



CHAPTER 6: ADMINISTRATION OF STOCK EXCHANGES AND CLEARING CORPORATIONS

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1. ALLOTMENT OF CODES TO STOCK EXCHANGES

Each of the stock exchanges in the country has been given a two-digit code which is incorporated in the twelve-digit registration number given to the trading members. The code number for the exchange is the first two digits after the letters "INB" in the registration number.

In this regard, the codes allotted to the recognized Stock Exchanges are as under:

CODE	EXCHANGE NAME
01	Bombay Stock Exchange Limited
02	Ahmedabad Stock Exchange Limited
03	The Calcutta Stock Exchange Limited
04	Madras Stock Exchange Limited*
05	Delhi Stock Exchange Limited#
06	Hyderabad Stock Exchange Limited*
07	Madhya Pradesh Stock Exchange Limited*
08	Bangalore Stock Exchange Limited*
09	Cochin Stock Exchange Limited*
10	The Uttar Pradesh Stock Exchange Association Limited*
11	Pune Stock Exchange Limited*
12	Ludhiana Stock Exchange Limited*
13	The Guwahati Stock Exchange Limited*
14	Mangalore Stock Exchange*
15	Magadh Stock Exchange Limited#

16	Jaipur Stock Exchange Limited*
17	Bhubaneswar Stock Exchange Limited*
18	Saurashtra Kutch Stock Exchange Limited*
19	Vadodara Stock Exchange Limited*
20	OTC Exchange of India*
21	Coimbatore Stock Exchange Limited*
23	National Stock Exchange of India Limited
24	Inter-connected Stock Exchange of India Limited*
26	Metropolitan Stock Exchange of India ltd

Derecognized Stock Exchanges

* Exited Stock Exchanges



2. ADMINISTRATION AND GOVERNANCE FOR STOCK EXCHANGES AND CLEARING CORPORATIONS

2.1. Commencement of operations by a newly recognized Stock Exchange/ Clearing Corporation¹

2.1.1. After grant of recognition, the stock exchange can commence trading operations with a minimum of 25 trading members and the clearing corporation can commence clearing and settlement operations with a minimum of 10 clearing members.

GOVERNANCE

2.2. Statutory Committees²:

2.2.1. In order to ensure effective oversight of the functioning of stock exchanges and clearing corporations (hereafter referred as *Market Infrastructure Institutions* or *MIs*), Regulation 29 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (henceforth referred to as 'SECC Regulations') mandates MIs to constitute two functional committees and three oversight committees within each MI. A list of all such mandatory committees for MIs along with their functions and detailed composition requirements is provided at [Annexure 1](#).

2.2.2. Further, while the aforementioned annexure provides for the composition that is specific to each statutory committee at MI, the overarching principles for composition and quorum of the statutory committee at MIs shall be as under, which shall be applicable to all committees ⁴:

2.2.2.1. On each committee at MIs, the number of Public Interest Directors (PIDs) shall not be less than the total of number of shareholder directors, Key Management Personnel (KMPs), independent external persons, etc. put together, wherever shareholder directors, KMPs, independent external persons, etc. are part of the concerned committee.

2.2.2.2. PID shall be chairperson of each committee at MI.

2.2.2.3. To constitute the quorum for the meeting of the MI committee, the number of PIDs on each of the committees at MIs shall not be less than total number of other members (shareholder directors, KMPs, independent external persons, etc. as applicable) put together.

¹ SEBI Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/13 dated January 10, 2019

² SEBI Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/13 dated January 10, 2019 and Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/26 dated February 05, 2019

- 2.2.2.4. The voting on a resolution in the meeting of the committees at MIIs shall be valid only when the number of PIDs that have cast their vote on such resolution is equal to or more than the total number of other members (shareholder directors, KMPs, independent external persons, etc., as applicable) put together who have cast their vote on such resolution.
- 2.2.2.5. The casting vote in the meetings of the committees shall be with the chairperson of the committee.
- 2.2.2.6. Apart from that specifically provided in the Annexure, whenever required, a committee may invite Managing Director, other relevant KMPs and employees of the MII. However, such invitee shall not have any voting rights.

2.2.3. Further, MIIs are directed to adhere to the following:

- 2.2.3.1. Over and above the statutory committees mentioned at point 2.2.1 above, the committees that are mandated by relevant law for listed companies shall apply mutatis mutandis to MIIs.
- 2.2.3.2. MIIs shall lay down policy for the frequency of meetings, etc., for the statutory committees.
- 2.2.3.3. PIDs in Committees at MIIs:
 - 2.2.3.3.1. SECC Regulations, 2018 and Securities and Exchange Board of India (Depositories and Participants) Regulations 2018 (SEBI D&P Regulations) specify that a PID on the board of a MII shall not act simultaneously as a member on more than five committees of that MII.
 - 2.2.3.3.2. It is clarified that the above limitation on maximum number of committees that a PID can be member of, shall be applicable only to statutory committees prescribed by SEBI under SECC Regulations, 2018 and SEBI (D&P) Regulations, 2018, and circulars issued thereunder. The said requirement shall not be applicable to committees constituted under Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 (LODR), amongst others.
 - 2.2.3.3.3. In case of non-availability of adequate number of PIDs in a MII, the relevant MII shall take steps to induct more PIDs in order to fulfil the requirement of composition of committees within a MII.
- 2.2.3.4. Meeting of PIDs:
 - 2.2.3.4.1. As per code of conduct for PIDs provided in SECC Regulations, 2018 & SEBI (D&P) Regulations 2018, the PIDs shall be required to meet

separately every six months. It is added that all the PIDs shall necessarily attend all such meetings of PIDs

2.2.3.4.2. The objective of such meetings, shall include, inter alia, reviewing the status of compliance with SEBI letters/ circulars, reviewing the functioning of regulatory departments including the adequacy of resources dedicated to regulatory functions, etc. PIDs shall also prepare a report on the working of the committees of which they are member and circulate the same to other PIDs. The consolidated report in this regard shall be submitted to the governing board of the MIIs. Further, PIDs shall identify the important issues which may involve conflict of interest for the MII or may have significant impact on the market and report the same to SEBI, from time to time.

2.2.3.5. Independent external persons in committees at MIIs:

2.2.3.5.1. The independent external persons forming a part of committees shall be from amongst the persons of integrity, having a sound reputation and not having any conflict of interest. They shall be specialists in the field of work assigned to the committee; however, they shall not be associated in any manner with the relevant MII and its members.

2.2.3.5.2. MIIs shall frame the guidelines for appointment, tenure, code of conduct, etc., of independent external persons. Extension of the tenure may be granted to independent external persons at the expiry of the tenure, subject to performance review in the manner prescribed by SEBI for PIDs. Further, the maximum tenure limit of Independent external persons in a committee of MII shall be at par with that of PIDs, as prescribed under Regulation 24(3) of the SECC Regulations, 2018.

2.2.3.5.3. The existing MIIs shall submit a confirmation report to SEBI with regard to the formation and composition of the Committees listed out in the Annexure A and compliance with other norms prescribed in the circular, at the earliest but not later than three months from the date of this circular.

2.2.3.6. The newly recognized 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.

2.3. Performance review of Public Interest Directors (PIDs)³:

2.3.1. In respect of Public Interest Directors (PIDs) appointed in the governing board of MIIs, Regulation 24(3) of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, provides the following:

"Public interest directors shall be nominated for a term of three years, extendable by another term of three years, subject to performance review in the manner as may be specified by the Board:

Provided that post the expiry of term(s) at the recognized stock exchange or the recognized clearing corporation / depository, a public interest director may be nominated for a further term of three years in other recognized clearing corporation or recognized stock exchange, or a depository, only after a cooling-off period of one year:

Provided further that a person may be nominated as a public interest director for a maximum of three terms across recognized stock exchanges / recognized clearing corporations / depositories, subject to a maximum age limit of seventy five years."

2.3.2. For complying with the aforementioned regulation, while developing a framework for performance review of PIDs, MIIs need to consider the following:

2.3.2.1. Policy for Performance review of PIDs:

2.3.2.1.1. The Nomination and Remuneration committee (NRC) of the MIIs will be responsible for framing the performance review policy for PIDs.

2.3.2.1.2. Such performance review policy shall include criteria for performance evaluation, methodology adopted for such evaluation and analyzing the results, amongst others.

2.3.2.1.3. Performance review policy of PID shall include scope for both internal evaluation as well as external evaluation.

2.3.2.1.4. Further, as performance review is not a static process and requires periodical review, NRC shall also be responsible for reviewing such performance review policy, at least once in 3 years.

2.3.2.1.5. Such performance review policy and changes made therein, shall be approved by the governing board of MII.

³ Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/26 dated February 5, 2019

2.3.2.2. **Guiding criteria of Performance Review:**

As a part of framing performance review policy, NRC shall be primarily responsible for formulation of performance evaluation criteria. The criteria for performance review of PIDs, which shall be considered for both internal evaluation and external evaluation, may be framed by NRC taking into consideration guiding principles provided at **Annexure 2**. These principles would serve as a guidance for MIIs and the same may be adopted by respective MIIs, as considered appropriate, with additional principles, if any.

2.3.2.3. **Evaluation mechanism:**

- 2.3.2.3.1. PIDs shall be subjected to internal evaluation as well as external evaluation, carrying equal weightage.
- 2.3.2.3.2. Internal evaluation: All the governing board members shall evaluate the performance of each PID, on an annual basis at the end of every financial year.
- 2.3.2.3.3. External evaluation: PIDs shall also be subject to external evaluation during their last year of the term in a MII, by a management or a human resources consulting firm. The consultant shall take into consideration the performance of the PID for the entire tenure served in a given MII, at least up to 4 months before expiry of his/ her term. In order to avoid any bias or conflict of interest, external consultant should not be a related party or associated with the MII, the concerned PID or any other governing board members.
- 2.3.2.3.4. Such performance review should be carried out in fair & objective manner and the review should be recorded with clarity and verifiable facts in a standardized format covering all the relevant criteria / aspects.
- 2.3.2.3.5. While evaluating conflict of interest of a PID, the governing board of MII shall also take into consideration provisions of Clause 2(d) of Schedule II Part H of SECC Regulations, 2018 and Clause 2(d) of Schedule II Part C of SEBI (D&P) Regulations, 2018 under the head 'Public Interest Director'; and conflict of interest, if any, of any PIDs should be disclosed to SEBI by the governing board with their comments/ views.

2.3.2.4. **Disclosure:** Performance evaluation criteria for PIDs shall be disclosed in their annual report as well as on the website of the concerned MII.

2.3.2.5. **Recommendation to SEBI:** After taking into account the performance of a PID in the concerned MII, on the basis of internal evaluation and external evaluation both carrying equal weightage, NRC shall consider and recommend extension of his / her tenure to the Governing Board of the MII. The Governing Board of the MII shall in-turn consider and recommend to SEBI if the tenure of the PID is desired to be extended by another term of three years.

2.3.2.6. In addition to the other requirements prescribed in performance review policy of the MIIs along-with norms specified in SECC Regulations, 2018 and SEBI (D&P) Regulations, 2018, the following may be considered by NRCs of MIIs:

2.3.2.6.1. It shall be ensured that the concerned PID hasn't remained absent for three consecutive meetings of the governing board and has attended seventy-five per cent of the total meetings of the governing board in each calendar year; failing which PID shall be liable to vacate office.

2.3.2.6.2. It shall be ensured that PIDs in the governing boards of MIIs are selected from diverse fields of work, in terms of their qualification and experience.

2.3.3. The application for extension of term of a PID shall be accompanied with the attendance details of PID in the meetings of various mandatory committees and of the governing board of the MII along-with specific reasons for seeking extension of his / her term as a PID. Such specific reasons shall include facts such as whether the concerned PID, during the term served, had identified any important issues concerning any matter which may involve conflict of interest, or have significant impact on functioning of MII, or may not be in the interest of securities market as a whole, and whether the PID had reported the same to SEBI.

2.3.4. In terms of SECC Regulations, 2018 and SEBI (D&P) Regulations, 2018, it is clarified that a minimum of two names shall be submitted by MIIs at the time of making request for appointment of PID and extension of the term of existing PID, including appointment of PID for the purpose of broad basing the governing board, against each such vacancy.

In order to ensure independence of PIDs, MIIs are advised to conduct appropriate due diligence so as to ascertain if there exists any pecuniary relationship between the PID with the MII/its subsidiaries/its associates at least for a period of 3 years preceding the date of submission of the proposal

to SEBI. MIIs are advised to ensure that as far as possible, names where such relationship exists are not recommended for nomination as PID⁴.

- 2.3.5. It is clarified that the aforementioned norms specify the minimum requirements that have to be complied with by MIIs, however the NRCs of MIIs may adopt additional and more stringent norms while framing a policy for performance review of PIDs. With regard to the detailed criteria for performance evaluation, as provided in **Annexure 2** to the master circular, the same shall serve as an illustrative guide for MIIs to frame performance evaluation criteria -both for internal as well as external evaluation, and the same may be adopted by MIIs as considered appropriate, with additional criteria, if any.
- 2.3.6. Additionally, with regard to tenure of existing PIDs as on date of this circular, following is clarified:

- 2.3.6.1. The term of existing PIDs serving in a MII for more than three years, can be extended, subject to his / her performance review and a maximum tenure of 6 years as PID in that particular MII.
- 2.3.6.2. The term of existing PIDs, that have already served for six years or more in a single MII, shall not be eligible for further extension in that MII.

2.4. Procedures for ensuring compliance with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (SECC Regulations) by Listed Stock Exchanges.⁵

- 2.4.1. Regulation 45 of the SECC Regulations provides for listing of stock exchanges. As per Regulation 45(1) of the SECC Regulations, the Board may specify such conditions as it may deem fit in the interest of the securities market.
- 2.4.2. Accordingly, it has been decided to prescribe the following modalities so as to ensure compliance with the provisions of SECC Regulations:
 - 2.4.2.1. **Ensuring holding of 51 per cent by public at all times by the listed stock exchange:**
 - 2.4.2.1.1. The listed stock exchange shall disseminate the details of its shareholding with category wise breakup, on a continuous basis, on its

⁴ SEBI Letter dated December 04, 2019

⁵ Circular No. MRD/DSA/01/2016 dated January 01, 2016

website. Similarly, the stock exchange where the shares are listed, shall also display the above information.

- 2.4.2.1.2. 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.
- 2.4.2.1.3. 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.
- 2.4.2.1.4. 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.
- 2.4.2.1.5. 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.

2.4.2.2. Fit and Proper status of shareholders:

- 2.4.2.2.1. 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, 2018.
- 2.4.2.2.2. 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.

- 2.4.2.2.3. 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.
- 2.4.2.2.4. 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.
- 2.4.2.2.5. 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.
- 2.4.2.2.6. 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.

2.4.2.3. Ensuring that shareholders holding shares above 2 per cent are fit and proper:

- 2.4.2.3.1. In addition to the criteria mentioned at para 2.4.2.2 above, on acquisition of shares above 2 per cent, provision under Regulation 19(3) of SECC Regulations 2018 shall apply wherein those intending to acquire beyond 5 per cent as per Regulation 19(3) have to seek prior approval of SEBI.

2.4.2.4. Ensuring shareholding threshold of 5 per cent or 15 per cent as the case may be in terms of SECC Regulations:

- 2.4.2.4.1. 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.
- 2.4.2.4.2. 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.

- 2.4.3. 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.
- 2.4.4. The stock exchange submitting application for listing of its securities to SEBI shall ensure strict compliance with Chapter VII of SECC Regulations, 2018.

2.5. **Investment Policy, Liquid Assets for the purpose of Calculation of Net Worth of a Clearing Corporation and Contribution to the Settlement Guarantee Fund⁶**

2.5.1. **'Investment Policy' of Clearing Corporation**

2.5.1.1. Regulation 38(1) of SECC Regulations, 2018 states the following:

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

2.5.1.2. While framing the 'Investment policy', the clearing corporations shall consider the following principles:

- 2.5.1.2.1. The investment policy of the Clearing Corporation shall be built on the premise of highest degree of safety and least market risk.
- 2.5.1.2.2. The investments shall be broadly in Fixed Deposits/ Central Government Securities and Liquid schemes of Debt Mutual Funds.

2.5.1.3. Accordingly, the Clearing Corporations shall align the investment policy in line with the principles for investment laid down at para 2.5.1.2 above, subject to the following:

2.5.2. Fixed Deposit with Banks [only those banks which have a net worth of more than INR 500 crore and are rated A1 (or A1+) or equivalent, as mentioned under Section 6 titled 'Core Settlement Guarantee Fund' of Chapter 3 (Settlement) of this Master Circular on Stock Exchanges and Clearing Corporations.

- 2.5.2.1.1. Section 6.6 of Chapter 3 (Settlement) of this Master Circular on Stock Exchanges and Clearing Corporations;
- 2.5.2.1.2. Central Government Securities; and
- 2.5.2.1.3. Liquid schemes of debt mutual funds.
- 2.5.2.1.4. Overnight Funds⁷

⁶ Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2016/54 dated May 04, 2016

⁷ Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2019/145 dated November 28, 2019

- 2.5.2.2. Combined investments made by Clearing Corporations in Liquid Funds and Overnight Funds shall not exceed a limit of ten per cent of the total investible resources held by the clearing corporation, at any point in time. Further, the investments in Overnight Funds shall also be considered as 'Liquid Assets', for the purpose of calculation of Net worth of a Clearing Corporation.
- 2.5.2.3. In case the Clearing Corporation has investments in mutual funds beyond the limits specified above, then such excess investments shall be liquidated by the Clearing Corporation within six months from the date of issuance of this circular. Fresh investments by the Clearing Corporation beyond the threshold limit prescribed above are not permitted.

2.5.3. Liquid assets for the purpose of calculation of Net worth of Clearing Corporation

- 2.5.3.1. Explanation II to Regulation 14 of SECC Regulations, 2018 reads as under:

"For the purposes of this regulation, 'net worth 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".

- 2.5.3.2. The eligible instruments for investment such as fixed deposits, Central Government Securities and liquid schemes of Debt Mutual Funds to the extent permissible, other instruments as may be specified by SEBI from time to time, and cash and bank balance, shall be considered as 'Liquid Assets', for the purpose of calculation of Net worth of a Clearing Corporation.

2.6. Disclosures relating to regulatory orders and arbitration matters on websites of Clearing Corporations⁸

- 2.6.1. In order to improve transparency in disclosing the regulatory orders and arbitration awards issued by clearing corporations, it has been decided that all regulatory orders i.e. orders against clearing members and arbitration / appellate awards by arbitrators need to be made available to investors.
- 2.6.2. Accordingly, it has been decided that the Clearing Corporations shall post all regulatory orders and arbitration / appellate awards issued since June 20, 2012, on their websites within 30 days. Further, all regulatory orders and

⁸ Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2017/24 dated March 16, 2017



arbitration / appellate awards as and when issued by Clearing Corporations from the date of this circular shall be posted on their website immediately.

2.6.3. In addition to the above, Clearing Corporations shall disseminate information with respect to brief profile, qualification, areas of experience / expertise, number of arbitration matters handled, pre-arbitration experience, etc. of the arbitrators on their website.

2.7. Standard Operating Procedure for Suspension of Trading

2.7.1. Refer to Section VII-A under Chapter VII titled “Penal Actions for Non-compliance” of [SEBI Master Circular for compliance with the provisions of the Securities and Exchange Board of India \(Listing Obligations and Disclosure Requirements\) Regulations, 2015](#) by listed entities dated July 11, 2023.

2.8. **Framework for Orderly Winding Down of Critical Operations and Services of a Clearing Corporation⁹**

A. In order to enable the Clearing Corporations (CCs) to have a framework for orderly winding down of critical operations and services, Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (SECC Regulations, 2018) have been amended vide Gazette Notification No. SEBI/LAD-NRO/GN/2022/104 dated November 15, 2022.

B. In this regard, it has been decided that the CCs shall have a policy framework for orderly winding down of their critical operations and services, which shall at least contain the following provisions:

2.8.1. **Identification of Potential Scenarios**

The scenarios which may potentially prevent a CC from being able to provide its critical operations and services as a going concern and may lead to wind down of its critical operations and services, shall be identified. Some of the reasons for winding down of CC can be:

2.8.1.1. **Voluntary:** The CC is solvent and is able to meet all its obligations towards Clearing Members (CMs) as well as other creditors; however, wishes to wind down its critical operations and services and exit as a strategic or business decision.

2.8.1.2. **Involuntary:** The winding down of critical operations and services on involuntary basis may be due to various factors including but not limited to the following:

⁹ Circular no. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2022/173 dated December 16, 2022

2.8.1.3. **Losses due to default by CM(s):** The default management resources maintained by the CC may get exhausted due to default by CM(s), and, consequently, the CC fails to fulfil its obligations towards CM(s) and/or its constituents.

2.8.1.4. **Losses due to other factors:** There is no CM default and the settlements have been happening in a timely manner; however, the solvency of a CC may get adversely affected as a result of some large operational expenses, legal expenses, business or investment losses, etc. thereby rendering a CC unable in fulfilling its obligations to CM(s), its constituents and/ or other creditors.

2.8.1.5. **Regulatory Actions:** Directions to a CC to wind down its critical operations and services by SEBI or any other statutory authority under applicable laws. SEBI may direct a CC to wind down its critical operations and services including but not limited to the following scenarios:

- i. A CC shall be required to continuously meet the annual clearing turnover, aggregated across segments, including by way of interoperability, of at least INR 1,000 Cr. per annum or any other amount as may be specified by SEBI from time to time. In case the CC fails to meet the aforesaid requirement for two consecutive years, it shall be liable to exit and accordingly, apply for orderly winding down of its critical operations and services.

Provided that the above threshold condition shall not be applicable to a CC for a period of 5 years from the date of grant of recognition.

In case where the CC does not apply for voluntary winding down of critical operations and services, pursuant to breaching the minimum turnover threshold as mentioned above, SEBI may proceed with compulsory de-recognition of such CC under applicable laws.

- ii. SEBI may also direct a CC to wind down its critical operations and services in case of non-compliance of either the conditions of grant of recognition or renewal, wherever applicable; or any other condition under the applicable laws.

2.8.2. **Identification of Critical Operations and Services of CCs**

2.8.2.1. To identify the operations and services which may be classified as critical, CCs shall, *inter alia*, consider their risk profile, operations, organizational structure, financial resources, business practices, interconnectedness and interdependencies, and any other relevant factor as deemed appropriate. As timely clearing and settlement of trades is a core function of CCs, the operations and services such as collateral management, risk management, clearing and settlement, etc. shall be deemed to be critical.

2.8.2.2. Further, the contractual obligations of CCs with CMs, Stock Exchanges, Depositories and other CCs, arising out of clearing and settlement of trades, shall necessarily be classified as critical or essential.

2.8.3. **Standard Operating Procedure (SOP)**

2.8.3.1. The policy framework of CCs shall contain a Standard Operating Procedure (SOP) duly approved by their governing board, *inter alia*, outlining the manner in which the critical operations and services of the CCs shall be carried out in an orderly manner so as to not cause any disruption to the financial system, upon triggering of any of the scenarios as mentioned at paragraphs 2.9.1.1 and 2.9.1.2 above. A notice or intimation regarding winding down of critical operations and services shall be issued by the CC as and when the scenarios get triggered, with prior approval of SEBI.

2.8.3.2. The SOP shall, *inter alia*, include details of infrastructure and premises, technological systems including back-up, outsourcing activities/ vendors/ service providers, etc. which would need to be retained or continued for orderly winding down of critical operations and services. The SOP shall also contain details of key employees or staff members, along with their roles and obligations, etc., who shall be retained and responsible for development, review, and ongoing monitoring etc. of the critical operations and services, once the process of orderly winding down of critical operations and services is initiated.

2.8.3.3. The CCs shall include the operational modalities relating to transfer or close-out of positions, collateral, etc. in detail considering interoperable or non-interoperable scenarios as applicable, while framing their policy for orderly winding down of critical operations and services. Broad guidelines in this regard are as under:

2.8.3.3.1. Voluntary Winding Down - Voluntary winding down of a CC shall be approved by the governing board, its shareholders and SEBI. The CC shall inform the members and the market regarding its decision to wind down voluntarily and shall also mention a sufficient notice period (at least six months) for such winding down, after prior approval of SEBI, so as not to have a significant impact in financial system. Since the CC shall be solvent, it shall have the choice of continuing full range of operations or providing only critical services during the notice period. However, the CC shall continue to provide at least the critical services during the notice period. Once the winding down process is initiated, any open positions of the CMs and/ or its constituents at the exiting CC shall have to be transferred to the new CC where the CMs become member within the notice period. Any open positions within the notice period that could not be transferred shall be closed-out at the daily settlement price and in terms of the provisions of the Rules, Bye-laws and Regulations of the exiting CC.

2.8.3.3.2. Involuntary Winding down (due to default by CM(s) or due to other factors) - The procedure for winding down shall be as follows:

- i. The CC shall announce a termination date, with prior approval of SEBI.
- ii. The CMs who have open positions may change their designated CC, or close-out their open positions.
- iii. All open positions, if any, shall expire at the daily settlement prices of the termination date.

2.8.3.3.3. Involuntary Winding down due to regulatory action - In this case, SEBI on case to case basis may issue appropriate directions for winding down.

2.8.4. The provisions of SECC Regulations, 2018 and various circulars and guidelines issued thereunder, shall continue to apply during the entire period of winding down of critical operations and services of CCs. This shall be mentioned in the policy framework of CCs. The framework shall be (i) periodically reviewed, at least on an annual basis, and (ii) published or disclosed on the website of the CC (excluding any confidential details).

2.8.5. Return of Assets

2.8.5.1. The exiting CC shall be permitted to distribute its assets subject to conditions as laid down in its framework, guidelines issued by SEBI

from time to time, or any other direction issued by SEBI or any other statutory authority.

- 2.8.5.2. For the purpose of valuation of the assets of the CC, a valuation agency may be appointed by SEBI.
- 2.8.5.3. The quantum of assets available for distribution shall be arrived at after payment of statutory dues, including applicable taxes; contribution to SEBI as specified in para 2.8.5.4 and 2.8.5.5. below, return of refundable collateral and membership deposits of CMs, return of deposits to warehouse service providers, if any, and the unutilized Core SGF contributions of CMs and Stock Exchanges, as the case may be, depending upon the scenario triggering winding down of critical operations and services.
- 2.8.5.4. Subsequent to exit, the CC shall also be required to contribute up to 20% of its assets (after applicable taxes) towards SEBI Investor Protection and Education Fund (IPEF) in order to provide for settlement of any claims pertaining to pending arbitration cases, unresolved complaints or grievances lying with the CC, etc. The contribution percentage may be decided by SEBI taking into account relevant factors such as the governance standards of the CC, estimation of future liabilities, etc.
- 2.8.5.5. The CC shall pay following dues to SEBI:
 - i. The dues outstanding to SEBI;
 - ii. The outstanding fees of CMs of such exiting CC till the date of such exit:

In this regard, the CC shall recover the dues of the CMs to SEBI out of the CMs' own deposits/ capital/ share of sale proceeds/ winding down proceeds of CC, etc. available with the CC. The CC shall be liable to make good any shortfall in collection of dues of CMs to SEBI.

- 2.8.5.6. Penalties collected from CM(s), issuer(s) contribution in case of Limited Purpose Clearing Corporation (LPCC), and interest on these components, forming part of Core SGF shall be used by the CC in a manner as specified by SEBI from time to time.
- 2.8.5.7. An exiting CC shall not alienate any assets without taking prior approval of SEBI.

2.8.6. Financial Resources

- 2.8.6.1. Regulation 14(3)(b) of SECC Regulations, 2018 stipulates that every CC shall hold additional capital to cover costs required for orderly winding down or recovery of operations. Further, SEBI has stipulated that while computing the capital requirements for winding down, a CC shall

consider a minimum time span of six months for ensuring an orderly winding down or restructuring of its activities and thus, hold liquid net assets equal to at least six months of gross operational expenses.

2.8.6.2. As the instant policy proposal is intended to serve the purpose as envisaged under the above mentioned regulatory provisions, the said capital requirements for CCs shall be required to be maintained at all times, and shall be used for carrying out critical operations and services of the CCs, once the process of orderly winding down of critical operations and services is initiated.

2.8.7. Oversight

The Regulatory Oversight Committee (ROC) of the CC shall oversee the implementation of steps or processes involved in orderly winding down of critical operations and services of the CC and shall submit a report to SEBI after approval from the governing board, in a manner as may be specified by SEBI, upon completion of necessary steps or processes.

2.8.8. Directions to be issued by SEBI

Appropriate directions by SEBI shall be issued to CCs for orderly winding down of their critical operations and services.

C. Obligations of Exchange(s) and Clearing Member(s)

1. For non-interoperable segments, if the exchange (whose trades are cleared by the exiting CC) intends to continue to offer trading in the concerned segment(s), then it shall engage with another clearing corporation within the notice period.
2. For both non-interoperable and interoperable segments, the CMs of exiting CC shall have to become members of new or another CC within the notice period. Alternatively, such CMs may close-out their open positions within the notice period.

2.9. **Exit Policy for De-recognized/ Non-operational Stock Exchanges¹⁰**

2.9.1. The provisions of the circular¹⁵ shall apply to:

(i) Recognized stock exchanges

¹⁰ Circular No. MRD/DSA/14/2012 dated May 30, 2012 and Circular No. MRD/DSA/18/2014 dated May 22, 2014



- (ii) Stock exchanges that stand de-recognized as on May 30, 2012.
- (iii) Stock exchanges that have applied for de-recognition/ exit as on May 30, 2012.

2.9.2. Process of De-recognition and Exit

- 2.9.2.1. Exchanges may seek exit through voluntary surrender of recognition.
- 2.9.2.2. Stock exchanges where the annual trading turnover on its own platform is less than Rs. 1000 Crore can apply to SEBI for voluntary surrender of recognition and exit.
- 2.9.2.3. If the stock exchange is not able to achieve the prescribed turnover of Rs 1000 Crores on continuous basis or does not apply for voluntary surrender of recognition and exit, SEBI shall proceed with compulsory de-recognition and exit of such stock exchanges, in terms of the conditions as may be specified by SEBI.

- 2.9.3. With regard to exit option to shareholders of exclusively listed companies, on stock exchanges seeking de-recognition and/ or exit and de-recognised stock exchanges, the following process should be followed by the exclusively listed companies. Such an exchange shall monitor the process given below until its exit:
 - 2.9.3.1. Exclusively listed companies shall list on any other recognized stock exchange. Such other recognized stock exchanges may facilitate the listing of exclusively listed companies, and, if required, carry out changes to their listing eligibility criteria, in the interest of investors. Stock exchanges may have differential listing criteria for such exclusively listed companies in respect of following criteria viz, Market Capitalization, Dividend paying track record, profitability, and paid-up capital. In this regard, the stock exchanges shall issue the differential listing eligibility criteria for such exclusively listed companies.
 - 2.9.3.2. Nation-wide stock exchanges shall facilitate the listing of these companies on priority basis in a time bound manner. For this purpose, these nation-wide stock exchanges shall immediately create a separate dedicated cell to expedite processing the listing requests from such companies.
 - 2.9.3.3. Such exclusively listed companies may also opt for voluntary delisting before the de-recognition of the stock exchanges by following the existing delisting norms of SEBI in terms of SEBI (Delisting of Equity Shares) Regulations, 2021. Nation-wide stock exchanges shall provide a platform

to these companies to facilitate reverse book building for voluntary delisting using their platform.

- 2.9.3.4. With a view to facilitate voluntary delisting, if they so desire, it is clarified that for such companies as referred to at Para 2.9.3.3 above, the requirements of 'Minimum Public Shareholding' prescribed in Rules 19(2)(b) and 19A of the Securities Contracts (Regulation) Rules, 1957 and, Regulation 38 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 shall not be applicable.
- 2.9.3.5. In case of companies exclusively listed in the non-operational stock exchanges that are not traceable or where the data available is more than three years old, the process of inclusion in list of companies identified as 'Vanishing' (maintained by Ministry of Corporate Affairs) may be initiated by the respective stock exchanges.
- 2.9.3.6. The exclusively listed companies, which fail to obtain listing on any other stock exchange, which do not voluntary delist or which are not considered as 'Vanishing companies' will cease to be a listed company and will be moved to the dissemination board by the exiting stock exchange. It shall be the responsibility of the exchanges which are being derecognized either on voluntary or compulsory basis, to place their exclusively listed companies on the dissemination board. These exchanges shall ensure that the database of the exclusively listed company is transferred to SEBI and to those stock exchanges on whose dissemination board, the shares of these companies are available.
- 2.9.3.7. In the interest of investors of exclusively listed companies, a mechanism of dissemination board will be set-up by stock exchanges having nationwide trading terminals.
- 2.9.3.8. Dissemination Board: Under this mechanism, a willing buyer and seller will be given an opportunity to disseminate their offers using the services of brokers of stock exchanges hosting dissemination board. The mechanism of dissemination board shall be given wide publicity for the benefit of the investors of exclusively listed companies. Every stock exchange hosting a dissemination board shall clearly bring out the guidelines in respect of the Dissemination Board on its website.

2.9.3.9. **Features of Dissemination Board:**

- 2.9.3.9.1. Existing Stock Exchanges will be required to enter into an agreement with at least one of the stock exchanges with nationwide trading terminals providing the Dissemination Board. The exiting stock exchange shall pay a one-time fee for the arrangement as may be

decided in the agreement. The fee may be based on number of companies moving on to the dissemination board, number of public shareholders in those companies, their paid up capital etc.

- 2.9.3.9.2. Exchanges having nationwide trading terminal will not have listing agreement with these companies. However, information received from such companies will be disseminated.
- 2.9.3.9.3. The buyers/ sellers will be required to register with broker of the exchange where the dissemination board is set up.
- 2.9.3.9.4. No contract note is required to be issued for such transactions.
- 2.9.3.9.5. The matched trades will not be settled through the stock exchange/ Clearing Corporation mechanism and hence, there will be no recourse to the Settlement/ Trade Guarantee Fund and Investor Protection Fund of the Exchange for the trades on Dissemination Board.
- 2.9.3.9.6. The exiting Stock Exchange as well as exchange providing dissemination board will give wide publicity about the dissemination board in one leading national daily and one local daily.

The stock exchanges hosting dissemination board shall issue uniform operational guidelines for the dissemination board.

2.9.4. Members of Stock Exchanges to continue trading through Subsidiary

- 2.9.4.1. In case of de-recognition of a stock exchange, the exchange may provide trading opportunity to their trading members to trade on stock exchanges having nationwide terminals through their subsidiary company, which will function as normal broking entity. In case of de-recognition, subsidiary company shall continue to function as broking entities in compliance of, *inter alia*, the provisions of the SEBI (Stock Brokers) Regulations, 1992.
- 2.9.4.2. In case of de-recognition, the MoU mechanism, if any, between a stock exchange not having nationwide trading terminal and a stock exchange having nationwide trading terminal, shall be discontinued and in such cases the trading members of erstwhile stock exchanges will gain access to exchanges having nationwide terminals through membership of the existing subsidiary company.

2.9.5. Treatment of the Assets of de-recognized exchange

- 2.9.5.1. De-recognized stock exchange (voluntarily de-recognized or compulsorily de-recognized) is permitted to distribute its assets subject to

certain conditions as laid down in this circular, as well as other guidelines that may be issued by SEBI, Government(s), or any other statutory authority from time to time.

- 2.9.5.2. For the purpose of valuation of the assets of the stock exchange, a valuation agency shall be appointed by SEBI.
- 2.9.5.3. The quantum of assets for distribution will be available after payment of statutory dues including income tax, transfer of funds as specified in para 2.9.6.1, payment of dues as specified in para 2.9.6.2, refund of deposit (refundable) to the stock brokers including their initial contribution/ deposit to Settlement Guarantee Fund / Trade Guarantee Fund (SGF/ TGF), and contribution to SEBI as specified in para 2.9.5.4. However, the remainder of SGF/ TGF after refunding to stock broker as mentioned above shall be considered for the purpose of valuation of the assets of the exchange.
- 2.9.5.4. In case of de-recognition and exit, the stock exchange shall contribute up to 20% of its assets (after tax) towards SEBI Investor Protection and Education Fund (IPEF) for investor protection and in order to cover future liabilities, if any. The contribution may be decided by SEBI taking into account, inter alia, the governance standards of the stock exchange and estimation of future liabilities.
- 2.9.5.5. All stock exchanges including de-recognised stock exchanges shall not alienate any assets of the exchange without taking prior approval of SEBI.

2.9.6. Other Conditions:

- 2.9.6.1. The exchange shall transfer Investor Protection Fund, Investor Services Fund, 1% security deposit available with them to the SEBI IPEF. The 1% security deposit shall subsequently be returned to the issuer company in due course on satisfying the prescribed conditions.
- 2.9.6.2. The exchange shall pay following dues to SEBI:
 - 2.9.6.2.1. The dues outstanding to SEBI including 10% of the listing fee and the annual regulatory fee.
 - 2.9.6.2.2. The outstanding registration fees of brokers/trading members of such de-recognised stock exchanges as specified in the SEBI (Stock Brokers) Regulations, 1992 till the date of such de-recognition.

- 2.9.6.2.2.1. Dues of the brokers to SEBI shall be recovered by the exchange out of the brokers' deposits / capital / share of sale proceeds/ winding up proceeds / dividend payable, etc. available with the exchange.
- 2.9.6.2.2.2. The exchange will be liable to make good any shortfall in collection of dues of the brokers to SEBI.
- 2.9.6.3. In case the stock exchange, after de-recognition, continues as a corporate entity under the Companies Act, 2013, it shall not use the expression 'stock exchange' or any variant in its name or in its subsidiaries name so as to avoid any representation of present or past affiliation with the stock exchange. The subsidiaries of de-recognised stock exchanges may continue to function as any other normal broking entity, managed by its own board, with a suitable change of name so as to avoid any representation of any present or past affiliation with the stock exchange.
- 2.9.6.4. Sale/distribution/transfer of assets/winding up of such exchanges/companies shall be subject to the applicable laws in force.
- 2.9.6.5. The stock exchange shall set aside sufficient funds in order to provide for settlement of any claims, pertaining to pending arbitration cases, arbitration awards, not implemented, if any, liabilities/claims of contingent nature, if any, and unresolved investors complaints/grievances lying with the exchange.
- 2.9.7. SEBI may allow de-recognition and/ or exit to stock exchanges subject to additional conditions as may be decided by SEBI in the interest of trade or in the public interest including securities market.
- 2.9.8. In case of stock exchange seeking exit, through voluntary surrender of recognition or after being compulsorily de-recognized by SEBI, an appropriate order shall be passed by SEBI.

2.10. **Exclusively listed companies of De-recognized/Non-operational/exited Stock Exchanges¹¹**

- 2.10.1. SEBI issued guidelines¹² for exit of De-recognized/Non-operational stock exchanges. And subsequently, issued directions to the stock exchanges to address issues faced by companies exclusively listed in non-operational stock exchanges.

¹¹Circular No. MRD/DSA/05/2015 dated April 17, 2015

¹² Circular dated May 30, 2012 and circular dated May 22, 2014

- 2.10.2. Further, the exclusively listed companies which fail to obtain listing in any other nationwide stock exchange will cease to be a listed company and will be moved to the dissemination board by the existing stock exchange.
- 2.10.3. Subsequently, in the interest of investors of such companies, it was decided to allow a time line of eighteen months, within which such companies shall obtain listing upon compliance with the listing requirements of the nationwide stock exchange, subject to the following:
 - 2.10.3.1. Listing in nationwide stock exchanges is permitted only in respect of those class of securities that were already listed in the non-operational stock exchanges.
 - 2.10.3.2. The exclusively listed companies seeking listing on nationwide exchanges shall not undergo any material changes in their shareholding pattern which suggests change of control at the time of listing on nationwide stock exchanges.
 - 2.10.3.3. Pursuant to exit or de-recognition of the non-operational stock exchanges, the exclusively listed companies of such stock exchanges which have been moved to the Dissemination Boards of nation-wide stock exchanges may be desirous of migrating to the main boards of the nation-wide stock exchanges. However, they may not be in a position to obtain the NOC or other requisite confirmations from the non-operational/exited stock exchanges wherein they were originally listed.

In such instances, for the purpose of direct listing, the exclusively listed companies which were filing returns for the last two financial years with their respective Registrar of Companies ("RoC") may be treated as a compliant company and the requirement of No Objection Certificate ("NOC") or any other documents from non-operational/exited stock exchanges may not be insisted upon by the nationwide exchange which is providing the listing platform. For the listing purpose, the company shall obtain compliance certification from any independent professionals and submit to the nationwide stock exchanges. The nationwide stock exchanges shall also carry out independent verification for ensuring the compliance of the requirements.

- 2.10.3.4. All the promoters and directors of such companies, who have failed to provide the trading platform or exit to its shareholders, even after the extended time of eighteen months will have to undergo stricter scrutiny for their any future association with securities market. Any company/entity/person which proposes to make public offer or get

registered with SEBI in any capacity and has/is promoter or director whose company is in dissemination board has to demonstrate that they have made adequate efforts for providing exit to their shareholders and that upon failure of such efforts, such companies have remained on the dissemination board. This shall be notwithstanding any other action that may be taken against such promoters/directors/companies by SEBI.

- 2.10.3.5. Nationwide Stock exchange shall have a dedicated cell to process the application of exclusively listed companies of non-operational/exited stock exchanges. The applications of these companies for compliance with this circular shall be disposed of as early as possible, but not later than 2 months from the date of receipt of the application.
- 2.10.4. Until such listing, these companies shall continue to remain in the Dissemination Boards of the nation-wide stock exchanges.
- 2.10.5. The companies which are referred to the respective Registrar of Companies (RoC) by the non-operational exchanges for the purpose of declaring as 'vanishing company' may be removed from the dissemination board once the company is identified as 'Vanishing' by the Ministry of Corporate Affairs ("MCA") or RoC.

2.10.6. **Applicability**

The provisions applicable to the exclusively listed companies of all de-recognized/non-operational stock exchanges exited/exiting (Compulsory or voluntarily) are as follows:

- 2.11. **Exclusively listed companies of De-recognized/Non-operational/exited Stock Exchanges placed in the Dissemination Board (DB).¹³**
 - 2.11.1. SEBI issued guidelines facilitating the exit of De-recognized/Non-operational stock exchanges and exit to the shareholders of exclusively listed companies (ELCs) by allowing them to get listed on nationwide stock exchanges after complying with the diluted listing norms of nationwide stock exchanges, failing which they would be moved to the Dissemination Board (DB).
 - 2.11.2. Further, ELCs, on de-recognized/non-operational stock exchanges, can also opt for voluntary delisting by following the existing delisting norms of SEBI. It was also specified that if the ELCs fail to comply with the same, they shall be moved to DB.

¹³ Circular No. MRD/DSA/CIR/P/2016/110 dated October 10, 2016

2.11.3. SEBI has been receiving representations seeking clarifications on raising of further capital and the process of exit of ELCs from the DB. Therefore, SEBI, in the interest of the investors of such ELCs, clarifies as follows:

2.11.3.1. The respective nationwide stock exchanges hosting the ELC on its DB would hereinafter be referred as 'designated stock exchange'.

2.11.3.2. The ELCs on the DB would be required to exercise one of the two options as mentioned in Para 2.11.3.3 or 2.11.3.4 of the circular.

2.11.3.3. **Raising capital for listing on Nationwide Stock Exchanges.**

In order to facilitate listing on nationwide stock exchanges, the ELCs on the DB shall be allowed to raise capital for meeting the listing requirements through preferential allotment route in terms of the provisions under the Issue of Capital and Disclosure Requirements Regulations, 2018 (ICDR).

2.11.3.3.1. For the above purpose the procedures as specified under ICDR shall be followed to the extent possible. Towards this purpose, the designated stock exchange shall be according in principle approval and monitoring compliance with the same.

2.11.3.3.2. In the process of raising capital through preferential allotment, if the allotment is made to promoters/ public such that it is in excess of the threshold limits (5% or 25%) of the SEBI (Substantial Acquisition of Shares and Takeovers Regulations), 2011 (SAST), the provisions of SAST Regulation shall not be applicable for the proposed acquisition subject to the overall holding of the promoter group not exceeding 75% of the paid up capital of the company.

2.11.3.3.3. The ELCs which fail to list on the nationwide stock exchanges under the aforesaid mechanism shall provide exit to its investors as per para 2.11.3.4 of the circular.

2.11.3.4. **Procedure to provide exit to investors:**

In order to protect the interest of all shareholders of such ELCs, an exit mechanism to investors of such ELCs shall be as prescribed in Annexure 5 to this circular. Accordingly, all ELCs shall be required to ensure compliance with the procedure for exit. The oversight and monitoring of

such exit mechanism shall be carried out by the designated stock exchange.

- 2.11.3.4.1. Designated stock exchanges shall further ensure that the promoters have made adequate efforts in terms of the above provisions for providing exit to their shareholders before removing ELCs from the DB.
- 2.11.3.4.2. The designated stock exchange shall display the list of companies willing to provide exit to their investors on their website on a monthly basis.

2.11.4. In order to facilitate the raising of capital or provide exit to investors as mentioned under para 2.11.3.3 and 2.11.3.4, it is prescribed that:

- 2.11.4.1. The ELCs on the DB which are yet to indicate their intention to comply with listing or to provide exit shall submit¹⁴ their plan of action to designated stock exchanges, failing which the designated exchange shall recommend action as specified under Para 2.11.55 of this circular.
- 2.11.4.2. The designated stock exchanges shall review the plan of action and ensure completion of the process within 6 months.

2.11.5. Action against companies remaining on the DB

- 2.11.5.1. Any promoter or director whose company is on the DB and has failed to demonstrate adequacy of efforts for providing exit to their shareholders in conformity with the exit mechanism as provided in this circular shall be liable for the following actions:

- 2.11.5.1.1. The company, its directors, its promoters and the companies which are promoted by any of them shall not directly or indirectly associate with the securities market or seek listing for any equity shares for a period of ten years from the exit from the DB.
- 2.11.5.1.2. Freezing of shares of the promoters/directors.
- 2.11.5.1.3. List of the directors, promoters etc. of all non-compliant companies as available from the details of the company with nationwide stock exchanges shall be disseminated on SEBI website and shall also be shared with other respective agencies.

¹⁴ Circular No. MRD/DSA/CIR/P/2016/110 dated October 10, 2016 gave companies three months to submit their plan of action to the designated stock exchanges.



2.11.5.1.4. Attachment of bank accounts/other assets of promoters/directors of the companies so as to compensate the investors.

2.11.6. The provisions are applicable to the exclusively listed companies of all de-recognized/non-operational stock exchanges which are exited/in the process of exit in terms of para 2.9.

2.11.7. The respective designated stock exchanges shall ensure that all exclusively listed companies on the DB be accordingly advised to facilitate compliance of the above provisions in a time bound manner.

2.12. **Exclusively listed companies of De-recognized/Non-operational/exited Stock Exchanges placed in the Dissemination Board (DB).¹⁵**

2.12.1. SEBI vide circular dated October 10, 2016 under para 2.11 of this master circular provided a period of three months to the ELCs on the DB to submit an action plan to list or to provide exit to shareholders to the designated stock exchanges.

2.12.2. In light of representation received seeking extension of time to submit plan of action, it is decided to extend the time till March 31, 2017. All other conditions as mentioned under para 2.11 of this master circular remain unchanged.

2.13. **Procedures for Exchange Listing Control Mechanism¹⁶**

2.13.1. Regulation 45 of the SECC Regulations provides for listing of stock exchanges on any recognised stock exchange, other than itself and its associated stock exchange. As per Regulation 45(1) of the SECC Regulations, the Board may specify such conditions as it may deem fit in the interest of the securities market.

2.13.2. In order to address any conflict arising out of aforesaid provisions of listing of a stock exchange on any recognised stock exchange, other than itself, and also to ensure effective compliance with the applicable laws, it has been decided that:

2.13.2.1. The Listing Department of the listing stock exchange (i.e. a stock exchange on which the listing is done) shall be responsible for monitoring the compliance of the listed stock exchange (i.e. a stock exchange which is getting listed) as in the case of listed companies.

¹⁵ Circular No. MRD/DSA/CIR/P/2017/5 dated January 05, 2017

¹⁶ Circular No. MRD/DSA/CIR/P/2017/9 dated January 27, 2017

2.13.2.2. The Independent Oversight Committee of the listing stock exchange shall exercise oversight at the second level to deal with the conflicts, if any. The listed stock exchange may appeal to the Independent Oversight Committee of the listing stock exchange, if aggrieved, with the decision on disclosure of the listing stock exchange as referred under para 2.13.2.1

2.13.2.3. An independent Conflict Resolution Committee (CRC) constituted by SEBI, with an objective for independent oversight and review, shall monitor potential conflicts between listed and listing stock exchange on a regular basis. The listed stock exchange aggrieved by the decision of the Independent Oversight Committee of the listing exchange may appeal to the CRC.

2.14. Exclusively listed companies of De-recognized/Non-operational/Exited Stock Exchanges placed on the Dissemination Board¹⁷

2.14.1. SEBI under para 2.11 of this master circular provided a period of three months to the Exclusively Listed Companies (ELCs) on the Dissemination Board (DB) to submit an action plan to list or to provide exit to shareholders to the designated stock exchanges.

2.14.2. Further, SEBI vide circular under para 2.11 extended the time to submit plan of action till March 31, 2017.

2.14.3. SEBI has been receiving representations seeking clarifications on raising of further capital and the process of exit of ELCs from the DB. Therefore, in the interest of the investors of such ELCs, it was decided to extend the time to submit the plan of action till June 30, 2017. All other conditions as mentioned in the SEBI circular dated October 10, 2016 remain unchanged.

2.15. Action against Exclusively Listed Companies and its Promoters/Directors pending Exit Offer to the Shareholders¹⁸

2.15.1. SEBI under para 2.11 of this master circular provided options to the Exclusively Listed Companies ("ELCs") on Dissemination Board ("DB") to raise capital for meeting the capital requirement for getting listed on the nationwide stock exchanges or to provide exit to investors. An exit mechanism for investors in such ELCs was also specified in the aforesaid circular. Further, ELCs were required to furnish the plan of action by January

¹⁷ Circular No. MRD/DSA/CIR/P/2017/27 dated March 27, 2017

¹⁸ Circular No. MRD/DSA/CIR/P/2017/92 dated August 01, 2017



09, 2017 to the Designated Stock Exchanges (DSEs), which was subsequently extended till June 30, 2017.

- 2.15.2. For the aforesaid purposes, "Exclusively Listed Companies" refer to those companies whose equity shares were exclusively listed at a recognised stock exchange at the time of exit of such exchange and were subsequently moved to the Dissemination Board of NSE and BSE and whose shares are available for buying and selling on Dissemination Board.
- 2.15.3. In order to ensure that exit option is provided to the public shareholders of ELCs that are non-compliant with the provisions mentioned under para 2.11 of this circular and have not submitted plan of action to the DSEs and in order to protect the interest of investors in ELCs on DB it is hereby directed that, to begin with:
 - 2.15.3.1. Such ELCs and the Depositories shall not effect transfer, by way of sale, pledge, etc., of any of the equity shares and the corporate benefits such as dividend, rights, bonus shares, split, etc. shall be frozen, for all the equity shares, held by the promoters or directors of non-compliant Exclusively Listed Companies till the promoters of such non-compliant Exclusively Listed Companies provide an exit option to the public shareholders in compliance with para 2.11 of this circular as certified by the concerned Designated Stock Exchanges ;
 - 2.15.3.2. The non-compliant Exclusively Listed Companies, its directors, its promoters and the companies which are promoted by any of them shall not be eligible to access the securities market for the purposes of raising capital till the promoters of such non-compliant Exclusively Listed Companies provide an exit option to the public shareholders in compliance with para 2.11 of this master circular, as certified by the concerned Designated Stock Exchanges.
 - 2.15.3.3. The promoters or directors of non-compliant Exclusively Listed Companies shall not be eligible to remain or become director of any listed company till the promoters of such non-compliant Exclusively Listed Companies provide an exit option to the public shareholders in compliance with para 2.11 of this master circular, as certified by the concerned Designated Stock Exchanges.
- 2.15.4. The concerned Designated Stock Exchanges and Depositories shall co-ordinate with each other and ensure compliance of these requirements.



2.15.5. SEBI may also take any other appropriate action(s) against the promoters/directors of Exclusively Listed Companies for non-compliance with para 2.11 of this master circular.

2.16. Outsourcing of activities by Stock Exchanges and Clearing Corporations¹⁹

- 2.16.1. SEBI has specified Guidelines on Outsourcing of Activities by Intermediaries. Through these guidelines certain principles for outsourcing to be followed by all the intermediaries registered with SEBI were laid down. Further, based on the recommendations of the Depository System Review Committee (DSRC), guidelines were also laid down for governing the outsourcing of activities by the Depositories.
- 2.16.2. It is also observed that the stock exchanges and clearing corporations avail the services of third party service providers/ outsourced agencies to perform certain processes, services or activities.
- 2.16.3. In this regard stock exchanges and clearing corporations are advised to formulate and document an outsourcing policy duly approved by their Board based on the guidelines placed at **Annexure 3.**

2.16.4. Outsourcing of activities by Limited Purpose Clearing Corporation (LPCC)²⁰

- 2.16.4.1. SEBI Board in its meeting held on September 29, 2020 permitted setting up of a Limited Purpose Clearing Corporation (LPCC) for clearing and settling repo transactions in debt securities and accordingly Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020, have been notified on October 08, 2020 (SECC Amendment Regulations 2020).
- 2.16.4.2. Further, the LPCC has been permitted to enter into outsourcing agreements with existing Clearing Corporations for the purpose of using their core and critical IT support infrastructure/ activities for running the core activities (transaction process, clearing and settlement) of the LPCC and related operations.
- 2.16.4.3. For the purpose of execution of repo in corporate bonds, LPCC shall enter into necessary agreements with the Stock Exchanges where it proposes to offer clearing/ settlement of repo transactions and their associated Clearing Corporations for continuity purposes.

¹⁹ Circular No. SEBI/HO/MRD/DP/CIR/P/2017/101 dated September 13, 2017

²⁰ Circular No. SEBI/HO/MRD2/DCAP/CIR/P/227 dated November 06, 2020

2.16.4.4. In view of the above, towards compliance with requirement under Regulation 7 of SECC Amendment Regulations 2020, the framework governing the outsourcing activities by the LPCC is placed at Annexure 4.

2.17. **Online Registration Mechanism and Filing System for Stock Exchanges²¹**

- 2.17.1. In order to ease the process of application for recognition / renewal, reporting and other filings in terms of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 and other circulars issued from time to time, SEBI has introduced a digital platform for online filings related to Stock Exchanges.
- 2.17.2. All applicants desirous of seeking registration / renewal as a Stock Exchange in terms of Regulation 4 and 12 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, shall now submit their applications online, through SEBI Intermediary Portal at <https://siportal.sebi.gov.in>.
- 2.17.3. The applicants would be required to upload scanned copy of relevant documents such as any declarations, undertakings, etc. as may be specified in Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, and keep hard copy of the same to be furnished to SEBI whenever required.
- 2.17.4. Further, all other filings including Annual Financial Statements and Returns, Monthly Development Report, Rules, Bye-laws, etc., shall also be submitted online.

2.18. **Risk-based capital and net worth requirements for Clearing Corporations under Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018²²**

- 2.18.1. In order to ensure that the net worth of a CCP adequately captures the risks faced by it, SEBI vide Regulation 14(3) of SECC Regulations, 2018 has adopted a risk-based approach towards computation of capital and net worth requirements for CCPs. The same is reproduced as under:

14(3)(a) Every recognized clearing corporation, on commencement of operations, shall, on an ongoing basis, maintain capital including retained earnings and reserves, as may be specified by the Board from time to time, to adequately cover counterparty credit risk, business risk, legal and operational risk.

²¹ Circular No. SEBI/HO/MRD/DSA/CIR/P/2018/14 dated January 29, 2018

²² Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2019/55 dated April 10, 2019

14(3)(b) *Every recognized clearing corporation shall hold additional capital to cover costs required for orderly wind-down or recovery of operations.*

14(3)(c) *Every recognized clearing corporation shall maintain, at all times, a minimum net worth of one hundred crore rupees or capital as determined under regulation 14(3)(a) and 14(3)(b), whichever is higher.*

2.18.2. Accordingly, in consultation with the recognised Clearing Corporations, it has been decided to issue granular norms related to computation of risk-based capital and net worth requirements for CCPs as under:

2.18.2.1. **For Credit Risk ("A"):**

- 2.18.2.1.1. The credit risk from default of clearing members is being captured through the Core SGF framework as prescribed under Chapter 3 (Settlement) of the master circular
- 2.18.2.1.2. The CCP contribution to Core SGF shall be at least 50% of the Minimum Required Corpus (MRC). This shall not be applicable for LPCC.²³
- 2.18.2.1.3. The minimum contribution required to be made by the CCP towards Core SGF shall be considered for the purpose of computing capital requirements towards credit risk.
- 2.18.2.1.4. The contribution made by LPCC towards Core SGF, shall be considered for the purpose of computing capital requirements towards credit risk.²⁴

2.18.2.2. **For Business Risk ("B"):**

- 2.18.2.2.1. The capital requirement for general business risk shall be based on a CCP's own estimate as it is dependent on factors specific to each CCP such as execution of business strategy, market environment, response(s) to competition or technological progress etc.
- 2.18.2.2.2. A CCP shall identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern.

²³ Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/245 dated December 21, 2020

²⁴ Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/245 dated December 21, 2020

2.18.2.2.3. The capital requirement for business risk shall be subject to a minimum of 25% of annual gross operational expenses.

2.18.2.3. **For Orderly Wind-down ("C"):**

- 2.18.2.3.1. A CCP shall have in place a viable recovery or orderly wind-down plan and hold sufficient liquid net assets funded by equity to implement this plan.
- 2.18.2.3.2. These assets shall be determined by the general business risk profile of the CCP and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services.
- 2.18.2.3.3. While computing the capital requirement for winding down, a CCP shall consider a minimum time span of six months for ensuring an orderly winding down or restructuring of its activities and thus, hold liquid net assets equal to at least six months of gross operational expenses.

2.18.2.4. **For Operational and Legal Risks ("D"):**

- 2.18.2.4.1. A CCP shall identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, and control measures. CCPs may be exposed to risk of litigations from participants/investors or other entities. It is, therefore, important that the CCP identifies such risks and maintains adequate financial resources to mitigate any losses in the foreseeable future.
- 2.18.2.4.2. The capital requirement for legal and operational risks shall at least be 20% of the aggregate of capital requirements for counterparty credit risk, business risk and orderly wind-down or recovery of operations, i.e. 20% of (A+B+C).
- 2.18.3. The total risk-based net worth requirement for CCPs shall be computed as the aggregate of capital requirements each for counterparty credit risk, business risk, orderly winding down or recovery of operations and legal and operational risks i.e. (A+B+C+D) or, 1.20 (A+B+C). Thus, the CCPs shall be required to maintain, at all times, in the form of liquid assets, a net worth of either INR 100 crore or as determined in the manner specified above, whichever is higher.

- 2.18.4. The CCPs shall use the most recent audited information from their annual financial statement for the purposes of calculation of gross operational expenses.
- 2.18.5. The CCPs shall regularly review their net worth requirement and ensure that the net worth does not fall below the prescribed threshold. A certificate to this effect, as signed by the Managing Director of the CCPs, shall be submitted to SEBI within 15 days from the end of every quarter. The first such submission shall be made applicable for the April 2019 – June 2019 quarter.
- 2.18.6. In exceptional cases where the net worth of a CCP falls below the prescribed threshold, the CCP shall forthwith inform SEBI inter alia mentioning the reason(s) behind the same and the measure(s) it intends to adopt in order to re-attain the prescribed net worth.

2.19. Appointment of Managing Director and CEO²⁵

- 2.19.1. Nomination and Remuneration Committee (NRC) is responsible for selecting the suitable person for the post of Managing Director; wherein NRC shall include only Public Interest Directors. Further, for the limited purpose of recommendation relating to the selection of Managing Director, independent external persons may be part of the committee.
- 2.19.2. In this regard, it has been decided that, henceforth:
 - 2.19.2.1. At least two names per independent external person along with their profile (without any order of preference), shall be forwarded to SEBI for approval
 - 2.19.2.2. At least two names for the post of MD/CEO, without any order of preference, shall be forwarded to SEBI for approval.
- 2.19.3. Further, the stock exchange/clearing corporation/depositories are now required to forward the new names to SEBI before two (2) months from the last working day of the existing MD/CEO. Hence, it is advised to send the names for the independent external person well in advance taking into accounts the aforesaid timeline.

2.20. Handling of Clients' Securities by Trading Member/ Clearing Member²⁶

Refer Chapter III, Para 23 and 45 of [Master Circular \(SEBI/HO/MIRSD-PoD-1/P/CIR/2023/71\) for Stock Brokers dated May 17, 2023](#).

²⁵ SEBI Letter dated May 29, 2019

²⁶ Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 and Circular No. SMD/SED/CIR/93/23321

2.21. **Standard Operating Procedure in the cases of Trading Member / Clearing Member leading to default²⁷**

Refer Chapter VIII, Para 73 of [Master Circular \(SEBI/HO/MIRSD-PoD-1/P/CIR/2023/71\) for Stock Brokers dated May 17, 2023](#).

2.22. **Code of Conduct & Institutional mechanism for prevention of Fraud or Market Abuse²⁸**

2.22.1. Pursuant to the report of the Committee on Fair Market Conduct ('Committee'), set up *inter-alia* to recommend appropriate Institutional Mechanism to ensure accountability of the management / designated persons in case of negligence / failure, necessary changes have been carried out in SEBI (Prohibition of Insider Trading) Regulations, 2015 (herein after referred as 'PIT Regulations').

2.22.2. Based on the above, it has been decided that the Code of Conduct and Institutional Mechanism for prevention of fraud or market abuse shall be applicable to Stock Exchanges, Clearing Corporations and Depositories (herein after collectively referred as 'MIIs') also, on the lines of Regulation 9(1) to 9(4) of PIT Regulations.

2.22.3. Accordingly, MIIs shall do the following:

2.22.3.1. Formulate a Code of Conduct to regulate, monitor and report trading by their designated persons and immediate relative of designated persons towards achieving compliance with the PIT Regulations, by adopting the minimum standards set out in Schedule C to the PIT Regulations.

2.22.3.2. Managing Director (MD) / Chief Executive Officer (CEO) of the MII shall be obligated to frame the referred code of conduct. The Board of Directors may ensure the compliance by MD/ CEO in this regard.

Explanation – For the avoidance of doubt it is clarified that a MII, which is listed, is already required to adopt minimum standards set out in Schedule B of PIT regulations. Further, such MII shall adopt minimum standards as set out in Schedule B of PIT regulations with respect to trading in its own securities and in Schedule C with respect to trading in other securities.

2.22.3.3. MII shall identify and designate a compliance officer to administer the aforesaid code of conduct.

²⁷ Circular No. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 01, 2020

²⁸ Circular No. SEBI/HO/MRD/DCAP/CIR/P/2021/23 dated March 03, 2021

2.22.3.4. The Board of Directors of MII, in consultation with the aforesaid compliance officer, shall specify the designated persons to be covered by the code of conduct on the basis of their role and function in the organisation and the access that such role and function would provide to unpublished price sensitive information in addition to seniority and professional designation and shall include the position / designation as specified in the Regulation 9(4) of the PIT Regulations.

2.22.4. MII shall put in place an Institutional Mechanism for prevention of fraud or market abuse covering the following:

2.22.4.1. MD/ CEO of the MII shall put in place adequate and effective system of internal controls to ensure compliance with the regulations and circulars issued by the Board from time to time, to prevent fraud or market abuse by MII or its designated persons and immediate relatives of designated persons.

2.22.4.2. The Board of Directors of the MII shall ensure that the MD / CEO ensures compliance with Para 2.22.3 and Para 2.22.4.1 above. The compliance officer of the respective MII shall administer the internal controls to prevent fraud or market abuse by designated persons and immediate relatives of designated persons of the MII.

2.22.4.3. The Regulatory Oversight Committee of the MII shall review compliance with the provisions of this Circular at least once in a financial year and shall also verify that the systems for internal control are adequate and are operating effectively.

2.22.4.4. MII shall formulate written policies and procedures for inquiry in case of suspected fraud or market abuse by its designated persons and immediate relatives of designated persons, which shall be approved by its Board of Directors. Any enquiry/ investigation against the designated persons and immediate relatives of designated persons of the MII may be undertaken under the supervision of Regulatory Oversight Committee comprising of PIDs and independent external expert with consideration of avoidance of conflict of interest, if any, so as to ensure maximum fairness and transparency.

2.22.4.5. MII shall initiate appropriate inquiry upon becoming aware of any illegal or unethical practices or transactions of suspected fraud or market abuse by its designated persons and immediate relatives of designated persons and promptly inform its Board of Directors of such suspected fraud or market abuse and results of the inquiry.

2.22.4.6. MII shall have an effective whistler-blower policy to enable stakeholders, including employees to freely communicate their concerns about illegal or unethical practices and report instances of fraud or market abuse or any suspicion of fraud or market abuse.

2.22.4.7. MII shall ensure that the policy framed under Para 2.22.4.6 provides for suitable protection against any discharge, termination, demotion, suspension, threats, harassment, directly or indirectly or discrimination against any employee who reports instances of fraud or market abuse or any suspicion of fraud or market abuse.

3. SUBSIDIARY MANAGEMENT BY STOCK EXCHANGE

3.1. Conditions for floating/promoting a subsidiary company by small stock exchanges

Small stock exchanges may promote / float a subsidiary company to acquire trading membership rights of other stock exchanges subject to the following conditions:

- 3.1.1. The stock exchange and its trading members shall together hold 100% in nominal value of the equity share capital of the subsidiary company, with the exchange holding not less than 51% in nominal value of the equity share capital of the subsidiary company.
- 3.1.2. The name of the subsidiary company shall not contain the words "Stock Exchange".
- 3.1.3. The trading members of the stock exchange shall register themselves as sub-brokers of the subsidiary company to enable them to trade through the subsidiary company.
- 3.1.4. The subsidiary company shall not undertake any dealing in securities on its own account.
- 3.1.5. The subsidiary company shall register only the trading members of the stock exchange, which is promoting the subsidiary company as its sub-broker and no other client / sub-broker shall be entertained by the subsidiary company. All the stock exchanges which have set up subsidiaries have to make the necessary provisions in their rules, regulations and the byelaws to provide for the above requirement.
- 3.1.6. The Authorized Persons of the subsidiary company shall maintain separate deposit with the subsidiary company. The Base Minimum Capital deposited by the authorized persons with the promoting stock exchange shall not be transferred to the subsidiary company. This deposit to be maintained with the subsidiary company could be 25% in the form of cash and the balance 75% in irrevocable bank guarantees or Fixed Deposit Receipts (FDRs). The FDRs would be discharged in favour of the subsidiary/ company and the subsidiary/ company would be given a complete unencumbered and unconditional lien on the FDRs.
- 3.1.7. The trading/ exposure limit of the authorized persons shall be based on the deposit received by the subsidiary company from the authorized persons and these limits shall not exceed the limits as prescribed by the stock exchange of which the subsidiary company is a trading member.
- 3.1.8. The subsidiary company shall collect margins from the authorized persons for the payment of margins to the respective stock exchanges of which the

subsidiary company is a trading member. The margin imposed by the subsidiary company on its authorized persons shall not be less than the margin payable to the stock exchanges of which the subsidiary company is the trading member.

- 3.1.9. The stock exchange shall incorporate the above mentioned conditions in the Memorandum of Association / Articles of Association of the subsidiary company.
- 3.2. **Eligibility criteria to become trading member and / or clearing member of the derivatives segment of BSE and NSE**

For becoming a trading and or clearing members of the derivatives segment, the eligibility criteria laid down by the stock exchanges and prescribed under the Securities and Exchange Board of India (Stock Broker) Regulations, 1992 have to be fulfilled including the conditions as follows:

- 3.2.1. All the risk containment measures laid down by SEBI shall be followed by these subsidiary companies and
- 3.2.2. These subsidiaries shall not undertake proprietary trade.

3.3. **Subsidiary Management**

The subsidiary company shall be required to comply with minimum requirements in order to ensure that the transactions therein are conducted in a manner which is not detrimental to the interest of the investors and also to enable the subsidiaries to provide a safe and transparent mechanism for transactions in securities. The stock exchanges shall, therefore, ensure the following

3.3.1. **Governing Board**

- 3.3.1.1. The Governing Board of the subsidiary company shall have the following composition:

- 3.3.1.1.1. The Chief Executive Officer (CEO) of the subsidiary company shall be a director on the Board of Subsidiary. The CEO shall not be an authorized person of the subsidiary company or a trading member of the parent exchange.
- 3.3.1.1.2. At least 50% of Directors representing on the Governing Board of subsidiary company shall not be authorized persons of the subsidiary company or trading members of the promoter / holding exchange

(parent exchange). These directors (excluding CEO) shall be called the Public Representatives.

- 3.3.1.1.3. The Public Representatives shall be nominated by the parent exchange (subject to prior approval of SEBI).
- 3.3.1.1.4. Public Representatives to be nominated as directors of subsidiary company shall be from amongst the persons of integrity having necessary professional competence and experience in the areas related to securities market.
- 3.3.1.1.5. For the purpose of nomination as Public Representatives, Governing Board of the parent exchange may forward names of persons to SEBI for its approval. SEBI shall, however have right to nominate persons, whose names have not been forwarded by the Governing Board of the stock exchange.
- 3.3.1.1.6. The Public Representatives to be appointed as directors shall hold the office for a period of one year from the date of assumption of the office or till the Annual General Meeting of the subsidiary company whichever is earlier. However, the Public Representative on the Boards of Subsidiary Companies will continue till the time new Public Representatives are appointed in their place.
- 3.3.1.1.7. The trading member directors on the Governing Board of the subsidiary company shall have a gap of at least one year after a consecutive period of two years before re-nomination on the Governing Board. As regards the other directors, there should be a gap of at least one year after a consecutive period of three years before re-nomination.
- 3.3.1.1.8. A person, who has completed two consecutive terms as a director of the parent exchange, shall not be eligible for election as a director of the subsidiary company, or for nomination as a member of any Committee of such subsidiary.
- 3.3.1.1.9. The parent exchange may appoint a maximum of two directors who are officers of the parent exchange. Such directors shall be in addition to 50% non-trading member directors (public representatives) mentioned above.

3.3.2. Chief Executive Officer

3.3.2.1. The subsidiary company shall appoint a Chief Executive Officer (CEO) who shall not hold any position concurrently in the stock exchange (parent exchange). The CEO of the subsidiary company shall be appointed by the Board of the subsidiary company through open advertisement. The educational qualification and experience shall be similar to that of the Chief Executive of the stock exchange and the stock exchange or subsidiary shall fix the remuneration of the CEO. The appointment, renewal of appointment and the termination of service of the CEO shall be subject to prior approval of SEBI.

3.3.3. Staff of the Subsidiary

3.3.3.1. The subsidiary company shall have its own staff none of whom shall be concurrently working for or holding any position of office in the parent exchange. The staff of the stock exchange may serve on deputation or loan basis etc. in the subsidiary company. However, such staff shall not be concurrently working for or holding any position of office in the stock exchange and the subsidiary company simultaneously. The stock exchange shall maintain necessary records to ensure that the staff is not working concurrently.

3.3.4. Responsibilities of Parent Exchange towards Subsidiary

The parent exchange shall be responsible for all risk management of the subsidiary company and shall set up appropriate mechanism for the supervision of the trading activity of subsidiary company. Such mechanism shall include:

3.3.4.1. Verification of compliance of margin payments and other risk management measures applicable to the subsidiary company as a trading member of another stock exchange.

3.3.4.2. Reporting requirements between the subsidiary and the parent exchange, such as placing quarterly reports on the financials and accounts of the subsidiary and on review of operations of the subsidiary before the Governing Board of the stock exchange at its meetings.

3.3.4.3. Conducting half-yearly inspections of the subsidiary and 20% of its authorized persons and placing such reports before the Governing Board of the stock exchange.

3.3.4.4. Handling of investor complaints of authorized persons of the subsidiary company.

3.3.4.5. Submission of a half-yearly certificate on risk management system being followed by their subsidiary. This certificate should be furnished to SEBI on a half yearly basis by July 15 of each year for certificate as on June 30 and by January 15 for certificate as on December 31.

3.3.5. Access to unauthorized persons by the members of subsidiaries

Appropriate penal action including fine, suspension of trading rights of the subsidiaries/sub-brokers, etc., shall be initiated, in case, any of the members of the exchange who are authorized persons of the subsidiary is found to be indulging in activities viz. providing unauthorized access to persons for illegal trading and/or providing their own terminal for illegal trading. The exchanges shall exercise vigilance and surveillance on their subsidiaries/its members to ensure that the members do not indulge in these types of activities.

4. INTEROPERABILITY AMONG CLEARING CORPORATIONS²⁹

²⁹ Circular No. CIR/MRD/DRMNP/CIR/P/2018/145 dated November 27, 2018

4.1. Interoperability among Clearing Corporations

- 4.1.1. Interoperability among Clearing Corporations (CCPs) necessitates linking of multiple Clearing Corporations. It allows market participants to consolidate their clearing and settlement functions at a single CCP, irrespective of the stock exchange on which the trade is executed. It is expected that the interoperability among CCPs would lead to efficient allocation of capital for the market participants, thereby saving on costs as well as provide better execution of trades.
- 4.1.2. An expert Committee constituted by SEBI, under the Chairmanship of Shri K. V. Kamath, had, inter alia, examined the 'Viability of Interoperability between different Clearing Corporations'. Thereafter, proposals on Interoperability, received from CCPs, were placed before the Secondary Market Advisory Committee (SMAC) of SEBI. As recommended by SMAC, three working sub-groups pertaining to relevant subjects viz. Risk Management, Technology, and Finance and Taxation were constituted comprising academicians, market participants and relevant stakeholders to examine the related issues and provide their recommendations. The reports of these sub-groups were placed before SMAC and their recommendations were deliberated upon.
- 4.1.3. Thereafter, SEBI Board approved suitable amendments to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations to, inter alia, enable interoperability among clearing corporations.
- 4.1.4. The Committee on Payments and Settlement Systems (CPSS) and the Technical Committee of International Organization of Securities Commissions (IOSCO) have prescribed the Principles for Financial Market Infrastructures (PFMIs) with a view to enhance safety and efficiency in payment, clearing, settlement, and recording arrangements as well as to limit systemic risk, and foster transparency and financial stability. Principle 20 of PFMIs, which is relevant to the proposed interoperability among clearing corporations, prescribes that "An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks."
- 4.1.5. Keeping the aforementioned in view, the broad guidelines for operationalizing the interoperable framework among CCPs are prescribed for compliance hereunder:

4.2. Scope of Interoperability among CCPs

- 4.2.1. The interoperability framework shall be applicable to all the recognised clearing corporations excluding those operating in International Financial Services Centre.
- 4.2.2. All the products available for trading on the stock exchanges (except commodity derivatives) shall be made available under the interoperability framework.

4.3. Interoperable links among CCPs

- 4.3.1. The recognised clearing corporations shall establish peer-to-peer link for ensuring interoperability. A CCP shall maintain special arrangements with another CCP and shall not be subjected to normal participant (membership) rules. Risk management between the CCPs shall be based on a bilaterally approved framework and shall ensure coverage of inter-CCP exposures. CCPs shall exchange margins and other financial resources on a reciprocal basis based on mutually agreed margining models.
- 4.3.2. However, SEBI, in certain cases, may require a CCP to establish participant link for interoperability. In such cases the CCP concerned shall become participant of another CCP (the host CCP) and shall be subjected to the host CCP's normal participant rules. Since the participant CCP would be posting margins with the host CCP, but would not be collecting margins from the host CCP, it shall be required to hold additional financial resources to protect itself against default of the host CCP.

4.4. Inter CCP Collateral

- 4.4.1. To manage the inter-CCP exposure in the peer-to-peer link, CCPs shall maintain sufficient collateral with each other so that any default by one CCP, in an interoperable arrangement, would be covered without financial loss to the other non-defaulting CCP. The inter-CCP collateral shall comprise two components, viz.
 - 4.4.1.1. Margins as per the existing Risk Management Framework (initial margin, extreme loss margin, calendar spread margin, etc.) prescribed by SEBI; and
 - 4.4.1.2. Additional capital, to be determined by each CCP, based on the credit risk from the linked CCP, on which no exposure shall be granted to the linked CCP.

- 4.4.2. The collateral posted by one CCP with another CCP shall be maintained in a separate account which can be clearly identified in the name of such linked CCP which is providing collateral and shall not be included in the Core SGF of the CCP receiving them.
- 4.4.3. The liquid assets as well as hair-cuts as prescribed under Section 1 of Chapter 4 titled 'Comprehensive Risk Management Framework for the cash market and Debt Segment' of the master circular on Stock Exchanges and Clearing Corporations³⁰

4.5. **Inter CCP Settlement³¹**

- 4.5.1. The CCPs shall undertake multilateral netting to create inter-CCP net obligations and exchange funds and securities on a net basis. The pay-in and pay-out shall be completed as per the settlement schedule prescribed vide Section 1 of Chapter 3 titled 'Settlement' of this Master Circular on Stock Exchanges and Clearing Corporations.

4.6. **CCP-Trading Venue Link**

- 4.6.1. In an interoperable arrangement, the stock exchange and the CCP may not be located at the same venue. Accordingly, to ensure real time flow of information between the stock exchange (trading venue) and the CCP, so as to facilitate effective real-time risk monitoring and mitigation, each interoperable CCP shall put in place appropriate infrastructure including deployment of adequate servers at each of the linked trading venues.
- 4.6.2. Provisions of Section 1 on "Risk Reduction Mode" of the SEBI of Chapter 4 titled 'Comprehensive Risk Management for Cash Market and Debt Segment'³² would be the criteria for the Stock Exchanges to determine the stock brokers which would be admitted to the risk-reduction Mode.³³

4.7. **Default Handling Process³⁴**

- 4.7.1. In case of default by a CCP, in the interoperable arrangement, the collateral provided by such CCP shall be utilized by the non-defaulting CCP to cover losses arising from such default, as per the default waterfall prescribed under Section 6 titled 'Core Settlement Guarantee Fund' of Chapter 3

³⁰ SEBI Circular MRD/DoP/SE/Cir-07/2005 dated February 23, 2005 and SEBI Circular CIR/MRD/DRMNP/9/2013 dated March 20, 2013

³¹ SEBI Circular MRD/DoP/SE/Dep/Cir-18/2005 dated September 02, 2005 and Circular SEBI/HO/MRD2/DCAP/P/CIR/2021/628

³² circular CIR/MRD/DP/34/2012 dated December 13, 2012

³³ Removed vide Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/45 dated March 23, 2020

³⁴ SEBI Circular CIR/MRD/DRMNP/25/2014 dated August 27, 2014



(Settlement) of this Master Circular on Stock Exchanges and Clearing Corporations.

4.8. Charges by Stock Exchanges/Clearing Corporations³⁵

- 4.8.1. In order to promote transparency in terms of charges levied by the Stock Exchanges/ Clearing Corporations, the transaction charges levied shall be clearly identified and made known to the participants upfront.
- 4.8.2. Stock exchanges, while revising such transaction charges, are advised to ensure that:
 - a. The stock exchange system is capable of handling additional load.
 - b. It does not affect the existing risk management system.
 - c. It does not favour selective trades or selective category of investor.
 - d. It does not encourage generation of artificial demand.
 - e. It does not result in any market irregularities.
 - f. It is uniformly applied to trades of similar nature.
 - g. It is imposed in fair and transparent manner.
- 4.8.3. The Stock Exchanges are also advised to bring the provisions of this circular to the notice of the member brokers/clearing members of the Exchange and also to disseminate the same on the website.

4.9. Dispute Resolution

- 4.9.1. The Conflict Resolution Committee, as prescribed under "Procedures for Exchange Listing Control Mechanism" at para 2.14 of this circular shall address disputes, among CCPs and Stock Exchanges, arising out of interoperability.

4.10. Inter-CCP Agreement

- 4.10.1. Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 prescribes that "...in case a recognised stock exchange enters into an arrangement with more than one recognised Clearing Corporation, it shall enter into a multipartite agreement in writing with such recognised clearing corporations to ensure interoperability among the clearing corporations".
- 4.10.2. The agreements entered into by the Stock Exchanges/ Clearing Corporations shall, inter alia, include system capability, inter-CCP links and CCP-trading venue link, risk management framework, monitoring of client margin/ position limits, obligation system, settlement process, surveillance

³⁵ SEBI Circular MRD/DoP/SE/Cir-14/2009 dated October 14, 2009



systems, sharing of client data, sharing of product information, default handling process and dispute resolution process.

4.11. Clarifications on Interoperability³⁶

- 4.11.1. Re-use of collateral - To begin with, for inter-CC exposure, the CCs shall exchange Bank Guarantees with each other. However, the existing practice shall continue for placing of collateral by CMs with CC.
- 4.11.2. Institutional margining - To begin with, the existing framework of not subjecting the institutional trades for upfront margins, in Capital Market segment, to be continued at inter-CC level.
- 4.11.3. Netting of positions - Netting of positions across Exchanges shall be permitted for Capital Market, Single Stock Derivatives, Currency Derivatives and Interest Rate Futures. VWAP of the settlement prices across the exchanges shall be reckoned as the daily/final settlement price of the contract.
- 4.11.4. Open Interest Calculation & Position limit monitoring - the Exchanges shall continue with the existing practice of open interest calculations/dissemination at Exchange level. However, calculation and monitoring of the position limits shall be at CC level.
- 4.11.5. Exchange contribution to Core SGF - as mutually agreed upon by CCs, post interoperability, Exchanges may withdraw excess contribution made to Core SGF of one CC (incremental contribution made post interoperability), to make contribution to the Core SGF of another CC. However, Exchanges shall not be allowed to withdraw the contribution made, to the Core SGF of their CC, prior to the operationalization of interoperability.

³⁶ SEBI email dated April 25, 2019 regarding clarifications on interoperability

5. ARBITRATION AND INVESTOR GRIEVANCE REDRESSAL MECHANISM

5.1. Online Web Based Complaints Redressal System³⁷

- 5.1.1. SEBI has implemented an online platform (SCORES) designed to help investors to lodge their complaints, pertaining to securities market, against listed companies and SEBI registered intermediaries.
- 5.1.2. In line with the same, to enable investors to lodge and follow up their complaints and track the status of redressal of such complaints from anywhere, all Recognized Stock Exchanges including Commodity Derivatives Exchanges / Depositories are advised to design and implement an online web based complaints redressal system of their own, which will facilitate investors to file complaints and escalate complaints for redressal through Online Disputes Resolution (ODR)³⁸ mechanism in accordance with their respective byelaws, rules and regulation.
- 5.1.2.1. There should be a provision to link the online system with SCORES.
- 5.1.3. The system is intended to expedite redressal / disposal of investors' complaints as it would also obviate the need for physical movement of complaints. Further, the possibility of loss, damage or misdirection of the physical complaints would be avoided. It would also facilitate easy retrieval and tracking of complaints at any time.
- 5.1.4. All Recognized Stock Exchanges including Commodity Derivatives Exchanges / Depositories are advised to widely publicise (including in media) its online web based complaints redressal system.

5.2. Investor Grievance Redressal Mechanism at Stock Exchanges³⁹

Grievance Redressal Committee (GRC) has been discontinued pursuant to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023.

Refer Master Circular for Online Dispute Resolution circular no. [SEBI/HO/OIAE_IAD-1/P/CIR/2023/145 dated August 04, 2023](#) and circular no. [SEBI/HO/OIAE_IAD-1/P/CIR/2023/131 dated July 31, 2023](#).

³⁷ Circular no. SEBI/HO/MRD1/ICC1/CIR/P/2022/94 dated July 04, 2022

³⁸ Circular No. SEBI/HO/OIAE_IAS-1/P/CIR/2023/131 dated July 31, 2023s.

³⁹ Circular Nos. CIR/MRD/DSA/03/2012 dated January 20, 2012, CIR/MRD/ICC/21/2013 dated July 05, 2013 and CIR/MRD/ICC/30/2013 dated September 26, 2013



5.3. **Arbitration Mechanism at Stock Exchanges**

Refer Master Circular for Online Dispute Resolution circular no. [SEBI/HO/OIAE_IAD-1/P/CIR/2023/145 dated August 04, 2023](#) and circular no. [SEBI/HO/OIAE_IAD-1/P/CIR/2023/131 dated July 31, 2023](#).

5.4. **Streamlining issuance of SCORES Authentication for SEBI registered intermediaries**

- 5.4.1. The generation of SCORES user ID and password has been automated for all new SEBI registered intermediaries. This has been done to streamline the process of providing SCORES credentials in the interest of investors.
- 5.4.2. SCORES user id and password details shall be sent to all new SEBI registered intermediaries, through an auto-generated e-mail, upon completion of process of online grant of registration by SEBI.
- 5.4.3. The SCORES user id and password details shall be sent to the e-mail id of the Contact Person/Compliance Officer as provided in the online Registration Form. In view of the same, newly registered intermediaries are no longer required to submit Form-B.
- 5.4.4. The primary e-mail address in SCORES is the e-mail ID where all notifications related to SCORES complaints are sent to the SEBI registered intermediary. All existing and new SEBI registered intermediaries will now be able to update their primary e-mail address and registered address on their own.

6. INVESTOR PROTECTION FUND & INVESTOR SERVICE FUND⁴⁰

6.1. Investor Protection Fund at Stock Exchanges

The Central Government, vide notification No. F. No. 14/4/SE/85 dated August 22, 1985, has stipulated the setting up of the Investor Protection Fund (IPF) by Stock Exchanges. This fund should take care of legitimate investment claims which are not of speculative nature of the clients of defaulting member(s).

The modified comprehensive guidelines for IPF and ISF are as follows;

A. Constitution and Management of the IPF

- i. All stock exchanges shall establish an IPF. The IPF of the stock exchange shall be administered through separate trusts created for the purpose.
- ii. The IPF Trust of stock exchange shall consist of five trustees as under:
 - a) Three Public Interest Directors (PIDs);
 - b) One representative from the investor associations recognized by SEBI; and;
 - c) Chief Regulatory Officer or Compliance Officer.
- iii. The maximum tenure of a trustee (excluding the Chief Regulatory Officer or Compliance Officer, whose trusteeship would be co-terminus with their service) shall be five years or as specified by SEBI.
- iv. The Stock Exchange shall provide the secretariat for their IPF Trusts respectively.
- v. The stock exchange shall ensure that the funds in the IPF are well segregated and that the IPF is immune from any liabilities of the stock exchange. Further, supervision of utilization of IPF and interest or income from IPF will rest with the IPF Trust.

Norms for composition of IPF Trust are uniformly applicable across Exchanges and Depositories. Further, the functions of IPF Trust shall be applicable only to Exchanges.⁴¹

⁴⁰ Circular No. SEBI/HO/MRD-PoD-3/P/CIR/2023/81 dated May 30, 2023

⁴¹ Circular No. SEBI/HO/MRD/DDAP/CIR/P/2020/16 dated January 28, 2020



B. Contribution to IPF of Stock Exchange

The following contributions shall be made by the Stock Exchange to the IPF:

- i. 1% of listing fees received, on a quarterly basis.
- ii. 100% of the interest earned on the 1% security deposit kept by the issuer companies at the time of offering of securities for subscription to the public, immediately on refund of the deposit.
- iii. Penalty collected by stock exchanges from Trading Members(TMs) for deficiency in modification of client code, if any, as per Section 14.3 of Chapter 1 titled 'Trading' of this master circular.
- iv. Penalty collected by stock exchanges from TMs for default in pay-in for certain trades during periodic call auction for Illiquid scrips, if any, as per Section 17.3 of Chapter 1 titled 'Trading' of this master circular.
- v. Penalties collected by stock exchanges from their listed companies for non-compliance with various requirements of the SEBI (Listing Obligation and Disclosure Requirements)Regulations 2015 pursuant to [Chapter VII \(Penal Action for Non-compliance\) of SEBI Master Circular for compliance with the provisions of the Securities and Exchange Board of India \(Listing Obligations and Disclosure Requirements\) Regulations, 2015 by listed entities dated July 11, 2023.](#)
- vi. Penalty collected from TMs for default in pay-in by an investor in an Offer For Sale (OFS)transaction -10% of the order value as per Section 19 of Chapter 1 titled 'Trading' of this master circular on Stock Exchanges and Clearing Corporations.
- vii. Contribution towards the IPF based on the transaction charges collected from the members of the exchange, as per policy of the respective stock exchange.
- viii. At least 70% of interest or income received out of any investments made from the IPF.
- ix. Any other contribution as may be specified by SEBI from time to time.
- x. The difference of amount of auctions⁴² / close-out price in pursuance of Section 2.3 of Chapter 3 on settlement of the Master Circular on Stock Exchanges and Clearing Corporations.

- xi. The amount received from the proceeds of the sale of the securities written off⁴³ as per Section 18 titled 'Write-off of securities held by FPIs' of Master Circular for Foreign Portfolio Investors, Designated Depository Participant.

⁴² Circular no. [SMDRP/Policy/Cir-10/1999 dated May 04, 1999.](#)

⁴³ Circular No. [FITTC/FII/02/2002 dated May 15, 2002](#)

xii. The amounts specified in pursuance of Regulation 28(12) (e) (ii), Regulation 28 (13) and Regulation 29 (2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

As regards the contribution towards the IPF based on the transaction charges collected from the members of the exchange, the Stock Exchanges shall continue with the present practice followed by the respective Stock Exchanges.

C. Utilization of IPF and Interest or Income from IPF⁴⁴

The amount in IPF and any interest or income generated from the IPF of the stock exchanges shall be utilized for the purposes as stated in the table below:

Sr. No.	Particulars	Utilization
1	IPF	<ul style="list-style-type: none"> a) To meet the legitimate investment claims of the clients of the defaulting trading members (TMs) b) To pay interim relief to investors, if any⁴⁵.
2	Interest or income received out of any investments on IPF	<ul style="list-style-type: none"> a) To further strengthen the corpus, at least 70% of interest or income from IPF received every year shall be ploughed back to IPF; b) To meet the expenses related to dedicated employees of IPF Trust, administration of Investor Service Centers (ISCs), other administrative and statutory expenses such as applicable taxes, audit fees and charity commissioner's fee, etc., a maximum of 5% of interest or income from IPF received during the year may be utilized. In case the expenses exceed the above limit, such excess expenses shall be borne by the stock exchange and in case of non-utilization of such amount in the same financial year, the same shall be ploughed back to IPF;

⁴⁴ Circular No. SEBI/HO/MRD-PoD-3/P/CIR/2023/81 dated May 30, 2023

⁴⁵ Circular no. SEBI/HO/MRD1/ICC1/CIR/P/2021/625 dated September 2, 2021

	<p>c) The balance 25% may be utilized by the exchange for promotion of investor education and investor awareness programmes through seminars, lectures, workshops, publications (print and electronic media), training programmes etc. aimed at enhancing securities market literacy, promoting retail participation in securities market and undertaking research activities related to securities market. Capital expenditure would be permissible only w.r.t. setting up of Investor Service Centres. However, no expenditure to be incurred on product promotion in any manner.</p> <p>d) In case of non-utilization of the 25% of interest or income from IPF in the same financial year (as mentioned at paragraph (c) above), the same shall be ploughed back to the IPF;</p> <p>e) Exchange should not spend in the name of setting up of ISCs beyond its requirement. The main purpose of setting up of ISCs should not be to earn any income. However, income, if any, from the ISCs shall be credited to the IPF Corpus</p> <p>f) The expenses related to technology at ISCs shall be borne by the stock exchanges;</p> <p>g) In any other manner as may be prescribed/ permitted by SEBI in the interest of investors;</p>
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D. Deployment of Funds of IPF by Stock Exchanges

- i. Funds of the IPF Trust shall be invested in instruments such as Central Government securities, fixed deposits of scheduled banks and any such instruments which are allowed as per the investment policy approved by the respective governing boards of the stock exchanges and depository. The investments shall be adequately diversified with single issuer exposure, excluding Government securities, not exceeding 10% of the IPF corpus. The investment policy shall be devised with an objective of capital protection, portfolio diversification, liquidity, along with highest degree of safety and least market risk.
- ii. The balance available in the IPF as at the end of each month and the amount utilised during the month including the manner of utilization shall be

reported to SEBI in the Monthly Development Reports of the stock exchanges and depository respectively.

E. Review of IPF Corpus

The stock exchanges and depositories shall conduct half-yearly review (by end of March and September every year) to ascertain the adequacy of the IPF corpus. In case the IPF corpus is found to be inadequate, the same shall be enhanced appropriately.

F. Timelines for declaration of default of a TM, processing of investor claims out of IPF and review of claims.

A detailed standard operating procedure (SOP), indicating the process and timelines for declaration of default of a TM, processing of investor claims out of IPF and review of claims was prescribed through various letters to stock exchanges. In order to streamline the process and settlement of claims from IPF, a comprehensive SOP is placed at **Annexure 6**.

G. Manner of inviting claims from investors by stock exchanges

- i. In accordance with its bye-laws, rules or regulations, the Stock Exchange shall publish a notice inviting the legitimate claimants to file claims against the defaulter member (TMs) within a specified period of time, called as the "specified period".
- ii. The specified period for inviting legitimate claims against a defaulter member (TM), shall not be less than one year from the date of declaration of default.
- iii. The Stock Exchange shall publish the notice in all the editions of at least one English national daily with wide circulation and in at least one regional language daily with wide circulation and the notice shall be in regional language based on the maximum concentration of the clients of defaulter member from a particular state or region.
- iv. Apart from public notice, SMS or e-mail messages would be sent to all clients of the defaulter TM to inform them about the TM default and invite claims.
- v. The notice calling for claims shall also be displayed on the premises of the Stock Exchange (including Investor Service Centers) for the entire specified period as well as on the website of the Stock Exchange.
- vi. The notice shall contain the specified period, the maximum compensation limit for a single claim of an investor, etc.
- vii. The notice should emphasize or reiterate that clients who want to lodge their claim shall submit the claim along with all supporting documents to the stock exchange.
- viii. The stock exchanges shall ensure that all investors of such defaulter TMs have been provided the information to lodge their claims.



H. Eligible Claims

- i. The claims received against the defaulter members (TMs) during the specified period shall be eligible for compensation from the IPF.
- ii. Where the clients have dealt through the authorized persons of the defaulting TM, registered with the stock exchange, such clients will also be eligible for claims against the defaulting TM for compensation from the IPF.
- iii. If any eligible claims arise within three years from the date of expiry of the specified period, such claims
 - a) shall be considered eligible for compensation from IPF in case where the defaulter TM's funds are inadequate. In such cases, IPF Trust shall satisfy itself that such claim could not have been filed during the specified period for reasons beyond the control of the claimant.
 - b) shall not be considered eligible for compensation from IPF in case where the surplus funds of the defaulter TM is returned to the defaulter TM. The same shall be borne by the stock exchange after scrutinizing and satisfying itself that such claim could not have been filed during the specified period for reasons beyond the control of the claimant.
- iv. Any claim received after three years from the date of expiry of the specified period may be dealt with as a civil dispute.
- v. The claims of the investor or clients shall be eligible for compensation from the IPF and in no case the claims of a broker or an associate of the member broker of the Stock Exchange shall be eligible for compensation out of the IPF.
- vi. The claims of the investors or clients arising out of speculative transactions shall not be eligible for compensation from the IPF.

I. Threshold limit for claims

- i. The Stock Exchanges shall fix suitable per investor compensation limits, in consultation with the IPF Trust and SEBI.
- ii. The Stock Exchange, in consultation with the IPF Trust, shall review and progressively increase the amount of compensation available against a single claim from an investor, at least once in every three years.



iii. The Stock Exchange shall disseminate the compensation limit fixed by them and any change thereof, to the public through a Press Release and also through its web site.

J. Determination of Legitimate Claims from IPF for clients of the defaulter TM

- i. The Stock Exchanges shall ensure that once a TM has been declared defaulter, the claim (s) shall be placed before the Member Core Settlement Guarantee Fund Committee (MCSGFC) for sanction and ratification. MCSGFC's advice w.r.t. legitimate claims shall be sent to the IPF Trust for immediate disbursement of the amount.
- ii. In case the claim amount is more than the coverage limit under IPF or the amount sanctioned and ratified by the MCSGFC is less than the claim amount then the investor will be at liberty to prefer for arbitration outside the exchange mechanism or any other legal forum outside the exchange mechanism for claim of the balance amount."
- iii. In order to prevent the possibility of identical claims of clients of defaulter trading members being paid by multiple exchanges, stock exchanges shall share amongst themselves relevant data w.r.t. clients of defaulter/disabled members within 10 days from the date of disablement in order to identify common clients of such members. Further, stock exchanges shall also at the time of disbursing the claims of the clients of defaulting members share the details of the client viz. PAN, UCC, amount disbursed with the other exchanges⁴⁶.

K. Disbursements of claims from the IPF

- i. The IPF Trust shall disburse the amount of compensation from the IPF to the investor and such a compensation shall not be more than the maximum amount fixed for a single claim of an investor.
- ii. The compensation shall be disbursed to the investor from the IPF in case there is a shortage of defaulter TM's subject to the maximum amount fixed for a single claim of an investor.
- iii. The IPF Trust need not wait for realization of assets of the defaulter TM for disbursements of the claims;
- iv. The stock exchange would do away with the practice of obtaining indemnity undertaking from the clients.

⁴⁶ SEBI letter dated January 5, 2023 on Issues related to broker defaults and processing of claims of investors from Investor Protection Fund (IPF).

v. The stock exchange shall ensure that the amount realized from the assets of the defaulter TM is returned to the defaulter TM only after settling the following as per the bye-laws of stock exchange: -

- Claims of clients of TM received
- Eligible claims of all stock exchanges of which the defaulter TM was a member;
- Claims of SEBI, if any;
- Pending litigations against the defaulter TM;
- Estimated value of claims of clients of TM yet to be received after the end of specified period. This amount shall be estimated by stock exchanges and kept for a maximum period of three years from the date of expiry of specified period.

Any amount realized from assets of defaulter TM and being retained by stock exchange shall be kept in a separate interest bearing account and in case the funds remained unclaimed after the timeline the same shall be returned to the defaulter TM.

L. Disclosures

The stock exchanges and depositories are advised to

- Disclose the corpus of the IPF on its website and update the same on a monthly basis.
- Disseminate its policy on processing investor claims from IPF on their website including the compensation limit fixed by them per investor.
- To frame FAQs on their policy on processing investor claims for easy understanding of investors.

Give adequate notice (including a press release) to the investors before implementing any amendment in the policy on processing of claims. In case of any amendment in the policy on processing of investor claims, the same should not be applicable to the TMs who have been disabled or suspended or declared defaulter by the exchange prior to the effective date of implementation of policy.

6.2. Investor Services Fund (ISF) of Stock Exchanges⁴⁷

- The Stock Exchange shall set aside at least 20% of the listing fees received for ISF for providing services to the investing public.
- In order to have better management and control on the contributions and utilization of ISF corpus, supervision of the same will rest with the Regulatory Oversight Committee.

⁴⁷ Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/81 dated May 30, 2023



iii. The amount in ISF of the stock exchanges and any interest generated from this ISF shall be utilized for the purpose as stated in the table below:

SN	Particulars	Utilization
1	ISF	<ul style="list-style-type: none"> a) ISF may be utilized only for promotion of investor education and investor awareness programmes through seminars, lectures, workshops, publications (print and electronic media), training programmes etc. aimed at enhancing securities market literacy and promoting retail participation in securities market; b) At least 50% should be spent at Tier II & Tier III cities; c) Cost of training of arbitrators; d) In any other manner as may be prescribed or permitted by SEBI in the interest of investors e) ISF shall not be charged against expenses incurred for sending SMS and E-mails⁴⁸
2	Interest on ISF	Interest received on ISF shall be ploughed back to ISF.

6.3. Miscellaneous:

If a stock exchange or a depository is wound up or derecognized or exits, then the balance in the IPF and/or ISF lying un-utilised with the stock exchange and depository shall be transferred to Investor Protection and Education Fund of SEBI in terms of SEBI (Investor Protection and Education Fund) Regulations, 2009. The funds shall be utilised for purposes of Investor education, awareness, research, etc.

6.4. Basic Minimum Facilities at Investor Service Centers (ISCs)⁴⁹

6.4.1. SEBI had earlier mandated the stock exchanges having nationwide terminals to open ISCs in Ahmedabad, Hyderabad, Kanpur, Indore, Bangalore, Pune, Jaipur, Ghaziabad, Lucknow, Gurgaon, Patna and Vadodara in addition to the ones operating in metro cities (viz; New Delhi,

⁴⁸ Circular no. CIR/MIRSD/15/2011 dated August 02, 2011

⁴⁹ Circular No. SMD/Policy/Cir-32/97 dated December 03, 1997 and Circular no. SEBI/HO/MRD/MRD-POD-3/CIR/P/2023/104 dated June 26, 2023



Mumbai, Chennai and Kolkata). The ISCs shall at least provide the following basic minimum facilities to the investors:

- 6.4.1.1. Four financial daily newspapers with at least one in the regional language of the place where the ISC is situated. In case, the financial newspaper is not available in the regional language of the place, any leading newspaper in that regional language shall be provided.
- 6.4.1.2. A dedicated desktop or laptop with internet connectivity to enable the investors to access various relevant information available in public domain and also to access SEBI's and stock exchange's grievance redressal portals.
- 6.4.1.3. Facilities for receiving investor complaints in both physical and electronic form. One dedicated staff shall be posted at the ISC to register investor complaints and also to guide & counsel the investors. The updated status of all complaints shall be maintained in electronic form.
- 6.4.1.4. Facilitation desks at all ISCs to assist the investors in the dispute resolution process. These desks shall, inter alia, provide investors the required documents or details, if any, for making application to investor Grievance Redressal Panels and filing arbitration applications (including appellate arbitration).
- 6.4.1.5. Arbitration and appellate arbitration facility at all ISCs including video-calling facility to investors for attending their online arbitration (including appellate arbitration) or Grievance Redressal meetings, if any.
- 6.4.1.6. A meeting room for at least 5 to 6 persons and additional sitting space for at least 5 to 6 persons.
- 6.4.1.7. Other infrastructure facilities such as telephone, photocopier, printer, scanner, internet access, furniture, etc.
- 6.4.1.8. A library on relevant laws (including Acts, Rules, Regulations, Circulars or master circulars, Guidelines, etc. and bye-laws, rules, regulations and circulars or master circulars of stock exchanges, clearing corporations and depositories), common booklets on various areas of securities markets, educational materials, etc. for the investors. In case of receipt of request for physical copies of relevant laws, the same shall be provided at a minimal cost.
- 6.4.1.9. A register or database of visitors (including investors) for future correspondence, whenever required.

- 6.4.2. For upgradation of knowledge of officials at ISCs, stock exchanges shall ensure that:

6.4.2.1. All the officials at ISCs have been provided adequate training on various areas of securities market, how to counsel or guide the investors to appropriately lodge their complaints (including lodging of complaints on SCORES platforms), how to resolve the investor grievances, promotion of investor education and awareness to enhance securities market literacy and retail participation, etc.

6.4.2.2. The training on securities market should, inter-alia, cover the following areas;

- Overview of securities market (both primary and secondary markets);
- Functions and operations of Stock Exchanges, Clearing Corporations and Depositories;
- Functions and operations of market intermediaries dealing with investors such as, Stock Brokers, Depository Participants, Mutual Funds, Investment Advisers, Research Analysts, Portfolio Managers, Registrar and Transfer Agents, etc.

6.4.2.3. The officials at ISCs should also have requisite NISM certification covering the areas mentioned at paragraph 6.4.2.2 above.

6.5. Grievance redressal mechanism at Stock Exchanges w.r.t to clients of defaulter Trading Members (TMs)⁵⁰:

6.5.1. In order to enhance the effectiveness of Investor Protection Fund (IPF) of Stock Exchanges, SEBI has comprehensively reviewed the existing framework in consultation with stock exchanges.

6.5.2. Based on the review, it was decided to revamp the grievance redressal mechanism at Stock Exchanges w.r.t to clients of defaulter Trading Members (TMs). In this regard, the stock exchanges were advised to take the following measures:

6.5.2.1. Disclosure of the corpus of IPF and policy on processing investor claims

- The exchanges are advised to disclose the corpus of the IPF on its website and the same should be updated on a monthly basis.
- The exchanges are advised to disseminate its policy on processing investor claims from IPF on their website. Further, the exchanges are advised to frame FAQs on their policy on processing investor claims for easy understanding of investors.

⁵⁰ SEBI Letter dated November 13, 2020



6.5.2.2. Implementation of Amendment in policy on processing investor claims

6.5.2.2.1. The exchanges are advised to give adequate notice to the investors before implementing any amendment in the policy on processing of claims.

6.5.2.2.2. Further, in case of any amendment in the policy on processing of investor claims, the same should not be applicable to the TMs who have been disabled/suspended/ declared defaulter by the exchange prior to the effective date of implementation of policy.

7. Functions of Disciplinary Action Committee, Defaulters' Committee, Investors Service Committee, Arbitration Committee and IPF Trust⁵¹

Sr. No.	Name of Committee	Functions handled	Composition
1	Disciplinary Action Committee	<p>(i) The Committee shall formulate the policy for regulatory actions including warning, monetary fine, suspension, withdrawal of trading terminal, expulsion, to be taken for various violations by the members of the exchange.</p> <p>(ii) Based on the laid down policy, the Committee shall consider the cases of violations observed during inspection, etc and impose appropriate regulatory action on the members of the exchange.</p> <p>(iii) While imposing the regulatory measure, the Committee shall adopt a laid down process, based on the 'Principles of natural justice'.</p>	<p>(i) The Committee shall have a minimum of 3 members and a maximum of 5 members;</p> <p>(ii) The Public Interest Directors shall form a majority of the Committee;</p> <p>(iii) A maximum of two key management personnel of the exchange can be on the committee and one of which shall necessarily be the Managing Director of the stock exchange;</p> <p>(iv) The Committee may also include independent external persons such as retired judge, etc.</p> <p>(v) SEBI may nominate members in the Committee, if felt necessary in the interest of securities market</p>
2	Defaulters' Committee	(i) To realize all the assets / deposits of the defaulter/	(i) The Committee shall have a minimum of 3 members

⁵¹ Circular no. SEBI/HO/DMS/CIR/P/2017/15 dated Feb 23, 2017



		<p>expelled member and appropriate the same amongst various dues and claims against the defaulter/ expelled member in accordance with the Rules, Byelaws and Regulations of the exchange.</p> <p>(ii) In the event both the clearing member and his constituent trading member are declared defaulter, then the Defaulter's Committee of the stock exchange and the Defaulter's Committee of the clearing corporation shall work together to realise the assets of both the clearing member and the trading member.</p> <p>(iii) Admission or rejection of claims of client/ trading members/ clearing members over the assets of the defaulter/ expelled member.</p> <p>(iv) Advise in respect of the claims to the Trustees of the IPF on whether the claim is to be paid out of IPF or otherwise.</p>	<p>and a maximum of 5 members;</p> <p>(ii) The Public Interest Directors shall form a majority of the Committee;</p> <p>(iii) A maximum of two key management personnel of the exchange can be on the Committee;</p> <p>(iv) The Committee may also include independent external persons such as retired judge, etc.;</p> <p>(v) SEBI may nominate members in the Committee, if felt necessary in the interest of securities market;</p>
3	Investor Services Committee	<p>(i) Supervising the functioning of Investors' Services Cell of the Exchange which includes review of complaint resolution process, review of complaints remaining unresolved over long period of time, estimate the adequacy of resources</p>	<p>(i) The Committee shall have a minimum of 3 members and a maximum of 5 members;</p> <p>(ii) The Public Interest Directors shall form a majority of the Committee;</p> <p>(iii) A maximum of two key management</p>

		<p>dedicated to investor services, etc.;</p> <p>(ii) Supervision of utilization of ISF</p> <p>(iii) To have annual review of the arbitrators and arbitration/ awards (both quantum and quality of the awards).</p>	<p>personnel of the exchange can be on the Committee;</p> <p>(iv) The Committee may also include independent external persons;</p> <p>(v) SEBI may nominate members in the Committee, if felt necessary in the interest of securities market;</p>
4	IPF Trust	<p>(i) The IPF shall be administered by way of a Trust created for this purpose;</p> <p>(ii) The IPF Trust shall disburse the amount of compensation from IPF to the investor and such a compensation shall not be more than the maximum amount fixed for a single claim of an investor;</p> <p>(iii) The IPF Trust shall disburse the compensation to the investors as and when claims have been crystallized against a defaulter member;</p> <p>(iv) The IPF Trust need not wait for realization of assets of the defaulter member for disbursements of the claims.</p> <p>(v) Upon receipt of advice of the Defaulters' Committee, for payment, the IPF Trust shall take necessary steps for disbursement of the amount at the earliest</p>	<p>(i) The Trust shall have maximum 5 trustees; (ii) The trustee shall comprise of: a. Three Public Interest Directors; b. One representative from investor associations recognized by SEBI; and c. The principal regulatory compliance officer of the MII; (iii) The maximum tenure of a trustee (excluding the principal regulatory compliance officer of the MII, whose trusteeship would be co-terminus with the service) shall be five years or as specified by SEBI;</p>

The Arbitration Committee of the Stock Exchanges shall stand discontinued.

8. SMALL AND MEDIUM ENTERPRISES (SME)

8.1. Setting up of stock exchange / a trading platform by a recognized stock exchange having nationwide trading terminals for SME⁵²

- 8.1.1. SEBI had laid down the framework (on November 05, 2008) for recognition and supervision of stock exchanges/platforms of stock exchanges for small and medium enterprises (SMEs).
- 8.1.2. In order to lay down the policy for issue, listing and trading of the securities issued by the SMEs, necessary amendments have been made in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, SEBI (Merchant Bankers) Regulations, 1992, SEBI (Foreign Portfolio Investors) Regulations, 2019, SEBI (Alternative Investment Fund) Regulations, 1996, SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and SEBI (Stock Brokers) Regulations, 1992. Complete text of the said amendments is available on the SEBI website www.sebi.gov.in. Salient features of those amendments are as under:
 - 8.1.2.1. An issuer whose post -issue face value capital does not exceed ten crore rupees shall make Initial Public Offer of specified securities in terms of Chapter IX of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations).
 - 8.1.2.2. An issuer listed on a SME exchange and whose post- issue face value capital pursuant to further issue of capital does not exceed ten crore rupees shall make further issue of specified securities in terms of Chapter IX of the ICDR Regulations.
 - 8.1.2.3. An issuer having post -issue face value capital between ten crore rupees and twenty five crore rupees may make Initial Public Offer and further issue of specified securities in terms of Chapter IX of the ICDR Regulations.
 - 8.1.2.4. An issuer making issue of specified securities in terms of Chapter IX of the ICDR Regulations shall be required to list its entire specified securities on the SME exchange.
 - 8.1.2.5. An issuer making issue of specified securities in terms of Chapter IX of the ICDR Regulations shall be exempted from the eligibility requirements as laid down under regulations 4 and 6 of the ICDR Regulations.
 - 8.1.2.6. An issuer with post issue face value capital between Rs 10 crore and Rs 25 crore listed on SME exchange can migrate to Main Board, as specified in

⁵² Circular No. MRD/DSA/17/2010 dated May 18, 2010

the ICDR Regulations and vice-versa, provided they meet the listing requirements of the stock exchange where they propose to list the specified securities and have obtained the shareholders' approval in the manner specified in the ICDR Regulations.

- 8.1.2.7. An issuer listed on SME exchange proposing to issue further capital pursuant to which their post-issue face value capital may increase beyond Rs. 25 crore shall migrate to the main board, subject to obtaining in-principle approval of the main board before issue of such securities.
- 8.1.2.8. An issuer making issue of specified securities in terms of Chapter IX of the ICDR Regulations shall file the offer document with SEBI and SME exchange, in respect of proposed issue, through the merchant banker. No observations would be issued by SEBI on the offer documents filed by the Merchant Banker/s. The offer document shall be made available on the websites of SEBI, the issuer, the merchant banker/s and the SME exchange.
- 8.1.2.9. The issue made in terms of Chapter IX of the ICDR Regulations shall be 100% underwritten and the merchant banker/s shall underwrite 15% in their own account. Merchant Banker/s can also enter into agreement with nominated investors to subscribe to the unsubscribed portion of the issue. Such arrangements shall be disclosed in the offer document.
- 8.1.2.10. The merchant banker to the issue will undertake market making through a stock broker who is registered as market maker with the SME exchange. The merchant banker shall be responsible for market making for a minimum period of three years from the date of listing of the specified securities. Further, the merchant bankers can also enter into agreement with nominated investors, as defined under ICDR Regulations, to whom the shares bought or sold during the market making process can be transferred. Such arrangements shall be with the prior approval of the SME exchange and disclosed in the offer document.
- 8.1.2.11. During the compulsory market making period, the promoters holding shall not be eligible for offering to market makers. However, the promoters holding which are not locked-in in terms of the ICDR can be traded on the SME exchange with the prior approval of the SME exchange, in the manner specified by the SEBI. During the compulsory market making period the buyer of shares from the promoters or persons belonging to promoter group of the issuer shall not be eligible to offer such shares to market makers.
- 8.1.2.12. Merchant Banker/s who have the responsibility of market making may, at their option, be represented on the board of the issuer subject to agreement with the issuer in this regard.

- 8.1.2.13. The issuer shall stipulate in the offer document, the minimum application size in terms of number of specified securities which shall not be less than one lakh rupees per application.
- 8.1.2.14. A minimum number of 50 (fifty) investors is required at the IPO stage only. There shall be no continuous requirement of minimum number of shareholders.
- 8.1.2.15. A stock broker of the Main Board need not obtain fresh registration for trading on SME platform of such Main Board. Further, no fresh registration needs to be obtained by a sub-broker, where such registered sub-broker is affiliated to stock broker who is eligible to trade on SME platform.

7.1.1 It is hereby further clarified that -

- 8.1.2.16. an issuer listed on a recognized stock exchange other than a SME exchange and whose post -issue face value capital pursuant to further issue of securities of the same class does not exceed ten crore rupees will have option to make further issue of specified securities of same class in accordance with Chapter XA of the ICDR Regulations provided that its entire specified securities of the same class shall be listed on the SME exchange.

The Company is required to comply with Regulation 277 of SEBI (ICDR) Regulation, 2018 for migration from SME to main board.

- 8.1.3. Further, the Guidelines for market making for the specified securities listed on the SME exchange may be referred in Section 5 of Chapter 1 titled 'Trading' of this master circular on Stock Exchanges and Clearing Corporations.
- 8.1.4. The Company is required to comply with SEBI (LODR) Regulation, 2018.
- 8.1.5. The framework for recognition and supervision of SME exchanges/platforms is hereby specified.
 - 8.1.5.1. A company desirous of being recognized as a SME exchange may apply to Market Regulation Department, SEBI, in accordance with the provisions of the Securities Contracts (Regulation) Act,1956 (SCRA) read with the provisions of the Securities Contracts (Regulation) Rules, 1957 (the SCRR), subject to the applicant fulfilling the following conditions:
 - 8.1.5.1.1. It is a corporatized and demutualised entity and is compliant with requirements of maintaining public shareholding and shareholding

restrictions in accordance with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018

- 8.1.5.1.2. It has a balance sheet networth of at least Rs. 100 crores;
- 8.1.5.1.3. It shall have nationwide trading terminals and an online screen-based trading system, a suitable Business Continuity Plan including a disaster recovery site;
- 8.1.5.1.4. It shall have an online surveillance capability which monitors positions, prices and volumes in real time so as to check market manipulation;
- 8.1.5.1.5. It shall have adequate arbitration and investor grievances redressal mechanism operative from all the four regions of the country.
- 8.1.5.1.6. It shall have adequate inspection capability;
- 8.1.5.1.7. It shall have the same risk management system and surveillance system as are required for cash market segment of a recognised stock exchange;
- 8.1.5.1.8. Information about trades, quantities, and quotes shall be disseminated by the recognized stock exchange in real time to at least two information vending networks which are accessible to investors in the country;
- 8.1.5.1.9. The trading system of the stock exchange may be quote driven or a hybrid of quote driven and order driven. The settlement system in the stock exchange shall be the same as that of the cash market of a recognised stock exchange;
- 8.1.5.1.10. The clearing function of the stock exchange shall be performed by a clearing corporation/ clearing house;
- 8.1.5.1.11. The minimum lot size for trading on the stock exchange shall be one lakh rupees.

- 8.1.5.2. The above eligibility criteria shall *mutatis mutandis* apply to recognised stock exchanges having nationwide trading terminals and which desires to set up a trading platform for listing of the specified securities issued in terms of Chapter XA of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. Such recognised stock exchange shall file an application demonstrating its compliance with the conditions mentioned in sub-para 8.1.5.1.1 to 8.1.5.1.11 of para 8.1.5.1 above along with the proposed Rules, Regulations and Byelaws for the SME platform. Such a platform can be operationalised by the recognised stock exchange only after obtaining prior approval of SEBI.



8.2. Standardized lot size for SME Exchange / Platform⁵³

8.2.1. It has been decided to standardize the lot size for Initial Public Offer proposing to list on SME exchange/ platform and for the secondary market trading on such exchange/ platform, as given under:

Price Band (in Rs.)	Lot Size (No of shares)
Up to 14	10000
more than 14 up to 18	8000
more than 18 up to 25	6000
more than 25 up to 35	4000
more than 35 up to 50	3000
more than 50 up to 70	2000
more than 70 up to 90	1600
more than 90 up to 120	1200
more than 120 up to 150	1000
more than 150 up to 180	800
more than 180 up to 250	600
more than 250 up to 350	400
more than 350 up to 500	300
more than 500 up to 600	240
more than 600 up to 750	200
More than 750 up to 1000	160
above 1000	100

⁵³ Circular No. MRD/DSA/06/2012 dated February 21, 2012

- 8.2.2. At the Initial Public Offer stage the Registrar to Issue in consultation with Merchant Banker/s, Issuer and the Stock Exchange shall ensure to finalize the basis of allotment in minimum lots and in multiples of minimum lot size, as per the above given table. The secondary market trading lot size shall be the same, as shall be the IPO Lot Size at the application/allotment stage, facilitating secondary market trading.
- 8.2.3. At the Initial Public Offering stage if the price band decided, falls within two different price bands than the minimum application lot size shall be decided based on the price band in which the higher price falls into. For example: if the proposed price band is at 24-28 than the Lot size shall be 4000 shares.
- 8.2.4. The lot size shall not be reduced by the exchange to below the initial lot size if the trading price is below the IPO issue price.
- 8.2.5. The Stock Exchanges can review the lot size once in every 6 months / wherever warranted, by giving an advance notice of at least one month to the market. However, as far as possible the stock exchange shall ensure that odd lots are not created.
- 8.2.6. Further, the stock exchanges shall ensure that the lot size shall be the same for a securities traded across the Exchanges.
- 8.2.7. In case of oversubscription, if the option to retain ten percent of the net offer to public for the purpose of making allotment in minimum lots is exercised, then it shall be ensured by the Issuer/Stock Exchanges/ Merchant Bankers that the post issue paid up capital of the issuer does not go beyond Rs. 25 crore.



9. MONTHLY DEVELOPMENT REPORT

Stock Exchanges and Clearing Corporation are required to submit a monthly report as per prescribed format within 7 days and 10 calendar days respectively from the close of each month.

Monthly Development Report - Stock Exchanges

MARKET DEVELOPMENT REPORT OF CASH SEGMENT OF _____ EXCHANGE
FOR THE PERIOD _____

SECTION I

1. Movement of the indices compiled by the Exchange (Closing Values Only)

Open (First Day)	High (With Date)	Low (With Date)	Close (Last Trading Date)

2. Statistical Details - Current Financial Year:

IMPORTANT: For calculating the figures, please use data of only the completed settlements during the month

: The cumulative figures are for the current Financial Year.

Items	Apr -20	May -20	Jun -20	Jul -20	Aug -20	Sep -20	Oct -20	Nov -20	Dec -20	Jan -21	Feb -21	Mar -21	Cumulative total for the year
<u>Equity Market (in Rs. Crores):</u>													
No. of Trading days													
Trading Turnover (single sided)													
Deliveries (Value)													
% age delivery to trading turnover													
Shortage in deliveries (Value)													
Total during the period (Names & amount of top five members to be provided)													



Minimum in a settlement during the period											
Maximum in a settlement during the period											
% shortage in deliveries in above categories											
Amount of funds to be settled											
Amount of shortfall in funds Total during the period (Names & amount of top 5 members to be provided)											
Minimum in a settlement during the period											
Maximum in a settlement during the period											
% shortfall in funds in above categories (Total)											
Amount of SGF/TGF used for meeting pay in obligations.											
Gross during the period											
Net during the period											
% share of											



Top 10 scrips to total turnover										
Main (Major) Index to total turnover										
Total No. of Companies Listed										
Market Capitalisation of total no. of companies										
Total number of companies Traded										
No. of Brokers/Trading Members (CSE)										
Individual* (Including partnership firms)										
Corporate										
Others										
Total										
No. of Inactive Brokers in each of the above three categories, and total figure (Not a single trade during the current financial Year)										

NOTE: If there is a debt segment/odd lot segment at the exchange, the information for the same may be provided in the above format and in a separate table.

3. TRADING TERMINALS RELATED INFORMATIONS:

- The number of cities covered across the country
- Total number of trading terminals set up across the country
- The number of trading terminals set up abroad
- The number of approvals granted for internet trading



4. DETAILS OF SPECIFIC PURPOSE FUNDS

a) Settlement Guarantee Fund/Trade Guarantee Fund:

Sr. No.	Composition of SGF/TGF	Amount
1	Initial Contribution from the Exchange	
2	Initial Contribution by Members	
3	Continuous Contribution by members	
4	Interest earned on Investments	
5	Profit/loss on Investments	
6	Total (1 to 5)	
7	Less: Utilisation/ Disbursements made during the month (Item wise)	
8	Total of item wise disbursements	
9	Base Minimum Capital	
10	Additional Capital	
11	Total (9 & 10)	
12	Less: Refund of BMC, Additional capital	
13	Less: Utilisation of BMC, Additional Capital for pay-in obligations, if any	
14	Total (12 &13)	
15	Grand Total (6 + 11) - (8 + 14)	

b) Investor Protection Fund/Customer Protection Fund and Investor Services Fund:

Composition of Fund	IPF/CPF	ISF
Corpus as per previous Development Report		
Add: Accruals to the Fund during the period		
Less: Fund utilized during the period		
Corpus as of end of the period		

5. REGULATORY MEASURES:

a) Details of cases where special margins have been imposed/withdrawn:

Sl No.	Scrip Code	Scrip Name	Special Margin	Date of imposition/ withdrawal

b) Details of scrips suspended for trading during the period other than de-listed:

Sr.	Name of Scrip	Duration of suspension	Reason of suspension



c) Disciplinary Action taken against members:

Sr. No.	Code	Member Name	Remarks

d) Details of any other regulatory measures taken:

6. DEFAULT OF MEMBERS:

Name of member declared defaulter during the period	Date of default	Cumulative no. of default cases during the current financial year

7. DETAILS PERTAINING TO DISRUPTIONS IN TRADING IF ANY:

SECTION II

8. COMPLAINTS RECEIVED FROM INVESTORS:

a) Complaints against companies

Pending at the beginning	Received	Resolved	Pending at the end	Action taken against companies where a large no. of complaints are pending for more than 3 months

b) Complaints against brokers

Pending at the beginning	Received	Resolved	Pending at the end	No. of complaints pending for more than one month and brief reason thereof

c) Complaints against Authorised Persons

Pending at the beginning	Received	Resolved	Pending at the end	No. of complaints pending for more than one month and brief reasons thereof

d) Complaints referred by SEBI against the exchange/brokers/companies

Pending at the beginning	Received	Resolved	Pending at the end	No. of complaints pending for more than one month and brief reasons thereof

9. ARBITRATION (MEMBER -VS- NON-MEMBER)

a) Details of arbitration cases

Pending at the beginning of the month	Received during the month	Awards passed during the month		For X	The amount set aside by the Exchange	Pending at the end of the month	Details of arbitration cases which are pending for more than 3 months along with reasons
		In favour of non-member "X"	In favour of member	No. of cases	Amount in Rs		

b) Details of Implementation of Arbitration Awards.

Member-wise statement of unimplemented awards. (where the deposit has not been set aside)

Sr. No.	Name of the member	Number of awards un-implemented	Amount involved (in Rs.)	Action taken the Exchange



c) Complaints received by the Exchange against the Arbitration mechanism of the Exchange

Opening balance	Complaints received during the month	Resolved during the month	Nature of the complaint	Closing balance	Comment of the Exchange

SECTION III

10. GOVERNING BOARD AND STATUTORY COMMITTEES (To be reported in case of change)

a) Composition of the Governing Board/ Council of Management:

Names	Category	Date of Appointment	Date of Last Renewal of the term	No. of terms completed	Date of Expiry of current term

b) Composition of the Statutory Committees:

Names	Category	Date of Appointment	Date of Last Renewal of the term	No. of terms completed	Date of Expiry of current term

11. ATTENDANCE DETAILS OF NON-MEMBER DIRECTORS ON GOVERNING BODY OF THE EXCHANGE.

Date of Meetings held	Date of issue of Notice convening the meetings	Name of Non-member Directors attended the meeting along with their category



12. IMPORTANT DECISIONS TAKEN BY GOVERNING BOARD/COUNCIL OF MANAGEMENT IN THE MEETING(S)

SECTION IV

13. LISTING

(i)	Number of Companies listed / re-listed during the month	
(ii)	Number of Companies de-listed during the month	

Listing Fee received during Financial Year (Cumulative)	Listing Fee received during the month	Amount of Listing Fee Remitted to SEBI		
		Amount Due	Amount Paid	Remittance particulars

14. INSPECTION OF MEMBERS

Total No. of members	No. of active members	No. of members inspected during the month	Cumulative No. of members inspected during the current FY	% of active members inspected during the year

15. STATUS OF IMPLEMENTATION OF CIRCULARS ISSUED BY SEBI DURING THE PAST THREE MONTHS.

Circular No. & date	Provisions in the circular (Subject)	Implemented (Y/N)	Date of implementation of the provisions	In case of not implemented, reasons for non-implementation.



16. ANY OTHER IMPORTANT DEVELOPMENTS:

Date:

For _____ Stock Exchange

Name: _____

Designation: _____

Monthly Report - Clearing Corporations

CLEARING, SETTLEMENT & RELATED FUNCTIONS

1. Clearing and Settlement for Segments

Sr. No.	Name of Segment	Average Daily Settlement Value (INR Crores)*		Highest Settlement Value for the Month (INR Crores)
1	Equity market	Funds		
		Securities		
2	Equity Derivatives	Funds		
3	Currency Derivatives	Funds		
4	Debt Market	Funds		
		Securities		
5	ITP	Funds		
		Securities		

*Average Daily Settlement Value = Total Settlement Value for the Month/ Total number of trading days. Total Settlement Value shall include settlement value of normal trades, trade for trade and block deals

2. Top 10 Settlement Shortages for each segment

Sr. No.	Name of Member	Shortage in Segment	Date of Settlement (for which there was a shortage)	Number of times the Member had settlement shortages in the previous 6 months	Shortage Type (Funds/ Securities)	Amount (INR Crores)

Note: In cases of repetitive shortages by members, action taken by the Clearing Corporation, if any



3. Penalty on Short / Non-Collection of Margins / Margin Violation/ Settlement Shortages and other penalties levied/collected by Clearing Corporation for the month

Sr. No.	Name of Member	Penalty Collected for	Amount of Penalty (INR) / Action taken	Interest on Penalty	To which fund it is transferred (IPF/ SGF)

Note: IPF -Investor Protection Fund

SGF -Settlement Guarantee Fund

4. Securities Lending and Borrowing

Sr. No.	Particulars	Figures
1	Number of securities permitted	
2	Number of securities traded	
3	Turnover for the month (INR)	
4	Lending fees collected (INR)	

5. Members declared Defaulter/Expelled

Name of Member declared defaulter/ Expelled	Date of default/ Expulsion	Reason for declaring defaulter/ Expulsion

6. Corpus of core SGF (for the Month of _____, 20XX)

Segment	Minimum Required Corpus*	Contributions towards MRC by			Other Contributions**	Total SGF Available with the Clearing Corporation
		Clearing Corporation	Stock Exchange	Members		
Equity market						
Equity Derivatives						
Debt Market						
Currency Derivatives						
Total						

* Minimum Required Corpus (MRC) as applicable for the month

**Other Contributions shall include Penalties, Interests and other accruals to SGF



7. Investment of Core SGF

Sr. No	Instrument of Investment	Amount	Tenure of Investment

CLEARING CORPORATION ADMINISTRATION

1. Composition of Governing Board (To be reported in case of change):

Sr. No.	Names	Category	Date of Appointment	Date of Last Renewal of the term	No. of terms completed	Date of Expiry of current term

2. Composition of Statutory/Standing Committees (To be reported in case of change):

Sr. No.	Names	Category	Date of Appointment	Date of Last Renewal of the term	Membership of Committees held	No. of terms completed	Date of Expiry of current term

3. Board Meeting / Annual General Meeting / Extra Ordinary General Meeting Held During the Month:

Sr. No.	Date of the Meeting	Names of Members who attended the Meeting	Board Meeting/ AGM/EGM	Main Heading of Agenda



4. Important Decisions taken by governing board in the meeting(s).

MISCELLANEOUS

1. Net worth as on March/ June/ September/ December 20XX (INR crores)-

2. Shareholding pattern as on date

Sr. No.	Entity	Shares	% Equity

3. Implementation status of SEBI Circulars

Circular No. & date	Provisions in the circular (Subject)	Implemented (Y/N)	Date of implementation of the provisions	In case not implemented, reasons for non-implementation

4. No. of Clearing Member/Self Clearing Member/Professional Clearing Member segment wise:

Segments	SCM		TMCM		PCM		Custodian	
	Total	Enabled	Total	Enabled	Total	Enabled	Total	Enabled

5. Top 10 Clearing Members based on highest 'Daily Average Pay-In' obligation for each segment:

Sr. No.	Name of Clearing Member	Category (CM/SCM/PCM)	Segment	Amount (INR crores)**



6. Inspections of Clearing Members

Sr. No	Number of members inspected during the period	Cumulative number of members inspected during the current Financial Year

7. Major Observations in Member Inspections, if any:

8. Any other matter that the Clearing Corporation would like to report:

10. MISCELLANEOUS

10.1. Database for Distinctive Number (DN) of Shares - Action against non-compliant companies⁵⁴

10.1.1. Regulation 75 of the SEBI (Depositories and Participants) Regulations, 2018 mandates issuer or its agent to daily reconcile the records of dematerialized securities with all securities issued by them.

10.1.2. While emphasizing the responsibility of issuers to reconcile the records, as mentioned above, in order to enable Depositories to maintain a complete reconciled record of equity shares, including both physical and dematerialized shares, issued by the company, SEBI directed Issuers/ RTAs to:

10.1.2.1. Update Distinctive Number (DN) information in respect of all physical share capital and overall DN range for dematerialized share capital for all listed companies.

10.1.2.2. Take all necessary steps to update the DN database. If there is mismatch in the DN information with the data provided / updated by the Stock Exchanges in the DN database, the Issuer/RTA shall take steps to match the records and update the same latest by December 31, 2015.

It is also stipulated that failure by the Issuers/RTAs to ensure reconciliation of the records in terms of the said circular shall attract appropriate actions under the extant laws.

10.1.3. It is noted that, despite follow-ups by Depositories, certain companies are yet to comply the directions at clause 10.1.2. Hence, in order to protect the interest of investors:

10.1.3.1. Depositories are hereby directed that, with effect from August 01, 2019:

10.1.3.1.1. They shall freeze all the securities held by the promoters and directors of the listed companies that are not in compliance with the said provisions [i.e. Beneficiary Owner a/c level freezing].

10.1.3.1.2. They shall not effect any transfer, by way of sale, pledge, etc., of any of the securities, held by the promoters and directors of such non-compliant companies.

⁵⁴ Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/87 dated August 1, 2019



10.1.3.1.3. They shall freeze all related corporate benefits on the Beneficiary Owner a/c frozen as above.

10.1.3.1.4. They shall retain the freeze on the securities held by promoters and directors of non-compliant companies till such time the company complies with the directions.

Depositories are advised to keep in abeyance the action mentioned above in specific cases where moratorium on enforcement proceedings has been provided for under any Act, Court/ Tribunal Orders, etc.

10.1.3.2. The names of companies that are not in compliance with aforementioned circular shall be prominently disseminated on the website of the exchanges / depositories, indicating that the concerned companies have not complied with SEBI directions.

10.1.3.3. Prior to revocation of suspension of trading of shares of any company, exchanges should ensure compliance by the company with SEBI directions and ensure availability of updated details of company's promoters (especially their PAN) and directors (especially their PAN and DIN), apart from ensuring compliance with other applicable regulatory norms.

10.1.4. The concerned Stock Exchanges and Depositories shall coordinate with each other and take necessary steps to implement this circular.

10.1.5. SEBI may also take any other appropriate action(s) against the concerned listed companies and its promoters/directors for non-compliance with SEBI directions

11. Annexures

Annexure 1

A. Mandatory Committees for Stock Exchanges:

Sr no.	Name of Committee	Brief terms of reference	Composition
(I) Functional Committees:			
1.	Member and Core Settlement Guarantee Fund Committee⁵⁵	<ul style="list-style-type: none">To scrutinize, evaluate, accept or reject applications for admission of members and transfer of membership and approve voluntary withdrawal of membership.Formulate the policy for regulatory actions including warning, monetary fine, suspension, withdrawal of trading, declaring a member as defaulter, expulsion, to be taken for various violations by the members of the exchange.Based on the laid down policy, consider the cases of violations observed during inspection, etc. and impose appropriate regulatory measures on the members of the exchange.While imposing the regulatory measure, the Committee shall adopt a laid down process, based on the 'Principles of natural justice'.	<ul style="list-style-type: none">A maximum of two Key Management Personnel (KMPs) of the exchange can be on the committee one of which shall necessarily be the Managing Director of the stock exchange.The committee may also include independent external persons.SEBI may nominate members in the Committee, if felt necessary in the interest of securities market.The number of PIDs shall not be less than the total

⁵⁵ SEBI email dated February 06, 2020



	<ul style="list-style-type: none">Realize all the assets/ deposits of the defaulter/expelled member and appropriate the same amongst various dues and claims against the defaulter/ expelled member in accordance with the Rules, Byelaws and Regulations of the ExchangeIn the event both the clearing member and the constituent trading member are declared defaulter, then the membership selection committee of the stock exchange and that of the clearing corporation shall work together to realise the assets of both the clearing member and the trading member.Admission or rejection of claims of client/ trading members/ clearing members over the assets of the defaulter/ expelled member.Recommendation in respect of the claims to the Trustees of the IPF on whether the claim is to be paid out of IPF or otherwise.To oversee contribution towards Core Settlement Guarantee Fund (SGF) of the Clearing Corporation	of number of shareholder directors, KMPs and independent external persons put together.
2.	(***) ⁵⁶	

⁵⁶ Pursuant to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, the Grievance Redressal Committee has been abolished.



3. Nomination & Remuneration Committee	<ul style="list-style-type: none">Identifying a Key management personnel, other than personnel as specifically provided in its definition under SECC Regulations, 2018.Laying down the policy for compensation of key management personnel in terms of the compensation norms prescribed by SEBI.Determining the compensation of KMPs in terms of the compensation policyDetermining the tenure of a key management personnel, other than a director, to be posted in a regulatory department.Selecting the Managing DirectorFraming & reviewing the performance review policy to carry out evaluation of every director's performance, including that of Public Interest Director (PID).Recommending whether to extend the term of appointment of the PID.	<ul style="list-style-type: none">The Committee shall include only public interest directors.However, independent external persons may be part of the committee for the limited purpose of recommendation relating to selection of Managing Director; wherein the number of PIDs shall not be less than the independent external persons.
	<ul style="list-style-type: none">Besides the above, it will also discharge the function as Nomination & Remuneration Committee under the Companies Act, 2013 and SEBI (LODR) regulations, 2015 as amended from time to time.	

(II) Oversight Committees

4.	Standing Committee on Technology	<ul style="list-style-type: none">Monitor whether the technology used remains up to date and meets the growing demands of the markets.Monitor the adequacy of systems capacity and efficiency.To look into the changes being suggested by the exchange to the existing software/ hardware.Investigate into problems of computerized trading system, such as hanging/ slowdown/ breakdown.Ensure that transparency is maintained in disseminating information regarding slowdown/ breakdown in Online Trading System.Submit a report to the Governing Board, who shall deliberate on the report and take suitable action/ remedial measure.Explain any stoppage beyond five minutes and report to the Board. The Exchange shall also issue a press release specifying the reasons for the breakdown.Review the implementation of board approved cyber security and resilience policy and its frameworkSuch other matters as may be referred by the Governing Board	<ul style="list-style-type: none">The Committee shall include at least two independent external persons proficient in technology.The number of PIDs shall not be less than the total of number of shareholder directors and independent external persons put together.
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		of exchange and/or SEBI.	
5.	(***) ⁵⁷		
6.	Regulatory Oversight Committee	<ul style="list-style-type: none">Oversee matters related to member regulation such as admission of members, inspection, disciplinary action, etc.Oversee SEBI inspection observations on membership related issues.Estimate the adequacy of resources dedicated to member regulation.Oversee matters related to listing of securities such as admission of securities for trading, suspension/revocation, etc.Oversee SEBI inspection observations on listing related issues.Estimate the adequacy of resources dedicated to listing related function.Oversee trading and surveillance related functions such as monitoring of market through order and trade level alerts, security level alerts, processing of alerts, price band changes, rumour verifications, shifting of	<ul style="list-style-type: none">The committee shall comprise of public interest director and independent external persons.The number of PIDs shall not be less than the total of number of independent external persons put together.Also shareholder director and key management personnel may be invitee to the committee.

⁵⁷ Pursuant to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, the Advisory Committee has been abolished.

	<p>securities to trade for trade segment, action against listed companies as a part of Surveillance Action, detailed investigations undertaken, disciplinary actions, etc., as may be applicable to the relevant segments of the exchange</p> <ul style="list-style-type: none">• Oversee SEBI inspection observations on surveillance related issues and also decisions taken in the periodic surveillance meeting at SEBI.• Estimate the adequacy of resources dedicated to trading and surveillance function.• Oversee matters related to product design and review the design of the already approved and running contracts.• Oversee SEBI inspection observation on Product Design related issues.• Estimate the adequacy of resources dedicated to Product design related function.• Review the actions taken to implement the suggestions of SEBI's Inspection Reports, place the same before the Governing Board of the stock exchange• To follow up, ensure compliance/implementation of the inspection observations.	
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	<ul style="list-style-type: none">Supervising the functioning of Investors Services Cell of the exchange, which includes review of complaint resolution process, review of complaints remaining unresolved over long period of time, estimate the adequacy of resources dedicated to investor services, etc.Supervise Investor Service Fund, including its utilizationAnnual review of arbitrators and arbitration awards (both quantum and quality of the awards).Lay down procedures for the implementation of the Ethics CodePrescribe reporting formats for the disclosures required under the Ethics Code.Oversee the implementation of the code of ethics.Periodically monitor the dealings in securities of the Key Management PersonnelPeriodically monitor the trading conducted by firms/corporate entities in which the directors hold twenty percent or more beneficial interest or hold a controlling interest.Monitor implementation of SECC Regulations and other	
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		<p>applicable rules and regulations along-with SEBI Circulars and other directions issued thereunder</p> <ul style="list-style-type: none"> • Review the fees and charges levied by the exchange • The head(s) of department(s) handling above matters shall report directly to the committee and also to the managing director. Any action against the head(s) of dept. shall be subject to an appeal to the committee, within such period as may be determined by the governing board. 	
7.	Risk Management Committee	<ul style="list-style-type: none"> • To formulate a detailed risk management policy which shall be approved by the governing board. • To review the Risk Management Framework & risk mitigation measures from time to time. • To monitor and review enterprise-wide risk management plan and lay down procedures to inform Board members about the risk assessment and minimization procedures. • The head of the risk management department shall report to the risk management committee and to the managing director of the exchange. 	<ul style="list-style-type: none"> • The risk management committee shall comprise only of the public interest directors and independent external persons, and shall report to the Governing Board. • The number of PIDs shall not be less than the total of number of independent external persons.

		<ul style="list-style-type: none"> 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. 	
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B. Mandatory Committees for Clearing Corporations:

Sr. no.	Name of Committee	Brief terms of reference	Composition
(I) Functional Committees:			
1.	Member and Core Settlement Guarantee Fund Committee	<ul style="list-style-type: none"> To scrutinize, evaluate, accept or reject applications for admission of members and transfer of membership and approve voluntary withdrawal of membership. Also in case of clearing corporations with commodity segment, the committee shall also look into: <ul style="list-style-type: none"> Approving enplanement & cancellation of Warehouse Service Providers/Vault Service Providers / Assayers, accreditation of warehouse, etc. Reviewing the continuous functioning, monitoring, and compliance of norms by Warehouse Service 	<ul style="list-style-type: none"> A maximum of two key management personnel of the clearing corporation shall be on the committee one of which shall necessarily be the Managing Director of the clearing corporation. The committee may also include independent external persons. SEBI may nominate members in the Committee, if felt necessary in the interest of securities market. The number of PIDs shall not be less than the total of number of shareholder directors, KMPs and

		<p>Providers, Vault Service Providers and assayers.</p> <ul style="list-style-type: none">• Formulate policy for regulatory actions, including warning, monetary fine, suspension, deactivation of terminal, declaring a member as defaulter, expulsion, to be taken for various violations by the members of the clearing corporation.• Based on the laid down policy, the Committee shall consider the cases of violations observed during inspection, etc. and impose appropriate regulatory measure on the members of the clearing corporation.• While imposing the regulatory measure, the Committee shall adopt a laid down process, based on the 'Principles of natural justice'.• Realize the assets / deposits of defaulter/expelled member and appropriate amongst various dues and claims against the defaulter/expelled member in accordance with the Rules, Byelaws and Regulations of the Clearing corporation• Admission/rejection of claims against such members over the assets of the	independent external persons put together.
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		<p>defaulter/expelled member.</p> <ul style="list-style-type: none">• To manage the Core Settlement Guarantee Fund (Core SGF) of the clearing corporation, including its investments as per norms laid down and ensure proper utilization of Core SGF.	
2.	(***) ⁵⁸		
3.	Nomination and Remuneration Committee	<ul style="list-style-type: none">• Identifying a Key management personnel, other than personnel as specifically provided in its definition under SECC Regulations, 2018.• Lay down the policy for compensation of key management personnel in terms of the compensation norms prescribed by SEBI.• Determining the compensation of KMPs in terms of the compensation policy• Determining the tenure of a key management personnel, other than a director, to be posted in a regulatory department.• Selecting the Managing Director• Framing & reviewing the <ul style="list-style-type: none">• The Committee shall include only public interest directors.• However, independent external persons may be part of the committee for the limited purpose of recommendation relating to selection of Managing Director; wherein the number of PIDs shall not be less than the independent external persons.	

⁵⁸ Pursuant to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, the Grievance Redressal Committee has been abolished.

		<p>performance review policy to carry out evaluation of every director's performance, including that of Public Interest Director (PID).</p> <ul style="list-style-type: none">• Recommending whether to extend the term of appointment of the PID.• Besides the above, it will also discharge the function as Nomination & Remuneration Committee under the Companies Act, 2013 and SEBI (LODR) regulations, 2015 as amended from time to time.	
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(II) Oversight Committees

4.	Standing Committee on Technology	<ul style="list-style-type: none">• Monitor whether the technology used by the clearing corporation remains up to date and meets the growing demands.• Monitor the adequacy of system capacity and efficiency.• Look into the changes being suggested to the existing software/hardware.• Investigate into the problems computerised risk management/ clearing & settlement system, such as hanging/ slowdown/ breakdown.• Ensure that transparency is maintained in disseminating information regarding	<ul style="list-style-type: none">• The Committee shall include at least two independent external persons proficient in technology.• The number of PIDs shall not be less than the total of number of shareholder directors and independent external persons put together.
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		<p>slowdown/break down risk management</p> <p>/ clearing & settlement system</p> <ul style="list-style-type: none"> • The Committee shall submit a report to the Governing Board of the clearing corporation. The Board will deliberate on the report and suitable action/ remedial measure will be taken. • Any stoppage beyond five minutes will be explained and reported to the Board. The Clearing Corporation shall issue a press release specifying the reasons for the breakdown. • Review the implementation of board approved cyber security and resilience policy and its framework • Such other matters in the scope as may be referred by the Governing Board of the Clearing Corporation and/or SEBI. 	
5.	(***) ⁵⁹		
6.	Regulatory Oversight Committee	<ul style="list-style-type: none"> • Oversee matters related to member regulation such as admission of members, inspection, disciplinary action, etc. • Oversee SEBI inspection observations on membership related issues. 	<ul style="list-style-type: none"> • The committee shall comprise of public interest director and independent external persons. • The number of PIDs shall not be less than the number

⁵⁹ Pursuant to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, the Advisory Committee has been abolished



	<ul style="list-style-type: none">• Estimate adequacy of resources dedicated to member regulation• Monitor the disclosures made under Reg.35 of SCR(SECC) Regulations, 2018• Review the actions taken to implement the suggestions of SEBI's Inspection Reports and place it before the Board of Clearing Corporation• To follow up and ensure compliance/ implementation of the inspection observations.• Supervising the functioning of Investors' Services Cell of the Clearing Corporation which includes review of complaint resolution process, review of complaints unresolved over long period of time, estimate the adequacy of resources dedicated to investor services, etc.• Lay down procedures for the implementation of the Code• Prescribe reporting formats for the disclosures required under the Code.• Oversee the implementation of the code of ethics.• To periodically monitor the dealings in securities of the Key Management Personnel• To periodically monitor the trading conducted by firms/corporate entities in which the directors hold	independent external persons. • Also shareholder director and key management personnel may be invitee to the committee.
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		<p>twenty percent or more beneficial interest or hold a controlling interest.</p> <ul style="list-style-type: none">• Reviewing the fees and charges levied by a Clearing Corporation• Monitoring implementation of SECC Regulations and other applicable rules and regulations along-with SEBI Circulars and other directions issued thereunder• The head(s) of department(s) handling the above matters shall report directly to the committee and also to the managing director.• Any action of a recognized clearing corporation against the aforesaid head(s) shall be subject to an appeal to the committee, within such period as may be determined by the governing board	
7.	Risk Management Committee	<ul style="list-style-type: none">• To formulate a detailed risk management policy which shall be approved by the governing board.• To review the Risk Management Framework & risk mitigation measures from time to time.• To monitor and review enterprise-wide risk management plan and lay down procedures to inform Board members about the risk assessment and minimisation procedures• The head of the risk management department shall report to the risk management committee and to the managing director of the Clearing	<ul style="list-style-type: none">• The risk management committee shall comprise of the public interest directors and independent external persons, and shall report to the Governing Board.• The number of PIDs shall not be less than the number independent external persons.

	<p>Corporation</p> <ul style="list-style-type: none">• 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.	
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Annexure 2

Guide for MIIs to frame criteria for performance review of PIDs:

- a. *Qualifications*⁶⁰: PID's qualification in area of capital markets, finance and accountancy, legal and regulatory practice, technology, risk management and management or administration.
- b. *Experience*: PID's prior experience in area of law, finance, accounting, economics, management, administration or any other area relevant to the financial markets, including any recent updates in this regard.
- c. *Knowledge and Competency*:
 - Whether the PID has sufficient understanding and knowledge of the entity in which it operates and the applicable regulatory norms.
 - Whether the PID has sufficient understanding of the role, responsibilities and obligations of PID under the relevant regulatory norms.
 - How the PID fares across different competencies as identified for effective functioning of Board of the concerned MII (The MII may list various competencies and mark all PIDs against every such competency e.g. Constructive and analytical decision making abilities).

⁶⁰ Pursuant to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, the qualification criteria for PIDs has been revised.

- Whether the PID has sufficient understanding of the risk attached with the business structure.

d. *Fulfilment of functions:*

- Whether the PID understands and fulfils the functions as assigned to him/her by the Board and the regulatory norms.
- Whether the PID gives views and opinion on various regulatory matters when comments are invited by SEBI through various means.

e. *Ability to function as a team:*

- Whether the PID is able to function as an effective team- member.
- Whether the PID listens attentively to the contributions of others and gives adequate weightage to the views and perception of other Board members.
- Whether the PID shares good interpersonal relationship with other directors.

f. *Initiative:*

- Whether the PID actively takes initiative with respect to various areas.
- Whether the PID insists on receiving information necessary for decision making.
- Whether the concerned PID keeps himself well informed about the functioning of MII and the external environment in which it operates.
- Whether the PID remains updated in terms of developments taking place in regulatory areas.
- Whether the PID has identified any important issues concerning any matter which may involve conflict of interest for the concerned MII, or may have significant impact on their functioning, or may not be in the interest of securities market, and whether the PID reported same to SEBI.
- Whether the PID appropriately deals with critical matters.

g. *Availability and attendance:*

Whether the PID is available for meetings of the Board and attends the meeting of Governing board and Committees regularly and timely, without delay. It must be ensured that the concerned PID hasn't remained absent for three consecutive meetings of the governing board and has attended seventy-five per cent of the total meetings of the governing board in each calendar year; failing which PID shall be liable to vacate office.

h. *Commitment:* Whether the PID is adequately committed to the Board and the MII.

i. *Contribution:*

- Whether the PID has contributed effectively to the entity and in the Board meetings.
- Whether the PID participates in the proceedings of Board meetings keeping in mind the interests of various stakeholders.
- Whether the PID actively deliberates and contributes on proposed business propositions and strategic decisions taking into consideration pros and cons of such propositions, long term outlook, business goals, cost-benefit analysis, etc.

j. *Integrity:*

- Whether the PID demonstrates highest level of integrity (including conflict of interest disclosures, maintenance of confidentiality, etc.).
- Whether PID strictly adhere to the provisions of the SEBI SECC Regulations, 2018, SEBI (D &P) Regulations, 2018 and any other regulatory provision, as applicable, along-with the code of conduct and code of ethics prescribed under other applicable regulatory norms.
- Whether disclosures such as dealing in securities and other regulatory disclosures are provided by PID on timely basis.
- Confirmation on PID being a Fit & Proper person.
- Confirmation that PID doesn't disclose confidential information, including technologies, unpublished price sensitive information, unless such disclosure is expressly approved by the Board of directors or required under the applicable laws.

k. *Independence:*

- Whether PID is independent from the entity and the other directors and there is no conflict of interest.
- Confirmation as to non-association with relevant MII and its member.
- Whether the PID keeps regulators informed of material developments in the concerned MIIs functioning, from time to time.

l. *Independent views and judgment:*

- Whether the PID exercises his/ her own judgment and voices opinion freely.



- Whether PID's participation in decisions taken during meetings are unbiased, based on ethical judgment and are in strict conformity to the applicable regulatory norms.
- Whether PID raises his concern if anything is observed contrary to regulatory norms and the expected norms of ethical conduct.
- Whether PID is committed to ensure that there is fairness and integrity in MIIs system, in letter as well as spirit.

Annexure 3

1. Definition

Outsourcing is an arrangement whereby an entity engages a third party (the service provider/ outsourced agency) to provide a service that may already or may conceivably be performed by the entity itself.

2. Material Outsourcing

The stock exchanges and clearing corporations shall develop a process for determining the materiality of outsourcing arrangements with emphasis on the potential impact on the market, including where the service provider/ outsourced agency fails to perform.

3. Core and Critical activities of Stock Exchanges and Clearing Corporations

3.1. The Core and critical activities of stock exchanges and clearing corporations shall not be outsourced. However, stock exchanges and clearing corporations may outsource activities to associate or group companies / entities of the exchange, provided there is a clear demarcation of activities with clear arms-length relationship.

3.2. Further, services rendered by any intermediary registered with SEBI (e.g., custodians, depositories, etc.) shall not be covered under these guidelines.

3.3. The core and Critical activities of the stock exchanges shall include but may not be limited to the following:

(a) Provision and daily operation of trading facilities;



- (b) Management of the market functioning, including market surveillance and monitoring like online surveillance, investigation, inspection, price band relaxation, etc.;
- (c) Enforcement of exchange rules/self-regulation;
- (d) Trading information disclosure excluding data feed distribution to third party vendors;
- (e) Core IT support infrastructure/ activities for running the core activities of exchanges;
- (f) Admission of trading member to exchange;
- (g) Admission to securities to trading on the exchange;
- (h) Monitoring and redressal of investor grievances;
- (i) Maintenance and safe keeping of trade related data;
- (j) Inspection of the members of the exchange;
- (k) Compliance functions.

3.4. The core and critical activities of the clearing corporations shall include but may not be limited to the following:

- (a) Post trade activities and services such as clearing and settlement and risk management, inter-alia, including pay-in and pay-out of funds and securities, margin blocking, margin reporting, collateral management (including addition, release, maintenance), capital adequacy, stress testing;
- (b) Enforcement of clearing corporation rules/self-regulation;
- (c) Admission of clearing members;
- (d) Monitoring and redressal of grievances;
- (e) Maintenance and safe keeping of trade related data pertaining to clearing and settlement;
- (f) Inspection of the members of the clearing corporation;
- (g) Compliance functions;



(h) Core and Critical IT support infrastructure / activities for running the core activities of clearing corporations (however, where the infrastructure is being shared with the group / associate company / entity, the same shall be allowed with the precondition of having a clear demarcation of infrastructure between the parties involved. Access control and responsibility would need to remain with the Clearing Corporations)

3.5. Certain Core activities may be outsourced to specialist vendors who are experts in their field (eg., IT services/ Network services/ IT Security etc.). However, in all such cases, the responsibility and control shall wholly vest with the exchanges and clearing corporations. Further, in case the Trading and / or Clearing software is purchased from a vendor, then there must be an arrangement to keep the source code in escrow, such that in case of any issue with the vendor, the software can be taken out of escrow and used to continue the business.

4. Selection of Service Providers/ Outsourced agencies and Due Diligence

4.1. The service provider/ Outsourcing agency shall be subjected to appropriate due diligence to assess its capability to employ a high standard of care in performing the service and comply with its obligations under the outsourcing agreement. The due diligence should take into consideration qualitative and quantitative, financial, operational and reputation factors of the service provider/ Outsourcing agency.

4.2. The exchanges and clearing corporations shall ensure that entities having proven high delivery standards or expertise in the field, are selected after a proper due-diligence process which may include parameters like track record, delivery standard, unique selling proposition, service standards.

4.3. Due diligence undertaken during the selection process should be documented and re-performed periodically as part of the monitoring and control processes of outsourcing.

5. Legal Accountability

5.1. Stock Exchange and clearing corporations shall ensure that there is a legally binding written contract with the service provider/ Outsourcing agency.

5.2. Stock Exchange and clearing corporation shall ensure that the outsourcing arrangement does not in any way diminish its obligations and those of its board and senior management, to comply with relevant laws and regulations, guidelines and other directions.

5.3. The board and senior management of the stock exchange and clearing corporation shall retain ultimate responsibility for the effective management of risks arising from outsourcing.

6. Sub-contracting

6.1. Stock exchanges and clearing corporations shall ensure that outsourced activities are further outsourced downstream only with the prior consent of the exchange and clearing corporation and with appropriate safeguards including proper legal documentation/ agreement.

6.2. Stock exchange and clearing corporations shall also consider the ability of the sub-contractor to perform the services as a part of the due diligence process.

7. Contract with Service Provider/ Outsourcing agency

7.1. Contractual terms and conditions governing relationships, functions, obligations and responsibilities of the contracting parties, potential conflict of interests should be carefully and properly defined in written agreements.

7.2. Every outsourcing agreement should address the risks and risk mitigation strategies identified at the risk evaluation and due diligence stages. Each agreement should allow for renegotiation and renewal to enable the exchange

to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet its legal and regulatory obligations.

7.3. The agreement should provide for a dispute resolution mechanism, inter-alia specifying the resolution process, events of default, and the indemnities, remedies and recourse of the respective parties in the agreements.

8. Monitoring of Service Provider's/ Outsourcing agency's Performance

8.1. Stock exchanges and clearing corporations shall maintain the capability and appropriate level of monitoring and control over outsourcing agencies, in order to be able to maintain continuity of business, even in the event of disruption or unexpected termination of the service.

8.2. Stock exchange and clearing corporation should evaluate its aggregate exposure to a particular service provider/ outsourced agency in cases where the institution outsources various functions to the same service provider/ outsourced agency.

8.3. Stock exchange and clearing corporation shall undertake periodic reviews of its outsourcing arrangements to identify new material outsourcing risks as they arise and

analyze the impact of the arrangement on its overall risk profile and whether there are adequate internal expertise and resources to mitigate the risks identified.

9. Business Continuity at the Service Provider

9.1. Stock exchanges and clearing corporations should take appropriate measures to determine that its service providers/ Outsourcing agencies establish and maintain emergency procedures and a plan for business continuity /disaster recovery, with periodic testing of backup facilities.

10. Security and Confidentiality of Information

10.1. Stock exchanges and clearing corporations should have adequate procedures in place that require the service provider/ Outsourcing agency to protect exchange's proprietary, member-related and potentially market sensitive information and software from unauthorized usage.

11. Termination Procedures

11.1. Stock exchanges and clearing corporations should include contractual provisions relating to the termination of the contract and appropriate exit strategies inter-alia specifying events that may trigger termination of the service contract, what will occur on termination and strategies for managing the transfer of the activity back to the stock exchange and clearing corporation or to another party.

12. Access to Information and other records

12.1. The outsourcing arrangement should provide for the access by the regulatory authority of the records of service providers/ Outsourcing agencies and other information relating to the activities that are relevant to regulatory oversight.

13. Audit

13.1. The outsourcing policy document shall act as a reference for audit of the outsourced activities. Audit of implementation of risk assessment and mitigation measures listed in the outsourcing policy document and outsourcing agreement/ service level agreements pertaining to IT systems shall be part of System Audit of Stock Exchanges and Clearing Corporations.

Annexure 4

1. The LPCC is permitted to enter into outsourcing agreements with existing Clearing Corporations for the purpose of using their core and critical IT support infrastructure/ activities for running the core activities (transaction process, clearing and settlement) of the LPCC and related operations.
2. For the purpose of execution of repo in corporate bonds, the LPCC shall enter into necessary agreements with Stock Exchanges and their associated Clearing Corporations (CCs) for continuity purposes.
3. The transactions would be executed on the platform of exchanges. As part of the risk management process, the LPCC would define the risk management parameters, such as eligible bonds ISINs, applicable margins, type of collateral, applicable haircuts, quantum of collateral, etc. Further, for the purpose of margin blocking, collateral management, pay-in and pay-out of funds and securities, separate bank and demat account would be opened by the LPCC.
4. For clearing and settlement of repo transactions based on the parameters defined by the LPCC, and other related processes/ operations, the infrastructure of the existing CCs shall be used. For availing such facility/



service, the LPCC shall enter into comprehensive outsourcing agreements with the existing CCs.

- a. **Selection Process:** The LPCC shall enter into outsourcing agreements with at least two existing CCs (Service Providers) so that there is complete redundancy and business continuity in place. The parameters for selection of Service Providers shall include at least the following parameters:
 - i. Proven technology and capacity to handle volume
 - ii. Experience of staff
 - iii. Compliance with cyber security requirements
 - iv. Speed of implementation with ability to adapt the existing segments/ modules in place
 - v. Ability to undertake software enhancement and customization as per LPCC requirements
 - vi. Ongoing support
- b. **Fees & Charges:** In determining the charges, amongst others, the following type of charges, shall be taken into account:
 - i. Customization of systems – based on time and material
 - ii. Dedicated team for operations – based on time and material
 - iii. Platform fee – based on negotiation and subject to SEBI approval

Further, the existing transfer pricing between Stock Exchanges and CCs and interoperability charges shall also be taken into consideration.

- c. **Role and Responsibility:** The outsourcing agreements shall encompass the following underlying principles:
 - i. The LPCC shall have the overall responsibility in respect of all the outsourced activities/ operations.
 - ii. Service Providers (SPs) themselves being MIIs, shall ensure that their platform, system and processes are in compliance with extant regulatory framework.
 - iii. For any dispute vis-a-vis the investors/ participants/ constituents with respect to clearing and settlement, the LPCC shall be liable.
 - iv. For any dispute with respect to trading in repo, the respective Stock Exchange shall be liable.
 - v. For system failure, the LPCC shall be liable and appropriate financial disincentive qua the repo segment may be imposed. The LPCC may in turn provide for necessary liability clauses in the contractual agreement with the Service Provider.
 - vi. Similarly, for any process failure, the LPCC shall remain liable, who may in turn provide for indemnity clauses in agreement with the Service Provider.
 - vii. In the event of any inter-se service disputes, between the LPCC and the SPs, neither there can be any service disruption, nor any

market disruption, during the pendency of the said inter-se service disputes. Further, contracts should provide sufficient financial disincentive against market disruption and both the LPCC and the SP shall remain committed to provide uninterrupted service to the market participants, irrespective of their inter-se disputes pending for resolution before the competent authorities.

- viii. viii. There shall be no dilution in access of the regulator to the LPCC and its SPs in monitoring and inspecting the regulatory compliance by the LPCC and the SPs. For any violation of SEBI regulations the LPCC shall remain liable.
5. The LPCC shall handle the functions relating to risk management, rule setting viz. byelaws, rules, regulations and for the process of clearing and settlement, maintenance of SGF, decision making, default process, disciplinary proceedings, etc.

Annexure-5

1. The promoter in consultation with the designated stock exchange shall appoint an 'independent valuer' from the panel of expert valuers of the designated stock exchange.
2. In case the fair value determined is positive the promoter of the company shall acquire shares of such companies from the public shareholders by paying them such value determined by the valuer.
3. The promoter shall undertake to complete the entire process within seventy five working days.
4. The promoter of the company to make a public announcement in at least one national daily with wide circulation, one regional language newspaper of the region where the exited stock exchange was located and the website of the designated stock exchanges.
5. The public announcement shall contain all material information of the fact of such exit opportunity to its shareholders, disclosing therein the name and address of company, including exit price offered by the promoter with the justification therefore, and shall not contain any false or misleading statement.
6. The announcement shall contain a declaration about the liability of the promoter to acquire the shares of the shareholders, who have not offered their shares under exit offer up to a period of one year from the completion of offer at the same price determined by the valuer.

7. The exit offer shall remain open for a period of minimum five working days during which the public shareholders shall tender their shares. The promoter shall open an escrow account in favour of independent valuer/designated stock exchange and deposit therein the total estimated amount of consideration on the basis of exit price and number of outstanding public shareholders. The escrow account shall consist of either cash deposited with a scheduled commercial bank or a bank guarantee, or a combination of both. The amount in the escrow account shall not be released to the promoter unless all the payments made in respect of shares tendered for the aforesaid period of one year.
8. The promoter shall make payment of consideration within fifteen working days from the date completion of offer.
9. The promoter shall certify to the satisfaction of designated stock exchange that appropriate procedure has been followed for providing exit to shareholders of such companies. Subsequently, the designated stock exchanges upon satisfaction shall remove the company from the dissemination board.
10. The exclusively listed companies which have 100% promoter holding shall be removed from the dissemination board on obtaining a compliance certification from any independent professional with regard to the holding of shares of these companies and submit to the designated stock exchanges.
11. The names of the companies providing exit opportunity to its shareholders and their promoters shall be displayed in a separate section on the website of the designated stock exchange.

Standard Operating Procedure (SOP) for Handling of Claims of Investors in the
Cases of Default by Trading Members

Sl. No.	Action	Process to be followed	Timeline
1.	Disablement of the Trading Member (TM)	Disablement of the TM ⁶¹ on account of trigger of SOP as per Section 73, Chapter VIII of SEBI Master Circular on Stock Brokers dated May 17, 2023.	T day
2.	Pre-filled forms to be sent to clients providing information regarding balances with the TM	<ul style="list-style-type: none"> ➤ The Exchange will provide the client his/ her funds and securities balances as available with the Exchange (uploaded by the TM with the exchange/ as per client ledger etc.) and Trades data for 90 days prior to disablement. ➤ The pre-filled form would also include the details available with the exchange such as PAN, address etc. ➤ However, the balances to be provided to the client would be provisional as they would be without verification about its correctness/ completeness ➤ The exchange may give adequate caveats regarding the balances shared with the clients and may also mention that the claims would be processed as per the SEBI Circular and Regulations and Rules, Regulations, Byelaws of the exchange 	T+30 days
3.	Claim lodgment Clients to fill the claim form and provide the	<ul style="list-style-type: none"> ➤ The client would be required to fill claim forms either online or offline, making necessary changes in the claim form and providing additional details 	Within 30 days of receipt of pre-filled form. However, client

⁶¹ Circular No. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115



Sl. No.	Action	Process to be followed	Timeline
	supporting documents	<ul style="list-style-type: none"> ➤ Supporting documents such as relevant bank statements, demat statements, client ledger etc. needs to be provided along with the claim form ➤ The Client would provide the bank details for disbursal of the amount at this stage itself in case the claim is admitted ➤ Exchange may seek further documents on case to case basis 	can lodge claims till the end of 3 years from the date of the public notice provided
4.	Processing of claims and auditing of claims	<ul style="list-style-type: none"> ➤ The claims which are lodged in physical form are to be entered in the exchange system for processing ➤ The claims received in physical form as well as online are to be scrutinized to ensure that the claims are supported by relevant documents such as proof of payment, demat account statement, ledger account statement etc. ➤ In case of any additional documents are required from the client, the same is to be intimated to the client immediately ➤ The claims which are complete in all respect are to be processed by verifying the details / documents provided by constituents with the Exchange's records viz. trades executed, unique client codes, ledger supported by bank and demat statements etc. and arrive at admissibility or otherwise of the claims. ➤ After processing of the claims by the exchange, the claims would be routed to the auditors to 	Within 60 days of receipt of the claim form from the clients.



Sl. No.	Action	Process to be followed	Timeline
		assess the veracity and genuineness of the claims including admissibility of the claim	
5.	Declaration of TM as defaulter	<ul style="list-style-type: none"> ➤ The exchange would follow the process for declaring the TM as defaulter 	Within 90 days from date of disablement (on account of triggering of SOP) (T+90 days)
6.	Public Notice regarding declaration of defaulter	<ul style="list-style-type: none"> ➤ Exchange will issue a public notice in new papers i.e. in national daily having wide circulation and in the regional language new paper at the place where the Stock Exchange is situated. ➤ The notice would also contain a reminder to submit all supporting documents 	Within 3 working days from the date of declaration of defaulter
7.	Approval of the claim (by IPF Trust on the basis of recommendation of MCSGFC and Intimation to the clients regarding admissibility of the claim and disbursal of the eligible amount	<ul style="list-style-type: none"> ➤ After processing and auditing of the claims, after declaration of the TM as defaulter, the claims would be placed before the Member and Core Settlement Guarantee Fund Committee (MCSGFC) for approval ➤ In case the assets of the defaulter and / or expelled member are insufficient to meet the admitted amount, the MCSGFC would recommend payment of investor claims to the Trustees of the Investor Protection Fund Trust (IPFT) for payment out of the Investor Protection Fund (IPF) ➤ The IPFT to approve the payment of the eligible claim amount to the investor from the IPF 	Within 15 days of declaration of default



Sl. No.	Action	Process to be followed	Timeline
		<p>➤ The exchange would communicate the decision on claims to the clients post approval by the IPFT.</p> <p>(The exchange would do away with the present practice of obtaining indemnity undertaking from the clients)</p>	

Process for Review of the claim

Sl. No.	Action	Process to be followed	Timeline
1	Request for review of the claim from the client (first review)	➤ In case the client is not satisfied with the processing of his claim, he/ she can file a review with the Member and Core Settlement Guarantee Fund Committee (MCSGFC) (first review)	Within 90 days of receipt of intimation from the exchange regarding admissibility of the claim
		➤ The MCSGFC will review the claim and intimate it's decision to the client	Within 60 days of receipt of review application
2	Request for review of the claim from the client (second review)	➤ In case the client is still not satisfied with the review by the MCSGFC (first review), he/ she can file a review with the committee of Public Interest Directors (PIDs)	Within 90 days of receipt of intimation from the MCSGFC on the first review
		➤ The committee of PIDs would review the claim and intimate it's decision to the client	Within 60 days of receipt of the review application

12. REFERENCE - List of Circulars



1. Circular No. SMD-II/11615/92 dated November 20, 1992.
2. Circular No. SMD/SED/6919/93 dated April 20, 1993.
3. Circular No. Ref.SMD-I/22532 dated October 19, 1993.
4. Circular No. SMD-II(N)/24456/93 dated December 7, 1993
5. Circular No. SMD/536/95 dated March 28, 1995
6. Circular No. Ref. SMD-II/52 dated January 10, 1996
7. Letter No. SMD/RCG/3737/96 dated August 13, 1996.
8. Circular No. SMD/POLICY/IECG/5694/96 dated December 20, 1996.
9. Circular No. SMD/POLICY/IECG/2-97 dated February 25, 1997.
10. Circular No. SMD/POLICY/CIRCULAR/3-97, dated March 31, 1997
11. Circular No. SMD/POLICY/CIRCULAR-27/97 dated November 05, 1997.
12. Circular No. SMD/POLICY/CIRCULAR-09/98 dated February 24, 1998.
13. Circular No. SMDRP/Policy/Cir-33/98 dated November 12, 1998.
14. Circular No. SMD/POLICY/CIR (DBA-II)-37/98 dated December 04, 1998.
15. Circular No. SMDRP/Policy/Cir - 25 /99 dated August 12, 1999
16. Circular No. SMD-II/POLICY/CIR-37/99 dated November 26, 1999.
17. Circular No. SMD-I/POLICY/CIR-40/99 dated December 16, 1999.
18. Circular No. SMD-II/ALLSE/CIR-02/2000 dated January 10, 2000
19. Circular No. SMDRPD/Policy/Cir-8/2001dated February 07, 2001
20. Letter No. LKS/229/2001 dated May 18, 2001
21. Circular No. SMDRP/Policy/Cir-41/2001 dated August 09, 2001.
22. Circular No. SMD/POLICY/CIR-2/2002 dated January 10, 2002.
23. Letter dated September 02, 2002.
24. Circular No. SMD/POLICY/CIR-4/2003 dated February 11, 2003.
25. Circular No. SMD/Policy/Cir-8/2003 dated March 4, 2003
26. Letter No. SMD/SEAD/9971/03 dated May 21, 2003.
27. Circular No. SEBI/SMD/SE/Cir- 19/2003/02/06 dated June 02, 2003
28. Circular No. SEBI/MRD/SE/15958/2003 dated August 22, 2003
29. Letter No. MRD/DSA/6899/2004 dated April 07, 2004
30. Circular No. MRD/POLICY/CIR-33/2004 dated September 30, 2004.
31. Circular No. MRD/DOP/SE/Cir-5/2005 dated February 9, 2005.
32. Letters dated August 31, 2005 / September 21, 2005.
33. Letter no. MRD/DSA/C&D/72675/06 dated July 27, 2006.
34. Circular No. MRD/DSA/SE/CIR- 28 /2008 dated October 17, 2008.
35. Letter dated November 6, 2008.
36. Letters dated February 20, 2009
37. Circular No. MRD/DoP/SE/Cir-10/2009 dated September 03, 2009
38. Circular No. MRD/DSA/SE/Cir-8/2010 dated April 1, 2010.
39. Circular No. SEBI/MRD/DSA-OIAE/Cir.09/2010 dated April 1, 2010
40. Circular No. MRD/DSA/17/2010 dated May 18, 2010
41. Circular No. SMD/MRD/DSA/24/2010 dated August 11, 2010



42. Circular No. CIR/MRD/DSA/29/2010 dated August 31, 2010
43. Master circular no. CIR/MRD/DSA/SE/43/2010 dated December 31, 2010
44. Circular No. CIR/MRD/DSA/29/2010 dated August 31, 2010
45. Circular No. CIR/MRD/DSA/2/2011 dated February 09, 2011
46. Circular No. CIR/MRD/DSA/03/2012 dated January 20, 2012
47. Circular No. CIR/MRD/DSA/04/2012 dated January 20, 2012
48. Circular No. MRD/DSA/06/2012 dated February 21, 2012
49. Circular No. MRD/DSA/14/2012 dated May 30, 2012
50. Circular No. CIR/MRD/ICC/29/2012 date November 7, 2012
51. Circular No. MRD/DSA/31/2012 dated November 27, 2012
52. Circular No. CIR/MRD/DSA/33/2012 dated December 13, 2012
53. Circular No. CIR/MRD/ICC/8/2013 dated March 18, 2013
54. Circular No. CIR/MRD/ICC/20/2013 dated July 05, 2013
55. Circular No. CIR/MRD/ICC/21/2013 dated July 05, 2013
56. Circular No. CIR/MRD/ICC/29/2013 dated September 26, 2013
57. Circular No. CIR/MRD/ICC/30/2013 dated September 26, 2013
58. Circular No. MRD/DSA/31/2013 dated September 30, 2013
59. Circular No. MRD/DSA/33/2013 dated October 24, 2013
60. Circular No. MRD/DSA/18/2014 dated May 22, 2014
61. Circular No. MRD/DSA/33/2014 dated December 09, 2014
62. Circular No. MRD/DSA/05/2015 dated April 17, 2015
63. Circular No. MRD/DSA/01/2016 dated January 01, 2016
64. Circular No. MRD/DSA/CIR/P/2016/30 dated January 22, 2016
65. Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2016/54 dated May 04, 2016
66. Circular No. MRD/DSA/CIR/P/2016/110 dated October 10, 2016
67. Circular No. SEBI/HO/MRD/DSA/CIR/P/2016/113 dated October 19, 2016
68. Circular No. MRD/DSA/CIR/P/2017/5 dated January 05, 2017
69. Circular No. MRD/DSA/CIR/P/2017/9 dated January 27, 2017
70. Circular No. SEBI/HO/DMS/CIR/P/2017/15 dated February 23, 2017
71. Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2017/24 dated March 16, 2017
72. Circular No. MRD/DSA/CIR/P/2017/27 dated March 27, 2017
73. SEBI email dated May 30, 2017
74. Circular No. MRD/DSA/CIR/P/2017/92 dated August 01, 2017
75. Circular No. SEBI/HO/MRD/DP/CIR/P/2017/101 dated September 13, 2017
76. Circular No. SEBI/HO/MRD/DSA/CIR/P/2018/14 dated January 29, 2018
77. Circular No. CIR/MRD/DRMNP/CIR/P/2018/145 dated November 27, 2018
78. Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/13 dated January 10, 2019
79. Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/26 dated February 05, 2019
80. Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/31 dated February 15, 2019
81. Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2019/55 dated April 10, 2019
82. SEBI email dated April 25, 2019 regarding clarifications on interoperability

83. Letter dated May 29, 2019
84. Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2019/145 dated November 28, 2019
85. Letter dated December 04, 2019
86. Circular No. SEBI/HO/MRD/DDAP/CIR/P/2020/16 dated January 28, 2020
87. SEBI email dated February 06, 2020
88. Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/45 dated March 23, 2020
89. Letter dated November 13, 2020
90. Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/245 dated December 21, 2020
91. Circular No. SEBI/HO/MRD/DCAP/CIR/P/2021/23 dated March 03, 2021
92. Circular no. SEBI/HO/MIRSD/DPIEA/P/CIR/2022/72 dated May 27, 2022
93. Circular no SEBI/HO/MIRSD/DOS3/P/CIR/2022/78 dated June 3, 2022
94. Circular no. SEBI/HO/MRD1/ICC1/CIR/P/2022/94 dated July 04, 2022
95. Circular no. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2022/173 dated December 16, 2022
96. SEBI letter dated January 5, 2023.
97. Circular No. SEBI/HO/MRD-PoD-3/P/CIR/2023/81 dated May 30, 2023
98. Circular no. SEBI/HO/MRD/MRD-POD-3/CIR/P/2023/104 dated June 26, 2023
99. Circular no. SEBI/HO/OIAE_IAD-1/P/CIR/2023/131 dated July 31, 2023