SECURITIES CONTRACTS (REGULATION) (STOCK EXCHANGES AND CLEARING CORPORATIONS) REGULATIONS, 2012

Table of Contents

THE GAZETTE OF INDIA

EXTRAORDINARY

PART – III – SECTION 4

PUBLISHED BY AUTHORITY

NEW DELHI, JUNE 20, 2012

SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the 20th June, 2012

SECURITIES CONTRACTS (REGULATION) (STOCK EXCHANGES AND CLEARING CORPORATIONS) REGULATIONS, 2012

No. LAD-NRO/GN/2012-13/07/13546-*In exercise of the powers conferred by sections 4, 8A and 31 of the Securities Contracts (Regulation) Act, 1956, read with sections 11 and 30 of the Securities and Exchange Board of India Act, 1992, the Securities and Exchange Board of India hereby makes the following regulations to regulate recognition, ownership and governance in stock exchanges and clearing corporations and matters connected therewith or incidental thereto, namely:—*

CHAPTER I
PRELIMINARY

Short title and commencement.

1. (1) These regulations may be called the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012.

(2) They shall come into force on the date of their notification in the Gazette of India.

Definitions.

2.(1) In these regulations, unless the context otherwise requires, the terms defined herein shall bear the meanings assigned to them below, and their cognate expressions shall be construed accordingly,–

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

(b) "associate" in relation to a person shall include another person:

(i) who, directly or indirectly, by himself, or in combination with other persons, exercises control over the first person;

(ii) who holds [more than][1]fifteen per cent.[2][***] sharesin the paid up equity capital of the first person;

[1]Inserted by Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2016 w.e.f. 11.01.2016.

(iii) [3][***]

(iv) who is a holding company or a subsidiary company of the first person [4][***];

(v) who is a relative of the first person;

(vi) who is a member of a Hindu Undivided Family wherein the first person is also a member;

[5][(vii) such other cases where the Board is of the view that a person shall be considered as an associate based on the facts and factors including the extent of control, independence, conflict of interest;]

(c) "Board" means the Securities and Exchange Board of India established under the provisions of section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(d) "clearing corporation" means an entity that is established to undertake the activity of clearing and settlement of trades in securities or other instruments or products that are dealt with or traded on a recognized stock exchange and includes a clearing house;

[6][(e) "clearing member" shall mean a clearing member as defined in clause (ae) of sub-regulation (1) of Regulation 2 of the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992;]

(f) "company" shall mean a company as defined in section 3 of the Companies Act, 1956 (1 of 1956);

[7][(fa) "commodity derivatives exchange" means a recognized stock exchange which assists, regulates or controls the business of buying, selling or dealing only in commodity derivatives.]

(g) "control" shall have the same meaning as assigned to it under clause (e) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or any modification thereof;

---

[2] Words "or more" omitted by Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2016 w.e.f. 11.01.2016.
[3] Sub clause (iii) omitted by Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2016 w.e.f. 11.01.2016.
[4]Words "or a company under the same management as of the first person" omitted by Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2016 w.e.f. 11.01.2016.
[5] Inserted by Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2016 w.e.f. 11.01.2016.
[6]Substituted by Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2015 w.e.f. 28.09.2015. Prior to its substitution clause (e) read as under:
"(e) clearing member" means a person having clearing and settlement rights in any recognised clearing corporation:

Providedthat any person who, on the date of commencement of these regulations, is acting as clearing member of a clearing house or a clearing corporation shall be deemed to be clearing member, till his request for registration, if any, is refused by the Board or till cessation of his membership with clearing corporation, whichever is earlier;"

[7]Inserted by Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2015 w.e.f. 28.09.2015.

(h) "governing board" means the board of directors of a recognised stock exchange or a recognised clearing corporation;

(i) "key management personnel" means a person serving as head of any department or in such senior executive position that stands higher in hierarchy to the head(s) of department(s) in the recognisedstock exchange or the recognisedclearing corporation or in any other position as declared so by such stock exchange or clearing corporation;

[8][(ia) "national commodity derivatives exchange" means a commodity derivatives exchange that is demutualized, has an electronic trading platform and is permitted to assist, regulate or control the business of buying, selling or dealing in derivatives on all commodities as notified by the Central Government from time to time.]

(j) [9]["netting" means the determination by Clearing Corporation of net payment or delivery obligations of the clearing members of a recognised clearing corporation by setting off or adjustment of the inter se obligations or claims arising out of buying and selling of securities including the claims and obligations arising out of the termination by the Clearing Corporation or Stock Exchange, in such circumstances as the Clearing Corporation may specify in bye-laws, of the transactions admitted for settlement at a future date, so that only a net claim be demanded, or a net obligation be owed."]

(k) "novation" means the act of a clearing corporation interposing itself between both parties of every trade, being the legal counterparty to both;

(l) "persons acting in concert" in the context of acquisition or holding of shares or voting rights or control shall *mutatis mutandis* have the same meaning as assigned to it in clause (q) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or any modification thereof;

(m) "public" includes any member or section of the public but does not include any trading member or clearing member or their associates and agents:

Provided that a public sector bank, public financial institution, an insurance company, mutual fund and alternative investment fund in public sector, that has associate(s) as trading members or clearing members, shall be deemed as public for the purposes of these regulations;

(n) "public interest director" means an independent director, representing the interests of investors in securities market and who is not having any association, directly or indirectly, which in the opinion of the Board, is in conflict with his role;

---

[8]Inserted by Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2015 w.e.f. 28.09.2015.

[9]Substituted by Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2013 w.e.f. 02.09.2013. Prior to its substitution clause (j) read as under:

"(j) "netting" means the determination of net payment or delivery obligations among the clearing members of a recognised clearing corporation by setting off or adjustment of the inter se obligations or claims arising out of buying and selling of securities, discontinuation of business, dissolution, winding-up or insolvency or such other circumstances as may be specified in the bye-laws of the clearing corporation;"

(o) "recognised clearing corporation" means a clearing corporation which is recognised by the Board under section 4 read with section 8A of the Act;

[10][(oa) “regional commodity derivatives exchange” means a commodity derivatives exchange which is not a national commodity derivatives exchange.]

(p) "regulatory department" means a department of a recognised stock exchange or a recognised clearing corporation which is entrusted with regulatory powers and duties and includes such department as may be specified by the Board;

(q) "rules" means the Securities Contracts (Regulations) Rules, 1957;

(r) "shareholder director" means a director who represents the interest of shareholders, and elected or nominated by such shareholders who are not trading members or clearing members, as the case may be, or their associates and agents;

(s) "trading member" means a person having trading rights in any recognised stock exchange and includes a stock broker.

(2) Words and expressions used and not defined in these regulations but defined in the Act, the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992, the Depositories Act, 1996 or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be.

CHAPTER II
RECOGNITION OF STOCK EXCHANGES AND CLEARING CORPORATIONS

Obligation to seek recognition.

3. No person shall conduct, organise or assist in organising any stock exchange or clearing corporation unless he has obtained recognition from the Board in accordance with the Act, rules and these regulations:

Provided that a stock exchange, which has been recognised under the Act as on the date of commencement of these regulations, shall be deemed to have been recognised under these regulations and all the provisions of these regulations as they apply to a recognised stock exchange shall also apply to such stock exchange:

Provided further that an existing clearing house of a recognised stock exchange or any person who clears and settles trades of a recognised stock exchange, as on the date of the commencement of these regulations, may continue to do so for a period of three months from

[10]Inserted by Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2015 w.e.f. 28.09.2015.

the date of commencement of these regulations or, if he has made an application under regulation 4 for recognition, till disposal of such application.

Application for recognition.

4. Subject to compliance with the provisions of Act, rules and these regulations, an application for recognition as a stock exchange shall be submitted to the Board in Form A as prescribed under rule 3 of the rules and an application for recognition as a clearing corporation shall be submitted to Board in Form A as specified in Schedule **–** I of these regulations.

Fee for application.

5. An applicant seeking recognition as a stock exchange shall pay application fee in terms of rule 4 of the rules, and an applicant seeking recognition as a clearing corporation shall also pay application fee as payable by a stock exchange.

Documents and particulars for application.

6. (1) An application for recognition as a stock exchange or a clearing corporation, as the case may be, shall be accompanied by copies of memorandum of association, articles of association, bye-laws and other documents as provided in sections 3 and 4 of the Act, rule 5 of the rules and these regulations.

(2) In addition to the documents specified in sub-regulation (1), the application for recognition as a clearing corporation shall be accompanied by the agreement(s) entered into by the applicant with the recognised stock exchange(s) and depositories.

Consideration of grant of recognition.

7. (1) The application under regulation 4 shall be governed by the provisions of the Act, rules and these regulations.

(2)An applicant seeking recognition as a stock exchange or clearing corporation shall comply with the following conditions, namely:—

(a) the applicant is a company limited by shares;
(b) the applicant is demutualised;
(c) the applicant, its directors and its shareholders who hold or intend to hold shares, are fit and proper persons as described in regulation 20;
(d) the applicant satisfies requirements relating to ownership and governance structure specified in these regulations;
(e) the applicant satisfies networth requirements specified in these regulations;
(f) the applicant satisfies requisite capability including its financial capacity, functional expertise and infrastructure.

Explanation.—For the purposes of this sub-regulation, the term "demutualised" means that the ownership and management of the applicant is segregated from the trading rights or clearing rights, as the case may be, in terms of these regulations.

(3) An applicant seeking recognition as a stock exchange shall, in addition to conditions as specified in sub-regulations (1) and (2), comply with the following conditions, namely:—

(a) the applicant has the necessary infrastructure for orderly execution of trades;

(b) the applicant has an online screen-based trading system;
(c) the applicant has an online surveillance capability which monitors positions, prices and volumes in real time so as to ensure market integrity;
(d) the applicant has adequate infrastructure to list securities for trading on its platform, wherever applicable;
(e) the applicant has necessary capability to have a nationwide network of trading members and has adequate facility to admit and regulate its members;
(f) the applicant has made necessary arrangements to establish connectivity with its trading members and clearing corporation;
(g) the applicant has adequate Investor Protection Fund and Investor Services Fund;
(h) the applicant has adequate investor grievances redressal mechanism and arbitration mechanism to resolve disputes arising out of trades and its settlement;
(i) the applicant has the facility to disseminate information about trades, quantities and quotes in real time to at least two information vending networks which are accessible to investors in the country;
(j) the applicant has adequate systems' capacity supported by a business continuity plan including a disaster recovery site;
(k) the applicant has in its employment, sufficient number of persons having adequate professional and other relevant experience;
(l) the business feasibility plan has been appraised by a reputed agency having expertise in securities market; and
(m) any other conditions as may be specified by the Board.

(4) An applicant seeking recognition as a clearing corporation shall, in addition to conditions as specified in sub-regulations (1) and (2), comply with the following conditions, namely:—
(a) the applicant has necessary infrastructure to ensure timely clearing and settlement of trades;
(b) the applicant has adequate risk management mechanism;
(c) the applicant has a settlement procedure including netting, novation and guarantee for settlement of trades in place, which is in accordance with the manner specified by the Board;
(d) the applicant has the capacity to establish a fund to guarantee settlement of trades;
(e) the applicant has necessary capability to have a wide network of clearing members and has adequate facility to admit and regulate its members;
(f) the applicant has established connectivity with the depositories, clearing banks, stock exchange and clearing members;
(g) the applicant has adequate systems' capacity for on-line/real time risk management of trades cleared and settled and is supported by a suitable business continuity plan including a disaster recovery site;
(h) the applicant has in its employment, sufficient number of persons having adequate professional and other relevant experience to the satisfaction of the Board;
(i) the applicant has the necessary arrangements in place for resolving disputes and redressal of grievances arising out of clearing and settlement of trades;
(j) the applicant has an agreement with a depository and with a recognised stock exchange in respect of clearing and settlement of the trades;
(k) the business feasibility plan has been appraised by a reputed agency having expertise in securities market; and
(l) any other conditions as may be specified by the Board.

(5) The Board may, on being satisfied with the capability of the applicant to comply with the conditions laid down in this regulation, grant an in-principle approval to the applicant which shall be valid for a period of one year:

Provided that the Board may, upon sufficient cause shown by the applicant, extend the validity of in-principle approval for a further period not exceeding six months.

Power to make inquiries and call for information.

8. The Board may, before granting recognition to a stock exchange or clearing corporation, make inquiries and require such further information or document to be furnished, as it may deem necessary.

Grant of recognition.

9. (1) The Board may, after considering the application under regulation 4 and on being satisfied that the applicant has complied with the conditions laid down in regulation 7 and is eligible to act as a recognised stock exchange or a recognised clearing corporation, as the case may be, grant recognition to the applicant in terms of section 4 of the Act, in the interest of the securities market.

(2) The recognition granted to a stock exchange under sub-regulation (1) shall be in Form B of the rules.

(3) The recognition granted to a clearing corporation shall be in Form B of Schedule-I of these regulations.

(4) The recognisedstock exchange and the recognisedclearing corporation shall comply with such other conditions, including those with regard to the nature of securities to be dealt with, as may be imposed by the Board from time to time.

Period of recognition.

10. (1) The period of recognition granted to a stock exchange shall be as per rule 6 of the rules.

(2) The recognition granted to a clearing corporation, unless granted on a permanent basis, shall be for such period not less than one year as may be specified in the recognition.

Regulatory fee.

11. (1) Every recognised stock exchange shall pay the regulatory fee in terms of Securities and Exchange Board of India(Regulatory Fee on Stock Exchanges) Regulations, 2006.

(2) Every recognised clearing corporation shall pay the regulatory fee as the Board may specify.

Renewal of recognition.

12. (1) In addition to rule 7 of the rules, the provisions of these regulations, as they apply for grant of recognition to a stock exchange, shall also apply in relation to an application for renewal of recognition of a recognised stock exchange.

(2) A recognised clearing corporation desirous of renewal of recognition shall make an application to the Board in Form A of Schedule–I of these regulations and such application shall reach the Board atleast three months prior to the date of expiry of the recognition.

(3) The provisions of these regulations, as they apply for grant of recognition to a clearing corporation, shall also apply in relation to an application for renewal of recognition of a recognised clearing corporation.

(4) An applicant seeking renewal of recognition as a stock exchange shall pay fee in terms of rule 7 of the rules, and an applicant seeking renewal of recognition as a clearing corporation shall also pay fee as payable by a stock exchange.

(5)The recognised stock exchange and recognised clearing corporation shall comply with the applicable conditions specified in sub-regulation (3) and sub-regulation (4) of regulation 7, as the case may be, on a continuous basis.

Withdrawal of recognition.
13. The recognition granted to a stock exchange or a clearing corporation may be withdrawn in the manner provided under section 5 of the Act.

CHAPTER III
NETWORTH OF STOCK EXCHANGE AND CLEARING CORPORATION

Networth requirements.
14. (1) Every recognised stock exchange shall have a minimum networth of one hundred crore rupees at all times:

Providedthat a recognised stock exchange having a lesser networth as on the date of commencement of these regulations shall achieve a minimum networth of one hundred crore rupees within a period of three years from the date of commencement of these regulations.

(2) Every applicant seeking recognition as a clearing corporation under regulation 4 shall have a minimum networth of one hundred crore rupees:

Provided that sub-regulation (2) shall not apply to an applicant which clears and settles trades of a recognised stock exchange on the date of commencement of these regulations.

(3) Every recognised clearing corporation shall achieve a minimum networth of three hundred crore rupees within a period of three years from the date of recognition granted under these regulations:

Providedthat the Board may, upon an application made by the recognised clearing corporation, extend the time specified above in the interest of the securities market.

(4) A recognised stock exchange or a recognised clearing corporation shall not distribute profits in any manner to its shareholders until the networth specified under sub-regulations (1) and (3), as the case may be, is achieved.

(5) Every recognised stock exchange or recognised clearing corporation shall submit an audited networth certificate from the statutory auditor on a yearly basis by the thirtieth day of September of every year for the preceding financial year.

Explanation I.—For the purposes of this regulation, 'networth of a stock exchange' means the aggregate value of paid up equity share capital plus free reserves (excluding statutory funds, benefit funds and reserves created out of revaluation) reduced by the investments in businesses, whether related or unrelated, aggregate value of accumulated losses and deferred expenditure not written off, including miscellaneous expenses not written off.

Explanation II.—For the purposes of this regulation, 'networth of a clearing corporation' means the aggregate value of its liquid assets calculated in the manner as specified by the Board from time to time.

CHAPTER IV
OWNERSHIP OF STOCK EXCHANGES AND CLEARING CORPORATIONS

Definitions.

15. For the purposes of this Chapter:

(a) "banking company" shall have the same meaning as assigned to it in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);

(b) "insurance company" shall have the same meaning as assigned to it in sub-section (8) of section 2 of the Insurance Act, 1938 (4 of 1938);

(c) "person resident in India" shall have the same meaning as assigned to it in clause (v) of section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999);

(d) "person resident outside India" shall have the same meaning as assigned to it in clause (w) of section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999).

General conditions.

16. (1) Save as otherwise provided in these regulations,the shareholding or voting rights of any person in a recognised stock exchange or a recognised clearing corporation shall not exceed the limits specified in this Chapter at any point of time.

(2)The shareholding as specified in this Chapter shall include any instrument owned or controlled, directly or indirectly, that provides for entitlement to equity or rights over equity at any future date:

Provided that any equity or rights over equity, arising from such instruments in excess of limit of shareholding specified in this Chapter on the date of commencement of these regulations,shall be reduced to the specified limit within a period as may be decided by the Board, which may extend upto three years from the date of such commencement.

Shareholding in a recognised stock exchange.

17. (1) Atleast fifty one per cent. of the paid up equity share capital of a recognised stock exchange shall be held by public.

(2) No person resident in India shall at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five per cent. of the paid up equity share capital in a recognised stock exchange:

Provided that,—

(i) a stock exchange;
(ii) a depository;
(iii) a banking company;
(iv) an insurance company; and
(v) a public financial institution,

may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen per cent. of the paid up equity share capital of a recognised stock exchange.

(3) No person resident outside India, directly or indirectly, either individually or together with persons acting in concert, shall acquire or hold more than five per cent. of the paid up equity share capital in a recognised stock exchange [11][:]

[12][Provided that,-

(i) a foreign stock exchange;
(ii) a foreign depository;
(iii) a foreign banking company;
(iv) an foreign insurance company; and
(v) a foreign commodity derivatives exchange,

may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen per cent. of the paid up equity share capital of a recognised stock exchange.

Explanation.—For the purposes of this proviso, the persons referred to in clauses (i) to (v) shall mean persons recognised/ incorporated outside India.]

(4) [13][Subject to the limits as otherwise prescribed by the Central Government from time to time,][14][the] combined holding of all persons resident outside India in the paid up equity share capital of a recognised stock exchange shall not exceed, at any time, forty-nine per cent. of its total paid up equity share capital[15][:]
[16][***]

---

[11]Substituted for "." by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2017, w.e.f. 12-1-2017.
[12]Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2017, w.e.f. 12-1-2017.
[13]Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2016, w.e.f. 7-3-2016.
[14]Substituted for "The", *ibid*.
[15]Substituted for ", subject to the following", *ibid*.
[16] Omitted, *ibid*. Prior to omission, sub- clauses (a) to (c) read as under:
"(a) the combined holding of such persons acquired through the foreign direct investment route shall not exceed twenty six per cent. of the total paid up equity share capital, at any time;
(b) the combined holding of foreign institutional investors shall not exceed twenty three per cent. of the total paid up equity share capital, at any time;
(c) no foreign institutional investor shall acquire shares of a recognised stock exchange otherwise than through secondary market."

[17][***]

(5) No clearing corporation shall hold any right, stake or interest, of whatsoever nature, in any recognised stock exchange.

Shareholding in a recognised clearing corporation.
18.(1) Atleast fifty one per cent. of the paid up equity share capital of a recognised clearing corporation shall be held by one or more recognised stock exchange(s):

Provided that no recognised stock exchange shall, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than fifteen per cent. of the paid up equity share capital in more than one recognised clearing corporation.

(2) No person resident in India, except a recognised stock exchange as permitted in sub-regulation (1), shall at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five per cent. of the paid up equity share capital in a recognised clearing corporation:

Provided that,—
(i) a depository;
(ii) a banking company;
(iii) an insurance company; and
(iv) a public financial institution,

may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen per cent. of the paid up equity share capital of a recognised clearing corporation.

(3) No person resident outside India shall, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five per cent. of the paid up equity share capital in a recognised clearing corporation.

(4) [18][Subject to the limits as otherwise prescribed by the Central Government from time to

---

[17]Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2017, w.e.f. 12-1-2017. Prior to omiission, proviso and Explanation to sub-regulation (4) read as udner:
"[17][Provided that no foreign portfolio investor shall acquire shares of a recognised stock exchange otherwise than through the secondary market.]
Explanation.—For the purposes of [17][sub-regulation (4)], the acquisition of shares in a recognised stock exchange through secondary market shall be construed as follows:—

I. If the recognised stock exchange is not listed, a foreign [17][portfolio] investor may acquire its shares through transactions outside of a recognised stock exchange provided it is not an initial allotment of shares;

If the recognised stock exchange is listed, the transactions by a foreign [17][portfolio] investor shall be done through the recognised stock exchange where such shares are listed."

Also, the proviso "[Provided that no foreign portfolio investor shall acquire shares of a recognised stock exchange otherwise than through the secondary market.]" was inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2016, w.e.f. 7-3-2016.

The words "sub-regulation (4)" was substituted for "clause (c)", and the word "portfolio" was substituted for the word "institutional" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2016, w.e.f. 7-3-2016.

time,][19][the]combined holding of all persons resident outside India in the paid up equity share capital of a recognised clearing corporation shall not exceed, at any time, forty-nine per cent. of its total paid up equity share capital[20][.]
[21][***]
[22][***]

(5) Any person holding equity shares in a recognised clearing corporation in excess of the limits specified in this regulation on the date of commencement of these regulations shall comply with the conditions specified in this regulation within a period of three years from the date of such commencement.

Eligibility for acquiring or holding shares.
19. (1)No person shall,directly or indirectly, acquire or hold equity shares of a recognised stock exchange or recognised clearing corporation unless he is a fit and proper person.

(2) Any person who, directly or indirectly, either individually or together with persons acting in concert, acquire equity shares such that his shareholding exceeds two per cent. of the paid up equity share capital of a recognised stock exchange or recognised clearing corporation shall seek approval of the Board within fifteen days of the acquisition.

(3)A person eligible to acquire or hold more than five per cent. of the paid up equity share capital under sub-regulation (2) of regulation 17 and sub-regulation (2) of regulation 18 may acquire or holdmore than five per cent. of the paid up equity share capital of a recognised stock exchange or a recognised clearing corporation only if he has obtained prior approval of the Board.

(4) Any person holding more than two per cent. of the paid up equity share capital of the recognised stock exchange or the clearing corporation on the date of commencement of these regulations, shall ensure compliance with this regulation within a period of ninety days from the date of such commencement.

(5) If approval under sub-regulation (2) or (4) is not granted by the Board to any person, such person shall forthwith divest his excess shareholding.

(6) Any person holding more than two per cent. of the paid up equity share capital in a recognised stock exchange or a recognised clearing corporation, as the case may be, shall file

[18] Inserted, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2016, w.e.f. 7-3-2016.
[19]Substituted for "The", *ibid*.
[20]Substituted for ":" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2017 w.e.f. 15-2-2017.
[21] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2016, w.e.f. 7-3-2016. Prior to omission, sub- clauses (a) to (c) read as under:
"(a) the combined holding of such persons acquired through the foreign direct investment route shall not exceed twenty six per cent. of the total paid up equity share capital, at any time;
(b) the combined holding of foreign institutional investors shall not exceed twenty three per cent. of the total paid up equity share capital, at any time;
(c) no foreign institutional investor shall acquire shares of a recognised clearing corporation otherwise than through secondary market."
[22]Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2017 w.e.f. 15-2-2017. Prior to the same, the *proviso* read as "Provided that no foreign portfolio investor shall acquire shares of a recognised clearing corporation otherwise than through the secondary market."

a declaration within fifteen days from the end of every financial year to the recognised stock exchange or recognised clearing corporation, as the case may be, that he complies with the fit and proper criteria provided in these regulations.

Fit and proper criteria.

20. (1) For the purposes of these regulations, a person shall be deemed to be a fit and proper person if—

(a) such person has a general reputation and record of fairness and integrity, including but not limited to—

- (i) financial integrity;
- (ii) good reputation and character; and
- (iii) honesty;

(b) such person has not incurred any of the following disqualifications—

- (i) the person, or any of its whole time directors or managing partners, has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against the securities laws;
- (ii) an order for winding up has been passed against the person;
- (iii) the person, or any of its whole time directors or managing partners, has been declared insolvent and has not been discharged;
- (iv) an order, restraining, prohibiting or debarring the person, or any of its whole time directors or managing partners, from dealing in securities or from accessing the securities market, has been passed by the Board or any other regulatory authority, and a period of three years from the date of the expiry of the period specified in the order has not elapsed;
- (v) any other order against the person, or any of its whole time directors or managing partners, which has a bearing on the securities market, has been passed by the Board or any other regulatory authority, and a period of three years from the date of the order has not elapsed;
- (vi) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force; and
- (vii) the person is financially not sound.

(2) If any question arises as to whether a person is a fit and proper person, the Board's decision on such question shall be final.

Disclosure of shareholding.

21.(1) Without prejudice to the provisions of the Act, rules and these regulations, the recognised stock exchange(s) and the recognised clearing corporation(s) shall disclose to the Board, in the format specified by the Board, their shareholding pattern on a quarterly basis within fifteen days from the end of each quarter, including therein the following:—

- (a) the names of the ten largest shareholders along with the number and percentage of shares held by them;
- (b) the names of the shareholders falling under regulations 17 and 18 who had acquired shares in that quarter.

(2) A recognised stock exchange and a recognised clearing corporation shall monitor and ensure compliance with this Chapter at all times.

Record keeping.

22. In addition to the requirements under other laws in force, a recognised stock exchange and recognised clearing corporation shall maintain and preserve all the books, registers, other documents and records relating to the issue or transfer of its securities for a period of not less than ten years.

CHAPTER V
GOVERNANCE OF STOCK EXCHANGES AND CLEARING CORPORATIONS

Composition of the governing board.

23. (1) The governing board of every recognised stock exchange and recognised clearing corporation shall include:

(a) shareholder directors;
(b) public interest directors; and,
(c) managing director.

(2) Subject to prior approval of the Board, the chairperson shall be elected by the governing board from amongst the public interest directors.

(3) The number of public interest directors shall not be lesser than the number of shareholder directors in a recognised stock exchange.

(4) The number of public interest directors of a recognised clearing corporation shall not be less than two-third, and shareholder directors shall not exceed one-third, of its governing board strength.

(5) The managing director shall be an ex-officio director on the governing board and shall not be included in either the category of public interest directors or shareholder directors.

(6) Any employee of a recognised stock exchange or recognised clearing corporation may be appointed on the governing board in addition to the managing director, and such director shall be deemed to be a shareholder director.

(7)No trading member or clearing member, or their associates and agents, shall be on the governing board of any recognised stock exchange or recognised clearing corporation.

(8) Atleast one public interest director shall be present in the meetings of the governing board to constitute the quorum.

(9) No foreign [23][portfolio]investor shall have any representation in the governing board of a recognised stock exchange or a recognised clearing corporation.

(10) Every recognised stock exchange shall ensure compliance with the provisions of this regulation within three months from the date of commencement of these regulations.

[23]Substituted for “institutional”, *ibid*.

Conditions of appointment of directors.

24. (1) The appointment and re-appointment of all shareholder directors on the governing board of every recognised stock exchange or recognised clearing corporation shall be with the prior approval of the Board.

(2) The public interest directors on the governing board of the recognised stock exchange(s) and the recognised clearing corporation(s) shall be nominated by the Board.

(3) Public interest directors shall be nominated for a fixed term of three years, or for such extended period, as may be approved by the Board.

(4) If any issue arises as to whether an assignment or position of a public interest director is in conflict with his role, the Board's decision shall be final.

(5) A public interest director may be renominated after a cooling-off period of one year or such period as the Board may deem fit in the interest of the securities market.

(6) Public interest directors shall be paid only sitting fees as specified in the Companies Act, 1956.

Appointment of managing director.

25. (1) The appointment, renewal of appointment and termination of service of the managing director of a recognised stock exchange or a recognised clearing corporation shall be subject to prior approval of the Board.

(2) Every recognised stock exchange or recognised clearing corporation shall, subject to the guidelines issued by the Board from time to time, determine the qualification, manner of appointment, terms and conditions of appointment and other procedural formalities associated with the selection/ appointment of the managing director.

(3) The appointment of the managing director shall be for a tenure not less than three years and not exceeding five years.

(4) The managing director of a recognised stock exchange or a recognised clearing corporation shall not—

(a) be a shareholder or an associate of a shareholder of a recognised stock exchange or recognised clearing corporation or shareholderof an associate of a recognised stock exchange or recognised clearing corporation, as the case may be;

(b) be a trading member or a clearing member, or his associate and agent, or shareholder of a trading member or clearing member or shareholder of an associate and agent of a trading member or a clearing member; or

(c) hold any position concurrently in the subsidiary of a recognised stock exchange or a recognised clearing corporation, or in any other entity associated with a recognised stock exchange or a recognised clearing corporation:

Provided that the managing director of a recognised stock exchange may be appointed on the governing board, but not as managing director, of the subsidiary of a recognised stock exchange or a recognised clearing corporation, as the case may be.

(5) The managing director shall be liable for removal or termination of services by the governing board of the recognised stock exchange or recognised clearing corporation with the prior approval of the Board for failure to give effect to the directions, guidelines and other orders issued by the Board, or the rules, the articles of association, bye-laws and regulations of the recognised stock exchange or the recognised clearing corporation.

(6) The Board may *suo motu* remove or terminate the appointment of the managing director if deemed fit in the interest of securities market:

Provided that no managing director shall be removed unless he has been given a reasonable opportunity of being heard.

Code of Conduct for directors and key management personnel.

26. (1) Every director of a recognised stock exchange and a recognised clearing corporation shall abide by the Code of Conduct specified under Part– A of Schedule– II of these regulations.

(2) Every director and key management personnel of a recognised stock exchange and a recognised clearing corporation shall abide by the Code of Ethics specified under Part– B of Schedule– II of these regulations.

(3) Every director and key management personnel of a recognised stock exchange and a recognised clearing corporation shall be a fit and proper person as described in regulation 20.

(4) The Board may, for any failure by the directors to abide by these regulations or the Code of Conduct or Code of Ethics or in case of any conflict of interest, either upon a reference from the recognised stock exchange or the recognised clearing corporation or *suo motu*, take appropriate action including removal or termination of the appointment of any director, after providing him a reasonable opportunity of being heard.

Compensation and tenure of key management personnel.

27. (1) A recognised stock exchange or a recognised clearing corporation shall constitute a compensation committee comprising a majority of public interest directors and chaired by a public interest director.

(2)The compensation committee shall determine the compensation of key management personnel in terms of a compensation policy.

(3) The compensation policy shall be in accordance with the norms specified bythe Board.

(4) The compensation payable to the managing director shall be as approved by the Board and the terms and conditions of the compensation of the managing director shall not be changed without prior approval of the Board.

(5) The compensation given to the key management personnel shall be disclosed in the Report of the recognised stock exchange or recognised clearing corporation under section 217 of the Companies Act, 1956.

(6) The tenure of a key management personnel, other than a director, shall be for a fixed period, as may be decided by the compensation committee.

Segregation of regulatory departments.

28. The recognised stock exchange and recognised clearing corporation shall segregate its regulatory departments from other departments in the manner specified in Part– C of Schedule– II of these regulations.

Oversight committees.

29. (1) Every recognised stock exchange shall constitute independent oversight committees of the governing board, each chaired by a public interest director, in order to address the conflicts of interest in respect of–

(a) member regulation,
(b) listing functions, and
(c) trading and surveillance function.

(2) A recognised stock exchange shall follow the minimum listing standards specified by the Board from time to time.

(3) The heads of departments handling the matters referred to in sub-regulation (1) shall report directly to the respective committee and also to the managing director.

(4) Any action of a recognised stock exchange against a head of a regulatory department shall be subject to an appeal to the respective committee specified under sub-regulation (1), within such period as may be determined by the governing board.

(5) The provisions of this regulation shall *mutatis mutandis* apply to a recognised clearing corporation.

Advisory committee.

30. (1) An advisory committee shall be constituted by the governing board of every recognised stock exchange and recognised clearing corporation to advise the governing board on non-regulatory and operational matters including product design, technology, charges and levies.

(2) The advisory committee of a recognised stock exchange shall comprise its trading members and the advisory committee of a recognised clearing corporation shall comprise its clearing members.

(3) The chairperson of the governing board shall be the head of the advisory committee and the managing director shall be a permanent invitee to every meeting of the advisory committee.

(4) The advisory committee shall meet at least four times a year with a maximum gap of three months between two meetings.

(5) The recommendations of the advisory committee shall be placed in the ensuing meeting of the governing board of the recognised stock exchange or the recognised clearing corporation for consideration and appropriate decision of the governing board, and such

recommendations along with the decision of the governing board on the same, shall be disclosed on their respective websites.

(6) Trading members and clearing members shall not be part of any other committee of the recognised stock exchange or the recognised clearing corporation, as the case may be.

Risk management committee of a clearing corporation.

31. (1) Every recognised clearing corporation shall constitute a risk management committee, comprising its public interest directors and independent external experts, which shall report to the governing board.

(2) The risk management committee shall formulate a detailed risk management policy which shall be approved by the governing board.

(3) The head of the risk management department shall be responsible for implementation of the risk management policy and he shall report to the risk management committee and to the managing director of the recognisedclearing corporation.

(4) The risk management committee shall monitor implementation of the risk management policy and keep the Board and the governing board informed about its implementation and deviation, if any.

Appointment of compliance officer.

32. (1) Every recognised stock exchange and recognised clearing corporation shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992, rules, regulations, or directions issued thereunder and for the redressal of investors' grievances.

(2) The compliance officer shall, immediately and independently, report to the Board any non-compliance of any provision stated in sub-regulation (1) observed by him.

[24][Contributiontothe Settlement Guarantee Fund

33.(1) The contribution to the Fund as specified in regulation 39 shall be made by the recognised stock exchange, the recognised clearing corporation and the clearing members, in the manner as may be specified by the Board from time to time.

(2) In case of shortfall in the Fund, the recognised clearing corporation and the recognised stock exchange shall replenish the Fund to the threshold level as may be specified by the Board from time to time."]

Transfer of penalties.

[24]Substituted by Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2016 w.e.f. 29.08.2016. Prior to its substitution regulation 33 read as under:

*"**Transfer of profits.***

***33.** Every recognised stock exchange shall credit twenty five per cent. of its profits every year to the Fund as specified in regulation 39, of the recognised clearing corporation(s) which clears and settles trades executed on that stock exchange."*

34. Penalties levied by recognised stock exchange or recognised clearing corporation shall be credited to its Investor Protection Fund or the Fund as specified in regulation 39, as the case may be.

Disclosure and corporate governance norms.

35. The disclosure requirements and corporate governance norms as specified for listed companies shall *mutatis mutandis* apply to a recognised stock exchange and a recognised clearing corporation.

CHAPTER VI
GENERAL OBLIGATIONS

Clearing and settlement of trades.

36. Every recognised stock exchange shall, with effect from the date specified by the Board in this behalf, use the services of recognised clearing corporation(s) for clearing and settlement of its trades.

Agreement between stock exchange and clearing corporation.

37. (1) Subject to provisions of sub-regulation (2), a recognised stock exchange shall avail the service of a recognised clearing corporation pursuant to an agreement in writing between them stipulating their rights and obligations, the conditions for admission of securities for clearing and settlement, risk management measures, charges for clearing and settlement and other incidental and consequential matters.

(2) The recognised stock exchange shall extend its arbitration mechanism for settlement of disputes or claims arising out of clearing and settlement of trades executed on such stock exchange.

Admission of securities for clearing and settlement.

38. A recognised clearing corporation shall seek approval of the Board before extending its services to any segment of a recognised stock exchange and before admitting any securities for clearing and settlement.

Fund to guarantee settlement of trades.

39. (1) Every recognised clearing corporation shall establish and maintain a Fundby whatever name called, for each segment, to guarantee the settlement of trades executed in respective segment of a recognised stock exchange.

(2) The Settlement Guarantee Fund or the Trade Guarantee Fund of an existing recognised stock exchange shall be transferred to the recognisedclearing corporation to which the clearing and settlement functions of the stock exchange are transferred.

(3) Till such time the Fund is transferred under sub-regulation (2), it shall be utilized only for the purposes of meeting settlement obligations as specified by the Board and as per the bye-laws of the recognised stock exchange.

(4) An existing clearing corporation shall continue to utilize its Settlement Guarantee Fund or Trade Guarantee Fund after its recognition under these regulations.

(5) In the event of a clearing member failing to honour his settlement obligations, the Fund shall be utilized to complete the settlement.

(6) The corpus of the Fund shall be adequate to meet the settlement obligations arising on account of failure of clearing member(s).

(7) The sufficiency of the corpus of the Fund shall be tested by way of periodic stress tests, in the manner specified by the Board.

(8) The [25][***] utilization of the Fund shall be in accordance with the norms specified by the Board.

Utilization of profits and investments.
40. The utilization of profits and investments by recognised clearing corporations shall be in accordance with the norms specified by the Board.

Equal, fair and transparent access.
41. (1) The recognised clearing corporation shall lay down a transparent policy framework for ensuring that there is no discrimination while rendering clearing and settlement services in settlement of trades on shareholder stock exchange(s) and on non-shareholder stock exchange(s).

(2) The recognised clearing corporation and recognised stock exchange shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities.

(3) The recognised stock exchange and recognised clearing corporation shall not engage in activities that are unrelated or not incidental to its activity as a stock exchange or clearing corporation, as the case may be, except through a separate legal entity and as permitted by the Board.

Maintenance of books of accounts and records.
42. (1) Every recognised stock exchange shall maintain and preserve the books of account and documents as per rule 14 of the rules.

(2) Subject to the provisions of any other law for the time being in force,every recognised clearing corporation shall maintain and preserve the following books of account and documents for a minimum period of ten years, namely:–

- (a) Minute books of the meetings of:
  - (i) governing board;
  - (ii) any committees of the governing board;
- (b) Record of clearing members showing their full names, addresses and details of bank and depository accounts for settlement purposes;
- (c) Transaction records;
- (d) Record of security deposits;
- (e) Margin deposits book;
- (f) Client margin collection details;

[25]Words “contribution and” omitted by Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2016 w.e.f. 29.08.2016.

(g) Ledgers;
(h) Journals;
(i) Cash book;
(j) Bank account statement;
(k) Such other books of accounts and documents as may be specified by the Board from time to time.

Submission of annual financial statements and returns.

43. (1) Every recognised stock exchange and recognised clearing corporation shall furnish to the Board its annual financial statements and returns as per rule 17 and 17A of the rules.

(2) The records as per sub-regulation (1) with respect to preceding financial year shall be furnished to the Board by the thirtieth of September of every year.

Bye-laws, rules, etc. of stock exchanges and clearing corporation.

44. (1) A recognised stock exchange and recognised clearing corporation shall, with the previous approval of the Board, make bye-laws for the regulation of contracts and clearing and settlement, as the case may be, as per section 9 of the Act and these regulations.

(2) No memorandum of association, articles of associationor any other constitution document, in so far as they relate to matters specified in section 3 of the Act or under these regulations and bye- laws of a recognised stock exchange or a recognised clearing corporation, shall be amended except with prior approval of the Board.

[26][**Settlement and netting.**

44 A. (1) The payment and settlement in respect of a transaction in a recognized stock exchange and recognized clearing corporation shall be determined in accordance with the netting or gross procedure as specified in the bye-laws of such recognized stock exchange and recognized clearing corporation, with the prior approval of the Securities and Exchange Board of India.

(2) Payment and settlement in respect of a transaction between parties referred to in sub-regulation (1), effected under the bye-laws of a recognized stock exchange or recognized clearing corporation, shall be final, irrevocable and binding on such parties.

(3) When a settlement has become final and irrevocable, the right of the recognized stock exchange or the recognized clearing corporation, as the case may be, to appropriate any collaterals or deposits or margins contributed by the trading member, clearing member or client towards its settlement or other obligations in accordance with the bye-laws of the recognised stock exchange or recognized clearing corporation shall take priority over any other liability of or claim against the said trading member, clearing member or client, as the case may be.

Explanation. – For removal of doubts, it is hereby declared that the settlement, whether gross or net, referred to in this regulation is final and irrevocable as soon as the money, securities or

[26]Inserted by Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2013 w.e.f. 02.09.2013

other transactions payable as a result of such settlement is determined, whether or not such money, securities or other transactions is actually paid.

Right of Clearing Corporation.

44B. The right of recognised clearing corporation(s) to recover the dues from its clearing members, arising from the discharge of their clearing and settlement functions,from the collaterals, deposits and the assets of the clearing members, shall have priority over any other liability of or claim againstthe clearing members.]

[27][**44C.**A recognized stock exchange, including a commodity derivatives exchange, shall not introduce any new segment without the prior approval of the Board.

44D. Provisions applicable to commodity derivatives exchanges.

(1) Every commodity derivatives exchange shall comply with the provisions for recognized stock exchanges in these regulations in the manner and within the timelines as specified by the Board:

Provided that-

(a) a commodity derivatives exchange may continue with the existing arrangement for clearing and settlement of trades for a period not exceeding three years from the date of commencement of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2015, and till the functions of clearing and settlement are transferred to a separate clearing corporation, the provisions of sub-regulation (4) of Regulation 7 and Regulations 31, 39 and 44B shall continue to apply to a commodity derivatives exchange, as they apply to a recognized clearing corporation, to the extent that they are applicable;

(b) clause (b) of sub-regulation (1) of Regulation 29shall not be applicable to a commodity derivatives exchange;

(c) no commodity derivatives exchange shall engage in any activity other than that of assisting, regulating or controlling the business of buying, selling or dealing in commodity derivatives, except with the prior permission of the Board;

(d) every national commodity derivatives exchange shall credit the settlement related penalties to its Settlement Guarantee Fund and other penalties to its Investor Protection Fund and every regional commodity derivatives exchange shall credit all

---

[27]Inserted by Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2015 w.e.f. 28.09.2015

penalties to its Settlement Guarantee Fund till such time as may be specified by the Board.

(2) Every commodity derivatives exchange shall ensure guarantee for settlement of trades including good delivery.]

CHAPTER VII
LISTING OF SECURITIES

Listing.

45. (1) Subject to the provisions of applicable laws in force, a recognised stock exchange may apply for listing of its securities on any recognised stock exchange, other than itself and its associated stock exchange, if,—

(a) it is compliant with the provisions of these regulations particularly those relating to ownership and governance;

(b) it has completed three years of continuous trading operations immediately preceding the date of application of listing; and

(c) it has obtained approval of the Board.

(2) The Board may specify such conditions as it may deem fit in the interest of the securities market including those in relation to transfer of shares held by any person.

(3) A recognised stock exchange shall not list any securities of its associates.

(4) The securities of a recognised clearing corporation shall not be listed on any stock exchange.

Dematerialization.

46. Securities of a recognised stock exchange and a recognised clearing corporation shall be in dematerialised form.

CHAPTER VIII
MISCELLANEOUS

Power to call for information.

47. The Board may from time to time call for any information, documents or records from the recognised stock exchange or the recognised clearing corporation, or their governing board or any shareholder thereof.

Power of inspection.

48. (1) The Board may at any time undertake inspection, conduct inquiries and audit of any recognised stock exchange or recognised clearing corporation, any associate of such exchange or clearing corporation, any shareholder of such stock exchange or clearing corporation or any associate and agent of such shareholder.

(2) Where an inspection under sub-regulation (1) is undertaken by the Board, such recognised stock exchange or recognised clearing corporation or shareholder or associate and every manager, director, managing director, chairperson or officer and other employee of

such recognised stock exchange, recognisedclearing corporation, shareholder or associate shall co-operate with the Board.

Directions by the Board.

49. Without prejudice to exercise of its powers under the provisions of the Act or the Securities and Exchange Board of India Act, 1992 and rules and regulations made thereunder, the Board may, either *suo motu* or on receipt of any information or during pendency of any inspection, inquiry or investigation or on completion thereof, in the interest of public or trade or investors or the securities market, issue such directions as it deems fit, including but not limited to any or all of the following:―

- (a) directing a person holding equity shares or rights over equity shares in a recognised stock exchange or recognisedclearing corporation in contravention of these regulations to divest his holding, in such manner as may be specified in the direction;
- (b) directing transfer of any proceeds or securities to the Investor Protection Fund of a recognised stock exchange or Settlement Guarantee Fund of a recognised clearing corporation;
- (c) debarring any recognised stock exchange or recognised clearing corporation, any shareholder of such recognised stock exchange or recognised clearing corporation, or any associate and agent of such shareholder, or any transferee of shares from such shareholder, directors and key management personnel of recognised stock exchange and recognised clearing corporation from accessing the securities market or dealing in securities for such period as may be determined by the Board.

Power to remove difficulties.

50. In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Board shall have the power to issue directions through guidance notes or circulars.

Power to specify procedures, etc. and issue clarifications.

51. For the purposes of implementation of these regulations and matters incidental thereto, the Board may specify norms, procedures, processes, manners or guidelines as specified in these regulations, by way of circulars to recognised stock exchange(s) and recognised clearing corporation(s).

Repeal and savings.

52. (1) On and from the commencement of these regulations, the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognized Stock Exchanges) Regulations, 2006, shall stand repealed.

(2) Notwithstanding such repeal, anything done or any action taken or purported to have been taken or contemplated under the repealed regulations before the commencement of these regulations shall be deemed to have been done or taken or commenced or contemplated under the corresponding provisions of these regulations.

(3) After the repeal of the regulations referred to in sub-regulation (1), any reference thereto in any regulation, guideline, circular or direction issued by the Board shall be deemed to be a reference to the relevant provisions of these regulations.

SCHEDULE - I

FORM A

[*See* regulations 4 and 12]

Application for recognition/renewal of recognition of a clearing corporation under regulation 4/regulation 12 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012

To
....
....

Subject: Application for recognition or renewal of recognition of a clearing corporation under regulation 4/regulation 12 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012.

Sir,

1. We/I on behalf of .... (name and address of clearing corporation) being a clearing corporation hereby apply for recognition/renewal of recognition for the purposes of the said Act in respect of clearing and settlement of contracts in securities.

2. Two copies of the rules, memorandum and articles of association relating in general to the constitution and management of the clearing corporation and two copies of the bye-laws for the clearing and settlement of contracts in securities are enclosed.

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

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

5. Demand Draft No…….dated……drawn in favour of Securities and Exchange Board of India for₹ ....towards payment of fees as specified in regulation 5/ regulation 12 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012,is attached.

Yours faithfully,

Authorised signatory

ANNEXURE TO FORM 'A'

Part I – General

1. Name of the applicant clearing corporation.
2. Address.
3. Date of establishment or incorporation of a clearing corporation.
4. Is your clearing corporation a joint stock company (state whether public or private) registered under the Companies Act?
5. Give details of your capital structure and attach three copies of the audited balance sheets and profit and loss account of the clearing corporation for the preceding three years.
6. Give details of shareholding pattern of the clearing corporation.
7. Has your business viability plan been appraised by a reputed agency having expertise in securities market for its viability? Give a copy of the appraisal report.
8. Have you entered into an agreement with recognised stock exchange(s) for clearing and settling its trades? Give the name of such stock exchange(s) and details of its organisation and management.

Part II – Clearing membership of clearing corporation.

9. State the number of clearing members at the time of application. Also specify how many are inactive.
10. State whether there is any provision, resolution or convention for limiting the number of clearing members and whether in pursuance thereof you have fixed a ceiling on the number of clearing members that you would admit.
11. Do you insist on any minimum qualifications and experience before enrolling new clearing members? If so, give details.
12. State the different classes of clearing members, if any, the number thereof and the privileges enjoyed by each class. What is the procedure followed by your clearing corporation for the admission of different classes of new clearing members?
13. What are the rates of your annual subscription in respect of the different classes of clearing members?
14. Do you collect any security deposit from your clearing members? If so, give details and also state the manner in which such deposits are utilised and the rate of interest allowed, if any.
15. Do you collect any admission or entrance fees from your clearing members? If so, how much?
16. Do you insist on your clearing members divesting themselves of other activities either as principal or as employee?
17. Give details of the scale of brokerage and other charges, if any, specified by your clearing corporation.
18. Do you prescribe standard form of agreement to be entered with the trading member for engaging the services of your clearing member? Attach two copies of such agreement.
19. What are the measures adopted by you to regulate or prohibit advertising or issuing circulars by your clearing members?
20. Do you require clearing members to supply such information or explanation and to produce such books relating to their business as your governing board may require?

21. Do you undertake periodic inspection of your clearing members? Give details including the number of annual inspections and manpower available for conducting inspection.

Part III – Governing Board

22. What is the present strength of your governing board? Give details of the constitution, powers of management, election and tenure of office of members of the governing board, and the manner in which its business is transacted.
23. Are any trade or commercial interest represented on your governing board? If so, give details of interests represented.
24. Do you associate members of investors associations with the management of your clearing corporation? If so, state the manner in which it is done.
25. Are there any Government or the Board representatives on your governing board? If so, furnish their names.
26. How many public interest directors are there on the governing board? Furnish their names, qualifications and experience.
27. Do your rules provide for the direct election by clearing members on the Advisory Committee of the governing board? If so, give details of its constitution, tenure, powers and functions.
28. Do you have any provision for the appointment of standing or ad hoc subcommittees of the governing board? If so, furnish details of their composition, appointment, term of office, powers and functions.
29. Give the designations, powers and duties of key management personnel of your clearing corporation. Give details as to the mode of their appointment, tenure of office and remuneration.
30. What are the disciplinary powers with the governing board to enforce due compliance by clearing members of the rules and bye-laws of the clearing corporation and generally to ensure proper standard of business conduct?
31. What provisions have you made for the levy and recovery of fees, fines and penalties?

Part IV – Clearing and Settlement

32. Describe the clearing and settlement system of the clearing corporation.
33. State the different kinds of products being cleared and settled or proposed to be cleared and settled in your clearing corporation(e.g., equity, equity derivative, currency derivatives, interest rate derivatives, debt instruments, etc.). State the period of delivery, payment and the settlement mechanism in each case.
34. What are the conditions subject to which trades are settled and cleared on your clearing corporation?
35. What are your requirements for admitting derivative transactions for clearing and settlement?
36. Do you have the right to prohibit, withdraw or suspend clearing and settlement of dealings admitted for clearing and settlement? If so, under what circumstances is this right exercised?
37. Give details of the clearing and settlement charges and other charges, if any, levied by your clearing corporation.
38. What provisions have you made for periodical settlement of contracts and differences thereunder, the delivery of, and payment for securities and the passing of delivery orders?

39. How do you fix, alter or postpone the dates of settlement?
40. Do you provide any safeguards for the prevention of market manipulation, especially in the case of physical delivery of shares in the derivative markets and for meeting emergencies in settlement? Give details.
41. Provide a detailed assessment of the measures adopted to address the various risks faced by the clearing corporation in terms of the BIS-IOSCO paper on 'Principles for Financial Market Infrastructures.'
42. Do you publish any statistics in regard to business done on the clearing corporation including the value of Settlement Guarantee Fund and transactions settled through the clearing corporation, if maintained? In particular, have you evolved any machinery for computing the gross and net exposure of the clearing corporation and the value of clearing and settling of different kinds of contracts permitted on your clearing corporation? Give details.
43. (a) Do you have any bye-laws, contravention of which makes a contract void?
    (b) Do you have necessary infrastructure, margin mechanism and adequate risk management mechanism to ensure market safety and integrity? Give Details
    (c) Do you undertake any other activity other than clearing and settling? Give Details.
    (d) What is your net worth? Give Details.
    (e) Give details of business hours?
    (f) What are the conditions subject to which dealings are admitted for clearing and settlement?
44. Do you maintain Settlement Guarantee Fund? Give details of the corpus of the settlement guarantee fund, its contribution, circumstances for utilisation, priority of utilisation, etc
45. How do you ensure the adequacy of the Settlement Guarantee Fund? Do you perform stress tests on a periodic basis. Give details and results of the latest stress test.
46. What is the netting procedure adopted by the clearing corporation for determining the obligations of the clearing member?
47. What is your policy in respect of settling trades of shareholder stock exchange and non-shareholder stock exchange?
48. Do you have any provisions for regulating the volume of business and exposure taken by any individual clearing member other than through a system of margins? If so, give details.
49. What provisions have you made for regulating— (a) the entering into contracts, their performance and rescission (b) the consequences of breach, default or insolvency on the part of trading or clearing members whether acting as buyers, sellers or intermediaries?

Part V – Infrastructure

50. Do you have any machinery for arbitration of disputes between clearing members and/or between clearing members and their constituents and trading member and clearing member? Give details.
51. Have you established connectivity with the depositories, clearing banks, stock exchange and clearing members? Give details.
52. What is the average load that is being handled by your systems? What is the peak load that can be handled and the extent of scalability of the systems in times of stress?
53. What is your business continuity plan? Give details including details of the disaster recovery site.
54. What are the names, qualifications and expertise of your key management personnel?

FORM B

[*See* regulation 9 and 12]

The Securities and Exchange Board of India

No. ....The Securities and Exchange Board of India, having considered the application for grant of recognition/renewal of recognition under regulation 4/regulation 12 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012by............................. (name and address of clearing corporation) and being satisfied that it would be in the interest of the trade, in the interest of securities market and also in the public interest so to do, hereby grants, in exercise of the powers conferred by section 4 read with sub-section (4) of section 8A of the Securities Contracts (Regulation) Act, 1956, recognition to the said clearing corporation for .... year/years ending ....20 .... subject to the conditions stated herein below or as may be prescribed or imposed hereafter.

Seal of the Board

Date:
Place: Mumbai   Signature of Officer

SCHEDULE – II

PART - A

[*See* regulation 26(1)]

Code of conduct for the directors on the governing board

i. Meetings and minutes.

Every director of the recognised stock exchange and recognised clearing corporation shall─

a) not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting;
b) not encourage the circulation of agenda papers during the meeting, unless circumstances so require;
c) offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;
d) insist on the minutes of the previous meeting being placed for approval in subsequent meeting;
e) endeavour to have the date of next meeting fixed at each governing board meeting in consultation with other members of the governing board;
f) endeavour to ensure that in case all the items of the agenda of a meeting were not covered for want of time, the next meeting is held within fifteen days for considering the remaining items.

ii. Code of Conduct for the public interest directors.

a) In addition to the conditions stated in Para (i) above, public interest directors of the recognised stock exchange or recognised clearing corporation shall, endeavour to attend all the governing board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the governing board or do not attend seventy five per cent. of the total meetings of the governing board in a calendar year.

b) Public interest directors shall meet separately, at least once in six months to exchange views on critical issues.

iii. Strategic planning.

Every director of the recognised stock exchange and recognised clearing corporation shall─

a) participate in the formulation and execution of strategies in the best interest of the recognised stock exchange or recognised clearing corporation and contribute towards pro-active decision making at the governing board level;
b) give benefit of their experience and expertise to the recognised stock exchange or recognised clearing corporation and provide assistance in strategic planning and execution of decisions.

iv. Regulatory compliances.

Every director of the recognised stock exchange and recognised clearing corporation shall─

a) endeavour to ensure that the recognised stock exchange or recognised clearing corporation abides by all the provisions of the Securities and Exchange Board of India Act, 1992, Securities Contracts (Regulation) Act, 1956, rules and regulations framed thereunder and the circulars, directions issued by the Board from time to time;
b) endeavour compliance at all levels so that the regulatory system does not suffer any breaches;
c) endeavour to ensure that the recognised stock exchange or recognised clearing corporation takes steps commensurate to honour the time limit stipulated by Board for corrective action;
d) not support any decision in the meeting of the governing board which may adversely affect the interest of investors and shall report forthwith any such decision to the Board.

v. General responsibility.

Every director of the recognised stock exchange and recognised clearing corporation shall─

a) place priority for redressing investor grievances and encouraging fair trade practice so that the recognised stock exchange or recognised clearing corporation becomes an engine for the growth of the securities market;
b) endeavour to analyse and administer the recognised stock exchange or recognised clearing corporation issues with professional competence, fairness, impartiality, efficiency and effectiveness;
c) submit the necessary disclosures/statement of holdings/dealings in securities as required by the recognised stock exchange or recognised clearing corporation from time to time as per their Rules or Articles of Association;
d) unless otherwise required by law, maintain confidentiality and shall not divulge/disclose any information obtained in the discharge of their duty and no such information shall be used for personal gains;
e) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and shall not engage in acts discreditable to their responsibilities;
f) perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;
g) perform their duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion;
h) not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the recognised stock exchange or recognised clearing corporation.

PART - B

[*See* regulation 26(2)]

Code of Ethics for directors and key management personnel of stock exchanges or clearing corporations

The 'Code of Ethics' for directors and key management personnel of the recognised stock exchanges or recognised clearing corporations, is aimed at improving the professional and ethical standards in the functioning of recognised stock exchanges or recognised clearing corporations thereby creating better investor confidence in the integrity of the market.

i. Objectives and underlying principles.

The Code of Ethics for directors and key management personnel of the recognised stock exchange or recognised clearing corporation seeks to establish a minimum level of business/ professional ethics to be followed by these directors and key management personnel, towards establishing a fair and transparent marketplace. The Code of Ethics is based on the following fundamental principles:

- Fairness and transparency in dealing with matters relating to the stock exchange or clearing corporation and the investors.
- Compliance with all laws/ rules/ regulations laid down by regulatory agencies/ recognised stock exchange/ recognised clearing corporation.
- Exercising due diligence in the performance of duties.
- Avoidance of conflict of interest between self interest of directors/ key management personnel and interests of recognised stock exchange or recognised clearing corporation and investors.

ii. Ethics committee.

For overseeing implementation of this Code, an ethics committee shall be constituted by every recognised stock exchange and recognised clearing corporation under the respective governing board.

iii. General standards.

a) Directors and key management personnel shall endeavour to promote greater awareness and understanding of ethical responsibilities.

b) Directors and key management personnel, in the conduct of their business shall observe high standards of commercial honour and just and equitable principles of trade.

c) The conduct of directors and key management personnel in business life should be exemplary which will set a standard for other members of the recognisedstock exchange or recognisedclearing corporation.

d) Directors and key management personnel shall not use their position to give/get favours to/from the executive or administrative staff of the stock exchange or clearing corporation, technology or service providers and vendors of the recognisedrecognised stock exchange or clearing corporation, or any listed company at the recognisedstock exchange.

e) Directors and key management personnel shall not commit any act which will put the reputation of the recognisedstock exchange or recognisedclearing corporation, in jeopardy.

f) Directors, committee members and key management personnel of the recognised stock exchange or recognised clearing corporation, should comply with all rules and regulations applicable to the securities market.

iv. Disclosure of dealings in securities by key management personnel of the stock exchange or clearing corporation.

a) Key management personnel of the recognisedstock exchange or recognisedclearing corporation shall disclose on a periodic basis as determined by the stock exchange or recognisedclearing corporation (which could be monthly), all their dealings in securities, directly or indirectly, to the governing board/ ethics committee/ Compliance Officer.

b) The dealings in securities shall also be subject to trading restrictions for securities about which key management personnel in the recognisedstock exchange or recognisedclearing corporation may have non-public price sensitive information. Requirement laid down under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 may be referred in this regard.

c) All transactions must be of an investment nature and not speculative in nature. Towards this end, all securities purchased must be held for a minimum period of sixty days before they are sold. However, in specific/exceptional circumstances, sale can be effected anytime by obtaining pre-clearance from the Compliance Officer to waive this condition after recording in writing his satisfaction in this regard.

Explanation.—"securities" for the purposes of this Code shall not include mutual fund units.

v. Disclosure of dealings in securities by directors of the stock exchange or clearing corporation.

a) All transactions in securities by the directors and their family shall be disclosed to the governing board of the recognisedstock exchange or recognised clearing corporation.

b) All directors shall also disclose the trading conducted by firms/corporate entities in which they hold twenty per cent. or more beneficial interest or hold a controlling interest, to the Ethics Committee.

c) Directors who are Govt. of India nominees or nominees of Govt. of India statutory bodies or financial institutions and are governed by their own codes shall be exempt from this requirement.

vi. Avoidance of conflict of interest.

a) No director of the governing board or member of any committee of the recognisedstock exchange or recognisedclearing corporation shall participate in any decision making/adjudication in respect of any person /matter in which he is in any way, directly or indirectly, concerned or interested.

b) Whether there is any conflict of interest or not in a matter, should be decided by the governing board.

vii. Disclosures of beneficial interest.

All directors and key management personnel shall disclose to the governing board, upon assuming office and during their tenure in office, whenever the following arises:—

a) any fiduciary relationship of self and family members and directorship/partnership of self and family members in any trading memberor clearing member;

b) shareholding, in cases where the shareholding of the director, directly or through his family exceeds 5 per cent. in any listed company or in other entities related to the securities markets;

c) any other business interests.

viii. Role of the Chairperson and directors in the day to day functioning of the stock exchange or clearing corporation.

a) The Chairperson and directors shall not interfere in the day to day functioning of the recognisedstock exchange or recognisedclearing corporation and shall limit their role to decision making on policy issues and to issues as the governing board may decide.

b) The Chairperson and directors shall abstain from influencing the employees of the recognisedstock exchange or recognisedclearing corporation in conducting their day to day activities.

c) The Chairperson and directors shall not be directly involved in the function of appointment and promotion of employees unless specifically so decided by the governing board.

ix. Access to information.

a) Directors shall call for information only as part of specific committees or as may be authorised by the governing board.

b) There shall be prescribed channels through which information shall move and further there shall be audit trail of the same. Any retrieval of confidential documents/ information shall be properly recorded.

c) All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration/ gain.

d) Any information relating to the business/operations of the recognisedstock exchange or recognisedclearing corporation, which may come to the knowledge of directors/ key management personnel during performance of their duties shall be held in strict confidence, shall not be divulged to any third party and shall not be used in any manner except for the performance of their duties.

x. Misuse of position.

Directors/ committee members shall not use their position to obtain business or any pecuniary benefit in the organization for themselves or family members.

xi. Ethics committee to lay down procedures.

a) The ethics committee shall lay down procedures for the implementation of the code and prescribe reporting formats for the disclosures required under the code.

b) The Compliance Officer shall execute the requirements laid down by the ethics committee.

While the objective of this Code is to enhance the level of market integrity and investor confidence, it is emphasized that a written code of ethics may not completely guarantee adherence to high ethical standards. This can be accomplished only if directors and key management personnel of the recognisedstock exchange or recognisedclearing corporation commit themselves to the task of enhancing the fairness and integrity of the system in letter and spirit.

PART – C

[*See* regulation 28]

Measures to ensure segregation of regulatory departments

In order to ensure the segregation of regulatory departments, every recognisedstock exchange and recognisedclearing corporation shall adopt a "Chinese Wall" policy which separates the regulatory departments of the recognisedstock exchange or recognisedclearing corporation from the other departments. The employees in the regulatory departments shall not communicate any information concerning regulatory activity to any one in other departments. The employees in regulatory areas may be physically segregated from employees in other departments including with respect to access controls. In exceptional circumstances employees from other departments may be given confidential information on "need to know" basis, under intimation to the Compliance Officer.

SECURITIES AND EXCHANGE BOARD OF INDIA
(DEPOSITORIES AND PARTICIPANTS)
REGULATIONS, 1996

CONTENTS

CHAPTER I

PRELIMINARY

CHAPTER II

REGISTRATION OF DEPOSITORY

CHAPTER III

CERTIFICATE OF COMMENCEMENT OF BUSINESS

CHAPTER IV

REGISTRATION OF PARTICIPANT

CHAPTER V

RIGHTS AND OBLIGATIONS OF DEPOSITORIES, PARTICIPANTS, ISSUERS, MANNER OF SURRENDER OF CERTIFICATE OF SECURITY AND CREATION OF PLEDGE OR HYPOTHECATION

CHAPTER VI

INSPECTION

CHAPTER VII

PROCEDURE FOR ACTION IN CASE OF DEFAULT

FIRST SCHEDULE

SECOND SCHEDULE

THIRD SCHEDULE

SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996

In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with section 25 of the Depositories Ordinance, 1996 (17 of 1996), the Securities and Exchange Board of India hereby makes the following regulations, namely:—

CHAPTER I

PRELIMINARY

Short title and commencement.

1. (1) These regulations may be called the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996.

(2) They shall come into force on the date of their publication in the Official Gazette.

Definitions.

2. (1) [In these regulations, unless the context otherwise requires, the terms used in these regulations shall bear the meanings assigned to them below, and their cognate expressions shall be construed accordingly,-][1]

(*a*) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);

[2][(aa) "associate" shall have the same meaning as assigned to it under clause (b) of sub-regulation (1) of regulation 2 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 or any modification thereof;]

[3][[4][(ab)] "change in control" –

(i) in case of a body corporate –

(A) if its shares are listed on any recognised stock exchange, shall be construed with reference to the definition of control in terms of regulations framed under clause (h) of sub-section (2) of section 11 of the Act;

(B) in any other case, shall be construed as change in the controlling interest in the body corporate;

Explanation: For the purpose of para (B) of this sub-clause, the expression "controlling interest" means an interest, whether direct or indirect, to the extent of at least fifty-one percent of voting rights in the body corporate;

[1] Substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012. Prior to substitution, it read as under:
"In these regulations, unless the context otherwise requires,—"

[2] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.

[3] Inserted by the SEBI (Change in Conditions of Registration of Certain Intermediaries) (Amendment) Regulations, 2011, w.e.f. 19-4-2011.

[4] Renumbered by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012

(ii) in a case other than that of a body corporate, shall be construed as any change in its legal formation or ownership.]

[5][(ac) "control" shall have the same meaning as assigned to it under clause (e) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or any modification thereof;]

[6][(*b*) "Depositories Act" means the Depositories Act, 1996 (22 of 1996);]

(*c*) [7][***]

(*d*) "Form" means any of the forms specified in the First Schedule;

[8][(da) "governing board" means the board of directors of a depository;]

(*e*) "inspecting officer" means any person authorised by the Board under regulation 59;

[(ea) "key management personnel" means a person serving as head of any department or in such senior executive position that stands higher in hierarchy to the head(s) of department(s) in the depository or in any other position as declared so by such depository;

(eb) "persons acting in concert" in the context of acquisition or holding of shares or voting rights or control shall mutatis mutandis have the same meaning as assigned to it in clause (q) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or any modification thereof;

(ec) "public interest director" means an independent director, representing the interests of investors in securities market and who is not having any association, directly or indirectly, which in the opinion of the Board, is in conflict with his role;

(ed) "regulatory department" means a department of a depository which is entrusted with regulatory powers and duties and includes such department as may be specified by the Board;"

(*f*) "Schedule" means any of the Schedules annexed to these regulations;][9]

[10](fa) "shareholder director" means a director who represents the interest of shareholders, and elected or nominated by such shareholders;

(*g*) "sponsor" means any person or persons who, acting alone or in combination with another person proposes to establish a depository and undertakes to perform the obligations of a sponsor under these regulations.

[11][*Explanation.*—Any person who acting alone or in combination with others holds not less than 51 per cent of the share capital of the depository as a sponsor and undertakes to perform the obligation under these regulations shall be deemed to be a sponsor for the purpose of these regulations.]

[12][(2) Words and expressions used and not defined in these regulations but defined in the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, the Companies Act,

---

[5] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.
[6] Substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.
[7] Omitted by the SEBI(Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, w.e.f. 27-9-2002.
[8] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.
[9] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.
[10] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.
[11] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2000, w.e.f. 26-12-2000.

1956 or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be.]

CHAPTER II

REGISTRATION OF DEPOSITORY

Application for grant of certificate of registration.

3. (1) An application for the grant of a certificate of registration as a depository shall be made to the Board by the sponsor in Form A, shall be accompanied by the fee specified in Part A of the Second Schedule and be paid in the manner specified in Part B thereof.

(2) The application shall be accompanied by draft bye-laws of the depository that is proposed to be set-up.

Application to conform to the requirements.

4. An application in Form A which is not complete in all respects and does not conform to the instructions specified therein shall be rejected:

Provided that before rejecting any such application, the sponsor shall be given in writing an opportunity to remove, within thirty days of the date of communication in this regard, the objections indicated by the Board:

Provided further that the Board may, on being satisfied that it is necessary to extend the period specified in the first proviso, extend such period by such further time as it thinks necessary in order to enable the applicant to remove the objections indicated by the Board.

Furnishing of information, clarification and personal representation.

5. (1) The Board may require the sponsor to furnish such further information or clarification regarding matters relevant to the activity of the depository for the purpose of consideration of the application.

(2) The sponsor or his authorised representative shall, if so required, appear before the Board for personal representation, in connection with the grant of certificate of registration.

Consideration of application for grant of certificate of registration.

6.[13](1) The Board shall not consider an application under regulation 3, unless the sponsor belongs to one of the following categories, namely :—

(*i*) a public financial institution as defined in section 4A of the Companies Act, 1956 (1 of 1956);

(*ii*) a bank included for the time being in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);

---

[12] Substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012. Prior to substitution, it read as under:

"(2) Words and expressions used and not defined in these regulations but defined in the Act or in the Depositories Ordinance shall have the meanings respectively assigned to them in the Act or the Depositories Ordinance."

[13] Renumbered by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012

(*iii*) a foreign bank operating in India with the approval of the Reserve Bank of India;

(*iv*) a recognised stock exchange within the meaning of clause (*j*) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

(*v*) a body corporate engaged in providing financial services where not less than seventy-five per cent of the equity capital is held by any of the institutions mentioned in sub-clause (*i*), (*ii*), (*iii*) or (*iv*) jointly or severally;

(*vi*) a body corporate constituted or recognised under any law for the time being in force in a foreign country for providing custodial, clearing or settlement services in the securities market and approved by the Central Government;

(*vii*) an institution engaged in providing financial services established outside India and approved by the Central Government; or

(viii) [14][.]

[15][(2) The Board shall not consider an application under regulation 3, unless the applicant/sponsor is a fit and proper person.]

[16][**Requirement of fit and proper.**

6A. (1) Every depository, its sponsor, shareholder and participant shall satisfy the fit and proper criteria at all times.

(2) For the purpose of determining whether an applicant, depository, its sponsor, shareholder, director and key management personnel or a participant, is a 'fit and proper person' under these regulations, the Board may take into consideration the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

(3) If any question arises as to whether a person is fit and proper, the Board's decision on such question shall be final]

[17][Eligibility for acquiring or holding shares in a depository.

6B. (1) No person shall, directly or indirectly, acquire or hold equity shares or voting rights of a depository unless he is a fit and proper person.

(2) Any person who, directly or indirectly, either individually or together with persons acting in concert, acquires equity shares such that his shareholding exceeds two percent. of the paid up equity share capital of a depository, shall seek approval of the Board

---

[14] Omitted, *ibid*. Prior to omission, clause as Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1998, w.e.f. 5-1-1998,. read as under:
"(viii) the applicant is a fit and proper person."

[15] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.

[16] Substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012. Prior to substitution, Regulation 6A as inserted by the SEBI (Intermediaries) Regulations, 2008, w.e.f. 26-05-2008, read as under:
"Criteria for fit and proper person.
6A. For the purpose of determining whether an applicant or the depository and participant is a fit and proper person the Board may take into account the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008."

[17] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.

within fifteen days of the acquisition.

(3) Any person holding more than two per cent. of the paid up equity share capital of the depository on the date of commencement of the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2012, shall seek approval of the Board within a period of ninety days from the date of such commencement.

(4) If approval under sub-regulation (2) or (3) is not granted by the Board to any person, such person shall forthwith divest his excess shareholding.

(5) Any person holding more than two per cent. of the paid up equity share capital in a depository shall file a declaration within fifteen days from the end of every financial year to the depository that he complies with the fit and proper criteria.

(6) Save as otherwise provided in these regulations, the shareholding or voting rights of any person in a depository shall not exceed the limits specified in these regulations at any point of time.

(7) For determining the shareholding of any person in a depository as specified in these regulations, any instrument held, owned or controlled, directly or indirectly, by him that entitles him the voting rights or provides for entitlement to voting rights or equity shares or any other rights over equity shares at any future date, shall also be included.]

Grant of certificate of registration.

7. After considering the application under regulation 3, with reference to the qualifications specified in regulation 6, if the Board is satisfied that the company established by the sponsor is eligible to act as depository, it may grant a certificate of registration in Form B to the depository subject to the following, namely :—

(*a*) the depository shall pay the registration fee specified in Part A of the Second Schedule in the manner specified in Part B thereof, within fifteen days of receipt of intimation from the Board;

(*b*) the depository shall comply with the provisions of the Act, the Depositories [18][Act], the bye-laws, agreements and these regulations ;

(*c*) the depository shall not carry on any activity other than that of a depository unless the activity is incidental to the activity of the depository:

[19][Provided that a depository may carry out such activity not incidental to its activities as a depository, as may be assigned to the depository by the Central Government or by a regulator in the financial sector, through the establishment of Strategic Business Unit(s) specific to each activity with the prior approval of the Board and subject to such conditions as may be prescribed by the Board, including transfer of such activity to a separate company within such time as may be specified by the Board, having regard to the matters which are relevant to the efficient and orderly function of the Depository as mentioned in regulation 13.

Explanation: For the purposes of this clause, a Strategic Business Unit shall be an organizational

[18] Substituted for "Ordinance" by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

[19] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2007, w.e.f. 10-10-2007.

unit of a company with its own mission, objectives and business strategy that is given the responsibility to serve the particular demands of one business area with appropriate technological, financial and other segregations.]

[20][(cc) the depository complies with the shareholding and governance structure requirements specified in these regulations;]

[21][(d) the sponsor shall, at all times, hold at least fifty-one per cent of the equity share capital of the depository:]

[22][Provided that a recognised stock exchange that is a sponsor of any depository shall not hold more than twenty four per cent. of the paid up equity share capital of that depository:

Provided further that any such recognised stock exchange holding more than twenty four per cent. of the paid up equity share capital in a depository as on the date of commencement of the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2012, shall reduce its holding in the depository to twenty four per cent. within a period of three years from the date of such commencement;]

(*e*) no participant shall at any time, hold more than five per cent of the equity capital of the depository; [23][***]

[24][(ea) no person other than a sponsor, whether resident in India or not, shall at any time, either individually or together with persons acting in concert, hold more than five per cent. of the equity share capital in the depository;

Explanation: For the purposes of this clause, -

(i) the expression "person resident in India" shall have the meaning assigned to it in clause (v) of section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999);

(ii) the expression "persons acting in concert" shall have the meaning derived from clause (e) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;

(eb) [25][Subject to the limits as otherwise prescribed by the Central Government from time to time,] the combined holding of all persons resident outside India in the equity share capital of the depository shall not exceed, at any time, forty-nine per cent. of its total equity share capital[26][;]

---

[20] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.

[21] Substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2008, w.e.f. 17-3-2008. Prior to substitution, it read as under:

"(d) the sponsor shall, at all times, hold at least fifty-one per cent of the equity capital of the depository and the balance of the equity capital of the depository shall be held by its participants;"

[22] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.

[23] Omitted, *ibid*. Prior to omission, the proviso and explanation as amended by the SEBI(Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997, read as under:

"**Provided** that for the purposes of clause (*d*) and clause (*e*) no foreign entity individually or collectively either as a sponsor or as a participant or as a sponsor and participant together shall hold more than 20 per cent of the equity capital of a depository.

Explanation.—For the purpose of this regulation, a foreign entity shall mean a body corporate or an entity where more than 51 per cent of its equity is held by persons who are not citizens of India;"

[24] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2008, w.e.f. 17-3-2008.

[27][***]

[28][***]

(ec) no foreign [29][portfolio] investor shall have any representation in the Board of Directors of the depository;]

(*f*) if any information previously submitted by the depository or the sponsor to the Board is found to be false or misleading in any material particular, or if there is any change in such information, the depository shall forthwith inform the Board in writing;

(*g*) the depository shall redress the grievances of the participants and the beneficial owners within thirty days of the date of receipt of any complaint from a participant or a beneficial owner and keep the Board informed about the number and the nature of redressals;

(*h*) the depository shall make an application for commencement of business under regulation 14 within one year from the date of grant of certificate of registration under this regulation; and

(*i*) the depository shall amend its bye-laws from time to time as may be directed by the Board;

[30][(j) any other condition as the Board may deem fit in the interest of securities market.]

Payment of annual fee.

8. A depository who has been granted a certificate of registration under regulation 7, shall pay annual fee specified in Part A of the Second Schedule in the manner specified in Part B thereof.

[31][Payment of annual charge.

8A. A depository shall pay to the Board, a percentage of the annual custody charges collected by it from the issuers as specified in Part A of Second Schedule in the manner specified in Part B thereof.]

Procedure where certificate of registration is not granted.

9. (1) Where an application for the grant of certificate of registration under regulation 3 does not satisfy the requirements specified in regulation 7, the Board shall reject the application after giving the applicant an opportunity of being heard.

(2) The decision of the Board to reject the application shall be communicated to the applicant in writing within thirty days of such decision, stating therein the grounds on which the application has been rejected.

---

[25]Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 2016, w.e.f. 7-3-2016.

[26]Substituted for ":" by the SEBI (Depositories and Participants) (Amendment) Regulations, 2017 w.e.f. 15-02-2017.

[27]Omitted, *ibid*. Priorto omission, sub-sub-regulations (i) to (iii) of sub-regulation (eb) as inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2008, w.e.f. 17-3-2008, read as under:

"(i) the combined holdings of such persons acquired through the foreign direct investment route is not more than twenty six per cent. of the total equity share capital, at any time;

(ii) the combined holdings of foreign institutional investors is not more than twenty three per cent. of the total equity share capital, at any time;

(iii) no foreign institutional investor acquires shares of the depository otherwise than through the secondary market;"

[28]Omitted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2017 w.e.f. 15-02-2017. Prior to its omission, the *proviso* read as "Provided that no foreign portfolio investor acquires shares of the depository otherwise than through the secondary market.".

[29]Substituted for "portfolio", *ibid.*

[30] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.

31 Inserted by the SEBI (Payment of Fees) (Amendment) Regulations, 2014, w.e.f. 23-5-2014.

CHAPTER IIA

GOVERNANCE OF DEPOSITORY

Governing board, disclosures and corporate governance.

9A(1) The governing board of every depository shall include:

(a) shareholder directors;

(b) public interest directors; and,

(c) managing director.

(2) Subject to prior approval of the Board, the chairperson shall be elected by the governing board from amongst the public interest directors.

(3) The number of public interest directors shall not be less than the number of shareholder directors in a depository.

(4) The managing director shall be an ex-officio director on the governing board and shall not be included in either the category of public interest directors or shareholder directors.

(5) Any employee of a depository may be appointed on the governing board in addition to the managing director, and such director shall be deemed to be a shareholder director.

(6) Atleast one public interest director shall be present in the meetings of the governing board to constitute the quorum.

(7) The disclosure requirements and corporate governance norms as specified for listed companies shall mutatis mutandis apply to a depository.

(8) Every existing depository shall comply with this regulation within a period of three months from the date of commencement of Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2012.

Conditions of appointment of directors.

9B. (1) The appointment and re-appointment of all shareholder directors on the governing board of every depository shall be with the prior approval of the Board.

(2) The public interest directors on the governing board of a depository shall be nominated by the Board. 6

(3) Public interest directors shall be nominated for a term of three years, or for such extended period, as may be approved by the Board:

Provided that such term shall be subject to retirement and reappointment.

(4) If any issue arises as to whether an assignment or position of a public interest director is in conflict with his role, the Board's decision shall be final.

(5) Upon completion of a term of three years as per sub-regulation (3), a public interest director may be renominated after a cooling-off period of one year or such period as the Board may deem fit in the interest of the securities market.

(6) Public interest directors shall be paid only sitting fees as specified in the Companies Act, 1956.

Appointment of managing director.

9C. (1) The appointment, renewal of appointment and termination of service of the managing director of a depository shall be subject to prior approval of the Board.

(2) Every depository shall, subject to the guidelines issued by the Boar from time to time, determine the qualification, manner of appointment, terms and conditions of appointment and other procedural formalities relating to the selection/ appointment of the managing director.

(3) The appointment of the managing director shall be for a tenure not less than three years and not exceeding five years.

(4) The managing director of a depository shall not—

(a) be a shareholder or an associate of a shareholder of a depository or shareholder of an associate of a depository;

(b) be a depository participant, or his associate and agent, or shareholder of a depository participant or shareholder of an associate and agent of a depository participant; or

(c) hold any position concurrently in the subsidiary of a depository or in any other entity associated with a depository:

Provided that the managing director of a depository may be appointed on the governing board, but not as managing director, of the subsidiary or associate of a depository.

(5) The managing director shall be liable for removal or termination of services by the governing board of the depository with the prior approval of the Board for failure to give effect to the directions, guidelines and other orders issued by the Board, or the rules, instructions, the articles of association and bye-laws of the depository.

(6) The Board maysuomotu remove or terminate the appointment of the managing director if deemed fit in the interest of securities market:

Provided that no managing director shall be removed unless he has been given a reasonable opportunity of being heard.

Code of Conduct for directors and key management personnel.

9D. (1) Every director of a depository shall abide by the Code of Conduct specified under Part-A of Fourth Schedule of these regulations.

(2) Every director and key management personnel of a depository shall abide by the Code of Ethics specified under Part-B of Fourth Schedule of these regulations.

(3) Every director and key management personnel of a depository shall satisfy the fit and proper person criteria at all times as per sub-regulation (2) of regulation 6A.

(4) The Board may, for any failure by the directors to abide by these regulations or the Code of Conduct or Code of Ethics or in case of any conflict of interest, either upon a reference from the depository or suomotu, take appropriate action including removal or termination of the appointment of any director, after providing him a reasonable opportunity of being heard.

Compensation and tenure of key management personnel.

9E. (1) A depository shall constitute a compensation committee comprising a majority of public interest directors and chaired by a public interest director.

(2)The compensation committee shall determine the compensation of key management personnel in terms of a compensation policy.

(3) The compensation policy shall be in accordance with the norms specified by the Board.

(4) The compensation payable to the managing director shall be as approved by the Board and the terms and conditions of the compensation of the managing director shall not be changed without prior approval of the Board.

(5) The compensation given to the key management personnel shall be disclosed in the Report of the depository under section 217 of the Companies Act, 1956.

(6) The tenure of a key management personnel, other than a director, in a department, shall be for a fixed period, as may be decided by the compensation committee.

Segregation of regulatory departments.

9F. The depository shall segregate its regulatory departments from other departments

in the manner specified in Fifth Schedule of these regulations.]

CHAPTER III

CERTIFICATE OF COMMENCEMENT OF BUSINESS

Application for grant of certificate of commencement of business.

10. A depository which has been granted a certificate of registration under regulation 7, shall within one year from the date of issue of such certificate make an application to the Board for commencement of business in Form C.

Application to conform to the requirements.

11. Any application in Form C which is not complete in all respects and does not conform to instructions specified therein shall be rejected :

Provided that before rejecting any such application, the applicant shall be given in writing an opportunity to remove within thirty days of the date of communication in this regard, the objections indicated by the Board :

Provided further that the Board may, on being satisfied that it is necessary to extend the period specified in the first proviso, extend such period by such further time as it thinks necessary in order to enable the applicant to remove the objections indicated by the Board.

Furnishing of information, clarification and personal representation.

12. (1) The Board may require the depository to furnish such further information or clarification regarding matters relevant for the grant of certificate of commencement of business.

(2) The depository or its authorised representative, if so required, shall appear before the Board for personal representation in connection with the grant of certificate of commencement of business.

Consideration of application for grant of certificate of commencement of business.

13. (1) The Board shall take into account for considering grant of certificate of commencement of business, all matters which are relevant to the efficient and orderly functioning of the depository and in particular, the following, namely, whether—

(*a*) the depository has a net worth of not less than rupees one hundred crores;

(*b*) the bye-laws of the depository have been approved by the Board;

(*c*) the automatic data processing systems of the depository have been protected against unauthorised access, alteration, destruction, disclosure or dissemination of records and data;

(*d*) the network through which continuous electronic means of communications are established between the depository, participants, issuers and issuers' agents is secure against unauthorised entry or access;

(*e*) the depository has established standard transmission and encryption formats for electronic communications of data between the depository, participants, issuers and issuers' agents;

(*f*) the physical or electronic access to the premises, facilities, automatic data processing systems, data storage sites and facilities including back up sites and facilities and to the electronic data communication network connecting the depository, participants, issuers and issuers' agents is controlled, monitored and recorded;

(*g*) the depository has a detailed operations manual explaining all aspects of its functioning, including the interface and method of transmission of information between the depository, issuers, issuers' agents, participants and beneficial owners;

(*h*) the depository has established adequate procedures and facilities to ensure that its records are protected against loss or destruction and arrangements have been made for maintaining back up facilities at a location different from that of the depository;

(*i*) the depository has made adequate arrangements including insurance for indemnifying the beneficial owners for any loss that may be caused to such beneficial owners by the wrongful act, negligence or default of the depository or its participants or of any employee of the depository or participant; and

(*j*) the grant of certificate of commencement of business is in the interest of investors in the securities market.

(2) The Board shall, before granting a certificate of commencement of business under this Chapter make a physical verification of the infrastructure facilities and systems established by the depository.

[32]**[Networth certificate.**

[32] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.

13A. (1) Every depository shall maintain networth as specified under regulation 13 at all times and submit an audited networth certificate from the statutory auditor on a yearly basis by the thirtieth day of September of every year for the preceding financial year.

Explanation. – For the purposes of this regulation, 'networth of a depository' means the aggregate value of paid up equity share capital plus free reserves (excluding statutory funds, benefit funds and reserves created out of revaluation) reduced by the investments in businesses, whether related or unrelated, aggregate value of accumulated losses and deferred expenditure not written off, including miscellaneous expenses not written off.

(2) Every depository shall within one month of the date of the holding of its annual general meeting, furnish to the Board a copy of its audited balance-sheet and profit and loss account for the preceding financial year.]

Grant of certificate of commencement of business.

14. After considering the application under regulation 13 with reference to the matters specified in sub-regulation (1) of regulation 13 and making physical verification under sub-regulation (2) of that regulation, if the Board is satisfied that the depository is eligible to commence business as a depository, shall grant a certificate of commencement of business in Form D.

[33][Depository to abide by the Code of Conduct.

14A. The depository holding a certificate of commencement of business shall, at all times, abide by the Code of Conduct as specified in the Sixth Schedule.]

Procedure where certificate of commencement of business is not granted.

15. (1) If the Board, after considering the matters specified in sub-regulation (1) of regulation 13 and making physical verification under sub-regulation (2) of that regulation, is of the opinion that the depository shall not be granted a certificate of commencement of business, it may either—

(*a*) direct the depository to conform to the matters specified in regulation 13; or

(*b*) reject the application after giving the applicant an opportunity of being heard.

(2) The decision of the Board to reject the application shall be communicated to the depository in writing within thirty days of such decision, stating therein the grounds on which the application has been rejected.

CHAPTER IV

REGISTRATION OF PARTICIPANT

Application for grant of certificate of [34][***] registration.

[33] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.

[34] The word "initial" was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission the

16. (1) An application for the grant of a certificate of [35][***] registration as a participant shall be made to the Board in Form E, through [36][the] depository in which the applicant proposes to act as a participant, shall be accompanied by the fee specified in Part A of the Second Schedule and be paid in the manner specified in Part B thereof.

(2) The depository shall forward to the Board the application in Form E as early as possible, but not later than thirty days along with its recommendations and certifying that the participant complies with the eligibility criteria including adequate infrastructure as provided for in these regulations and the bye-laws of the depository.

Application to conform to the requirements.

17. An application in Form E, which is not complete in all respects and does not conform to the instructions specified therein, shall be rejected:

Provided that before rejecting any such application, the applicant shall be given in writing an opportunity to remove within thirty days of the date of communication in this regard, the objections indicated by the Board :

Provided further that the Board may, on being satisfied that it is necessary to extend the period specified in the first proviso, extend such period by such further time as it thinks necessary in order to enable the applicant to remove the objections indicated by the Board.

Furnishing information, clarification, and personal representation.

18. (1) The Board may require the applicant, or the depository to which the applicant is to be admitted as a participant, to furnish such further information or clarification as may be considered necessary for the grant of a certificate of [37][***] registration to the applicant.

(2) The applicant or his authorised representative shall, if so required, appear before the Board for personal representation in connection with the grant of a certificate of [38][***] registration.

Consideration of application for grant of certificate of [39][***] registration.

---

word “initial” was inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[35] The word “initial” was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission the word “initial” was inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[36] Substituted for "each" by the SEBI (Depositories and Participants) (Amendment) Regulations, 2014, w.e.f. 24-12-2014.

[37] The word “initial” was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission the word “initial” was inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[38] The word “initial” was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission the word “initial” was inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[39] The word “initial” was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission the

19. For the purpose of grant of certificate of [40][***] registration, the Board shall take into account all matters which are relevant to or relating to the efficient and orderly functioning of a participant and in particular, whether the applicant complies with the following requirements, namely :—

(*a*) the applicant belongs to one of the following categories,—

(*i*) a public financial institution as defined in section 4A of the Companies Act, 1956 (1 of 1956);

(*ii*) a bank included for the time being in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);

(*iii*) a foreign bank operating in India with the approval of the Reserve Bank of India;

(*iv*) a State Financial Corporation established under the provisions of section 3 of the State Financial Corporations Act, 1951 (63 of 1951);

(*v*) an institution engaged in providing financial services, promoted by any of the institutions mentioned in sub-clauses (*i*), (*ii*), (*iii*) and (*iv*), jointly or severally;

(*vi*) a custodian of securities who has been granted a certificate of registration by the Board under sub-section (1A) of section 12 of the Act;

(*vii*) a clearing corporation [41][or a clearing house] of a stock exchange;

(*viii*) a stock broker who has been granted a certificate of registration by the Board under sub-section (1) of section 12 of the Act :

[42][**Provided** that the stock broker shall have a minimum net worth of rupees 50 lakhs and the aggregate value of portfolio of securities of the beneficial owners held in dematerialised form in a depository through him, shall not exceed [43][100 times of the net worth of the stock broker]:

Provided further that if the stock broker seeks to act as a participant in more than one depository, he shall comply with the criteria specified in the first proviso separately for each such depository :

[44][**Provided further** that where the stock broker has a minimum net worth of rupees ten crore, the limits on the aggregate value of the portfolio of securities of the beneficial owners held in dematerialized form in a depository through him shall not be applicable;]

(*ix*) a non-banking finance company, having a net worth of not less than rupees fifty lakhs :

Provided that such company shall act as a participant only on behalf of itself and not on behalf of any other person :

[45][**Provided further** that a non-banking finance company may act as a participant on behalf of any other person, if it has a net worth of Rs. 50 crore in addition to the net worth specified by any other authority;]

---

word "initial" was inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[40] The word "initial" was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission the word "initial" was inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[41] Inserted by the by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

[42] Substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1999, w.e.f. 20-5-1999.

[43] Substituted by the SEBI (Depositories and Participants) (Third Amendment) Regulations, 1999, w.e.f. 21-9-1999.

[44] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2003, w.e.f. 16-6-2003.

[46][(*x*) a registrar to an issue or share transfer agent who has a minimum net worth of [47][rupees ten crores] and who has been granted a certificate of registration by the Board under sub-section (1) of section 12 of the Act;

[48][***]]

(*b*) the applicant is eligible to be admitted as a participant of the depository through which it has made the application to the Board;

(*c*) the applicant has adequate infrastructure, systems, safeguards and trained staff to carry on activity as a participant;

[49][(*cc*) the applicant is a fit and proper person; and]

(*d*) the grant of [50][***] certificate of registration is in the interests of investors in the securities market.

Grant of certificate of [51][***] registration.

20. (1) After considering the application under regulation 16, with reference to the matters specified in regulation 19, if the Board is satisfied that the applicant is eligible for grant of certificate of [52][***] registration, grant a certificate in Form F.

(2) The grant of certificate of [53][***] registration in Form F shall be subject to the following, namely :—

(*a*) the participant shall pay the registration fee specified in Part A of the Second Schedule in the manner specified in Part B thereof, within fifteen days of the receipt of intimation from the Board;

(*b*) the participant shall comply with the provisions of the Act, Depositories [54][Act], the bye-laws, agreements and these regulations;

(*c*) the depository through which an application for certificate of registration has been forwarded holds a certificate of commencement of business under regulation 14;

---

[45] Inserted by the by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

[46] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1999, w.e.f. 20-5-1999.

[47] Substituted for “50 lakhs” by the SEBI (Depositories and Participants) (Amendment) Regulations, 2003, w.e.f. 16-6-2003.

[48] Proviso omitted by SEBI (Depositories and Participants) (Third Amendment) Regulations, 1999, w.e.f. 21-9-1999.

[49] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1998, w.e.f. 5-1-1998.

[50] The word “initial” was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission the word “initial” was inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[51] The word “initial” was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission the word “initial” was inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[52] The word “initial” was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission the word “initial” was inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[53] The word “initial” was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission the word “initial” was inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[54] Substituted for “Ordinance” by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

[55][(ca) where the participant proposes change in control, it shall obtain prior approval of the Board for continuing to act as such after the change;]

(*d*) if any information previously submitted by the participant to the Board is found to be false or misleading in any material particular, or if there is any change in such information, the participant shall forthwith inform the Board in writing ;

(*e*) the participant shall redress the grievances of beneficial owners within thirty days of the date of the receipt of the complaint and keep the depository informed about the number and the nature of redressals; and

(*f*) the participant shall pay annual fees specified in Part A of the Second Schedule in the manner specified in Part B thereof.

[56][(3) The certificate of registration granted under sub-regulation (1) shall be valid unless it is suspended or cancelled by the Board.]

[57][(4) The participant who has already been granted certificate of registration by the Board, prior to the commencement of the Securities and Exchange Board of India (Change in Conditions of Registration of Certain Intermediaries) (Amendment) Regulations, 2016 shall be deemed to have been granted a certificate of registration, in terms of sub-regulation (1).]

[58][(5) The participant, to keep the registration in force, shall pay registration fee as specified in Part A of the Second Schedule for every five years from the sixth year of the date of grant of certificate of registration or of the date of grant of certificate of initial registration granted prior to the commencement of the Securities and Exchange Board of India (Change in Conditions of Registration of Certain Intermediaries) (Amendment) Regulations, 2016, as the case may be.]

[59][(6) The fee specified in sub-regulation (5) shall be paid three months prior to the expiry of the block for which the fee has been paid.]

[60][(7) The participant shall immediately intimate the Board, details of changes that have taken place in the information that was submitted, while seeking registration.]

[61][20A.*]**

---

[55] Inserted by the SEBI (Change in Conditions of Registration of Certain Intermediaries) (Amendment) Regulations, 2011, w.e.f. 19-4-2011.

[56] Substituted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to substitution, sub-regulation (3) as inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011, read as under:

"(3) The certificate of initial registration granted under sub-regulation (1) shall be valid for a period of five years from the date of its issue to the applicant"

[57] Inserted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

[58] Inserted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

[59] Inserted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

[60] Inserted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

[61] Omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission, regulation 20A as substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011 read as under:

[62][Participants to abide by code of conduct.**

20AA. The participant holding a certificate of [63][***] registration shall, at all times, abide by the Code of Conduct as specified in Third Schedule.]

[64][Acting as participant in more than one depository.

20AB. (1) A participant who has been granted a certificate of registration may act as a participant of another depository without obtaining separate certificate of registration subject to approval by such other depository.

"**Grant of certificate of permanent registration.**

20A.(1) A participant who has been granted a certificate of initial registration may, three months before the expiry of the period of certificate of initial registration, make an application for grant of a certificate of permanent registration in Form E, through the depository in which it is a participant.

(2) The participant who has already been granted a certificate of registration or has obtained renewal of certificate of registration, prior to the commencement of the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2011, may, three months before the expiry of validity of certificate of registration or before, make an application for grant of a certificate of permanent registration in Form E, through the depository in which it is a participant.

(3) The application under sub-regulation (1) or sub-regulation (2) shall be accompanied by the application fees as specified in Part A of the Second Schedule and be paid in the manner specified in Part B thereof.

(4) The application for grant of a certificate of permanent registration shall be accompanied by details of the changes that have taken place in the information that was submitted to the Board while seeking initial registration or renewal, as the case may be, and a declaration stating that no changes other than those as mentioned in such details have taken place.

(5) The application for permanent registration made under sub regulation (1) or (2) shall be dealt with in the same manner as if it were a fresh application for grant of a certificate of initial registration.

(6) The Board, on being satisfied that the applicant is eligible, shall grant a certificate of permanent registration in Form F and shall send an intimation to the applicant.

(7) On the grant of a certificate of permanent registration the participant shall be liable to pay registration fee as specified in the Second Schedule of these regulations, within a period of fifteen days of receipt of intimation from the Board.

(8) The participant shall pay annual fee as specified in the Second Schedule of these regulations.]

[61][(9) The participant, to keep the registration in force, shall pay registration fee as specified in Part A of the Second Schedule for every five years from the sixth year of the date of grant of certificate of permanent registration.

(10) The fee specified in sub-regulation (9) shall be paid three months prior to the expiry of the block for which the fee has been paid.]"

Prior to substitution, regulation 20A as amended by the SEBI (Depositories and Participants) (Third Amendment) Regulations, 2003, w.e.f. 1-10-2003, read as under:

"**Participants to abide by Code of Conduct.**

20A. The participant holding a certificate shall, at all times, abide by the Code of Conduct as specified in the Third Schedule."

[62] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[63] The words "initial or permanent" was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

[64] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2014, w.e.f. 24-12-2014.

(2) Such a participant who desires to act as a participant of another depository shall apply to such other depository for approval in the manner as specified by the Board.

(3) On receipt of an application under sub-regulation (2), the depository shall, on being satisfied with the compliance of the provisions of these regulations and other relevant eligibility requirements specified by the Board, grant approval to act as its participant subject to payment of registration fees specified in Part A of Second Schedule in the manner specified in Part B thereof, by the participant within 15 days of the receipt of intimation from the depository.

(4) The depository shall inform the Board about the approval granted under subregulation (3).

(5) A participant who has been granted approval under sub-regulation (3) shall pay annual fees specified in Part A of Second Schedule in the manner specified in Part B thereof, separately for each depository.

(6) To keep the registration in force, a participant who has been granted approval under sub-regulation (3) shall pay registration fees specified in Part A of Second Schedule in the manner specified in Part B thereof, for every five years from the sixth year of the date of grant of approval by the depository.]

21 [65][***]

22. [66][***]

23 [67][***]

Procedure where certificate of [68][***] registration is not granted.

24.[69][Where an application for grant of a certificate of registration under regulation 16 does not satisfy the requirements specified in regulation 19, the Board shall reject the application after giving the applicant an opportunity of being heard.]

---

[65] Omitted, *ibid.* Prior to omission, it read as under:

"Period of validity of the certificate of registration.

21. The certificate of registration issued under regulation 20, or renewed under regulation 22 shall be valid for a period of five years from the date of its issue or renewal, as the case may be."

[66] Omitted, *ibid*. Prior to omission, it read as under:

"Renewal of certificate of registration.

22. (1) Three months before the expiry of the period of validity of a certificate of registration, the participant shall, if it so desires, make an application for renewal in Form E through the depository in which it is a participant.

(2) The application for renewal under sub-regulation (1) shall accompany the fee specified for issue of certificate of registration and shall be dealt with in the same manner as if it were a fresh application for grant of certificate of registration."

[67] Omitted, *ibid*. Prior to omission, it read as under:

"Conditions of renewal of certificate of registration.

23. The Board may renew a certificate of registration granted to a participant subject to the conditions of certificate of registration specified in regulation 22."

[68] The words "initial or permanent" was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission, the words "initial or permanent" was inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

(2) The decision of the Board to reject the application shall be communicated to the applicant in writing within thirty days of such decision, stating therein the grounds on which the application has been rejected.

25. [70][***]

CHAPTER V

RIGHTS AND OBLIGATIONS OF DEPOSITORIES, PARTICIPANTS, ISSUERS, MANNER OF SURRENDER OF CERTIFICATE OF SECURITY AND CREATION OF PLEDGE OR HYPOTHECATION

Rights and obligations of depositories, etc.

26. The depositories, participants, issuers, and issuers' agents, in addition to the rights and obligations laid down in the Depositories [71][Act] and the bye-laws shall have the rights and obligations arising from the agreements entered into by them.

Depository to declare specific securities eligible.

---

[69] Substituted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to substitution, sub-regulation (1) read as under:

"(1) Where an application for the grant of certificate of [69][initial registration under regulation 16 or of permanent registration under regulation 20A] does not satisfy the requirements specified in regulation 19, the Board shall reject the application after giving the applicant an opportunity of being heard."

Prior to above, the words and figures "initial registration under regulation 16 or of permanent registration under regulation 20A" were substituted for the words and figures "registration under regulation 16 or for its renewal under regulation 22", by theSEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[70] Omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission, regulation 25 read as under:

"**Effect of refusal to [70][grant certificate of permanent] registration.**

25. Any participant whose application for a certificate of [70][permanent registration] has been rejected by the Board under regulation [70][20A], shall from the date of expiry of the certificate of registration sought to be renewed, cease to carry on any activity as a participant :

Provided that the Board may, in the interest of the investors in the securities market permit the participant to carry on activities undertaken prior to the receipt of the intimation of refusal subject to such condition as the Board may specify."

Prior to omission, by the by theSEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011, the words "grant of certificate of permanent" substituted the words "renew a certificate of", the words "permanent registration" substituted the words "registration as a participant", and the words "20A" substituted the words *"24"*,

[71] Substituted for "Ordinance" by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

27. Every depository shall, in its bye-laws, state the specific securities which are eligible for being held in dematerialised form in the depository.

Security eligible for dematerialisation.

28. The following securities shall be eligible for being held in dematerialised form in a depository :—

(*a*) shares, scrips, stocks, bonds, debentures, debenture stock[72][, Indian Depository Receipts] or other marketable securities of a like nature in or of any incorporated company or other body corporate;

(*b*) units of mutual funds, rights under collective investment schemes and venture capital funds, commercial paper, certificates of deposit, securitised debt, money market instruments, [73][Government securities] and unlisted securities shall also be similarly eligible for being held in dematerialised form in a depository;

[74]**[**(c) *any other security as may be specified by the Board from time to time, by way of a notification in the Official Gazette and subject to such conditions as it may deem fit to impose.***]**

Agreement between depository and issuer.

29.[75][(1) Either on the issuer or on the investor exercising an option to hold his securities with a depository in dematerialised form, the issuer shall enter into an agreement with the depository to enable the investor to dematerialise the securities:]

[76][**Provided** that no agreement shall be required to be entered into where the depository itself is an issuer of securities :]

[77][**Provided further** that no such agreement shall be required to be entered into where the State or the Central Government is the issuer of Government securities.]

(2) Where the issuer has appointed a Registrar to the Issue or Share Transfer Agent, who has been granted certificate of registration by the Board under sub-section (1) of section 12 of the Act, the depository shall enter into a tripartite agreement with the issuer and the Registrar to the Issue or Share Transfer Agent, as the case may be, in respect of the securities to be declared by the depository as eligible to be held in dematerialised form.

Systems and procedures.

30. Every depository shall have systems and procedures which will enable it to co-ordinate with the issuer or its agent, and the participants, to reconcile the records of ownership of securities with the issuer or its agent, as the case may be, and with participants, on a daily basis.

Connectivity.

---

[72] Inserted by the SEBI (Facilitation of Issuance of Indian Depository Receipts) (Amdt.) Regulations, 2009, w.e.f. 19-6-2009.

[73] Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1998, w.e.f. 21-1-1998.

[74] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2004, w.e.f. 10-6-2004.

[75] Substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

[76] Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1997, w.e.f. 5-9-1997.

[77] Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1998, w.e.f. 21-1-1998.

31. Every depository shall maintain continuous electronic means of communication with all its participants, issuers or issuers' agents, as the case may be, clearing houses and clearing corporations of the stock exchanges and with other depositories.

[78]**[Mechanism for investor protection.**

32. The depository shall satisfy the Board that it has a mechanism in place to ensure that the interests of the persons buying and selling securities held in the depository are adequately protected.]

Withdrawal by participant.

33. Every depository shall allow any participant to withdraw, or transfer its account, if the request for such withdrawal or transfer is in accordance with conditions stipulated thereforein the bye-laws of the depository.

Internal monitoring, review and evaluation of systems and controls.

34. Every depository shall have adequate mechanisms for the purposes of reviewing, monitoring and evaluating the depository's controls systems, procedures and safeguards.

External monitoring, review and evaluation of systems and controls.

35. Every depository shall cause an inspection of its controls, systems, procedures and safeguards to be carried out annually and forward a copy of the report to the Board.

[79]**[Business Continuity Plan.**

35A. A depository shall have adequate Business Continuity Plan for data and electronic records to prevent, prepare for, and recover from any disaster.]

[80][**Wind-down Plan.**

35B. Every depository shall devise and maintain a wind-down plan in accordance with guidelines specified by the Board. Explanation:- For the purpose of this regulation, 'wind-down plan' means a process or plan of action employed, for transfer of the beneficial owner accounts and other 2 operational powers of the depository to an alternative institution that would take over the operations of the depository

---

[78] Substituted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 2008, w.e.f. 8-8-2008. Prior to substitution, it read as under:

"Transfer to be effected only after payment.

32. The depository shall satisfy the Board that it has a mechanism in place to ensure that the interest of the persons buying and selling securities held in the depository are adequately protected and shall register the transfer of a security in the name of the transferee only after the depository is satisfied that payment for such transfer has been made."

[79] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.

[80] Inserted by the SEBI (Depositories and Participants) (Third Amendment) Regulations, 2016 w.e.f. from 27-05-2016.

in scenarios such as erosion of net-worth of the depository or its insolvency or its inability to provide critical depository operations or services.]

Insurance against risks.

36. Every depository shall take adequate measures including insurance to protect the interests of the beneficial owners against risks likely to be incurred on account of its activities as a depository.

Manner of keeping records.

37. Where records are kept electronically by the depository, it shall ensure that the integrity of the automatic data processing systems is maintained at all times and take all precautions necessary to ensure that the records are not lost, destroyed or tampered with and in the event of loss or destruction, ensure that sufficient back up of records is available at all times at a different place.

Records to be maintained.

38. (1) Every depository shall maintain the following records and documents, namely :—

(*a*) records of securities dematerialised and rematerialised;

(*b*) the names of the transferor, transferee, and the dates of transfer of securities;

(*c*) a register and an index of beneficial owners;

[81][(*cc*) details of the holding of the securities of beneficial owners as at the end of each day;]

(*d*) records of instructions received from and sent to participants, issuers, issuers' agents and beneficial owners;

(*e*) records of approval, notice, entry and cancellation of pledge or hypothecation, as the case may be;

(*f*) details of participants;

(*g*) details of securities declared to be eligible for dematerialisation in the depository; and

(*h*) such other records as may be specified by the Board for carrying on the activities as a depository.

(2) Every depository shall intimate the Board the place where the records and documents are maintained.

(3) Subject to the provisions of any other law the depository shall preserve records and documents for a minimum period of five years.

Co-operation with other entities.

39. Every depository shall extend all such co-operation to the beneficial owners, issuers, issuers' agents, custodians of securities, other depositories and clearing organizations as is necessary for the effective, prompt and accurate clearance and settlement of securities transactions and conduct of business.

[82][Consolidated account statement.

---

[81] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

[82] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2013, w.e.f. 17-5-2013.

39A. In order to enable generation of a consolidated account statement for the use of a beneficial owner in respect of all demat assets held by him, the depository shall enter into necessary agreements for sharing of such information.]

Prohibition of assignment.

40. No depository shall assign or delegate to any other person its functions as a depository, without the prior approval of the Board.

Agreement by participant.

41. Every participant shall enter into an agreement with a beneficial owner before acting as a participant on his behalf, in a manner specified by the depository in its bye-laws.

Separate accounts.

42. (1) Separate accounts shall be opened by every participant in the name of each of the beneficial owners and the securities of each beneficial owner shall be segregated, and shall not be mixed up with the securities of other beneficial owners or with the participant's own securities.

(2) A participant shall register the transfer of securities to or from a beneficial owner's account only on receipt of instructions from the beneficial owner and thereafter confirm the same to the beneficial owner in a manner as specified by the depository in its bye-laws.

(3) Every entry in the beneficial owner's account shall be supported by electronic instructions or any other mode of instruction received from the beneficial owner in accordance with the agreement with the beneficial owner.

Statement of accounts.

43. Every participant shall provide statements of account to the beneficial owner in such form and in such manner and at such time as provided in the agreement with the beneficial owner.

Transfer or withdrawal by beneficial owner.

44. Every participant shall allow a beneficial owner to withdraw or transfer from his account in such manner as specified in the agreement with the beneficial owner.

Connectivity.

45. Every participant shall maintain continuous electronic means of communication with each depository in which it is a participant.

Monitoring, reviewing and evaluating internal systems and controls.

46. Every participant shall have adequate mechanism for the purpose of reviewing, monitoring and evaluating the participant's internal accounting controls and systems.

Reconciliation.

47. Every participant shall reconcile his records with every depository in which it is a participant on a daily basis.

Returns.

48. Every participant shall submit periodic returns to the Board and to every depository in which it is a participant in the format specified by the Board or the bye-laws of the depository, as the case may be.

Record of services.

49. (1) Every participant shall maintain the following records and documents, namely :—

(*a*) records of all the transactions entered into with a depository and with a beneficial owner;

(*b*) details of securities dematerialised, rematerialised on behalf of beneficial owners with whom it has entered into an agreement;

(*c*) records of instructions received from beneficial owners and statements of account provided to beneficial owners; and

(*d*) records of approval, notice, entry and cancellation of pledge or hypothecation, as the case may be.

(2) Every participant shall make available for the inspection of the depository in which it is a participant all records referred to in sub-regulation (1).

(3) Every participant shall allow persons authorised by the depository in which it is a participant to enter its premises during normal office hours and inspect its records.

(4) Every participant shall intimate the Board the place where the records and documents are maintained.

(5) Subject to the provisions of any other law, the participant shall preserve records and documents for a minimum period of five years.

Manner of keeping records.

50. Where records are kept electronically by the participant it shall ensure that the integrity of the data processing systems is maintained at all times and take all precautions necessary to ensure that the records are not lost, destroyed or tampered with and in the event of loss or destruction, ensure that sufficient back up of records is available at all times at a different place.

Records to be maintained depository-wise.

51. If a participant enters into an agreement with more than one depository, it shall maintain the records specified in regulation 49 separately in respect of each depository.

Prohibition of assignment.

52. No participant shall assign or delegate its functions as participant to any other person, without the prior approval of the depository.

Agreement by issuer.

53. Every issuer whose securities have been declared as eligible to be held in dematerialised form in a depository shall enter into an agreement with the depository in accordance with the provisions of regulation 29:

[83][**Provided** that no agreement shall be required to be entered into in case,—

(*i*) the depository is the issuer of securities; or

(*ii*) the State or the Central Government is the issuer of Government securities.]

[84][**Manner of handling share registry work.**

53A. All matters relating to transfer of securities, maintenance of records of holders of securities, handling of physical securities and establishing connectivity with the depositories shall be handled and maintained at a single point *i.e.* either in-house by the issuer or by a Share Transfer Agent registered with the Board.

Redressal of investor grievances.

53B. Every issuer or its agent or any person who is registered as an intermediary under this Act, shall redress the grievances of beneficial owners within thirty days of the date of receipt of the complaint and keep the depository informed about the number and nature of grievances redressed by it and the number of grievances pending before it.]

[85][Investor Protection Fund.

53C.(1) Every depository shall establish and maintain an Investor Protection Fund for the protection of interest of beneficial owners:

Provided that this Fund shall not be used by the depository for the purpose of indemnifying the beneficial owner under section 16 of the Depositories Act, 1996.

[86][(2) Every depository shall credit five per cent or such percentage as may be specified by the Board, of its profits from depository operations every year to the Investor Protection Fund.]

(3) The contribution to and utilization of the Investor Protection Fund shall be in accordance with the norms specified by the Board.]

Manner of surrender of certificate of security.

54. (1) Any beneficial owner, who has entered into an agreement with a participant, shall inform the participant of the details of the certificate of security which is to be dematerialised, and shall surrender such certificate to the participant :

Provided that where a beneficial owner has appointed a custodian of securities, then he may surrender the certificates of security to the participant through his custodian of securities.

---

[83] Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1998, w.e.f. 21-1-1998.

[84] Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 2003, w.e.f. 2-9-2003.

[85] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.

[86] Substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2016 w.r.e.f. 11-09-2012. Prior to its substitution, sub-regulation (2) read as under:

"(2) Every depository shall credit twenty five per cent. of its profits every year to the Investor Protection Fund."

(2) The participant shall, on receipt of information under sub-regulation (1), forward such details of the certificate of security to the depository and shall confirm to the depository that an agreement has been entered into between the participant and the beneficial owner.

(3) The participant shall maintain records indicating the names of beneficial owners of the securities surrendered, the number of securities and other details of the certificate of security received.

[87][(4) The participant shall, within seven days of the receipt of certificate of security referred to in sub-regulation (1) furnish to the issuer details specified in sub-regulation (2) along with the certificate of security.

(5) Within 15 days of receipt of the certificate of security from the participant the issuer shall confirm to the depository that securities comprised in the said certificate have been listed on the stock exchange or exchanges where the earlier issued securities are listed and shall also after due verification immediately mutilate and cancel the certificate of security and substitute in its record the name of the depository as the registered owner and shall send a certificate to this effect to the depository and to every stock exchange where the security is listed :

Provided that in case of unlisted companies the condition of listing on all the stock exchanges where earlier issued shares are listed, shall not be applicable.]

(6) Immediately upon receipt of information from the issuer under sub-regulation (5), the depository shall enter in its records the name of the person who has surrendered the certificate of security as the beneficial owner, as well as the name of the participant from whom it has received intimation under sub-regulation (2), and shall send an intimation of the same to the participant.

(7) The issuer shall maintain a record of certificates of securities which have been dematerialised.

Reconciliation.

55. The issuer or its agent shall reconcile the records of dematerialised securities with all the securities issued by the issuer, on a daily basis:

[88][**Provided** that where the State or the Central Government is the issuer of Government securities, the depository shall, on a daily basis, reconcile the records of the dematerialised securities.]

[89][**Audit.**

55A. (1) Every issuer shall submit audit report on a quarterly basis, starting from September 30, 2003, to the concerned stock exchanges audited by a qualified Chartered Accountant or a practicing Company Secretary, for the purposes of reconciliation of the total issued capital, listed capital and capital held by depositories in dematerialized form, the details of changes in share capital during the quarter and the in-principle approval obtained by the issuer from all the stock exchanges where it is listed in respect of such further issued capital.

(2) The audit report under sub-regulation (1) shall also give the updated status of the register of members of the issuer and confirm that securities have been dematerialized as per requests within 21 days from the

---

87 Substituted, supra

88 Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1998, w.e.f. 21-1-1998.

89 Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 2003, w.e.f. 2-9-2003.

date of receipt of requests by the issuer and where the dematerialization has not been effected within the said stipulated period, the report shall disclose the reasons for such delay.

(3) The issuer shall immediately bring to the notice of the depositories and the stock exchanges, any difference observed in its issued, listed, and the capital held by depositories in dematerialised form.]

Connectivity.

56. Every issuer or its agent shall establish continuous electronic means of communication with the depository with which it has entered into an agreement.

Information.

57. Every issuer whose securities have been declared as eligible for dematerialisation in a depository shall give information to the depository about book closures, record dates, dates for the payment of interest or dividend, dates for annual general meetings and other meetings, dates for redemption of debentures, dates for conversion of debentures and warrants, call money dates and such other information at the time and in the manner as may be specified by the depository in its bye-laws or agreement:

[90][**Provided** that no such information would be required to be given to the depository where the State or the Central Government is the issuer of Government securities.]

Manner of creating pledge or hypothecation.

58.[91][(1) If a beneficial owner intends to create a pledge on a security owned by him he shall make an application to the depository through the participant who has his account in respect of such securities.

(2) The participant after satisfaction that the securities are available for pledge shall make a note in its records of the notice of pledge and forward the application to the depository.

(3) The depository after confirmation from the pledgee that the securities are available for pledge with the pledger shall within fifteen days of the receipt of the application create and record the pledge and send an intimation of the same to the participants of the pledger and the pledgee.

(4) On receipt of the intimation under sub-regulation (3) the participants of both the pledger and the pledgee shall inform the pledger and the pledgee respectively of the entry of creation of the pledge.

(5) If the depository does not create the pledge, it shall send along with the reasons an intimation to the participants of the pledger and the pledgee.

(6) The entry of pledge made under sub-regulation (3) may be cancelled by the depository if pledger or the pledgee makes an application to the depository through its participant:

Provided that no entry of pledge shall be cancelled by the depository without prior concurrence of the pledgee.

(7) The depository on the cancellation of the entry of pledge shall inform the participant of the pledger.

---

[90] Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1998, w.e.f. 21-1-1998.

[91] Sub-regulations (1) to (11) substituted for sub-regulations (1) to (12) by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1997, w.e.f. 5-9-1997. Earlier sub-regulation (3) was amended by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

(8) Subject to the provisions of the pledge document, the pledgee may invoke the pledge and on such invocation, the depository shall register the pledgee as beneficial owner of such securities and amend its records accordingly.

(9) After amending its records under sub-regulation (8) the depository shall immediately inform the participants of the pledger and pledgee of the change who in turn shall make the necessary changes in their records and inform the pledger and pledgee respectively.

(10)(*a*) If a beneficial owner intends to create a hypothecation on a security owned by him he may do so in accordance with the provisions of sub-regulations (1) to (9).

(*b*) The provisions of sub-regulations (1) to (9) shall *mutatis mutandis* apply in such cases of hypothecation:

Provided that the depository before registering the hypothecatee as a beneficial owner shall obtain the prior concurrence of the hypothecator.

(11) No transfer of security in respect of which a notice or entry of pledge or hypothecation is in force shall be effected by a participant without the concurrence of the pledgee or the hypothecatee, as the case may be.]

[92][**Investment advice.**

58A. (1) A depository or a participant or any of their employees shall not render, directly or indirectly, any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of his interest including long or short position in the said security has been made, while rendering such advice.

(2) In case an employee of the depository or the participant is rendering such advice, he shall also disclose the interest of his dependent family members and the employer including their long or short position in the said security, while rendering such advice.

Appointment of compliance officer.

58B. A depository and a participant shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Board or the Central Government and for redressal of investors' grievances.

(2) The compliance officer shall immediately and independently report to the Board any non-compliance observed by him.]

[93]**[Equal, fair and transparent access.**

58C. A depository shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities.]

[94][CHAPTER VA

LISTING OF SECURITIES

Listing.

[92]Inserted by the SEBI (Investment Advice by Intermediaries) (Amendment) Regulations, 2001, w.e.f. 29-5-2001.
[93] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.
[94] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.

58D. (1) Subject to the provisions of applicable laws in force, a depository may apply for listing of its securities on a recognised stock exchange if,—

(a) it is compliant with the provisions of these regulations particularly those relating to ownership and governance;

(b) it has completed three years of continuous depository operations immediately preceding the date of application of listing; and

(c) it has obtained approval of the Board.

(2) The Board may specify such conditions as it may deem fit in the interest of the securities market including those in relation to transfer of shares held by any person.

(3) A depository or its associates shall not list its securities on a recognized stock exchange that is a sponsor or associate of the depository]

<u>CHAPTER VI</u>

INSPECTION

Board's right to inspect.

59. The Board may appoint one or more persons as inspecting officer to undertake inspection of the books of account, records, documents and infrastructure, systems and procedures, or to investigate the affairs of a depository, a participant, a beneficial owner an issuer or its agent for any of the following purposes, namely:—

(*a*) to ensure that the books of account are being maintained by the depository, participant, issuer or its agent in the manner specified in these regulations;

(*b*) to look into the complaints received from the depositories, participants, issuers, issuers' agents, beneficial owners or any other person;

(*c*) to ascertain whether the provisions of the Act, the Depositories [95][Act], the bye-laws, agreements and these regulations are being complied with by the depository, participant, beneficial owner, issuer or its agent;

(*d*) to ascertain whether the systems, procedures and safeguards being followed by a depository, participant, beneficial owner, issuer or its agent are adequate;

(*e*) to*suomotu* ensure that the affairs of a depository, participant, beneficial owner, issuer or its agent, are being conducted in a manner which are in the interest of the investors or the securities market.

Notice before inspection and investigation.

60. (1) Before ordering an inspection or investigation under regulation 59, the Board shall give not less than 10 days notice to the depository, participant, beneficial owner, issuer or its agent, as the case may be.

(2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of the investors no such notice should be given, it may, by an order in writing direct that such inspection be taken up without such notice.

(3) During the course of an inspection or investigation, the depository, a participant, a beneficial owner, an issuer or its agent against whom the inspection or investigation is being carried out shall be bound to discharge his obligation as provided in regulation 61.

Obligations on inspection by the Board.

[95] Substituted for "Ordinance" by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

61. (1) It shall be the duty of the depository, a participant, a beneficial owner, an issuer or its agent whose affairs are being inspected or investigated, and of every director, officer and employee thereof, to produce to the inspecting officer such books, securities, accounts, records and other documents in its custody or control and furnish him with such statements and information relating to his activities as a depository, a participant, a beneficial owner, an issuer or its agent, as the inspecting officer may require, within such reasonable period as the inspecting officer may specify.

(2) The depository, a participant, a beneficial owner, an issuer or its agent also allow the inspecting officer to have reasonable access to the premises occupied by him or by any other person on his behalf and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the depository, a participant, a beneficial owner, an issuer or its agent or such other person and also provide copies of documents or other materials which, in the opinion of the inspecting officer are relevant for the purposes of the inspection.

(3) The inspecting officer, in the course of inspection or investigation, shall be entitled to examine or to record the statements of any director, officer or employee of the depository, a participant, a beneficial owner, an issuer or its agent.

(4) It shall be the duty of every director, officer or employee of the depository, a participant, a beneficial owner, an issuer or its agent to give to the inspecting officer all assistance in connection with the inspection, which the inspecting officer may reasonably require.

Submission of report to the Board.

62. The inspecting officer shall, as soon as possible, on completion of the inspection or investigation as the case may be, submit a report to the Board:

Provided that if directed to do so by the Board, he may submit interim reports.

[96][**Action on inspection or investigation report.**

63. The Board or the Chairman shall after consideration of inspection or investigation report take such action as the Board or Chairman may deem fit and appropriate including action under [97][Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.]]

[98][**Appointment of Auditor.**

63A. The Board shall have the power to appoint an auditor to inspect or investigate, into the books of account, records, documents, infrastructures, systems and procedures or affairs of a depository, a participant, a beneficial owner, an issuer or its agent :

Provided that the auditor so appointed shall have the same powers of the inspecting or investigating officer as stated in regulations 59 and 60, and the obligation of the depository, participant, beneficial owner, issuer or its agent and their respective directors, officers and employees, as the case may be, as stated in regulation 61, shall be applicable to the inspection or investigation under this regulation.

Board to recover the expenses.

---

[96] Substituted by the SEBI(Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, w.e.f. 27-9-2002. Earlier it was amended by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

[97] Substituted for "the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002" by the SEBI(Intermediaries) Regulations, 2008, w.e.f. 26-5-2008.

[98] Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1999, w.e.f. 7-7-1999.

63B. The Board shall be entitled to recover from the depository, participant, beneficial owner, issuer or its agent, as the case may be, such expenses including fees paid to the auditors as may be incurred by it for the purposes of inspecting or investigating the books of account, records, documents, infrastructures, system and procedures of the depository, participant, beneficial owner, issuer or its agent, as the case may be.]

[99][**Application of Chapter.**

63C. Nothing contained in this Chapter shall be applicable to the State or the Central Government where it is the issuer of the Government securities.]

CHAPTER VII

PROCEDURE FOR ACTION IN CASE OF DEFAULT

[100][**Liability for action in case of default.**

64. A depository or a participant who—

(*a*) contravenes any of the provisions of the Act, the Depositories Act, the bye-laws, agreements and these regulations;

(*b*) fails to furnish any information relating to its activity as a depository or participant as required under these regulations;

(*c*) does not furnish the information called for by the Board under clause (*a*) of sub-section (1) of section 18 of the Depositories Act or furnishes information which is false or misleading in any material particular;

(*d*) does not co-operate in any inspection or investigation or enquiry conducted by the Board;

(*e*) fails to comply with any direction of the Board issued under section 18 of the Depositories Act;

(*f*) fails to pay the annual fee referred to in regulation 8,

shall be dealt with in the manner provided under [101][Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.]]

[102][Liability for action in case of default by issuer or its agent.

64A. (1) If an issuer or its agent -

(a) contravenes any of the provisions of the Depositories Act, the byelaws,agreements, these regulations and directions issued thereunder; (

b) fails to furnish any information relating to its activity as an issuer as required under these regulations;

(c) does not furnish the information called for by the Board under clause (a) of sub-section (1) of section 18 of the Depositories Act or furnishes information which is false or misleading in any material particular;

[99] Inserted by the SEBI (Depositories and Participants) (Second Amendment) Regulations, 1998, w.e.f. 21-1-1998. Prior to 7-7-1999, Regulation 63C was numbered as regulations 63A.

[100] Substituted by the SEBI(Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, w.e.f. 27-9-2002. Earlier it was amended by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

[101] Substituted for "the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002" by the SEBI(Intermediaries) Regulations, 2008, w.e.f. 26-5-2008.

[102] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2013, w.e.f. 17-5-2013.

(d) does not co-operate in any inspection or investigation or enquiry conducted by the Board;

(e) fails to comply with any direction of the Board issued under section 18 of the Depositories Act,

the Board may, without prejudice to any other action which it may take under the Act, take any action against such issuer or its agent under the Depositories Act.

(2) The depository shall conduct inspection of the records of the issuers or agents, as the case may be to ensure that the records of dematerialised securities are reconciled with all the securities issued by the issuer and submit its report to the Board if there is failure by the issuers or agents in such reconciliation of records.]

65 to 69.[103][***]

[104][CHAPTER VIIA

MISCELLANEOUS

Power to call for information.

70. The Board may from time to time call for any information, documents or records from the depository or its governing board or any shareholder or sponsor thereof and from depository participant.

Directions by the Board.

71. Without prejudice to exercise of its powers under the provisions of the Act, Depositories Act, 1996 and rules and regulations made thereunder, the Board may, either suomotu or on receipt of any information or during pendency of any inspection, inquiry or investigation or on completion thereof, in the interest of public or trade or investors or the securities market, issue such directions as it deems fit, including but not limited to any or all of the following:─

(a) directing a person holding equity shares or rights over equity shares in a depository in contravention of these regulations to divest his holding, in 10 such manner as may be specified in the direction;

(b) directing transfer of any proceeds or securities to the Investor Protection Fund of a depository;

(c) debarring any depository, any shareholder of such depository, or any associate and agent of such shareholder, or any transferee of shares from such shareholder, or sponsor(s), director(s) and key management personnel(s) of the depository from accessing the securities market and/or dealing in securities for such period as may be determined by the Board.

Power to remove difficulties.

72. In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Board shall have the power to issue directions through guidance notes or circulars.

Power to specify procedures, etc. and issue clarifications.

73. For the purposes of implementation of these regulations and matters incidental thereto, the Board may specify norms, procedures, processes, manners or guidelines as specified in these regulations, by way of circulars.

---

[103] Omitted by the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, w.e.f. 27-9-2002.

[104] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.

<u>FIRST SCHEDULE</u>

FORMS

FORM A

Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996

[*See* regulation 3]

Application for grant of certificate of registration as depository

Securities and Exchange Board of India, Mittal Court, 'B' Wing, 1st Floor
Nariman Point, Mumbai 400021 - India

INSTRUCTIONS

i. This form is meant for use by *each person* acting as the sponsor of a depository.

ii. The applicant should complete this form, and submit it, along with all supporting documents to the Board at its head office at Mumbai.

iii. This application form should be filled in accordance with the regulations.

iv. Application for grant of certificate of registration as depository, will be considered provided it is complete in all respects.

v. All answers must be typed.

vi. Information which needs to be supplied in more detail may be given on separate sheets which should be attached to the application form.

vii. The application must be signed and all signatures must be original.

viii. The application must be accompanied by an *application fee* as specified in the Second Schedule to these regulations and by the draft bye-laws.

ix. Every page of the form and every additional sheet *must be initialled* by the authorised signatory of the applicant.

x. All copies of documents should be *attested* as true by an authorised notary.

Items 1-6 pertain to an applicant acting as sponsor

1. Name, address of the registered office, address for correspondence, telephone number(s), fax number(s), telex number(s) and the name of the contact person of the sponsor.

2. Please indicate the name of the depository which is to be sponsored by the applicant.

3. Please indicate the names of other depositories, if any, which have been sponsored by the applicant, or in which the applicant is acting as participant.

4. Please indicate the category to which the sponsor belongs as per regulation 6.

5. Please provide the following details of each person acting as sponsor :

(*a*) Date of incorporation or establishment, and the statute, if any, under which established (enclose certificate of incorporation, memorandum and articles of association or statutory provisions, if any).

(*b*) Objects of the applicant.

(*c*) Details of the nature of activities carried on by the applicant.

(*d*) Details of affiliates and subsidiaries, and activities carried on by them.

(*e*) Details of registration with the Securities and Exchange Board of India, the Reserve Bank of India or with any foreign regulatory authority of the applicant, its affiliates and its subsidiaries (enclose documents supporting such registration).

(*f*) Net worth of the applicant (enclose a copy of the latest audited financial statements).

(*g*) Percentage and amount of the paid up capital of the proposed depository which the applicant is to hold.

6. Declaration statement (to be given as below) by each person acting as sponsor.

We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true.

And we further agree that we will notify Securities and Exchange Board of India immediately any change in the information provided in the application.

We further agree that we shall comply with, and be bound by the Securities and Exchange Board of India Act, 1992, and Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, and such other guidelines/instructions which may be announced by the Securities and Exchange Board of India from time to time.

We further agree that as a condition of registration, we shall abide by such operational instructions/directives as may be issued by the Securities and Exchange Board of India from time to time.

For and on behalf of..

(Name of the applicant)

Authorised signatory.................. ....

(Name) (Signature)

Date:

Place:

Items 7-14 pertain to the depository, and should be filled in accordingly

7. Name, address of the registered office, address for correspondence, telephone number(s), fax number(s), telex number(s) and the name of the contact person of the applicant.

8. Date of incorporation of the depository (enclose certificate of incorporation and memorandum and articles of association)

(*a*) Objects (main and ancillary) of the depository.

(*b*) Authorised, issued, subscribed and paid-up capital of the depository.

(*c*) Proposed net worth of the depository.

(*d*) Details of proposed shareholding of each person acting as sponsor.

9. The following details may be given for each director of the depository, and for its principal officer.

(*a*) Name, age, nationality.

(*b*) Details of educational and other qualifications.

(*c*) Details of experience.

(*d*) Details of other directorships held.

(*e*) Details of any litigation connected with the securities market which has an adverse bearing on the business of the depository, involving the director or principal officer, and details of any conviction of the director or principal officer for a crime involving moral turpitude or of any economic offence for which the director or principal officer has been found guilty.

10. Please indicate the details of staff and organisation structure that is proposed to be set- up prior to commencement of business.

11. Details of infrastructure such as premises and automatic data processing, storage and back up systems and procedures, communication systems that are proposed to be set-up prior to commencement of business.

12. Internal evaluation and monitoring systems that are proposed to be set-up prior to the commencement of business.

13. Arrangements for indemnification of beneficial owners that are proposed to be put in place, including details of insurance cover proposed to be taken prior to the commencement of business.

14. Declaration statement (to be given as below).

We hereby agree and declare that the information supplied in the application including the attachment sheets, is complete and true.

And we further agree that, we will notify Securities and Exchange Board of India immediately any change in the information provided in the application.

We further agree that we shall comply with, and be bound by the Securities and Exchange Board of India Act, 1992, and Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, and such other guidelines/instructions which may be announced by the Securities and Exchange Board of India from time to time.

We further agree that as a condition of registration, we shall abide by such operational instructions/directives as may be issued by the Securities and Exchange Board of India from time to time.

For and on behalf of...

(Name of the applicant)

Authorised signatory......................... ....

(Name) (Signature)

Date:

Place:

FORM B

Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996

[*See* regulation 7]

Certificate of registration as depository

I. In exercise of the powers conferred by sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with the regulations made thereunder and with the Depositories [105][Act], 1996 ([106][22] of 1996) the Board hereby grants a certificate of registration to...............................as a Depository subject to the conditions specified in the Act, the Depositories [107][Act] and the regulations made thereunder.

II. Registration Number for the Depository is IN/SD///

Date :

Place : Mumbai

Sd/-

For and on behalf of the
Securities and Exchange Board of India

FORM C

Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996

[*See* regulation 10]

Application for grant of certificate of commencement of business as depository

Securities and Exchange Board of India, Mittal Court, 'B' Wing, 1st Floor
Nariman Point, Mumbai 400021 - India

INSTRUCTIONS

i. This form is meant for use by a depository granted a certificate of registration by the Securities and Exchange Board of India.

[105] Substituted for "Ordinance" by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.
[106] Substituted for "17", *ibid.*
[107] Substituted for "Ordinance", *ibid.*

ii. The applicant should complete this form, and submit it, along with all supporting documents to the Board at its head office at Mumbai.

iii. This application form should be filled in accordance with the regulations.

iv. Application for grant of certificate of commencement of business will be considered provided it is complete in all respects.

v. All answers must be typed.

vi. Information which needs to be supplied in more detail may be given on separate sheets which should be attached to the application form.

vii. The application must be signed and all signatures must be original.

viii. Every page of the form and every additional sheet *must be initialled*by the authorised signatory of the applicant.

ix. All copies of documents should be *attested* as true by an authorised notary.

1. Name and registration number of the applicant.

2. Date of grant of certificate of registration to the applicant.

3. Please indicate whether bye-laws have been approved by SEBI.

4. Please indicate the details of staff and organisation structure that has been set-up.

5. Please indicate the background and experience of key personnel.

6. Internal evaluation and monitoring systems including details of background and experience of personnel involved that have been set-up (enclose copies of risk management and operations manuals).

7. Please provide the following details of the automatic data processing and communications systems :

(*a*) details of hardware, software and communications systems, their capability, function and location;

(*b*) details of data storage and back up procedures and sites, their capability, function and location;

(*c*) details of disaster recovery systems and procedures.

8. Please indicate whether premises and automatic data processing and communications systems are owned, leased or rented (enclose copies of title lease or rental agreements).

9. Please indicate arrangements that have been put in place in order to indemnify beneficial owners.

10. Please enclose copy of insurance cover that has been taken.

11. Please enclose a copy of the participation agreement to be entered into with different categories of participants.

12. Please enclose a copy of the agreement to be entered into with the issuer, or with the issuer and his registrar.

13. Please enclose a copy of the agreement to be entered into between the participant, as the depository's agent, and the beneficial owners.

14. Declaration statement (to be given as below) :

We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true.

And we further agree that, we will notify the Securities and Exchange Board of India immediately of any change in the information provided in the application.

We further agree that we shall comply with, and be bound by the Securities and Exchange Board of India Act, 1992, and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, and such other guidelines/instructions which may be announced by the Securities and Exchange Board of India from time to time.

We further agree that as a condition of registration, we shall abide by such operational instructions/directives as may be issued by the Securities and Exchange Board of India from time to time.

For and on behalf of...

(Name of the applicant)

Authorised signatory.......................... ....

(Name) (Signature)

Date:

Place:

FORM D

Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996

[*See* regulation 14]

Certificate of commencement of business as depository

In exercise of the powers conferred by section 3 of the Depositories [108][Act], 1996 ([109][22] of 1996) read with the regulations, the Board hereby grants a certificate of commencement of business to...as a depository subject to the conditions specified in the Act, the Depositories [110][Act] and the regulations made thereunder.

Date:

Place : Mumbai

By order

Sd/-

For and on behalf of the

Securities and Exchange Board of India

FORM E

Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996

[108] Substituted for "Ordinance" by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

[109] Substituted for "17", *ibid.*

[110] Substituted for "Ordinance", *ibid.*

[*See*[111][Regulation 16]]

[112][Application for Grant of Certificate of Registration as Participant]

Securities and Exchange Board of India, Mittal Court, 'B' Wing,
1st Floor Nariman Point, Mumbai 400 021 - India

INSTRUCTIONS

i. This form is meant for use by an applicant for grant of registration as participant.

ii. The form should be filled in by the applicant and submitted to the depository in which it is acting as participant, who shall forward it, along with all supporting documents to the Board at its head office at Mumbai.

iii. This application form should be filled in accordance with the regulations.

iv. [113][Application for grant of registration will be considered provided it is complete in all respects]

v. All answers must be typed.

vi. Information which needs to be supplied in more detail may be given on separate sheets which should be attached to the application form.

vii. The application must be signed and all signatures must be original.

viii. The application must be accompanied by an *application fee* as specified in the Second Schedule to these regulations.

ix. Every page of the form and every additional sheet *must be initialled* by the authorised signatory of the applicant.

x. All copies of documents should be *attested* as true by an authorised notary.

1. Name, address of the registered office, address for correspondence, telephone number(s), fax number(s), telex number(s) of the applicant and the name of the contact person.

2. Please indicate to which of the categories under sub-regulation (*a*) of regulation 19, the applicant belongs.

---

[111] Substituted for the words "Regulation 16/ Regulation 20A"by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.
Prior to this the words "Regulation 16/ Regulation 20A" was substituted for "regulation 16" by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[112] Substituted for the words "**Application for Grant of Certificate of Initial/Permanent Registration as Participant**"by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.
Prior to this the words "**Application for Grant of Certificate of Initial/Permanent Registration as Participant**" was substituted for the words "**Application for grant of certificate of registration as participant**", by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[113] Substituted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.
Prior to substitution, clause iv read as under:
"Application for grant of [113][certificate of initial or permanent] registration, as the case may be, will be considered provided it is complete in all respects."

Prior to this by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011, the words "certificate of initial or permanent" substituted the words "registration as participant or renewal of such".

3. (*a*) Date and place of incorporation or establishment and date of commencement of business (enclose certificate of incorporation, memorandum and articles of association or statutory provisions, if any).

(*b*) Details of the activities carried on by the applicant, in India or overseas.

(*c*) Details of affiliates and subsidiaries of the applicant operating in India, and activities carried on by them.

(*d*) Details of registration with the Securities and Exchange Board of India, the Reserve Bank of India or with any regulatory authority overseas of the applicant, and of its affiliates and subsidiaries operating in India.

(*e*) Date of commencement of business in India and overseas (please enclose copies of the Reserve Bank of India's permission, and if applicable copies of approvals from the Central Government to carry on activities mentioned above).

(*f*) Type and number of beneficial owners on whose behalf the applicant proposes to act as participant (Financial Institutions, Mutual Funds, Foreign Institutional Investors, Portfolio Managers, Non-Banking Finance Companies, Stock Brokers, Corporates, Individuals, or for own account).

4. Please give the name and SEBI registration number of the depository in which the applicant is to act as participant.

5. [114][***]

6. Please state whether the applicant, his partner, director or principal officer is involved in any litigation connected with the securities market which has an adverse bearing on the business of the applicant; or has at any time been convicted for any moral turpitude or at any time has been found guilty of any economic offence.

7. Please also state whether there has been any instance of violation or non-adherence to the securities laws, code of ethics/conduct, code of business rules, for which the applicant or its parent or holding company or affiliate may have been subject to economic, or criminal liability, or suspended from carrying out its operations, or the registration revoked temporarily.

8. Please indicate the net worth and paid-up capital in rupees crore as per the latest audited financial statements of the applicant.

9. Please indicate services that the applicant is already providing to beneficial owners on whose behalf the applicant proposes to act as participant, and services proposed to be provided to beneficial owners.

10. Please provide the following details regarding staff involved in activities as participant:

(*i*) organisation structure;

(*ii*) experience and background of key personnel.

11. Please provide the following details regarding safekeeping and security systems and procedures :

(*i*) risk control and operations manuals;

---

[114] Omitted by the SEBI (Depositories and Participants) (Amendment) Regulations 2014 w.e.f 24.12.2014. Prior to omission, it read as under:
"**5.** Please indicate the names and SEBI registration numbers of all other depositories in which the applicant is acting as participant and the applicant's SEBI registration number as participants in such depositories."

(*ii*) give details of independent internal control mechanisms for monitoring evaluation and review of accounting, and reporting systems and procedures.

12. Please provide the following details regarding automatic data processing systems and record keeping :

(*i*) details of hardware, software and communications systems, their capability, function and location;

(*ii*) details of data storage and back up procedures and sites, their capability, function and location;

(*iii*) details of disaster recovery systems and procedures.

13. Details of insurance cover to be taken up.

14. Please indicate the applicant's shareholding for each depository in which it has such shareholding and whether any shareholding is proposed to be acquired in the depository through which this application is being made.

15. Please enclose a copy of an undertaking from the depository in which the applicant is to act as participant that :

(*a*) the applicant is eligible to act as participant in the depository through which this application is being submitted to SEBI, and meets with the eligibility criteria for participants specified in these regulations and in the depository's bye-laws;

(*b*) the applicant has adequate automatic data processing systems, adequate and competent staff, risk management systems, procedures and manuals, disaster recovery procedures, secure data storage and off site back up facilities, adequate communications links and insurance; to enable the applicant to fulfil its obligations as participants to the satisfaction of the depository; and

(*c*) the agreement to be entered into between the participant and beneficial owners has been submitted to the depository is in accordance with the depository's bye-laws.

16. Declaration statement (to be given as below).

We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true.

And we further agree that, we will notify Securities and Exchange Board of India immediately any change in the information provided in the application.

We further agree that we shall comply with, and be bound by the Securities and Exchange Board of India Act, 1992 and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, and such other guidelines/instructions which may be announced by the Securities and Exchange Board of India from time to time.

We further agree that as a condition of registration, we shall abide by such operational instructions/directives as may be issued by the Securities and Exchange Board of India from time to time.

For and on behalf of...

(Name of the applicant)

Authorised signatory......................... ....

(Name) (Signature)

Date:

Place:

FORM F

Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996

[*See*[115][Regulation 20[116][***]]]

[117][Certificate of Registration as Participant]

I. In exercise of the powers conferred by sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with the regulations made thereunder and with the Depositories [118][Act], 1996 ([119][22] of 1996) the Board hereby grants a certificate of registration to.. .... as a participant subject to the conditions specified in the Act, the Depositories [120][Act] and the regulations made thereunder.

II. Registration Number for the participant is IN/DP/ / /

[121][III. This certificate of registration shall be valid unless it is suspended or cancelled by the Board.]

Date :

Place: Mumbai

By order

Sd/-

For and on behalf of the
Securities and Exchange Board of India

<u>SECOND SCHEDULE</u>

---

[115] Substituted for "regulation 20" by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[116] The words "/Regulation 20A" was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

[117] Substituted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to this, the words "Certificate of Initial/Permanent Registration as Participant" substituted the words "Certificate of Registration as participant", by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[118] Substituted for "Ordinance" by the SEBI (Depositories and Participants) (Amendment) Regulations, 1997, w.e.f. 7-2-1997.

[119] Substituted for "17", *ibid.*

[120] Substituted for "Ordinance", *ibid.*

[121] Substituted for "III. This certificate of registration shall be valid from ….. to …. / for permanent, unless suspended or cancelled by the Board." by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

Prior to this, paragraph III was substituted for "III. Unless renewed, the certificate of registration is valid from......to....." by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

[122][see regulations 3, 7, 8, 8A 16, 20, [123][***]]

Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996

PART A

APPLICATION FEES, REGISTRATION FEES, [124][ANNUAL CHARGE] AND ANNUAL FEES

Application fees payable by sponsor	(Rs.)[125][5,00,000]
Application fees payable by participant	(Rs.) [126][15,000]
Registration fees payable by depository	(Rs.)[127][1,00,00,000]
Registration fees payable by participant	(Rs.)[128][2,00,000]
Annual fees payable by depository	(Rs.)[129][50,00,000]
Annual fees payable by participant	(Rs.) 1,000
[130][Annual charges payable by depository	% of annual custody charges collected by depositories from issuers]

PART B

MANNER OF PAYMENT OF APPLICATION, REGISTRATION, [131][ANNUAL CHARGE] AND ANNUAL FEES

Fees to be paid by	*Manner of payment*
Sponsor or depository	A demand draft or bankers cheque payable to the "Securities and Exchange Board of India" at Mumbai.
Participant	Fees to be paid to the depository in which the payer is a Participant. The Depository shall forward the fees collected from participants to the Board, with a demand draft or bankers cheque payable to the "Securities and Exchange Board of India" at Mumbai.

[132][*THIRD SCHEDULE*

[122] Substituted for "[See regulations 3, 7, 8, 16, 20]", *ibid.*
[123] The words "20A" omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.
[124] Inserted by the SEBI (Payment of Fees) (Amendment) Regulations, 2014, w.e.f. 23-5-2014.
[125] Substituted for "50,000" by the SEBI (Payment of Fees) (Amendment) Regulations, 2014, w.e.f. 23-5-2014.
[126] Substituted for "5,000" by the SEBI (Payment of Fees) (Amendment) Regulations, 2014, w.e.f. 23-5-2014.
[127] Substituted for "25,00,000" by the SEBI (Payment of Fees) (Amendment) Regulations, 2014, w.e.f. 23-5-2014.
[128] Substituted for "1,00,000" by the SEBI (Payment of Fees) (Amendment) Regulations, 2014, w.e.f. 23-5-2014.
[129] Substituted for "10,00,000" by the SEBI (Payment of Fees) (Amendment) Regulations, 2014, w.e.f. 23-5-2014.
[130] Inserted by the SEBI (Payment of Fees) (Amendment) Regulations, 2014, w.e.f. 23-5-2014.
[131] Inserted by the SEBI (Payment of Fees) (Amendment) Regulations, 2014, w.e.f. 23-5-2014.
[132] Inserted by the SEBI (Depositories and Participants) (Third Amendment) Regulations, 2003, w.e.f. 1-10-2003.

[Regulation [133][20AA]]

CODE OF CONDUCT FOR PARTICIPANTS

1. A participant shall make all efforts to protect the interests of investors.

2. A participant shall always endeavour to—

(*a*) render the best possible advice to the clients having regard to the clients needs and the environments and his own professional skills;

(*b*) ensure that all professional dealings are effected in a prompt, effective and efficient manner;

(*c*) inquiries from investors are adequately dealt with;

(*d*) grievances of investors are redressed without any delay.

3. A participant shall maintain high standards of integrity in all its dealings with its clients and other intermediaries, in the conduct of its business.

4. A participant shall be prompt and diligent in opening of a beneficial owner account, dispatch of the dematerialisation request form, rematerialisation request form and execution of debit instruction slip and in all the other activities undertaken by him on behalf of the beneficial owners.

5. A participant shall endeavour to resolve all the complaints against it or in respect of the activities carried out by it as quickly as possible, and not later than one month of receipt.

6. A participant shall not increase charges/fees for the services rendered without proper advance notice to the beneficial owners.

7. A participant shall not indulge in any unfair competition, which is likely to harm the interests of other participants or investors or is likely to place such other participants in a disadvantageous position while competing for or executing any assignment.

8. A participant shall not make any exaggerated statement whether oral or written to the clients either about its qualifications or capability to render certain services or about its achievements in regard to services rendered to other clients.

9. A participant shall not divulge to other clients, press or any other person any information about its clients which has come to its knowledge except with the approval/authorisation of the clients or when it is required to disclose the information under the requirements of any Act, Rules or Regulations.

10. A participant shall co-operate with the Board as and when required.

11. A participant shall maintain the required level of knowledge and competency and abide by the provisions of the Act, Rules, Regulations and circulars and directions issued by the Board. The participant shall also comply with the award of the Ombudsman passed under the Securities and Exchange Board of India (Ombudsman) Regulations, 2003.

12. A participant shall not make any untrue statement or suppress any material fact in any documents, reports, papers or information furnished to the Board.

13. A participant shall not neglect or fail or refuse to submit to the Board or other agencies with which it is registered, such books, documents, correspondence, and papers or any part thereof as may be demanded/requested from time to time.

---

[133] Substituted for "20A" by the SEBI (Depositories and Participants) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

14. A participant shall ensure that the Board is promptly informed about any action, legal proceedings, etc., initiated against it in respect of material breach or non-compliance by it, of any law, Rules, regulations, directions of the Board or of any other regulatory body.

15. A participant shall maintain proper inward system for all types of mail received in all forms.

16. A participant shall follow the maker—Checker concept in all of its activities to ensure the accuracy of the data and as a mechanism to check unauthorised transaction.

17. A participant shall take adequate and necessary steps to ensure that continuity in data and record keeping is maintained and that the data or records are not lost or destroyed. It shall also ensure that for electronic records and data, up-to-date back up is always available with it.

18. A participant shall provide adequate freedom and powers to its compliance officer for the effective discharge of his duties.

19. A participant shall ensure that it has satisfactory internal control procedures in place as well as adequate financial and operational capabilities which can be reasonably expected to take care of any losses arising due to theft, fraud and other dishonest acts, professional misconduct or omissions.

20. A participant shall be responsible for the acts or omissions of its employees and agents in respect of the conduct of its business.

21. A participant shall ensure that the senior management, particularly decision makers have access to all relevant information about the business on a timely basis.

22. A participant shall ensure that good corporate policies and corporate governance are in place.]

[134][FOURTH SCHEDULE

SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996

[See regulation 9D]

Part-A
CODE OF CONDUCT FOR DIRECTORS

i. Meetings and minutes.

Every director of the depository shall:

a) not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting;

b) not encourage the circulation of agenda papers during the meeting, unless circumstances so require;

c) offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;

d) insist on the minutes of the previous meeting being placed for approval in subsequent meeting;

[134] Inserted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, w.e.f. 11-9-2012.

e) endeavour to have the date of next meeting fixed at each governing board meeting in consultation with other members of the governing board;

f) endeavour that in case all the items of the agenda of a meeting were not covered for want of time, the next meeting is held within fifteen days for considering the remaining items.

ii. Code of Conduct for the public interest directors.

a) In addition to the conditions stated in Para (i) above, public interest directors of the depository shall, endeavour to attend all the governing board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the governing board or do not attend seventy five per cent. of the total meetings of the governing board in a calendar year.

b) Public interest directors shall meet separately, at least once in six months to exchange views on critical issues.

iii. Strategic planning.

Every director of the depository shall:

a) participate in the formulation and execution of strategies in the best interest of the depository and contribute towards pro-active decision making at the governing board level;

b) give benefit of their experience and expertise to the depository and provide assistance in strategic planning and execution of decisions.

iv. Regulatory compliances.

Every director of the depository shall:

a) endeavour to ensure that the depository abides by all the provisions of the Securities and Exchange Board of India Act, 1992, Depositories Act, 1996, rules and regulations framed thereunder and the circulars, directions issued by the Board from time to time;

b) endeavour compliance at all levels so that the regulatory system does not suffer any breaches;

c) endeavour to ensure that the depository takes commensurate steps to honour the time limit prescribed by Board for corrective action;

d) not support any decision in the meeting of the governing board which may adversely affect the interest of investors and shall report forthwith any such decision to the Board.

v. General responsibility.

Every director of the depository shall:

a) place priority for redressing investor grievances;

b) endeavour to analyze and administer the depository issues with professional competence, fairness, impartiality, efficiency and effectiveness;

c) submit the necessary disclosures/statement of holdings/dealings in securities as required by the depository from time to time as per their bye-laws or Articles of Association;

d) unless otherwise required by law, maintain confidentiality and shall not divulge/disclose any information obtained in the discharge of their duty and no such information shall be used for personal gains;

e) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and shall not engage in acts discreditable to their responsibilities;

f) perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;

g) perform their duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion;

h) not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the depository.

Part-B

CODE OF ETHICS FOR DIRECTORS AND KEY MANAGEMENT PERSONNEL

The 'Code of Ethics' for directors and key management personnel of the depository, is aimed at improving the professional and ethical standards in the functioning of depository thereby creating better investor confidence in the integrity of the market.

i. Objectives and underlying principles.

The Code of Ethics for directors and key management personnel of the depository seeks to establish a minimum level of business/ professional ethics to be followed by these directors and key management personnel, towards establishing a fair and transparent marketplace. The Code of Ethics is based on the following fundamental principles:

- Fairness and transparency in dealing with matters relating to the depository and the investors.
- Compliance with all laws/rules/regulations laid down by regulatory agencies/depositories.
- Exercising due diligence in the performance of duties.
- Avoidance of conflict of interest between self interest of directors/ key management personnel and interests of depository and investors.

ii. Ethics committee.

For overseeing implementation of this Code, an ethics committee shall be constituted by every depository under the governing board.

iii. General standards.

a) Directors and key management personnel shall endeavour to promote greater awareness and understanding of ethical responsibilities.

b) Directors and key management personnel, in the conduct of their business shall observe high standards of commercial honour and just and equitable principles of trade.

c) The conduct of directors and key management personnel in business life should be exemplary.

d) Directors and key management personnel shall not use their position to give/get favours to/from the executive or administrative staff of the depository, suppliers of the depository, or any issuer company admitted to the depository.

e) Directors and key management personnel shall not commit any act which will put the reputation of the depository, in jeopardy.

f) Directors, committee members and key management personnel of the depository, should comply with all rules and regulations applicable to the securities market.

iv. Disclosure of dealings in securities by key management personnel of the depository.

a) Key management personnel of the depository shall disclose on a periodic basis as determined by the depository (which could be monthly), all their dealings in securities, directly or indirectly, to the governing board/ethics committee/ Compliance Officer.

b) The dealings in securities shall also be subject to trading restrictions for securities about which key management personnel in the depository may have non-public price sensitive information. Requirement laid down under Securities and Exchange Board of India(Prohibition of Insider Trading) Regulations, 1992 may be referred in this regard.

c) All transactions must be of an investment nature and not speculative in nature. Towards this end, all securities purchased must be held for a minimum period of 60 days before they are sold. However, in specific/exceptional circumstances, sale can be effected anytime by obtaining pre-clearance from the Compliance Officer to waive this condition after recording in writing his satisfaction in this regard.

Explanation. -'securities' for the purpose of this Code shall not include units of mutual fund.

v. Disclosure of dealings in securities by directors of the depository.

a) All transactions in securities by the directors and their family shall be disclosed to the governing board of the depository.

b) All directors shall also disclose the trading conducted by firms/corporate entities in which they hold twenty per cent. or more beneficial interest or hold a controlling interest, to the Ethics Committee.

c) Directors who are Govt. of India nominees or nominees of Govt. of India statutory bodies or financial institutions and are governed by their own codes shall be exempt from this requirement.

vi. Avoidance of conflict of interest.

a) No director of the governing board or member of any committee of the depository shall participate in any decision making/adjudication in respect of any person /matter in which he is in any way, directly or indirectly, concerned or interested.

b) Whether there is any conflict of interest or not in a matter, should be decided by the governing board.

vii. Disclosures of beneficial interest.

All directors and key management personnel shall disclose to the governing board, upon assuming office and during their tenure in office, whenever the following arises:-

a) any fiduciary relationship of self and family members and directorship/partnership of self and family members in any depository participant or registrar and transfer agent;

b) shareholding, in cases where the shareholding of the director, directly or through his family exceeds five per cent. in any listed company or in other entities related to the securities markets;

c) any other business interests.

viii. Role of the Chairman and directors in the day to day functioning of the depository.

a) The Chairman and directors shall not interfere in the day to day functioning of the depository and shall limit their role to decision making on policy issues and to issues as the governing board may decide.

b) The Chairman and directors shall abstain from influencing the employees of the depository in conducting their day to day activities.

c) The Chairman and directors shall not be directly involved in the function of appointment and promotion of employees unless specifically so decided by the governing board.

ix. Access to information.

a) Directors shall call for information only as part of specific committees or as may be authorised by the governing board.

b) There shall be prescribed channels through which information shall move and further there shall be audit trail of the same. Any retrieval of confidential documents/ information shall be properly recorded.

c) All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration/ gain.

d) Any information relating to the business/operations of the depository, which may come to the knowledge of directors/ key management personnel during performance of their duties shall be held in strict confidence, shall not be divulged to any third party and shall not be used in any manner except for the performance of their duties.

x. Misuse of position.

Directors/committee members shall not use their position to obtain business or any pecuniary benefit in the organization for themselves or family members.

xi. Ethics committee to lay down procedures.

a) The ethics committee shall lay down procedures for the implementation of the Code and prescribe reporting formats for the disclosures required under the Code.

b) The Compliance Officer shall execute the requirements laid down by the ethics committee.

While the objective of this Code is to enhance the level of market integrity and investor confidence, it is emphasized that a written Code of ethics may not completely guarantee adherence to high ethical standards. This can be accomplished only if directors and key management personnel of the depository commit themselves to the task of enhancing the fairness and integrity of the system in letter and spirit.

FIFTH SCHEDULE

SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996

[See regulation 9F]

MEASUSRES TO ENSURE AUTONOMY OF REGULATORY DEPARTMENTS

In order to ensure the segregation of regulatory departments, every depository shall adopt a "Chinese Wall" policy which separates the regulatory departments of the depository from the other departments.

The employees in the regulatory departments shall not communicate any information concerning regulatory activity to any one in other departments. The employees in regulatory areas may be physically segregated from employees in other departments including with respect to access controls. In exceptional circumstances employees from other departments may be given confidential information on "need to know" basis, under intimation to the Compliance Officer.

For the purposes of the above, "regulatory areas" shall mean those departments of a depository which are mandated by law or those entrusted with regulatory powers and duties, and may include departments performing the following functions:

(i) risk management;

(ii) surveillance;

(iii) participant registration;

(iv) Issuer/ securities admission;

(v) compliance;

(vi) inspection;

(vii) enforcement;

(viii) arbitration;

(ix) investor protection;

(x) investor services.

SIXTH SCHEDULE

SECURITIES AND EXCHANGE BOARD OF INDIA (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 1996

[See regulation 14A]

CODE OF CONDUCT FOR DEPOSITORIES

1. A depository shall always abide by the provisions of the Act, Depositories Act, 1996, Rules, Regulations, circulars, guidelines and any other directions issued by the Board.

2. A depository shall take appropriate measures towards investor protection and education of investors.

3. A depository shall treat all its applicants/participants in a fair and transparent manner.

4. A depository shall promptly inform the Board of violations of the provisions of the Act, Depositories Act, the rules, the regulations, circulars, guidelines or any other directions by any of its participants, issuer or issuer's agent.

5. A depository shall take a proactive and responsible attitude towards safeguarding the interests of investors, integrity of the depository system and the securities market.

6. A depository shall make endeavors for introduction of best business practices amongst itself and its participants.

7. A depository shall act in utmost good faith and shall avoid conflict of interest in the conduct of its functions.

8. A depository shall not indulge in unfair competition, which is likely to harm the interests of any other depository, participants or investors or is likely to place them in a disadvantageous position while competing for or executing any assignment.

9. A depository shall be responsible for the acts or omissions of its employees in respect of the conduct of its business.

10. A depository shall monitor the compliance of the rules and regulations by the participants and shall further ensure that their conduct is in a manner that will safeguard the interest of investors and the securities market.]

CIR/MRD/DSA/33/2012 **December 13, 2012**

To

The Managing Director/Executive Director
of all Stock Exchanges and Clearing Corporations.

Sub: Procedural norms on Recognitions, Ownership and Governance for Stock Exchanges and Clearing Corporations.

Dear Sir / Madam,

The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (henceforth referred to as 'SECC Regulations') were notified on June 20, 2012. In terms of the powers under regulation 51 of the SECC Regulations, the Board hereby issues the following instructions for the effective implementation of the SECC Regulations. This circular shall be read in conjunction with the Securities Contracts (Regulation) Act, 1956 (SCRA), Securities Contracts (Regulation) Rules, 1957 (SCRR), SECC Regulations and other applicable laws.

PART - A

RECOGNITION

1. Stages Application for seeking recognition as a Stock Exchange/ Clearing Corporation:-

1.1 An applicant seeking recognition as a stock exchange/ clearing corporation shall substantiate its capability to fulfill all the requirements laid down under SCRA, SCRR and regulation 7 of the SECC Regulations at the time of making the application.

1.2 Further, for the purpose of grant of in-principle approval under regulation 7(5) of the SECC Regulations, the Board may take into account the factors which it may deem fit in the interest of the securities market. For this purpose, the Board may consider the information and documents including but not limited to the following:-
:

- Business feasibility plan for the next five years,
- Net worth certificate/ financial books and bank account details,
- Detailed write-up on each of its functions,

- Details of authorised officials along with specimen signatures of the authorised signatories,
- Proposed organisational structure,
- Necessary undertakings,
- Manpower planning,
- Background and necessary information (as specified herein) to establish that its shareholders/promoters are fit and proper persons, Information regarding its Office set-up,Appointment of Managing Director after following due process

1.3 Before grant of final approval, in addition to the above, the applicant should satisfy the Board with regard to compliance of the following :

a) Appointment of heads of key departments such as legal, listing, member registration, trading and surveillance in case of a stock exchange, and
b) Appointment of heads of key departments such as risk, legal, clearing and settlement, in case of a clearing corporation.
c) Satisfactory compliance with observations of SEBI during inquiry/ inspection by SEBI.
d) Any other requirement as SEBI may deem necessary for disposal of the application .

1.4 After grant of recognition, the stock exchange can commence trading operations with a minimum of 50 trading members and the clearing corporation can commence clearing and settlement operations with a minimum of 25 clearing members.

2. **Bye-laws of a Clearing Corporation:-** A clearing corporation shall in terms of applicable provisions of section 9 of the SCRA and regulation 4 of SECC Regulations make bye-laws, providing *inter alia* for the following:-

a) the timings for pay-in and pay-out of funds and securities;
b) rules for clearing and settlement;
c) risk management mechanism;
d) process of netting, novation and guarantee for settlement of trades;
e) norms for contribution into and utilisation of the Fund in terms of regulation 39 of SECC Regulations ;
f) rights and obligations of the clearing members *vis-a-vis* the clearing corporation, other clearing members, the trading members and clients of such trading members;
g) criteria for admission and regulation of clearing members;
h) default handling mechanism;
i) Committees as mentioned in para 7 of this circular.
j) any other matter as may be specified by SEBI.

PART -B

3. **ACTION PLAN FOR ACHIEVING NETWORTH:-**

3(a) A recognised stock exchange having a networth of less than Rs.100 crore, as on the date of commencement of the SECC Regulations, shall,, submit its plan duly approved by its shareholders to SEBI for achieving the networth in terms of regulation 14 of SECC Regulations, within 90 days from the date of this circular.

3.(b). A clearing corporation which has made application for recognition in terms of second proviso of regulation 3 of the SECC Regulations and has a networth of less than Rs. 300 crore shall submit its plan duly approved by its shareholders to SEBI, for achieving the networth in terms of regulation 14 of the SECC Regulations, within 90 days from the date of this circular.

PART -B

OWNERSHIP

4. **Application for grant of approval for shareholding beyond 2% or 5%:-**

4.1 A shareholder seeking SEBI's approval for holding more than 2% or 5% of paid up equity share capital of a stock exchange or clearing corporation shall submit the following particulars:-

a) Name
b) Address
c) Details of employment/ business, if any:
d) SEBI registration number,if any.
e) Details of registration with other statutory authorities,.
f) Declaration regarding the fulfillment of requirements of regulation 20 of SECC Regulations.
g) Details of action /penalties taken/imposed against/upon him/it by any statutory authority in India or abroad.
h) Details of activities that may, in the opinion of the shareholder, lead to his/its disqualification.
i) Association with trading members/clearing members of stock exchanges/clearing corporations.
j) Cases pending before any Court, Tribunal or any other statutory authority in India or abroad, if any.
k) Previous approvals from SEBI as fit and proper, if any.

4.2 The stock exchange/clearing corporation may also lay down any fit and proper criteria without diluting and limiting the principles and criteria laid down in regulation 20 of SECC Regulations.

4.3 The stock exchange/clearing corporation application shall ensure that all their shareholder are fit and proper persons.

4.4 The application for approval under clause 4.1 shall be submitted to SEBI through the stock exchange/clearing corporation concerned. The stock exchange/clearing corporation shall verify the declarations/ undertakings given by the shareholders and forward the application which is, in its opinion, fit for approval alongwith its recommendation for SEBI's approval.

5. Monitoring of shareholding limits:-

5.1 The stock exchange/clearing corporation shall put in place a monitoring mechanism to ensure compliance with the shareholding restrictions prescribed in SECC Regulations at all times. stock exchange/clearing corporation shall:-

a) Disseminate on its website, the number of shares available in the non-public, FII and FDI category. The information shall also be disseminated by the stock exchange on which the shares may be listed.
b) Check the shareholding data on a periodic basis to ensure that the shareholding restrictions specified under Chapter IV of the SECC Regulations are complied with at all times.
c) Upon breach of shareholding limits, they shall intimate the same to SEBI within 7 days.

PART-C

GOVERNANCE

6. Procedure for appointment:-

6.1 All directors while seeking approval shall submit to the stock exchange/clearing corporation the following details:-

a) Name
b) Address
c) Educational qualification
d) Details of employment/ Occupation, past and present
e) Details of other directorships
f) DIN No.
g) Declaration regarding the fulfillment of requirements specified under regulation 20 of SECC Regulations.

h) Declaration confirming compliance of Regulation 23(7) read with Regulation 2(1)(b) of SECC Regulations, in respect of non association with trading member or clearing member.
i) Details of regulatory action taken against by any statutory authority in India .
j) Details of activities that may in the opinion of the director, lead to his disqualification.
k) Association with trading members/clearing members of stock exchanges/clearing corporations.
l) Disclosure of the names of his dependents associated with the securities market as member, sub-broker, authorized person or holding any SEBI registration.
m) An undertaking that he shall abide by the code of conduct and code of ethics prescribed in Part A and Part B of Schedule II to SECC Regulations.
n) In the case of public interest directors, consent letters for acting as a public interest director.
o) Pending / completed criminal cases pending before any authority in India or abroad, if any.

6.1.1 The stock exchange/ clearing corporation shall forward the above details to SEBI while recommending their names alongwith the minutes of the governing board meeting where their name/s was approved, copy of the shareholder's resolution (wherever applicable), a confirmation by the stock exchange/ clearing corporation that they are fit and proper persons in terms of their fit and proper criteria and are not associated with any trading member or clearing member in terms of regulation 23(7) read with regulation 2(1)(b) of SECC Regulations.

6.2 **Managing Director / Executive Director:-**

6.2.1 The stock exchange/ clearing corporation shall constitute a Committee for the selection of the CEO /Managing Director / Executive Director, as the case may be. The managing director shall be selected through open advertisement in all editions of atleast one national daily from amongst persons qualified in the fields of capital market/ finance/ management and possessing sufficient experience. In case of re-appointment, or extension the stock exchange/ clearing corporation shall apply to SEBI two months before the last working day of such Managing Director.

6.2.2 In case a vacancy of managing director arises due to unforeseen reasons, the stock exchange/ clearing corporation shall forward the new names to SEBI within 60 days from the date of submission of resignation or such vacation of office.

6.3 **Public Interest Directors:-**

6.3.1 The names of public interest directors shall be forwarded to SEBI after the approval of the Board of the stock exchange/clearing corporation. The shareholders approval shall not be necessary. A minimum of two names shall be submitted to SEBI for each vacancy of public interest directors.

6.3.2 The stock exchange/ clearing corporation shall ensure that public interest directors are selected from diverse field of work. While deciding to propose a particular person as a public interest director, the stock exchange/ clearing corporation shall also take into account the following factors:

a) Qualification in the area of law, finance, accounting, economics, management, administration or any other area relevant to the financial markets.
b) Atleast one person may be inducted having experience and background in finance / accounts who may preferably be inducted in the audit committee.
c) Persons currently holding positions of trust and responsibility in reputed organisations or person who have retired from such positions.
d) Persons who are likely to have interested positions in commercial contracts and financial affairs of stock exchanges, may be excluded. Also, persons who are regular traders/ speculators in the market or are director in the board of the promoter entity of the Stock Exchange or Clearing Corporation, shall be excluded.

6.3.3 Chairperson ofthe stock exchange/ clearing corporation shall be appointment with the prior approval of SEBI.

6.3.4 Public interest directors shall not be simultaneously on the board of any other stock exchange/ clearing corporation or their subsidiary.

6.3.5 Public interest directors shall peruse the relevant laws, code of conduct, code of ethics, etc and submit an undertaking to the stock exchange/clearing corporation that they are aware of their role, responsibilities and obligations. The stock exchange/clearing corporation shall also provide at least seven days of training to every public interest director each year.

6.3.6 In case of extension of the term of the public interest director or appointment of a new public interest director, the stock exchange/ clearing corporation shall apply to SEBI two months before the expiry of the term. In addition to the other requirements prescribed herein, the application for extension of term of the public interest director shall be accompanied with, his attendance details on meetings of various mandatory committees and on the governing board of the stock exchange / clearing corporation, reasons for waiver of the cooling off period.

6.3.7 The public interest director shall not be subject to retirement by rotation.

6.3.8 The existing public interest director shall continue holding the post, till a new public interest director is appointed in his place.

6.3.9 In case of existing public interest directors, who are in their second term, they may complete their term.

6.4 **Share Holder Directors**

6.4.1 The names of persons to be appointed as share holder directors shall first be approved by the governing board of the stock exchange/ clearing corporation, followed by shareholders approval before submitting the same to SEBI for approval.

6.4.2 The manner of election, appointment, tenure, resignation, vacation, etc. of shareholder directors shall be governed by the Companies Act, 1956 save as otherwise specifically provided under the SECC Regulations or in accordance with the Securities Contracts (Regulation) Act, 1956, circulars issued thereunder.

6.5 **Selection of trading members/clearing members on the Advisory Committee to the governing board:-** Prior to appointment to the advisory committee, the governing board of the stock exchange/ clearing corporation shall satisfy itself that the trading members/ clearing members are fit and proper persons in terms of regulation 20 of the SECC Regulations. The governing board shall frame the eligibility norms, term of office, cooling off period etc., of members of the advisory committee in consultation with the trading members/clearing members of the stock exchange/ clearing corporation.

6.6 **Appointment of Compliance Officer:-** The stock exchange/ clearing corporation shall appoint a compliance officer in terms of regulation 32 of SECC Regulations within 30 days from the date of this circular.

6.7 **Appointment of key management personnel:-** The stock exchange/ clearing corporation shall ensure that all key management personnel employed by them are fit and proper.

6.8 **General conditions on appointment of directors:-**

6.8.1 The stock exchange/ clearing corporation shall complete the appointment process within 30 days from SEBI's nomination/approval for directors and submit a compliance report within one week from the date of appointment.

6.8.2 In case any other official of the stock exchange/ clearing corporation is appointed on the governing board in addition to the Managing Director, the same shall be subject to the approval of shareholders and SEBI, in that order.

7. **Statutory Committees:**

7.1 In order to ensure effective oversight of the functioning of stock exchanges, SEBI, from time to time, through various circulars has mandated the formation of various committees by stock exchanges. A list of all such mandatory committees along with their new composition and function is placed under **Annexure A** to this circular. The list of mandatory committees for clearing corporations is placed under **Annexure B** to this circular.

7.2 The stock exchanges and clearing corporations shall form the respective committees in accordance with the composition prescribed therein and accordingly no approval from SEBI is required. The existing stock exchange / clearing house of a stock exchange and person who clears and settles trades of a recognized stock exchange shall submit a confirmation within three months from the date of this circular. The stock exchange and clearing corporation shall submit a confirmation within three months from the date of their recognition. The confirmation shall be submitted within three months with regard to the formation and composition of such committees. Any other conditions pertaining to the committees prescribed under the earlier circulars shall continue to apply. In addition to the above lists, the committees that are mandated for listed companies shall apply *mutatis mutandis* to stock exchanges and clearing corporations.

7.3 The stock exchanges/ clearing corporations shall lay down the policy for the frequency of meetings, quorum, etc., for the statutory committees. The meeting shall be conducted with atleast one public interest director being present except in the case of oversight committees wherein minimum 50% of the public interest directors need to be present. In the case of public interest directors committee, all public interest directors shall be present.

7.4. Independent external persons appointed to committees: The independent external persons shall be from amongst the persons of integrity, having a sound reputation and not having any conflicts of interests. They shall be specialists in the field of work assigned to the committee. The stock exchange/ clearing corporation shall frame the guidelines for appointment, tenure, code of conduct, etc., of independent external persons. Extension of the tenure may be granted at the expiry of the tenure pursuant to a review of the contribution, record of attendance at meetings, etc.

7.5. SEBI vide circular dated May 31, 2000 had mandated appointment of a governing council / executive committee for the Derivative Exchange/Segment of the stock exchanges. In light of the governance norms and the oversight committees prescribed under the SECC Regulations, the requirement of governing council is not mandatory.

7.6 The present functioning of the defaults committee shall continue, however, the same shall constitute of a majority of public interest directors.

7.7 The stock exchange and clearing corporation shall submit details about the above mentioned committees by way of Monthly development report/Quarterly development report.

8. **Norms for compensation policy:-**

8.1 Regulation 27 of the SECC Regulations mandates that the compensation policy for key management personnel of stock exchange/ clearing corporation shall be in accordance with the norms specified by SEBI. The compensation norms, in this regard, shall be as follows:-

a) The variable pay component will not exceed one-third of total pay.
b) 50% of the variable pay will be paid on a deferred basis after three years.
c) ESOPs and other equity linked instruments in the stock exchange/ clearing corporation will not form part of the compensation for the key management personnel.
d) The compensation policy will have malus[1] and clawback arrangements[2].

[1] A malus arrangement permits the stock exchange/clearing corporation to prevent vesting of all or part of the amount of a deferred remuneration.

[2] A clawback is a contractual agreement between the employee and the stock exchange/clearing corporation in which the employee agrees to return previously paid or vested remuneration to the stock exchange/clearing corporation under certain circumstances.

8.2 Apart from the above, the compensation policy of the stock exchange/ clearing corporation shall take into consideration the following:

- financial condition / health of the stock exchange/ clearing corporation,
- average levels of compensation payable to employees in similar ranks,
- should not contain any provisions regarding incentives to take excessive risks over the short term,
- revenues, net profit of the stock exchange/ clearing corporation,
- comparable to the industry standards,
- role and responsibilities of the key management personnel,
- periodic review

8.3 The stock exchange shall confirm to SEBI within three months from the date of this circular that the compensation for the key management personnel is in accordance with the norms specified above.

8.4 Further, at the time of seeking approval of SEBI for the appointment of the managing director, the stock exchange/ clearing corporation shall seek approval for the compensation of the managing director from SEBI. The compensation of the Managing Director of a stock exchange already appointed with the approval of SEBI shall be in accordance with the compensation policy as mentioned above. The same shall be submitted to SEBI for approval within three months from the date of this circular.

8.5 The requirement of disclosures under Regulation 27(5) of the SECC Regulations shall be with effect from the financial year 2012-13.

9. Regulatory departments:-

9.1 Regulation 28 of the SECC Regulations mandate segregation of regulatory departments from other departments. For this purpose, an indicative list of regulatory departments is given below. The governing board of the stock exchange/ clearing corporation may specify any other department having a regulatory function in addition to the list given below as a regulatory department.

9.2 Departments handling the following functions shall be considered as regulatory departments in a Stock Exchange:-

a) surveillance,
b) listing,
c) member registration,
d) compliance,
e) inspection,
f) enforcement,

g) arbitration,
h) default,
i) investor protection,
j) investor services,

9.3 Departments handling the following functions shall be considered as regulatory departments in a Clearing Corporation:-

a) Risk management,
b) member registration,
c) compliance,
d) inspection,
e) enforcement,
f) default,
g) investor protection,
h) investor services,

9.4 The stock exchange /Clearing Corporation shall ensure that the regulatory departments viz., surveillance, inspection, risk management, default, investor protection, investor services etc, are sufficiently staffed with adequate number of persons having professional and relevant experience at all times.

PART- D

MISCELLANEOUS

10. **Procedure for submitting amendments to Articles/Rules/Bye-laws/Regulations, etc, for SEBI's approval:-** The amendments to the Memorandum, Articles of Association, Rules, bye-laws, Regulations (as may be applicable) etc., of the stock exchange/clearing corporation, in terms of SCRA, SCRR, other applicable provisions in this regard, shall be submitted to SEBI for approval, subsequent to the following. The proposed amendment/s shall first be approved by the governing board of the stock exchange/clearing corporation, followed by shareholders approval (wherever applicable), then published in the Gazette of India (wherever applicable) and the respective State and then shall be submitted to SEBI for approval. The proposal shall be accompanied by the minutes of the governing board, the shareholder's resolution and public criticism. However, in case the amendments are pursuant to Regulations, circular etc, issued by SEBI, the same shall not be subject to shareholder's approval.

11. **Internal manual for conflict resolution:** The stock exchange/clearing corporation shall have an internal manual covering the management of conflicts between commercial and regulatory functions of the stock exchange/clearing corporation. The stock exchange/ clearing corporation shall put in place a policy for comprehensive training and awareness of its employees on the various

conflicts of interests involved in the functioning of its regulatory departments. Further, the entire conflict management framework shall periodically be reviewed and be strengthened based on the observations of such review.

12. **Report to SEBI:-** The public interest directors shall identify important issues which may involve conflict of interest for the stock exchange/ clearing corporation, may have significant impact on the functioning of SE/CC, may not be in the interest of market. The same shall be reported to SEBI.

13. **Disclosure of Transactions**: In terms of the code of conduct / code of ethics under SECC Regulations, every director, their family, firms / corporate entities in which the Directors hold twenty percent or more beneficial interest or hold controlling interest, shall disclose all transactions / dealings in securities to the stock exchange/clearing corporation. The details including time period for the disclosure in this regard shall be prescribed by the stock exchange/clearing corporation, however the time period for disclosure shall not be later than fifteen days of the transaction / dealing.

14. Clarifications regarding implementation of SECC Regulations:-

14.1 In respect of regulation 23(7) following is clarified

a) no trading member or clearing member, or their associates and agents, irrespective of the stock exchange/ clearing corporation of which they are members, shall be on the governing board of any recognised stock exchange or recognised clearing corporation.
#

b) a person who is a director in an entity, that itself is a trading member or clearing member or has associate(s) as trading members or clearing members in terms of regulation 2(1)(b), he/she will deemed to be trading member or clearing member.

c) However, a person who is an independent director on the board of a Bank or Financial Institution, which is in public sector or which either has no identifiable ultimate promoter or the ultimate promoter is in Public Sector or such Banks or Financial Institutions has well diversified shareholding, and it / its associate is a Clearing Member and / or Trading Member, the applicant will not be deemed to be Clearing Member and / or Trading Member or their associate for the purpose of Regulation 23(7). However, the appointment shall be subject to fulfilment of other requirements and satisfaction of SEBI.

d) Further, a person who is an independent director on the board of the Public Limited Company whose other independent director(s) are also independent director in an entity, which is trading or clearing member, the person will not be deemed to be associate of trading member or clearing member subject to that Public Limited Company does not have any other association with trading member or clearing member.

e) Recognised Stock Exchange and recognised clearing corporation, shall monitor and ensure the compliance of the Regulation 23(7) on continuous basis, to ensure that directors appointed, on their governing board, will not get associated with Trading Member or Clearing Member after approval and appointment,

14.2 For the purpose of Regulation 27(6) , it is clarified that in terms of the said Regulation, the tenure refers to the period of posting as key management personnel in a regulatory department, which shall be for a fixed period.

14.4 For the purpose of regulation 35, the Governing Board of a recognised stock exchange or a recognised clearing corporation shall confirm compliance of that regulation in writing on half yearly basis.

15. The recognized stock exchanges/ clearing corporations are advised to:-

i. make necessary amendments to the relevant rules/ bye-laws/ regulations for the implementation of the above decision immediately;
ii. bring the provisions of this circular to the notice of the members of the stock exchange/ clearing corporation and also to disseminate the same through their website; and
iii. communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly / Quarterly Development Reports to SEBI.

16. This circular is issued in exercise of the powers conferred under regulation 51 of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 read with section 8 and 10 of Securities Contracts (Regulation) Act, 1956 read with Section 11 (1) of the Securities and Exchange Board of India Act, 1992 with a view to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and shall come into effect immediately.

17. This circular is also available on SEBI website at www.sebi.gov.in.

Yours faithfully,

Rajesh Kumar D
Deputy General Manager
+91-22-26449242
rajeshkd@sebi.gov.in

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

CIR/MRD/DSA/01/2016 January 01, 2016

All recognised Stock Exchanges/ Listed Stock exchange
All Depositories

Dear Sir/Madam,

Sub: Procedures for ensuring compliance with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (SECC Regulations) by Listed Stock Exchanges.

1. Regulation 45 of the SECC Regulations provides for listing of stock exchanges. As per Regulation 45(2) of the SECC Regulations, the Board may specify such conditions as it may deem fit in the interest of the securities market.

2. Accordingly, it has been decided to prescribe the following modalities so as to ensure compliance with the provisions of SECC Regulations.

I. Ensuring holding of 51 per cent by public at all times by the listed stock exchange:

i. The listed stock exchange shall disseminate the details of its shareholding with category wise breakup (as per the format specified vide SEBI Circular dated October 24, 2011), on a continuous basis, on its website. Similarly, the stock exchange where the shares are listed, shall also display the above information.

ii. The depositories shall put in place necessary system to ensure that the shareholding of trading members or their associates and agents does not exceed 49 per cent. For this purpose, the depositories shall put in place systems for capturing the shareholding data of trading members or their associates and agents and ensure that there is a mechanism for coordination between the depositories towards sharing of information. The depositories shall also monitor the aggregate shareholding limit of the trading members or their associates and agents based on their demat balance, on a daily basis, at the end of the day. The stock exchange where the shares are listed shall share a list of all trading members or their associates and agents with the depositories to facilitate monitoring of demat balances.

iii. The trading members or their associates and agents shall obtain prior approval of the listed stock exchange for further acquisition of shares, once the aggregate shareholding of the trading members or their associates and agents crosses the limit of 45 per cent. The trading members or their associates and agents shall refer to the shareholding pattern under the category of trading members or their associates and agents, to determine/ascertain the available head room before placing the order.

iv. In the event of trading members or their associates and agents making purchases without requisite approval as stated above, the depositories shall initiate consequential action such as freezing of voting rights and all corporate benefits in respect of such shareholding till the time the same is divested.

v. The divestment of any excess shareholding beyond the specified limit would be through a special window provided by the stock exchange where the shares of the stock exchange are listed.

II. Ensuring that all shareholders are fit and proper:

i. In the pre-listing scenario, the exchange coming out with a public offering shall include a declaration in the application form stating that the applicant is fit and proper in terms of Regulation 19 and 20 of SECC Regulations, 2012.

ii. In the post listing scenario, the text of the applicable regulation with regard to fit and proper shall be made part of the contract note.

iii. The listed stock exchange shall also undertake all measures to make investors aware of the requirement of fit and proper criteria for being its shareholders as specified in regulation 19 and 20 of SECC Regulations.

iv. The listed stock exchange and the stock exchange where the shares are listed shall notify on their websites that the shares of the listed stock exchange shall only be dealt by fit and proper persons as per Regulation 19 and 20 of SECC Regulations.

v. In case of acquisition of shares by the person who is found not fit and proper, the voting rights and all corporate benefits with respect to such shareholding shall be frozen by depositories until the same is divested through the special window.

vi. The listed stock exchange shall submit to SEBI on a quarterly basis an exceptional report regarding the shareholders who are not fit and proper and action taken thereof.

III. Ensuring that shareholders holding shares above 2 per cent are fit and proper:

i. In addition to the criteria mentioned at para 2(II) above, on acquisition of shares above 2 per cent, provisions under Regulation 19(2) and 19(3) of SECC Regulations 2012 shall apply i.e. those acquiring more than 2 per cent shall seek approval of SEBI within 15 days of acquisition as per Regulation 19(2) and those intending to acquire beyond 5 per cent as per Regulation 19(3) have to seek prior approval of SEBI.

IV. Ensuring shareholding threshold of 5 per cent or 15 per cent as the case may be in terms of SECC Regulations:

i. The depositories shall put in place a mechanism to ensure that no shareholder of listed stock exchange gets credit of shares beyond 5 per cent or 15 per cent, as applicable. The depositories shall generate an alert when such holding exceeds 2 per cent and monitor the same under intimation to SEBI.

ii. The Depository would inform the listed stock exchange as and when threshold limit is breached and take consequential action such as freezing of voting rights and all corporate actions in respect of such excess holding till the same is divested through the special window.

3. The stock exchanges, both listed and where the securities are listed, and depositories shall ensure that aforesaid mechanism be in place latest by March 31, 2016.

4. The stock exchange submitting application for listing of its securities to SEBI shall ensure strict compliance with Chapter VII of SECC Regulations, 2012.

5. In view of the above, the recognised stock exchanges are advised to:-

(a) make necessary amendments to the their bye-laws, rules or regulations, for incorporation of the above immediately;
(b) bring the provisions of this circular to the notice of its trading members and also to disseminate the same through their website ; and
(c) communicate to SEBI, the status of implementation of this circular in the Monthly Development Reports to SEBI.

6. This circular is issued in exercise of powers conferred under Section 11(1) and 11(2)(j) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

7. This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

Bithin Mahanta
Deputy General Manager
Email: bithinm@sebi.gov.in

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/MRD/DSA/CIR/P/2016/30 January 22, 2016

All recognised Stock Exchanges/ Clearing Corporations

Dear Sir/Madam,

Sub: Amendment to SEBI Circular CIR/MRD/DSA/33/2012 dated December 13, 2012 pursuant to amendment in Regulation 2(1)(b) of SECC Regulations, 2012.

1. Pursuant to the approval of SEBI Board in its meeting held on November 30, 2015, SEBI has notified the amendments to the definition of associate as contained in Regulation 2(1)(b) of SECC Regulations.

2. Consequent to the amended definition of 'associate' as contained in Regulation 2(1)(b) of SECC Regulations, it has been decided to review the provisions of Para 14(1) of SEBI Circular No: CIR/MRD/DSA/33/2012 dated December 13, 2012.

3. Accordingly, the Para 14.1 of the SEBI Circular No: CIR/MRD/DSA/33/2012 dated December 13, 2012 providing clarification with respect to composition of governing board under regulation 23(7), is replaced as under:

   14 .1

   a) no trading member or clearing member, or their associates and agents, irrespective of the stock exchange/ clearing corporation of which they are members, shall be on the governing board of any recognised stock exchange or recognised clearing corporation.

   b) a person who is a director in an entity, that itself is a trading member or clearing member or has associate(s) as trading member(s) or clearing member(s) in terms of regulation 2(1)(b), he/she will be deemed to be trading member or clearing member:

Provided a person will not be deemed to be Clearing Member and / or Trading Member or their associate for the purpose of Regulation 23(7), if he/she is on the board of a Public Financial Institution (PFI) or Bank which is in Public Sector or which either has no identifiable ultimate promoter or the ultimate promoter is in Public Sector or has well diversified shareholding , and such PFI or Bank or its associate is a Clearing Member and / or Trading Member. Further, independent directors of associates of PFI or Bank in Public Sector, who are Clearing Member and/or Trading Member and where the majority shareholding is that of such PFI or Bank in Public Sector, will not be deemed to be Clearing Member and / or Trading Member for the purpose of Regulation 23(7).

c) The appointment shall be subject to fulfillment of other requirements and satisfaction of SEBI in accordance with Regulation 2(1)(b).

d) Recognised Stock Exchange and recognised Clearing Corporation, shall monitor and ensure the compliance of the Regulation 23(7) on continuous basis, to ensure that directors appointed, on their governing board, do not get associated with Trading Member or Clearing Member after approval and appointment.

4. In view of the above, the recognised stock exchanges are advised to:-
   (a) make necessary amendments to the their bye-laws, rules or regulations, for incorporation of the above immediately;
   (b) bring the provisions of this circular to the notice of its trading members and also to disseminate the same through their website ; and
   (c) communicate to SEBI, the status of implementation of this circular in the Monthly Development Reports to SEBI.

5. This circular is issued in exercise of powers conferred under Section 11(1) and 11(2)(j) of the Securities and Exchange Board of India Act, 1992, to protect the

interests of investors in securities and to promote the development of, and to regulate the securities market.

6. Other contents of the SEBI Circular No: CIR/MRD/DSA/33/2012 dated December 13, 2012 will remain operative.

7. This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

Bithin Mahanta
Deputy General Manager
Email: bithinm@sebi.gov.in

.