide paragraph 35 of the Report.</i></p>

Form A prescribed in Appendix H annexed to these Rules and shall bear the stamp provided by the law for the time being in force ;

Net Contracts.

- (b) Members may issue net contracts without showing brokerage separately, should their constituents so desire, provided commission not exceeding the prescribed scale is charged and provided such contract notes state that the commission is allowed for in the price. Such contract notes shall be in Form A prescribed in Appendix H annexed to these Rules ;

Contracts by Principals.

- (c) In cases where a Member is buying for himself the securities of his constituent or selling his own securities to his constituent or acts in the capacity of a principal with the constituent, no commission shall be charged. Such contract notes shall be in form B prescribed in Appendix H annexed to these Rules ;
- (cc) *A contract note shall be signed by a Member or by his constituted attorney.*
- (d) No contract note not in one of the printed Forms in Appendix H shall be deemed to be valid.

Contracts for Budlee.

- (e) A member may render contract notes in Form A prescribed in Appendix H even if he employs his own resources in carrying forward the purchases of his constituent from one settlement to another.
- (f) *A contract note referred to in this rule or any other rule for the time being in force shall be deemed to mean and include a contract and shall have the same significance as a contract.*

(3) *Delete* sub-rule (c).

(4) Renumber sub-rule (cc) as (c).

(5) *Insert* the following as sub-rule (d) :—

“(d) when a member employs another member as an intermediary, to execute the business of a non-member, such intermediary shall report the business to the member employing him at the same price as he dealt in the market. The broker may pay the intermediary a share of the brokerage charged to the constituent. The contract note shall state that business has been done through a member acting as an intermediary and with whom the brokerage charged has been divided.”

(6) Sub-rules (d), (e) and (f) to be renumbered as (e), (f) and (g), respectively.

(7) *Add* the following as sub-rule (h) :—

“(h) No contract note shall be issued in the name of an individual member of a firm : that is to say, in the case of a firm, every contract shall be issued only in the name of a firm.”

Vide paragraph 36 of the Report.

Vide paragraph 37 of Report.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
92	<p align="center"><u>Budla Transactions.</u></p> <p>191. In cases of Budla transactions, the seller shall not be entitled to claim the identical securities and such transaction may be put through between two non-Members.</p>	<p>Acceptance of the amendment is recommended.</p>	
93	<p align="center"><u>Obligation to charge Brokerage.</u></p> <p>192. (a) Brokerage shall be charged and collected upon the execution of all orders for the purchase or sale or carry over of the securities for account of others. This brokerage shall be at rates not less than the scales prescribed in Appendix G, and shall be net and free from any rebate, return discount or allowance made in any shape or manner or by any method or arrangement direct or indirect.</p> <p align="center"><u>Reduced Brokerage.</u></p> <p>(b) On any transaction in which the consideration money is Rs. 2,000 or under, the full brokerage laid down under Appendix G must be charged. In the case of a transaction in which the consideration money exceeds Rs. 2,000 a Member may at his discretion charge a reduced brokerage provided that such reduced brokerage shall not be less than one-half of the scale prescribed in</p>	<p>(1) At the beginning of sub-rule (a), insert "Save as may be provided in these rules".</p> <p>(2) For the figures "2,000" occurring for the first time in sub-rule (b), substitute "5,000 or under in respect of cash business or Rs. 10,000 or under in respect of forward business" and for the figures "2,000" occurring for the second time in sub-rule (b) substitute "Rs. 5,000 in respect of cash business or Rs. 10,000 in respect of forward business."</p> <p>(3) At the end of the second sentence in sub-rule (b) add the words "on the balance of the transaction".</p>	<p>(2) Vide paragraph 34 of the Report</p> <p>(3) The rule as it is drafted will make it actually cheaper in certain conceivable circumstances to transact business up to Rs. 2,500 than up to Rs. 2,000. Hence the addition.</p>



*Appendix G, and in case of Budli transactions not less than one-fourth of the said scale. The provisions of this rule may not be applied to business which a member may put through for another member.*

Evasion of Brokerage rules.

- (c) *A member shall not act as a Principal for the purpose of evading this rule or adopt any other procedure for a like purpose. Any evasion will be treated as a breach of this rule and also of rule 189.*

Unusual Budli rates.

- (d) *Any agreement or arrangement between a member and his constituent whereby special and unusual rates for carrying over or given, with intent to give special or unusual advantage to such constituent, for the purpose of securing his business shall be deemed to be a breach of this rule.*

Contract invalid.

- (e) *A contract note, containing a charge for brokerage at less than the rates of brokerage prescribed under this rule, shall not be valid and all such bargains shall be deemed void.*

Brokerage on Calls.

- (f) *A Member buying shares and prepaying calls thereon may charge brokerage on the purchase price with the amount of such calls added.*

(4) Delete the last sentence of sub-rule (b).

(5) Renumber sub-rule (c) as (c) (i), and insert the following as (c) (ii) :—

“(ii) Any member guilty of evading or breach of the provisions of sub-rules (a) and (b) of this rule, shall be suspended for such period, not less than 3 months, as the Board may deem necessary.”

(4) In view of amendment proposed to rule 189; if this amendment is not accepted the constituent would not get the benefit of the lower scale in the case of “put through” business.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
94	<p style="text-align: center;"><u>Sub-Brokers.</u></p> <p>194. (a) <i>No Member shall share brokerage with or transact business as Principal with, or act as a broker for, a non-member in the purchase or sale of securities if such non-member acts to the knowledge of the Member as a broker within a distance of 50 miles from Bombay for others and passes his own contracts or advertises his business or issues price lists or circulars respecting such business.</i></p> <p>(b) <i>A Member shall be entitled to employ for the purpose of his Stock Exchange business, Remisiers and to remunerate them with a share not exceeding 40 per cent. of the usual commission charged to the principal they introduce.</i></p> <p style="text-align: center;"><u>Permission necessary for Remisiers.</u></p> <p>(c) <i>A Member desirous of employing Remisiers shall apply for the permission of the Board of Directors on such Form as the said Board may from time to time prescribe.</i></p>	<p>(1) For the heading "Sub-brokers" above sub-rule (a) substitute "Remisiers."</p> <p>(2) In sub-rule (a), delete the words "share brokerage with or".</p> <p>(3) In sub-rule (a), delete the words "to the knowledge of the Member".</p> <p>(4) Insert the following as proviso to sub-rule (a) :—</p> <p style="padding-left: 2em;">" Provided that a member may share his brokerage with any stock and share broker who does not carry on Stock Exchange business within a distance of 50 miles from Bombay and who does not advertise in the public press or in any other manner for such business or issues circulars respecting such business to other than his own constituents :</p> <p style="padding-left: 2em;">" Provided further that the share of the brokerage actually retained by the member is not less than sixty per cent. of the brokerage."</p> <p>(5) Number sub-rule (c) as (c) (i), and insert the following as (c) (ii) and (c) (iii) :—</p> <p style="padding-left: 2em;">" (ii) Such permission shall be refused unless the person desirous of working as remisier gives an undertaking that he shall on registration as remisier forthwith</p>	<p><i>Vide</i> paragraphs 26 and 27 of the Report.</p> <p>(3) These words are calculated only to facilitate evasion.</p> <p>(4) This is sub-rule (l) in column 20. It seems more appropriate to have it as proviso to sub-rule (a). It is customary to allow a share of Brokerage in such circumstances.</p> <p>(5) Sub-rule (c) (ii) applies the same principle to Remisiers as is applied to Members.</p>

Remisiers to be registered

- (d) *The Secretary shall keep a register of Remisiers and shall enter in such register the names and addresses of all Remisiers. The Register shall not be open to the inspection of the Members generally but only to the said Board sitting as such. The said Board shall have full power to refuse registration or to remove the name of any person from the register without assigning any reason.*

Remisier shall act for one Member only.

- (e) *No person shall be registered as a Remisier to more than one Member.*

Sub-Agent.

- (f) *If a Remisier under whatever circumstances directly or indirectly divides or shares his brokerage with his constituent or sub-agent, his name shall be forthwith removed from the Register.*

Advertisement.

- (g) *A Remisier shall not advertise or issue Price Lists or Circulars.*

dealings in shares and securities.

- (iii) *An application by a member or firm to employ a remisier, who previously had been acting as a remisier with another member or firm, must be accompanied by a clearance certificate from the former employer or employers :*

*Provided that the clearance certificate shall state that the remisier left his former employer or employers clear of all debts and outstanding liabilities, and that his conduct while in that employment was satisfactory."*

Sub-rule (c) (iii) is a necessary precaution.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
94	<p style="text-align: center;"><u>Sub-Brokers.</u></p> <p>194. (a) <i>No Member shall share brokerage with or transact business as Principal with, or act as a broker for, a non-member in the purchase or sale of securities if such non-member acts to the knowledge of the Member as a broker within a distance of 50 miles from Bombay for others and passes his own contracts or advertises his business or issues price lists or circulars respecting such business.</i></p> <p>(b) <i>A Member shall be entitled to employ for the purpose of his Stock Exchange business, Remisiers and to remunerate them with a share not exceeding 40 per cent. of the usual commission charged to the principal they introduce.</i></p> <p style="text-align: center;"><u>Permission necessary for Remisiers.</u></p> <p>(c) <i>A Member desirous of employing Remisiers shall apply for the permission of the Board of Directors on such Form as the said Board may from time to time prescribe.</i></p>	<p>(1) For the heading "Sub-brokers" above sub-rule (a) substitute "Remisiers."</p> <p>(2) In sub-rule (a), delete the words "share brokerage with or".</p> <p>(3) In sub-rule (a), delete the words "to the knowledge of the Member".</p> <p>(4) Insert the following as proviso to sub-rule (a) :—</p> <p style="padding-left: 2em;">" Provided that a member may share his brokerage with any stock and share broker who does not carry on Stock Exchange business within a distance of 50 miles from Bombay and who does not advertise in the public press or in any other manner for such business or issues circulars respecting such business to other than his own constituents :</p> <p style="padding-left: 2em;">" Provided further that the share of the brokerage actually retained by the member is not less than sixty per cent. of the brokerage."</p> <p>(5) Number sub-rule (c) as (c) (i), and insert the following as (c) (ii) and (c) (iii) :—</p> <p style="padding-left: 2em;">" (ii) Such permission shall be refused unless the person desirous of working as remisier gives an undertaking that he shall on registration as remisier forthwith</p>	<p><i>Vide</i> paragraphs 26 and 27 of the Report.</p> <p>(3) These words are calculated only to facilitate evasion.</p> <p>(4) This is sub-rule (b) in column 20. It seems more appropriate to have it as proviso to sub-rule (a). It is customary to allow a share of Brokerage in such circumstances.</p> <p>(5) Sub-rule (c) (ii) applies the same principle to Remisiers as is applied to Members.</p>

Remisiers to be registered

- (d) *The Secretary shall keep a register of Remisiers and shall enter in such register the names and addresses of all Remisiers. The Register shall not be open to the inspection of the Members generally but only to the said Board sitting as such. The said Board shall have full power to refuse registration or to remove the name of any person from the register without assigning any reason.*

Remisier shall act for one Member only.

- (e) *No person shall be registered as a Remisier to more than one Member.*

Sub-Agent.

- (f) *If a Remisier under whatever circumstances directly or indirectly divides or shares his brokerage with his constituent or sub-agent, his name shall be forthwith removed from the Register.*

Advertisement.

- (g) *A Remisier shall not advertise or issue Price Lists or Circulars.*

dealings in shares and securities.

- (iii) *An application by a member or firm to employ a remisier, who previously had been acting as a remisier with another member or firm, must be accompanied by a clearance certificate from the former employer or employers :*

*Provided that the clearance certificate shall state that the remisier left his former employer or employers clear of all debts and outstanding liabilities, and that his conduct while in that employment was satisfactory."*

Sub-rule (c) (iii) is a necessary precaution.

Serial No.  1	Rule as at present or rule as it would be if altered according to the Association's proposals.  2	Amendments as proposed by the Committee.  3	Reasons.  4
94— contd.	<p>194—contd.</p> <p style="text-align: center;"><u>Employee.</u></p> <p>(h) <i>A Remisier may be an individual or firm, but must not be in the employ of any individual or firm.</i></p> <p style="text-align: center;"><u>Contract Note.</u></p> <p>(i) <i>A Remisier shall give the names of his constituents in whose names contract notes must be rendered by the member for whom the remisier acts in one of the forms prescribed in Appendix H. The Remisier shall not sign contract notes in his own name or on behalf of his employer.</i></p> <p style="text-align: center;"><u>Admission to Market.</u></p> <p>(j) <i>A Remisier shall be entitled to admission to the market on payment of an annual fee of Rs. 100 in advance or such other fee as may be prescribed from time to time by the Board of Directors and shall wear a distinctive badge; but he shall not make bargains in his own name or on behalf of his employer.</i></p>	<p>(6) Insert the following new sub-rule (j):— “(j) A remisier may not act as remisier for his personal business.”</p> <p>(7) Renumber sub-rules (j) and (k) proposed by the Association as (k) and (l) respectively, and for sub-rule (k) so renumbered, substitute the following:— “(k) (i) A Remisier shall, on registration, deposit with the Association, a sum of Rs. 5,000 in cash or in approved securities: Provided that interest shall be payable on such deposit of cash by the Association to the Remisier at a rate not less than the prevailing bank deposit rate:</p>	

Brokerage may be shared with clerks.

- (k) *A Member may share brokerage with a clerk authorised or unauthorised in his own exclusive employment provided that the share of the brokerage actually retained by the Member is not less than 60 per cent. of the brokerage charged to the constituent introduced by the clerk, and provided further that such brokerage is not shared by the clerk with, or is not allowed to, his constituent.*

Brokerage may be shared on certain conditions.

- (l) *A Member may share his brokerage with any stock and share broker who does not carry on Stock Exchange business within a distance of 50 miles from Bombay and who does not advertise in the public press or in any other manner for such business or issues circulars respecting such business to other than his own constituents; provided that the share of the brokerage actually retained by the member is not less than 60 per cent. of the brokerage charged to the constituents introduced by such outside broker and provided further that such outside broker shall not under any circumstances either directly or indirectly divide or share his proportion of such brokerage with, or allow the same to, his constituent or any other person.*

Provided, further, that the deposit shall be liable to forfeiture if the Remisier's name is removed from the register for an offence, which, if committed by a member, would lead to his expulsion. Removal for any other reason shall not entail forfeiture.

- (ii) A Remisier shall pay to the Association an annual fee of Rs. 200 in advance, or such other fee as may be provided by the Board of Directors from time to time. A Remisier who has paid his subscription shall be entitled to admission to the market and shall wear a distinctive badge."

- (8) Delete sub-rule (l) proposed by the Association.

- (8) In view of the amendment proposed to sub-rule (a) of rule 194.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
94— contd.	<p data-bbox="333 265 438 282">194—contd.</p> <p data-bbox="374 293 820 311"><u>Remisiers not to share commission with constituents.</u></p> <p data-bbox="333 330 857 431">(m) Members shall be held responsible that Remisiers or clerks remunerated with a share of brokerage under this or any other rule make no allowance or return of such brokerage directly or indirectly to the constituent they introduce, or to any other person or agent.</p> <p data-bbox="333 445 848 497"><u>Member not to share brokerage with a Remisier or clerk of another Member.</u></p> <p data-bbox="333 510 857 548">(n) A Member shall not share brokerage with a Remisier or clerk of another Member.</p> <p data-bbox="484 560 729 577"><u>Sharing Brokerage forbidden.</u></p> <p data-bbox="333 591 857 686">(o) No bonus or percentage or portion of brokerage or any portion of profit shall be given, paid or allowed directly or indirectly to any person for business sought or procured except specifically permitted under this or any other rule for the time being in force.</p> <p data-bbox="484 697 684 715"><u>Insolvents as Remisiers.</u></p> <p data-bbox="333 728 857 824">(p) A Member may employ with the consent of the Board of Directors as his Remisier a person who has ceased to be a Member under rule 136 (b) or 151; but no such Remisier shall be allowed to enter the market to effect bargains as an authorised clerk.</p> <p data-bbox="484 835 684 852"><u>Indemnity to Members.</u></p> <p data-bbox="333 866 857 1019">(q) A Remisier appointed under these rules or a clerk sharing brokerage as provided in sub-rule (k) shall, in the absence of an agreement in writing to the contrary, be deemed to have agreed to give a full and complete indemnity to the member with whom he is working for any loss which such Member may incur by the failure of the constituents introduced by such Remisier or clerk to fulfil their obligations.</p>		



95

Delivery of Transfers.

199. (a) In all ready delivery contracts the necessary transfer forms duly signed by the transferor and witnessed shall be delivered by the seller to the buyer before 5 p.m. on any business day or before 3 p.m. on Saturday, but not later than the seventh day from the day of sale. When transfer forms are not so delivered, securities may be bought in by the buyer in the manner provided in these Rules.

Add the following proviso to sub-rule (a) :—  
"Provided that any procedure which may be adopted which shall appear to the Board to be an evasion of this rule, shall be treated as though it were a breach or violation of the rule, and shall bring the member under the provisions of rule 28 (b) (iii)."

To enable the Board of Directors to bring offenders under the disciplinary rule.

96

Delivery of Shares.

200. (a) Delivery of shares sold must be made by the seller before 2 p.m. on Mondays and Thursdays only provided that such delivery shall not be made earlier than the 6th and later than the 8th day from the day on which the transfer forms were delivered. If delivery of shares is not so made, the shares may be bought in by the buyer in the manner provided in these rules.

Acceptance of the amendments is recommended.

BUYING-IN AND SELLING-OUT.

97

In Open Market.

204. Buying-in and selling-out must be effected by the Secretary of the Association in the open Market during the official business hours save as otherwise provided in these rules. Only Members may make a bid or offer. *The charges for buying-in and selling-out shall be half of those authorised by Appendix G.*

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
98	<p><u>When securities may be bought-in or sold-out.</u></p> <p>205. (a) Securities (including new issues) may be bought-in or sold-out on failure to comply with any Rule of the Association applicable to delivery or payment or on any failure to carry out any special conditions subject to which bargain for <i>ready delivery</i> was made ;</p> <p style="text-align: center;"><u>Until 30 days.</u></p> <p>(b) Buying-in or selling-out may be effected on the day following failure to make payment or give delivery of transfer or securities in accordance with the Rules or on any day thereafter not later than the thirtieth day after such failure ;</p> <p style="text-align: center;"><u>Forfeiture of right.</u></p> <p>(c) A Member who fails to exercise his right to sell-out or buy-in in the manner provided in this Rule shall forfeit all right of recourse against the Member in default, unless it shall appear that such Member has not exercised his right on the written request of the other Member ;</p>	<p>In sub-rule (b), delete the heading "Until 30 days", and also the words "not later than the thirtieth day after such failure".</p>	<p>There seems no reason for withdrawing the buyer's right after 30 days.</p>

Buying-in or selling-out when forbidden.

206. (a) The shares of a company shall not be bought-in or sold-out while its transfer books are closed for payment of dividend or bonus or the receipt of calls or for any other reason.

Suspension of buying-in.

- (b) *The Committee may suspend the buying-in of securities when circumstances appear to them to make such suspension desirable in the general interest. The liability of intermediaries shall continue during such suspension, unless otherwise determined by the Committee.*

Majority of one-half of the entire Board.

- (c) *A resolution of the said Board under this rule shall not be deemed valid and shall not come into force unless it shall have been passed by the votes of not less than one-half of the total number of the Members of the Board at a meeting at which not less than three-fourths of the total number of the Members of the Board shall have been present and which meeting shall have been specially summoned for the purpose. A Resolution so passed shall be final and come into force forthwith.*
- (d) *If, within fifteen minutes of the time fixed for the special meeting, three-fourths of the total number of Members of the Board are not present, the Members present shall co-opt Members as provided in rule 96 (b).*

Nature of Payment.

213. (a) When securities are delivered the party delivering the securities shall have the right to require the purchase money to be paid in cash against delivery on due date in accordance with the Rules :

Insert at the beginning of sub-rule (b) the words "Subject to the previous consent of Government"; and for the word "Committee" wherever it occurs in sub-rule (b), substitute the word "Board".

Vide paragraphs 16, 18 and 20 of the Report.

Acceptance of amendment to rule 213 is recommended.

Serial No. 1	Rule as at present or rule as it would be if altered according to the Association's proposals. 2	Amendments as proposed by the Committee. 3	Reasons. 4
100— contd.	<p>213—<i>contd.</i></p> <p>Provided that when delivery is made through the Clearing House payment shall be made in accordance with the rules relating to the Clearing House.</p> <p style="text-align: center;"><u>Cash Payment.</u></p> <p>(b) <i>If a Member requires cash in payment for securities sold, he must give notice in writing to his buyer to that effect before 3 p.m. on the day previous to the day of delivery and payment shall be made, against delivery of the securities:</i></p> <p><i>Provided that the buyer shall have the right or option of requiring the party delivering the securities to receive payment at the office of any bank situated in the Fort area.</i></p> <p>(c) <i>If the buyer wishes to exercise his rights or option under this rule, he must hand over to the seller not later than 12 noon a Receipt and Pay Order properly signed by him or his client.</i></p> <p style="text-align: center;"><u>Payment by Cheque.</u></p> <p>(d) <i>Cheques must be drawn by the Member who has bought securities. They must be crossed and marked "Payee's account only".</i></p>		

Application for Rights.

224. The buyer is entitled to new shares issued in right of old, provided that he specially claims the same in writing from the seller not later than 1 p.m. on the second day preceding the latest day fixed for the receipt of applications by the company.

Renumber rule 224 as 224 (a) and insert the following as 224 (b) :—

"(b) Notwithstanding the provisions of the above clause, the seller, if he be in possession of the new securities, shall be responsible to the buyer for the same, although claimed by him later than one o'clock on the abovenamed day, and should he not be in possession of the new securities, he is bound to render every assistance to the buyer in tracing them."

See London Rule 114 (3). The amendment provides for securing to the buyer privileges which clearly belong to him.

## DOCUMENTS AND REGISTRATION.

Regularity and genuineness of documents.

229. (a) A Member who receives payment against delivery of all necessary documents either on his own account or on behalf of his constituent shall be personally responsible to the Member to whom the same are delivered for their *title*, regularity and genuineness provided the documents are lodged with the company for registration within *twenty-one* days of the date of receipt of such documents by him. If the documents are not lodged within the prescribed period of *twenty-one days*, then except in the case of fraud or bad faith on the part of the selling Member the liability of the selling Member to both the buying Member and his constituent as also the liability of the buying Member to his constituent shall cease in all respects.

Acceptance of amendments to rule 229 is recommended.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
102— contd.	<p data-bbox="287 330 385 350">229—<i>contd.</i></p> <p data-bbox="451 370 675 390" style="text-align: center;"><u>Liability of Constituents.</u></p> <p data-bbox="287 430 815 588">(b) Nothing in this Rule shall affect the liability of the Constituent (which term shall in cases where a Member has dealt on his account include such Member) from whom the Member may have received the document in any action at law or in any other proceedings. The Member who delivered the document shall however be bound to render every assistance to the buyer in any proceedings he may take against the seller.</p>		
103	<p data-bbox="323 625 766 645" style="text-align: center;"><u>Replacement of Irregular Documents and Refund.</u></p> <p data-bbox="287 686 815 960">230. If a Member to whom the documents are delivered gives intimation in writing to the Member who delivered them, of his objection as to their <i>title, irregularity or genuineness as soon as it comes to his knowledge</i>, the Member who delivered them shall within a week from the date of such intimation remove any irregularity or establish the <i>title or genuineness</i> of the documents, as the case may be, or deliver other <i>regular, genuine and valid documents</i>; but in the event of such Member failing to deliver such other documents, he shall refund on return of the documents the monies paid against such documents, provided that the documents were lodged for registration within <i>twenty-one days</i> from the receipt thereof as provided by rule 229 (a).</p>	<p data-bbox="846 904 1215 947">Acceptance of amendments to rules 230 to 232 is recommended.</p>	

Refund does not cancel contract.

231. (a) A refund of the price on the return of documents shall not operate as cancellation of the contract and if the selling Member within a period of *twenty-one* days from the refund tenders to the buying Member *regular, genuine and valid* documents the buying Member shall be bound to accept such documents in fulfilment of the original contract and pay the purchase price ;

Sale not conditional on transfer.

232. Save as is provided in Rule 237 a sale of shares is not conditional on the Company transferring the shares into the name of the buyer. The only obligation on the seller on the sale of shares is to tender delivery of the necessary certificates with a properly executed transfer. Such seller shall not be deemed to guarantee that the Company will transfer the shares into the name of the buyer and shall incur no liability by reason of the refusal of the Company in exercise of the power vested in it under the Articles of Association to transfer such shares.

*Explanation.—A transfer signed on behalf of the vendor by a person purporting to be his constituted attorney shall not be considered a properly executed transfer if the Power of Attorney in question is conditional and not absolute.*

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
106	<p><u>Refusal by Company to transfer on account of lien.</u></p> <p>237. The provisions of Rules 232 and 234 shall not apply where the company refuses to transfer the shares on the ground that the shares are subject to a lien on account of any debt or liability of the transferor; and if the transfer is refused on that ground the selling Member shall within seven days of his being called upon to do so by the buying Member either release the shares from such lien or give other shares free of lien, and if the selling Member fails to effect such release or to give such shares, the buying Member shall be entitled to rescind the sale and recover the price paid and damages for any loss sustained. In the case of every such share, the buying Member shall be entitled to the benefit of this rule provided he has applied to the Company to have the share transferred within fifteen days of the date of the delivery of such share.</p>	<p>For the word "fifteen", substitute the word "twenty-one".</p>	<p>To bring this Rule into line with other similar Rules.</p>
107	<p><u>Dispute after registration.</u></p> <p>239. <i>When the official certificate of registration of securities bought has been issued by the Company concerned, neither the selling Member nor the buying Member shall be personally responsible to the buyer for any subsequent dispute as to the title unless bad faith or fraud is alleged against such Member or unless such Member has dealt on his own account.</i></p> <p><i>Nothing in this rule shall affect the liability of the transferor or</i></p>		



actual seller who may have received payment against delivery of securities, in any action at law or in any other proceedings. The provisions of this rule shall apply only to the rights and obligations of Members inter se.

### HOURS OF BUSINESS.

#### Entrance.

240. Except as otherwise ordered by the Board of Directors the Broker's Hall shall be open to Members on every business day at 10 a.m. and shall remain open till 6 p.m. except on Saturdays when it shall remain open till 4 p.m.

#### Hours of business.

241. (a) The hours of business in the Market shall be from 12 noon to 3 p.m. on all working days and 12 noon to 2 p.m. on all Saturdays or such other hours as may be fixed by a Resolution of the Board of Directors from time to time;

#### Opening and closing of Market.

(b) The opening and closing of the hours of Forward business shall be announced by the ringing of a bell and a warning bell shall be rung fifteen minutes before the closing.

Acceptance of amendments to Rules 239 and 240 is recommended.

Substitute the following for sub-rule (a) :—

“(a) The hours of business shall be as under :—

#### Stocks and Shares other than Government Securities.

Forward business .. 12 to 2 p.m. on every business day.

Ready Delivery 12 to 5 p.m. from business. Monday to Friday.  
12 to 2 p.m. on Saturday.

This amendment brings together all the Rules governing the hours of business.

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Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
110	<p align="center"><u>Business in certain hours forbidden.</u></p> <p>242. No bargain shall be made before or after the hours fixed for business in accordance with the provisions of Rules 241 and 372 and a Member who shall make any bid or offer or enter into any contract or transaction within or without the market contrary to the provisions of this rule or on Sundays or holidays may be suspended or fined by a Resolution of the Board of Directors, provided that bargains for <i>ready delivery</i> in stocks, shares and like securities not admitted to the Forward list may be made till 5 p.m.</p>	<p align="center"><u>Government Securities.</u></p> <p>Ready Delivery and Forward Dealings. 11-30 a.m. to 5 p.m. from Monday to Friday. 11-30 a.m. to 2 p.m. on Saturday."</p> <p>Delete "and 372".</p>	<p>In view of the proposed re-drafting of rule 241.</p>
111	<p align="center"><u>Extending or curtailing business hours.</u></p> <p>243. The Board of Directors may by a Resolution extend or curtail the business hours on any particular day, provided that if it be not possible to <i>hold a meeting</i> of the said Board, the President of the Association may exercise the power conferred upon the said Board by this rule.</p>	<p>(1) In the heading of this rule, delete the words "or curtailing".</p> <p>(2) Delete the words "or curtail" in lines 1 and 2.</p>	<p>It is considered undesirable that the Board should have the power to curtail the hours of business in view of powers held under other rules. While it is proposed to leave to the Board the power of extension, it should be understood this is not intended to cover a re-opening of the market on any one day.</p>

Closing in Crisis.

244. (a) The President shall have power in a grave crisis or emergency to stop immediately dealings in the shares of any company or in any security or even to close the Exchange by ringing the bell, subject to the confirmation of the Board within twenty-four hours. In either of these events the Secretary shall convene a meeting of the Board of Directors within an hour of such closing.

Ban on short Selling.

(b) *In a crisis or emergency or when it is obvious to the Board that a crisis is at hand or that a fair or normal market may not exist, and the Board is satisfied that a temporary suspension of short selling is in the public interest, the Board shall prohibit short selling in any security for such period as the Board may from time to time decide by a resolution of not less than one-half of the total number of Members of the Board at a special meeting at which not less than three-fourths of the total number shall have been present.*

*A resolution so passed shall be final and shall come into force forthwith.*

Period of closing extended.

(c) The Board may at a special meeting by a majority of two-thirds of the members present extend the period in clause (a) up to a maximum of five business days.

(1) Delete sub-rule (a)

(2) Renumber rule 244 (b) as 244 and substitute the following for it :—

" 244. In a crisis or emergency, or when it is obvious to the Board that a crisis is at hand or that a fair or normal market may not exist, and the Board is satisfied that a temporary suspension of short selling is in the public interest, the Board shall, with the previous consent of Government, prohibit short selling in any security, provided that the President shall not approach Government for their consent unless at least 9 members of the Board shall have voted in favour of such suspension."

(3) Delete sub-rules (c), (d) and (e).

.. (1) In view of the proposed amendment to rule 100 (e) (i).

(2) *Vide* paragraphs 17, 18 and 20 of the Report.

Serial No. 1	Rule as at present or rule as it would be if altered according to the Association's proposals. 2	Amendments as proposed by the Committee. 3	Reasons. 4
112— contd.	<p>244—<i>contd.</i></p> <p><u>Copy of Resolution to be sent to Government.</u></p> <p>(d) A copy of the Resolution of the said Board under this rule together with the reasons for it shall be sent to the Government of Bombay in the Finance Department within twenty-four hours of the passing of such Resolution.</p> <p><u>Procedure.</u></p> <p>(e) <i>In the exercise of the powers under this rule, the said Board may adopt such procedure and issue such orders and directions as the Board may deem necessary and appropriate to carry out the object of this rule.</i></p>		
113	<p><u>Holidays.</u></p> <p>245. The Market will be closed on the following days, namely all Sundays, all Bank holidays declared by the Government of Bombay under the Negotiable Instruments Act and the Association's holidays, namely :—</p> <p>Holi (1 Day besides Bank holiday for Holi Padwa). Mahavir Jayanti. Chaitri Punam. Adar Jassan.</p>	<p>Substitute the following for this rule :—</p> <p>“ 245. The market shall be closed on the following days, namely :— All Sundays, All Bank Holidays declared by the Government of Bombay under the Negotiable Instruments Act, and the</p>	<p><i>Vide</i> paragraph 67 of the Report.</p> <p>We consider that only those holidays should be retained as Association holidays as are now observed as whole holidays, while in so far as the Christmas holidays are concerned, they should be restricted to those holidays which are Bank</p>

21st Day of Ramzan.  
 Ashadi Ekadaahi.  
 Ashadi Chomasu (Swetamber) at 2 p.m.  
 Ashadi Chomasu (Sthanak Vasi) at 2 p.m.  
 Kadmi Pateti.  
 Ramzan Idd (one day extra if it falls on day other than Bank Holiday).  
 Moharrum (one day extra if it falls on day other than Bank Holiday).  
 Shri Mahavir Swami's Birthday celebrations (Swetamber).  
 Shri Mahavir Swami's Birthday celebrations (Sthanak Vasi).  
 Samvatsari (Sthanak Vasi).  
 Fourth Gatha.  
 Amardad Sal.  
 Farvardigan Jassan at 2 p.m.  
 Dhanteras.  
 Kali Chawdas.  
 Kartiki Poonam.  
 Solar Eclipse.  
 Christmas (24th December to 31st December).

The Board of Directors may by a resolution passed at a meeting at which not less than three-fourths of the total number shall have been present cancel from time to time any of the Association's holidays for a particular year.

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Additional Holidays.

246. The Board of Directors may by a Resolution declare any day other than the days specified in Rule 245 an additional holiday and direct the Market to be closed that day.

following Association holidays.  
 Holidays :—

Shree Mahavir Swami's Birthday, Jain Samvatsari, and 21st day of Ramzan.

Delete rule 246

.. In view of amendment to Rule 100 (e), (i), we do not think it necessary for the Board to have power to declare additional holidays.

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1	2	3	4
115	<p data-bbox="464 373 627 396" style="text-align: center;"><u>Removal from List.</u></p> <p data-bbox="282 413 809 510">247. (a) <i>The Board of Directors may admit to dealing, upon the Exchange, securities and may suspend dealing therein or may remove the same from the list for breach of or non-compliance with any of the requirements or conditions herein.</i></p> <p data-bbox="445 574 637 591" style="text-align: center;"><u>Permission necessary.</u></p> <p data-bbox="282 631 809 706">(b) No dealings whether for <i>ready delivery</i> or for the account in the shares or securities of any Company will be allowed unless permission for such dealings shall have been given by the Board of Directors.</p> <p data-bbox="391 769 682 786" style="text-align: center;"><u>Amalgamation or Reorganisation.</u></p> <p data-bbox="282 826 809 901">(c) Permission is not necessary for dealings in new issues arising from the reorganisation or amalgamation of companies in the shares or securities of which dealings have already been allowed.</p>	Delete rule 247	<p data-bbox="1219 413 1537 453">In view of rule 255, this rule is superfluous.</p> <p data-bbox="1219 826 1537 947">As regards sub-rule (c), it should be necessary to ask permission for dealings in new issues arising from reorganisation, etc., since not every reorganisation or amalgamation is of a sound nature.</p>

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Grant or Rejection of Application.

248. The Board of Directors shall consider and may in their discretion grant or reject any application for the admission of the shares or securities of a company to dealings on the market, provided that no application for such admission shall be granted unless the requirements and conditions hereinafter set out shall be complied with, provided however that the Board of Directors may by a resolution passed by a majority of two-thirds of the members present at a meeting dispense with the strict enforcement of this rule for the purpose of ready delivery transactions only.

Acceptance of the amendment to rule 248 is recommended.

Vendor's Securities.

251. No dealings shall be allowed in the shares or securities issued by a company to vendors and credited as fully or partly paid until six months after the date on which permission has been granted for dealings in shares or securities of a like class or description issued to the general public. For the purpose of this Rule, shares or securities issued as fully or partly paid to a person or persons or firm or corporation in consideration of the sale or transfer of property or in consideration of services rendered in the formation or promotion of the company shall be deemed vendor's shares or securities.

This rule opens the way to irregular dealings in vendor's shares outside the Exchange, and the Board might with advantage consider the advisability of amending the rule.

Conditions of admitting Shares and Securities of Companies to dealings.

252. The Board of Directors shall not allow dealings in shares or securities of a company unless—

(1) In the first line of this rule, substitute the word "may" for the word "shall".

Transfer Books open for Registration.

(a) The company notifies the Association that its transfer books have been opened for registration,

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
- 1	2	3	4
118— <i>contd.</i>	<p>252—<i>contd.</i></p> <p><u>Notice to company of Settlement days.</u></p> <p>(b) The company agrees not to close its transfer books during days fixed by the Association for Settlement and of which three months' notice shall have been given by the Association to the company.</p> <p><u>Articles of Association.</u></p> <p>(c) The Articles of Association contain the following provisions :—</p> <p>(i) that none of the funds of the company shall be employed in the purchase of or in loan upon the security of its own shares ;</p> <p>(ii) that the borrowing powers of the Board of the Company's Directors are limited to a reasonable amount not exceeding the issued capital ;</p> <p>(iii) that the non-forfeiture of dividends is secured ;</p> <p>(iv) that a common form of transfer shall be used and there shall not be any restriction on the transfer of fully paid shares ;</p> <p>(v) that fully paid shares shall be free from all lien and in the case of contributory shares the company may have a lien only for all monies called or payable at a fixed time in respect of such shares ;</p>	<p>(2) We would suggest modification or deletion, as the case may be, of clauses (ii), (iii) and (v) of sub-rule (c), if they are found to go beyond the requirements proscribed in this respect in the amended Indian Companies Act.</p>	



(vi) that the Company in general meeting shall have power by Extraordinary Resolution to remove any Director before the expiration of his period of office.

*Note.—The Board of Directors will take exception to any provisions contained in the Articles of Association which may, in any way, restrict free dealings in the shares or which may, in the opinion of the said Board, be unreasonable in the case of a Public Company.*

Fair allotment.

(d) (i) *At least 50 per cent. of the issue, whether such issue be the whole or part of the authorised capital, shall have been offered to the public in equal proportion as to class or kind and allotted fairly and unconditionally. For the purpose of this rule, vendor's shares or securities shall not be considered to form part of such public allotment.*

Compliance with conditions of fair allotment.

(ii) If the Company satisfies the Board of Directors that the Company invited applications for at least 50 per cent. of the shares or securities issued, for a period of not less than eight days and that the public did not apply for 50 per cent. of the number of shares or securities issued and that in consequence less than 50 per cent. of such shares or securities have been allotted to the public, the Company shall be deemed to have complied with the provisions of this Rule.

(3) Note below sub-rule (c): Instead of keeping this as a note, it is better to insert it as a proviso to sub-rule (c).

(4) Substitute the following for sub-rule (d) (ii) :—

“(ii) The Company shall satisfy the Board of Directors that it invited applications for at least 50 per cent. of the shares or securities issued for a period of not less than three days, that the public did not apply for 50 per cent. of the number of shares or securities issued, and that in consequence less than 50 per cent. of such shares or securities were allotted to the public.”

(4) It seems unnecessary to fix a longer period than three days.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
118— contd.	<p data-bbox="283 334 384 351">252—<i>contd.</i></p> <p data-bbox="433 374 651 391" style="text-align: center;"><u>Dealings in bonus shares.</u></p> <p data-bbox="283 431 811 569">(iii) Dealings shall be allowed in the shares or securities of a new Company which have been issued by an existing Company already admitted to dealings and which has given such shares or securities as bonus to its own shareholder; and the provisions of this Rule prescribing the allotment of a proportion of shares or securities to the public shall not apply to such shares or securities.</p> <p data-bbox="496 626 615 644" style="text-align: center;"><u>Registration.</u></p> <p data-bbox="283 689 811 787">(e) The Company shall have been registered under the Indian Companies Act and its prospectus shall have been filed with the Registrar of Joint Stock Companies in India and a copy of the prospectus thus filed shall have been advertised in newspapers published in Bombay;</p> <p data-bbox="493 827 593 844" style="text-align: center;"><u>Prospectus.</u></p> <p data-bbox="283 885 811 948">(f) The prospectus shall have been advertised in the public press and the public subscription list shall have been kept open for at least four days:</p>	<p data-bbox="820 431 1212 512">(5) In sub-rule (d) (iii) delete the word "the" occurring for the first time, and also the words "of a new Company".</p> <p data-bbox="820 529 1212 609">(6) At the end of sub-rule (d) (iii), insert the words "provided that the bonus shares are identical in all respects with existing shares".</p> <p data-bbox="820 689 1212 730">(7) Add at the end of sub-rule (e) "save as is provided under rule 253-A".</p> <p data-bbox="820 885 1212 959">(8) In sub-rule (f), delete the words "and the public subscription list shall have been kept open for at least four days".</p>	Consequential.
			This is covered by sub-clause (d) (ii).

Information.

(g) The following documents and particulars shall be sent to the Association by the Secretary of a new Company under his signature, namely Articles of Association and in the case of a debenture issue a copy of the Trust Deed, certified copies of agreement relating to issue of shares, credited as fully paid, of all material contracts, agreements, concessions and other similar documents, the number of shares allotted to vendors and their distinctive numbers, the number of shares offered to the public, distinctive numbers of shares for which permission to deal is applied for, the number of shares applied for by the public and the number of shares allotted to the public unconditionally pursuant to such applications and the proportion of the allotment, the list of allottees and the largest number of shares applied for by and allotted to any one applicant where the whole of the capital has not been issued at the time when shares are offered for subscription, the Company shall state whether the unissued shares are vendor's shares or are held in reserve for future issue.

119 253. Dealings in shares or securities of a company shall not be permitted unless the company shall have undertaken under its seal--

Splitting of share certificates.

(1) to split share certificates, Letters of Allotment, and if a "Rights" issue to split Letters of Rights, into smaller denominations in the same name and to have any such "splits" certified by an official of the Company;

(0) Delete the word "new" in sub-rule (g), and add the following :-

"The company shall, on request, submit its allotment sheets to the Association for inspection."

(10) Sub-rule (g) will be improved if the documents, etc., specified in it are set out serially.

Serial No. 1	Rule as at present or rule as it would be if altered according to the Association's proposals. 2	Amendments as proposed by the Committee. 3	Reasons. 4
119— contd.	<p>253—contd.</p> <p style="text-align: center;"><u>Issue of Certificates.</u></p> <p>(2) to issue the Definitive certificates within one month of the date of the lodgment of the transfer and to issue balance certificates, if required, within the same period.</p> <p style="text-align: center;"><u>Verification of Signature.</u></p> <p>(3) to verify the signature of the shareholder on the transfer form by an official of the Company and to notify the shareholder as soon as a transfer from his name has been certified by the company's officials;</p> <p style="text-align: center;"><u>Declaration of Dividend.</u></p> <p>(4) to advise the Association by letter of all dividends recommended or declared immediately a meeting of the Board has been held to fix the same;</p> <p style="text-align: center;"><u>Change of Business.</u></p> <p>(5) to notify the Association promptly of any change in the general character or nature of its business;</p>	<p>(a) In clause (3) delete the words "to verify the signature of the shareholder on the transfer form by an official of the company and".</p> <p>(b) In clause (5) insert the word "material" between the words "any" and "change".</p>	<p>(a) This is calculated to encourage blank transfers and thrust an unnecessary responsibility on Joint Stock Companies.</p>

Disposal of Property.

(6) to notify the Association immediately if the company or any subsidiary or controlled company disposes of any property or any stock or interest in any of the subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted ;

Publication of earnings.

(7) to publish periodical statements of earnings, as agreed upon with the Board of Directors of the Association ;

Changes in Directorate.

(8) to notify the Association of any changes in the Directorate by death, resignation, removal or otherwise ;

Reports and financial Statements.

(9) to forward to the Association copies of statutory and annual reports and Audited Accounts as soon as issued ; and to furnish, on demand, such further financial statements and such reasonable information concerning the Company as may be deemed necessary or appropriate for the protection of investors and as may be called for by the Board of Directors of the Association ;

Amendments.

(10) to forward to the Association copies of all notices sent to the share-holders and to file with the Association certified copies of Resolutions of the Company as soon as such Resolutions have become effective ;

(c) Delete clauses (6) and (7)

.. (c) In view of the general power of the Board to withdraw permission to deal in any security these provisions which may be regarded as provocative, are unnecessary.

(d) In clause (9), delete after the first semi-colon "and to furnish, on demand, such further..... by the Board of Directors of the Association ;"

(d) To ask for all this information appears to be as unreasonable as it is unnecessary.

Serial No. 1	Rule as at present or rule as it would be if altered according to the Association's proposals. 2	Amendments as proposed by the Committee. 3	Reasons. 4
119— contd.	<p>253—contd.</p> <p style="text-align: center;"><u>Share Transfer Office.</u></p> <p>(11) <i>to maintain a transfer office or agency in the city of Bombay, where all securities shall be registered or deposited for the purpose of transfer and to arrange at its own cost and expense that its transfer office or agency will receive and redeliver all securities deposited at such office for the purpose of transfer ;</i></p> <p style="text-align: center;"><u>Increase of Capital.</u></p> <p>(12) <i>to notify the Association promptly in the event of the reissue of forfeited shares or securities or the issue of shares or securities held in reserve for future issue or the issue or creation in any form or manner, of new shares or securities or of any other rights, privileges or benefits to subscribe to ; and to give the shareholders reasonable time within which to record their interests and to exercise their rights, and to issue in the first instance all such securities or rights pro rata to the existing share-holders in the form approved by the Board of Directors of the Association and to give to the Association at least fifteen days' notice in advance of the closing of the transfer books for the purpose ; and</i></p>	<p>(e) In clause (11) for the words " city of Bombay " substitute the words " Bombay Presidency ".</p> <p>(f) At the end of clause (11) add " subject to reasonable registration fees being borne by the transferee ".</p> <p>(g) Substitute the following for clause (12):— " to notify the Association promptly of the issue of shares or securities held in reserve for future issue, or the issue or creation in any form or manner of new shares or securities or of any other rights, privileges or benefits to subscribe to, and to give the shareholders reasonable time within which to record their interests and to exercise their rights, if any, and to give to the Association at least fifteen days' notice in advance of the closing of the transfer books for the purpose."</p>	<p>(g) It may not always be possible to make a <i>pro rata</i> allotment. The powers of the Board to grant or reject applications to deal provide any necessary safeguard.</p>

Listing of additional Securities.

(13) to make an application to the Association for the listing of additional amounts of securities. The tender for delivery of such additional shares or securities shall not be valid on the contract for the sale of shares or securities of such company unless such additional shares or securities shall have been admitted to dealings.

(h) In clause (13) for the words " additional amounts of securities ", substitute the words " any new issues of shares or securities except as provided in rule 252 (d) (iii) ".

(i) For the second sentence of sub-rule (13) substitute the following :—  
" Such additional shares or securities shall not be a good delivery until such further issues have been admitted to dealings."

(i) To put such new issues on an equality with the old issues.

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.....

Add the following new rule as rule 253-A :—

" 253-A. On the application of a member, the Board may grant permission to deal in shares and securities which are admitted to dealings on the London Stock Exchange, and which have or will undertake to provide a Register in the Bombay Presidency."

It is understood that dealings in such shares do, in fact, take place on a large scale, and it is considered desirable to regularise the practice.

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Conditions of admission to Forward dealings.

254. (a) The Board of Directors in their discretion, have power to admit the shares of any particular Company (except the shares of a Bank) to dealings for the Account and Settlement subject to the following conditions :—

(1) the Company undertakes to maintain an office in Bombay for registering the shares in the name of the transferee and to use the common form of transfer ;

In clause (1) of sub-rule (a), for the words " in Bombay ", substitute the words " in Bombay Presidency ".

Vide paragraph 42 of the Report.

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1.	2.	3.	4.
120— <i>contd.</i>	<p>254—<i>contd.</i></p> <p>(2) all the shares are fully paid up ;</p> <p>(3) the Company shall have paid to the shareholders dividends for the three years last preceding the application for admission under this rule ;</p> <p>(4) the Company undertakes to split up its share certificates in the lots required by a shareholder who holds a certificate for a larger number of shares ;</p> <p>(5) the Company undertakes to close its transfer books on such days as may be convenient to the Association for the purpose of Settlement and on the days of which the Company shall have had three months' notice ;</p> <p>(6) the Company agrees to pay an annual fee in respect of the clearing charges if required.</p> <p><u>Resolution admitting to Forward dealings.</u></p> <p>(b) A Resolution of the Board of Directors admitting the shares of Company to the Account and Settlement must be passed by a majority of two-thirds of the Members present at a meeting of the said Board specially summoned and at which not less than three-fourths of the total number of the Members shall have been present ;</p>		



Provided that the Board of Directors may by a resolution passed by not less than three-fourths of the total number of Directors admit to dealings for Account and Settlement under this rule the shares of a company which has not complied with condition 3 but which shall have been incorporated for not less than three years previous to the date of its application for the admission of its shares.

121

Withdrawal of permission to deal.

255. The Board of Directors may by a Resolution passed by a majority of three-fourths of the Members present at a meeting specially summoned at which not less than three-fourths of the total number of the Members of the said Board shall have been present after one month's notice in writing has been served upon the Company, for breach or non-compliance with any of the conditions of the foregoing clauses to be recorded in the minutes of the said Board, remove such share either from the list of shares admitted to *ready delivery* or forward dealings or from both as the case may be.

For the words "breach or non-compliance with any of the conditions of the foregoing clauses", substitute the word "reasons".

We consider it desirable that the Board's powers in this connection should not be circumscribed in any way.

122

Decision by Majority. Members interested not to vote.

256. (a) Any question before the Board of Directors or any sub-committee shall be decided by the votes of the majority of the Members present at a meeting unless a specified majority is required by any Rule for the time being in force but no Member of the said Board or sub-committee shall be competent to vote on any question in which he is personally interested. The Chairman of the meeting shall be the final judge of whether any such Member is so interested within the meaning of this Rule;

Delete this rule .. .. .

(1) Sub-rule (a) is proposed to be deleted in view of amended rule 89.  
(2) Sub-rule (b) is proposed to be deleted. It is preferable not to fetter the discretion of the Board, because circumstances may arise making reconsideration desirable at any time.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
122— contd.	<p>256—<i>contd.</i> (b) Any question decided by the Board of Directors or any sub-committee shall not be reconsidered by the said Board or the sub-committee until the expiry of a period of six months from the date of such decision.</p>		
123	<p><u>Members and clerks to attend meetings if required.</u></p>		
257.	<p>Members, <i>their partners, employees and remisiers</i> shall attend such meetings of the Board of Directors or of any sub-committee as they may be directed by the said Board or sub-committee through the Secretary of the Association or the sub-committee to attend, and all such Members, <i>their partners, employees and remisiers</i> shall give all such information as may be in their possession relative to any matter before the said Board or sub-committee.</p>	<p>Acceptance of amendments to rule 257 is recommended.</p>	
124	<p><u>Members not to be employed by Non-Member.</u></p>		
258.	<p>(a) An active Member shall not accept employment in any capacity from any one who is not a Member of the Association without first obtaining the consent of the Board of Directors, which may be given or withheld by the Board at its discretion ;</p>	<p>Delete this rule .. .. .</p>	<p>In view of the principles underlying rule 7 (a); and in view of paragraph 55 of the Report.</p>
	<p><u>Present Employees.</u></p>		
	<p>(b) Any active Member who may have been so employed when these Rules came into force shall ask the consent of the Board of Directors within one month of the date on which this rule shall come into force ;</p>		

Expulsion as Penalty.

- (c) The decision of the Board of Directors, that an active Member is so employed without its consent, shall be final and such member shall thereupon be expelled by a resolution of the said Board.

125

Investigation of charges and complaints.

260. (a) The Board of Directors shall have the power to investigate and to give a decision between Members, their partners, employees and remisiers upon all charges affecting their character or dealings and to punish such persons as may be found guilty.

Adjournment of Enquiries.

- (b) Any hearing or enquiry may be adjourned, from time to time, by the Board of Directors in its discretion, but no Member of the Board who shall not have been present at every meeting of the said Board at which the enquiry is made shall participate in the final decision.

126

Members to produce Books.

262. (a) The Board of Directors may by a resolution passed by a majority of two-thirds of the Members present at a meeting, call upon any Member of the Association, his partners, employees and remisiers to appear and testify before, or to furnish any information regarding transactions entered into on the Exchange, to the said Board or any Sub-Committee or to submit to the said Board or to the said Sub-Committee such of his books and papers as may appear to the said Board or said Sub-Committee relevant and material to any matter under investigation by the said Board or said Sub-Committee.

Acceptance of amendments to rules 260 and 262 is recommended.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
126— contd.	<p>262—<i>contd.</i></p> <p><u>Members to give information.</u></p> <p>(b) A Member who shall refuse or neglect to comply with any such direction of the said Board or sub-committee or shall wilfully destroy any book or paper which has been directed by the said Board or said sub-committee to be produced before them or who on being served with a notice by the Secretary of the Association or sub-committee to appear before the said Board or said sub-committee refuses to appear and to give to the said Board or said sub-committee all information in his power relative to the subject matter of the enquiry, shall be deemed guilty of disgraceful or dishonourable conduct and may be suspended by a Resolution of the said Board in the manner prescribed in these rules.</p>		
127	<p><u>Transfer of card by nomination or on death.</u></p>		
	<p>268. (a) Upon any transfer of the Card of a Member (whether by nomination or on the death of a Member) all his debts and other obligations and claims arising out of any contracts made subject to the rules of the Association and to the extent the same shall have been admitted by the Board of Directors shall be paid and satisfied before the transfer of his card or right of membership.</p>	Delete rule 268	This rule has been embodied in amended rule 38 with some modifications.

Satisfaction of debts of deceased Member.

- (b) If the legal representatives of any such Member shall be unable to pay and satisfy such debts, obligations and claims, the Card or right of Membership shall be disposed of by the said Board and the proceeds thereof shall be applied in the following order of priority to the following purposes, namely.

Insufficient assets.

- (1) The payment of all debts, fines, monies and other charges due and payable by such Member to the Association or the Clearing.
- (2) The payment and satisfaction of all debts, obligations and claims arising from all contracts made subject to the Rules of the Association and to the extent that such claims shall be admitted by the said Board; and if the proceeds of the Card shall not be sufficient to pay and satisfy such debts, obligations and claims in full, they shall be paid and satisfied *pro rata*.

Debts on Promissory Notes.

- (3) The payment and satisfaction of all debts, obligations and claims arising out of contracts made subject to the Rules of the Association in respect of which a promissory note shall have been passed, provided that such note shall not be barred by the Law of Limitation.

Surplus and indemnity.

- (4) The payment to the legal representatives of any surplus upon the execution by them of such release or indemnities the said Board may require.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
128	<p align="center"><u>Business of deceased Member.</u></p> <p>269. If on the death of a Member his legal representatives or the persons mentioned in Appendix C desire that his business should be continued for some time for their benefit by any specified person who is eligible for Membership and intimate their desire by a letter to the Secretary of the Association, it shall be within the discretion of the Board of Directors to permit such business to be carried on by such person on behalf of the legal representatives or the persons mentioned in Appendix C of the deceased Member for such period as the said Board may determine.</p>	<p>Substitute the following for rule 269 :—          "If on the death of a member his legal representatives or the persons mentioned in Appendix C nominate his son who is a minor and desire that his business should be continued for some time for the benefit of the deceased's family by any specified person who is eligible for membership and intimate their desire by a letter to the Secretary of the Association, it shall be within the discretion of the Board of Directors to permit such business to be carried on by such person on behalf of the minor until he reaches his majority."</p>	<p><i>Vide</i> paragraph 51 of the Report.</p>
129	<p align="center"><u>Fines and penalties.</u></p> <p>271. The Board of Directors shall have the power to fix the amount of any fine or to <i>prescribe penalties for</i></p>	<p>After the word "violation" insert the words "or evasion".</p>	<p>Self-explanator</p>

violation of rules and for neglect or refusal to comply with orders, directions or decisions of the said Board or of any Sub-Committee and for other offences.

130

Advertisement.

273. *No Member shall advertise for business purpose or issue regularly circulars or other business communications to persons other than his own Principals, Members of the Association, Banks and Joint Stock Companies. Every Member shall furnish to the Secretary a copy of the Circular issued by him.*

Deletes the last sentence of rule 273

It is hoped that members will use a proper discretion in the subject matter of their circulars and obviate any need for a request that this power should be given.

131

278. (b) A constituent shall pay to his broker all sums which his broker is liable to pay on behalf of his constituent and such payment must be made in time to enable the broker to comply with the provisions of the rules relating to such payment.

In sub-rule (b), for the words "his constituent", substitute the words "such constituent".

Better expressed as amended.

132

Constituent to pay Broker.

279. (a) A constituent shall pay to his Broker before 11 a.m. on the Pay Day fixed by the Board of Directors all sums which the Broker is liable to pay on behalf of his constituent on account of dealings for the current Settlement;

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
132— contd.	<p data-bbox="287 353 385 373">279—contd.</p> <p data-bbox="438 414 669 433"><u>Broker may close account.</u></p> <p data-bbox="287 494 815 609">(b) A Broker may close the account of any constituent who fails to make such payment either forthwith or at any time thereafter in his discretion during the time such constituent is in default and any balance due on such closing shall be immediately payable by such constituent to his Broker.</p> <p data-bbox="414 709 669 728"><u>Constituent may close account.</u></p> <p data-bbox="287 789 815 942">(c) If a Broker is declared a defaulter or fails to pay the difference due by him to his constituent on the day following the Settling Day, such constituent may by giving notice in writing close all outstanding contracts, either forthwith or at any time thereafter in his discretion during the time the Broker is in default and any balance due on such closing shall be payable immediately by the Broker to such constituent.</p>	<p data-bbox="826 789 1215 847">In sub-rule (c), before the word "Broker" occurring for the last time, insert the word "defaulting".</p>	



CLEARING HOUSE.

133

Function of Clearing House.

283. (a) There shall be a Clearing House under the control of the Board of Directors which shall act as the common agent of the Members for clearing contracts between the Members and for delivering securities to and receiving securities from the Members and for receiving or paying any amounts payable to or payable by such members in connection with any of the contracts and to do all things necessary or proper to carry out the foregoing purposes.

134

Delivery and payments through Banks.

285. (a) The Clearing House shall maintain a list of Banks, trusts, companies and other firms approved by the Board of Directors who may act for Members and their constituents in giving and taking delivery of securities, transfers and other documents and in making and accepting payment for the same at the making-up price. The said Board may from time to time add names to such list and remove names therefrom.

Acceptance of amendments to rules 283 and 285 is recommended.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
134— contd.	<p>285—<i>contd.</i></p> <p style="text-align: center;"><u>Forms.</u></p> <p>(b) Securities to be delivered or received through Banks, <i>Trusts, Companies or other firms</i>, shall be entered in forms (Forms Nos. IV and V) specially provided for this purpose.</p>		
135	<p style="text-align: center;"><u>Forms to be prescribed.</u></p> <p>293. (a) The Clearing Lists, Balance Sheets, Delivery Forms, Claim Notes, Vouchers and other documents used for the purpose of the Clearing House shall be in such form as the Board of Directors may from time to time prescribe and shall be signed by a Member or his clerk nominated to represent him.</p> <p style="text-align: center;"><u>Charges for Forms.</u></p> <p>(b) The said Board shall from time to time prescribe the charges for the necessary forms to be supplied by the Clearing House.</p>	<p>Acceptance of amendments to Rule 293 is recommended.</p>	

Forms.

(c) *The Board shall have the power from time to time to fix or alter the time prescribed for the lodging of forms and for the taking and giving delivery of securities.*

136

Which securities to be cleared.

295. (a) *The Board of Directors may from time to time specify the securities which shall be cleared through the Clearing House and deliveries and payments in all forward bargains in such shares must be made through the Clearing House :*

*Provided that any Member, who holds for account of his different constituents contracts both for sale and purchase in the same settlement that offset each other, shall be entitled to offset such contracts and in that case he shall be entitled to give and take delivery outside the Clearing House.*

Prohibition of certain Bargains.

(b) *No forward bargains in securities not so specified shall be permitted in the Market.*

Acceptance of amendments to sub-rules (a) and (c) of rule 295 is recommended.

159

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
136— contd.	<p>295—<i>contd.</i></p> <p><u>All bargains cleared through Clearing House.</u></p> <p>(c) A Member shall clear and settle through the Clearing House all forward bargains in such securities to which he may be a party <i>unless otherwise stipulated at the time of the contract or it is otherwise agreed by the parties to the contract.</i></p> <p><u>Release of intermediaries.</u></p> <p>(d) If a Member elect to deliver the securities outside the Clearing House Members making and accepting such delivery shall release all intermediate parties from all liabilities. The deliverer shall alone remain responsible to the receiver.</p> <p><u>Rules form part of contracts.</u></p> <p>(e) <i>The rules of the Clearing House from time to time in force subject to the Bombay Securities Contracts Control Act, 1925, and notices and directions which the Board of Directors may from time to time issue thereunder or under any other rule for the time being in force and publish on the Notice Board, shall be a part of the terms and conditions of every contract which is cleared or settled through the Clearing House. Such contracts shall also be subject to the power of the Board of Directors to declare any day to be a holiday or to close the Exchange by reason of any emergency or otherwise.</i></p>	<p>Delete the words "to declare any day to be a holiday or" from sub-rule (e).</p>	<p>Consequential on deletion of rule 246 and amendment to rule 100 (e) (i).</p>

137

Making-up price.

296. (a) The Secretary with the concurrence of the Members of the Board of Directors present at the time shall fix a making-up price of all securities cleared through the Clearing House by taking the actual Market price at the closing of business on the business day fixed by the Board in that behalf ;

In sub-rule (a) of rule 296, for the words "business day fixed by the Board in that behalf", substitute the words "Last day".

It is considered very desirable to revert to the original Rule to the extent that a definite day is fixed.

Temporary adjustment.

(b) On the morning of Pay Day all unsettled bargains in such securities shall be brought down and temporarily adjusted with such making-up price.

138

300. (a) Memorandum Slip Errors.

Acceptance is recommended of amendments to rule 300.

Liability of one party.

(b) *If the amounts of securities to be delivered to and received from the Clearing House do not agree the Board of Directors shall be entitled to buy-in or sell-out, as the case may be, on the Settling Day in order to adjust the disagreements, the Member to whom such memorandum slip was given shall be liable to pay the auction commission and the damages, if any, if the amount of securities shown in the memorandum slip does not agree with the amount of securities shown in the clearance sheet ;*

(c) Liability of other party.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
139	<p style="text-align: center;"><u>Settlement through Tickets.</u></p> <p>305. (a) It shall be competent to the Board of Directors to order that all bargains in any specified security shall be settled by a Process of Tickets instead of by Clearance Lists or <i>vice versa</i> ;</p> <p>(b) <u>Notice.</u></p>	<p>Accepted provided that this amendment does not interfere with our proposals regarding Blank Transfers.</p>	
140	<p style="text-align: center;"><u>Altering Settlement Days..</u></p> <p>324. The Board of Directors, in special circumstances which shall be set out in the minutes of their proceedings, have power at any time to alter or to postpone to a fixed date or dates, days fixed for Settlement for buying-in and selling-out Pay Days and Settling Days. If the Board postpones the Pay Day fixed for any settlement to a period beyond a week the Board shall by a resolution fix the budlee gala (contango) payable by the purchaser to the seller for each security on the basis of the budlee gala of the previous settlement.</p>	<p>Delete this rule .. .. .</p>	<p>See amendments to rule 100 (c) (ii).</p>

Liability of Member for genuineness of document.

330. The deliverer of securities shall be responsible to the Member to whom the same are delivered subject to the provisions of rule 229 for the regularity, genuineness and validity of the documents delivered and shall be liable for loss or damages, if any, arising therefrom. If he fails to pay such loss or damages he shall be liable to be declared a defaulter and the original contracting parties shall each pay the amount of such loss or damages *pro rata* as provided in Rule 322.

Acceptance is recommended.

Investigation of dealings.

333. (a) *The Board of Directors shall have the power to investigate and examine any dealing or transaction of Members and may require any Member to submit to the President his Clearing House Lists, his books and papers material to such inquiry and when such investigation or examination, in the opinion of the said Board, is in the public interest, or in the interest of just and equitable principles of trade or in the interest and welfare of the Association, the said Board shall direct any Member to furnish to the President a statement, covering all information required by the said Board in the form prescribed in Appendix K, or in such other form as may be then prescribed by the said Board, of his dealings or transactions in any security or securities, on his own account or on behalf of his constituents.*

(1) Insert the following as an explanation below sub-rule (a) :—

“Explanation: The Board may exercise its power under this rule when it is of the opinion that the purchases or sales of securities or offers to purchase or sell securities are made for the purpose of upsetting the equilibrium of the market and bringing about a condition of demoralisation in which prices will not fairly reflect market values.”

This takes the place of the amendment proposed by the Association to rule 173.

Fine.

(b) The said Board may fine any Member who fails to comply forthwith with such requisition ;

(2) Insert the following as new sub-rule (b) :—

“(b) If the Board is satisfied after such examination that the Member is conducting his business in

Suspension or Expulsion.

(c) The said Board may suspend or expel a Member who after a fine has been imposed upon him fails to comply with any such requisition.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
142 cont'd.	<p data-bbox="300 327 409 350">333—cont'd.</p> <p data-bbox="373 367 718 390"><u>Majority of one-half of the entire Board.</u></p> <p data-bbox="300 424 828 608">(d) <i>A resolution of the said Board under this rule shall not be deemed valid and shall not come into force unless it shall have been passed by the votes of not less than one-half of the total number of the Members of the Board at a meeting at which not less than three-fourths of the total number of the Members of the Board shall have been present and which meeting shall have been specially summoned for the purpose. A resolution so passed shall be final and shall come into force forthwith.</i></p> <p data-bbox="300 642 828 728">(e) <i>If within fifteen minutes of the time fixed for the special meeting three-fourths of the total number of members of the Board are not present, the members present may co-opt other Members as provided in Rule 96 (b).</i></p> <p data-bbox="427 803 709 826"><u>False or misleading statements.</u></p> <p data-bbox="300 860 828 947">(f) <i>The said Board may suspend or expel a Member who makes any false or misleading statement in his clearance sheets or forms submitted under the provisions of this rule.</i></p>	<p data-bbox="928 430 1228 545">a manner prejudicial to the interests of the Association, the Board may require such member to suspend dealing for forward or speculative business for such period as the Board may determine.”</p> <p data-bbox="846 568 1228 671">(3) Re-number the succeeding sub-rules. It may be noted that existing clauses (b) and (c) are unnecessary in view of the general power the Board has got under rule 28 (b) (i).</p>	



CORNERS.

143

General Prohibition.

334. (a) Save as is provided in these rules, the Board of Directors shall not be empowered to fix prices at which stock, shares or like securities shall or shall not be bought or sold; nor, save as is provided in these Rules, shall the said Board be empowered to fix rates at which or above which or below which sales or purchases in stock, shares or like securities shall or shall not be made.

(b) *When the Board of Directors is satisfied that there is rigging in any scrip admitted to forward dealings or that there is fraud connected with dealings in any such scrip or that it is in the public interest to prohibit all further trading in any scrip, the said Board may intervene and prohibit all further dealings in such scrip from a date to be fixed by the said Board and may remove such scrip from the Forward List and at the same time allow all outstanding transactions before the date of intervention to be closed and concluded by purchase or sale, as the case may be. All unsettled contracts shall be closed and concluded by delivery and payment as usual on the Pay Day.*

(c) *A Resolution under this rule must be carried by the votes of not less than ten Members present at a meeting specially summoned and consisting of the full Board. A resolution so passed shall be final and shall come into force forthwith.*

Delete rules 334 to 347 .. ..

.. .. *Vide paragraphs 16, 18 and 20 of the Report; and in view of Rule 206 (b).*

165

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
143— contd.	<p>334—<i>contd.</i></p> <p>(d) <i>If within fifteen minutes of the time fixed for the special meeting the full Board be not present, the members present shall co-opt members as provided in rule 96 (b).</i></p> <p>(e) <i>Any scrip which has been removed from the Forward list may, when the Board of Directors is satisfied that such scrip is well distributed among the public, be re-admitted to such list by a Resolution of the said Board passed in like manner as a Resolution of the said Board removing such scrip and prohibiting such dealings and in like manner shall be deemed to be final, and shall come into force.</i></p> <p>(f) <i>When the said Board intervenes under this rule, the circumstances and reasons of the intervention by the said Board shall be fully set out and recorded in the minutes of its proceedings; such minutes shall be signed by each Member of the said Board concurring in the intervention and the reasons of any Member not so concurring shall likewise be set out and recorded and shall be signed by such Member. A copy of the minutes of such proceedings of the said Board shall be forthwith sent to the Secretary to the Government of Bombay in the Finance Department. The said minutes shall be deemed privileged and confidential.</i></p> <p>335 to 347. (<u>Rules relating to corners</u>)</p>	<p>.. The deletion of these rules is consequential upon the deletion of rule 334.</p>	

**BARGAINS GENERALLY.**

144

Bargains.

348. Bargains in securities and stock to which these Rules apply may be for *ready delivery* or for the settlement.

Acceptance of amendment to rule 348 is recommended.

**READY DELIVERY BARGAINS.**

145

Delivery and Payment.

351. (a) A bargain for *ready delivery* shall be for delivery and payment before 3 p.m. on the business day next following the bargain unless otherwise stipulated at the time of the bargain. If such day is Saturday delivery and payment shall be made on the business day next following;

In sub-rule (a) of rule 351, delete the words "unless otherwise stipulated at the time of the bargain".

(b) A bargain for *ready delivery* shall not be valid if the delivery is to be made more than seven days from the date of contract.

Insert the following as new sub-rule (c):—  
“(c) A bargain for *ready delivery* shall be completed by the delivery of and payment for the securities not later than 7 days from the date of the original contract.”

With a view to making the definition really definite and less open to evasion. See paragraph 72 (2) of the Report.

146

Cheques release intermediaries.

362. (c) *A party delivering securities sold shall accept a cheque in payment thereof, if tendered during clearing hours, but all intermediate parties shall be released from all liability, if the securities are delivered before the cheque is honoured.*

Acceptance is recommended of this amendment.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
147	<p align="center"><u>Amendments proposed by the Association.</u></p> <p>In the heading "CASH OR FORWARD BARGAINS" after rule 365, for the word "CASH" the words "READY DELIVERY" shall be substituted.</p>	<p>Acceptance is recommended of these amendments.</p>	
148	<p align="center"><u>Cross Endorsements.</u></p> <p>369. The buyer may refuse to accept the Notes and to pay for them if there is a cross endorsement or if interest is left undrawn for more than one year or if the notes tendered are of lesser denomination than Rs. 500 or if interest payable on or after the pay day is drawn by the seller.</p>		
149	<p align="center"><u>Liability of Broker.</u></p> <p>371. The Member acting as a broker on behalf of a constituent is not responsible for the genuineness, regularity and validity of securities passing by endorsement and delivery and delivered by the seller to the buyer.</p>		

Hours of Business in Government Securities.

372. The hours of business for forward bargains shall be from 12 noon to 4 p.m. and for *ready delivery* dealings from 12 noon to 5 p.m. every business day except on Saturdays when they shall be from 12 noon to 2 p.m. The Board of Directors may by resolution extend these hours of business from time to time either earlier opening or later closing. The market shall be closed one hour earlier on the occasion of the death of a Member as a token of respect for the memory of the deceased.\*

Delete rule 372 ..

In view of amendment proposed to rule 241.

\* Such acts of respect should not be allowed to interfere with the facilities which the public have a right to expect. It should, therefore, be left to individuals to pay such marks of respect as they, in their individual capacities, consider proper.

Brokerage.

373. Brokerage shall be charged at the following rates. There shall be a minimum charge of one rupee for each transaction.

After the word "at" insert the words "not less than".

The amendment only establishes the principle of a minimum scale of commission.

Securities.Brokerages.

Securities of the Government of India and Local Governments.	1/16 per centum on stock for <i>ready delivery</i> or forward business over Rs. 25,000 face value, and 1/32 per centum for <i>Badli</i> business.
	1/8 per centum on stock for <i>ready delivery</i> under Rs. 25,000 face value.
Debentures and stock of Port Trust, Municipal Corporations and other Securities.	1/8th per centum face value on stock.

Serial No.	Rule as at present or rule as it would be if altered according to the Association's proposals.	Amendments as proposed by the Committee.	Reasons.
1	2	3	4
151— <i>contd.</i>	<p>373—<i>contd.</i></p> <p>This rule shall not apply to underwriting or the placing of New Issues or <i>dealings between Members.</i></p> <p><u>Scale of Brokerage for Negotiation of loans.</u></p> <p>Subject to a maximum of 3/16 per cent. a member may charge as brokerage at rates not exceeding 1/64 per cent. per month on the amount of the loan against securities of the Government of India, Local Governments, debentures and stock of Port Trusts, Municipal Corporations and such other securities.</p>		
152	<p style="text-align: center;"><u>APPENDIX H.</u></p> <p style="text-align: center;">(Rule 189.)</p> <p style="text-align: center;">Form A.</p> <p>Contract Notes for Members acting for constituents as Brokers.</p> <p style="text-align: center;">* * * * *</p> <p style="text-align: center;">Form B.</p> <p>Contract Notes for Members acting with constituents as Principals.</p> <p style="text-align: center;">* * * * *</p>	<p>Form A to be replaced by the form in Appendix V to the Report.</p> <p>Delete this form .. .. .</p>	<p><i>Vide</i> paragraph 70 of the Report.</p> <p>In view of amendment to rule 189 and paragraphs 35 and 70 of the Report.</p>

APPENDIX J.

*Forms of Clearing House.*

Form No. 1, Page No. 1.

Bombay, 19

The Manager,

The Native Share and Stock Brokers'

Association, Clearing House,

Bombay.

Dear Sir,

In accordance with Rule 301 of the Association, I herewith submit a clearance list showing the balance of securities to be delivered to and taken over from the following members for settlement and I hereby confirm that the same is a complete and true statement.

Acceptance is recommended of Appendix J.

Yours faithfully,

Broker No.

Name of Security.

Bought.	Bro- ker No.	Broker's name.	Sold.	Bought.	Bro- ker No.	Broker's name.	Sold.

Serial No. 1	Rule as at present or rule as it would be if altered according to the Association's proposals. 2	Amendments as proposed by the Committee. 3	Reasons. 4					
154	<p style="text-align: center;"><u>APPENDIX K.</u></p> <p><i>Name of Company</i> .....</p> <p><i>Broker's Name</i> .....</p> <p><i>Broker's No.</i> .....</p>	Acceptance is recommended of Appendix K.						
	<table border="0"> <tr> <td><i>Number of shares bought.</i></td> <td><i>Client's name.</i></td> <td><i>Number of shares sold for</i></td> <td><i>Trans- feror's name.</i></td> <td><i>Distinc- tive Nos.</i></td> </tr> </table>		<i>Number of shares bought.</i>	<i>Client's name.</i>	<i>Number of shares sold for</i>	<i>Trans- feror's name.</i>	<i>Distinc- tive Nos.</i>	
<i>Number of shares bought.</i>	<i>Client's name.</i>	<i>Number of shares sold for</i>	<i>Trans- feror's name.</i>	<i>Distinc- tive Nos.</i>				



## APPENDIX V.

*Appendix H to the Rules of the Native Share and  
Stock Brokers' Association.*

(Rule 189.)

A.—Contract Note issued by Members acting for Constituents as  
Brokers.

Name of the Firm

Names of Partners.

Stamp as required under Article 43 of Schedule I to the Indian Stamp Act.
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To

We have this day done by your order and on your account the following  
transactions for SETTLEMENT on

Bought for you.			
Quantity.	Kind of Security.	Rate.	Amount.
	Brokerage ..		

Amount due from you.

This Contract is made subject to the Rules and Regulations of the  
Native Share and Stock Brokers' Association.

Bombay,

Date,

B.—Contract Note issued by Members acting for Constituents as Brokers.

Name of the Firm

Names of Partners.

Stamp as required  
under Article 43  
of Schedule I to  
the Indian  
Stamp Act.

To

We have this day done by your order and on your account the following transactions for SETTLEMENT on

Sold for you.			
Quantity.	Kind of Security.	Rate.	Amount.
	Less— Brokerage ..		

Amount due to you.

This Contract is made subject to the Rules and Regulations of the Native Share and Stock Brokers' Association.

Yours faithfully,

Members of the Native Share and  
Stock Brokers' Association.

Bombay,

Date,

## APPENDIX VI.

*Form of Deed of Assignment in use on the London  
Stock Exchange.*

THIS DEED made the                      day of                      19

## BETWEEN

residing at    and now or recently  
carrying on business on The Stock Exchange and at                      (here-  
in the City of London as Stock and Share                      inafter called " the Defaulters ") of the one part and  
of New Court, Throgmorton Street, in the said City and  
of The Stock Exchange the Official Assignee of the said Stock Exchange  
(hereinafter called the " Official Assignee ") of the other part.

WHEREAS the Defaulters signed and handed in an application for  
re-election and were re-elected Members of The Stock Exchange for the  
year ending the 24th day of March, 19 .

AND WHEREAS the Defaulters were on the  
day of                      19                      declared to be Defaulters on  
The Stock Exchange.

## NOW THIS INDENTURE WITNESSETH AS FOLLOWS :—

1. The Defaulters as BENEFICIAL OWNERS hereby as regards  
their joint estate assign and convey and each of them as BENEFICIAL  
OWNER as regards his separate estate hereby assigns and conveys  
to the Official Assignee ALL the property (real as well as personal)  
whatsoever and wheresoever (except property which by reason of  
its subjecting the holder to the performance of any onerous covenant  
or obligation the Official Assignee may think fit by writing under  
his hand to disclaim) which is held by or on behalf of and belongs  
to the Defaulters jointly or either of them separately at the date of  
this Deed and is or now represents property or the proceeds or produce  
of property which belonged to them or to either of them at the date  
on which they were declared Defaulters on The Stock Exchange.

TO HOLD the same unto the Official Assignee and his assigns accord-  
ing to the respective natures and tenures thereof UPON TRUST for  
sale and collection and distribution in manner provided by the Rules  
and Regulations of The Stock Exchange set forth in the Schedule  
hereto and in accordance with the usage and practice of The Stock  
Exchange of the net proceeds thereof amongst the creditors of the  
Defaulters whose debts or claims arise from Stock Exchange trans-  
actions and who being Members of The Stock Exchange are entitled  
or who not being Members of The Stock Exchange are admitted to  
participate in the distribution thereof under and in accordance with  
the said Rules and Regulations.

2. The Defaulters and each of them hereby declare that they hold or respectively hold and will stand possessed of the excepted property which may be disclaimed as aforesaid if any UPON TRUST to deal with and dispose of the same and the income and proceeds thereof if the Official Assignee shall so require in such manner as he shall from time to time direct to the intent and so that any net proceeds thereof or any benefit to result therefrom may be handed over to the Official Assignee and may form part of and be dealt with and administered in like manner as and as part of the property hereinbefore assigned and conveyed.

3. The Defaulters and each of them hereby respectively and irrevocably appoint the Official Assignee and his assigns aforesaid to be their and his Attorney in their and his name and on their and his behalf to execute and sign all deeds or other documents which the Official Assignee or his aforesaid assigns shall deem necessary or expedient for transferring any stocks, shares or securities registered or inscribed in the name of the Defaulters or either of them or for assigning or dealing with any of the excepted property the subject of the last preceding clause or for any other purposes necessary or deemed expedient for giving effect to and carrying out the purposes of these presents.

4. Any difference or dispute of whatsoever nature which may arise with regard to the effect or operation of these presents or of any of the provisions thereof expressed or implied or incorporated therein or as to any claim to participate or the amount of ranking or otherwise howsoever in relation thereto shall be referred to and settled by the Committee for General Purposes of The Stock Exchange and their decision shall be final and bind all parties.

AS WITNESS the hands and seals of the parties hereto the day and year first aforesaid.

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*Schedule.*

[Rules 170 (1), 171, 172, 174 to 189, 191 and the Appendix 36.]

APPENDIX VII.

*Cost of the Committee.*

The total cost of the Committee (including the probable cost of printing this report), is estimated at Rs. 21,000.

**CHECKED**  
**2022.04**