



भारतीय प्रतिभूति और विनियम बोर्ड  
Securities and Exchange Board of India

SEBI/HO/

September \*\*, 2025

To

All recognised Stock Exchanges (including Commodity Derivatives Exchanges)

Dear Sir/ Madam,

Sub: ~~Master~~ Circular on Administration of Stock Exchanges (including Commodity Derivatives Exchanges)

1. Securities and Exchange Board of India (SEBI), from time to time, has been issuing various circulars/directions to Stock Exchanges and Clearing Corporations. In order to enable the users to have access to the applicable circulars at one place, Master Circulars are being issued. The Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024 is a compilation of relevant circulars/communications pertaining to Stock exchanges and Clearing Corporations issued by SEBI up to October 31, 2024. Similarly, Master Circular for Commodity Derivatives Segment dated August 04, 2023 covered various circulars issued till March 31, 2023.
2. Hereinafter, from the point of view of facilitating ease of doing business and reducing the compliance burden for Stock Exchanges (including Commodity exchanges), review of below Chapters of the aforesaid Master Circulars was

undertaken, in terms of simplification of regulatory requirements, removal of redundant provisions, discontinuation of duplication, amongst others:

2.1 Chapter 6 (Administration of Stock exchanges and Clearing Corporations) of Master Circular for Stock Exchanges and Clearing Corporations(MSECC) dated December 30, 2024 and

2.2 Chapter 13 (Investor protection Fund and Investor Service Fund and its related matters), Chapter 14 (Investor Grievance Redressal System and Arbitration mechanism) and Chapter 15 (Governance and Administration of exchanges and Clearing Corporations) of Master Circular for Commodity Derivatives Segment(MCD) dated August 04, 2023,

3. Consequent to the review, this Master Circular is being issued which contains the consolidated regulatory norms (with necessary modifications) pertaining to Administration of Stock Exchanges (including Commodity Derivatives Exchanges) and which rescinds the Chapter 6 of Master Circular on Stock Exchanges and Clearing Corporation dated December 30, 2024 and Chapters 13, 14 and 15 of the Master Circular for Commodity Derivatives Segment dated August 04, 2023. This covers the relevant circulars/communications pertaining to Administration of Stock Exchanges (including Commodity derivatives exchanges) issued by SEBI up to July 31, 2025. This Master-circular shall come into force from the date of its issue.



4. The provisions covered in the remaining chapters of the Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024 shall remain unaffected. Further, as provisions pertaining to the Clearing Corporations are not covered in this Master Circular, the provisions pertaining to Clearing Corporations in Chapter 6 of Master Circular on Stock Exchanges and Clearing Corporation dated December 30, 2024 shall remain unaffected. As this Master Circular rescinds only Chapters 13, 14 and 15 of the Master Circular for Commodity Derivatives Segment dated August 04, 2023, the remaining provisions in the Master Circular shall remain unaffected. Further, as provisions pertaining to the Clearing Corporations are not covered in this Circular, the provisions pertaining to Clearing Corporations in Chapter 6 of Master Circular on Stock Exchanges and Clearing Corporation dated December 30, 2024 and Chapters 13,14 and 15 of the Master Circular for Commodity Derivatives Segment dated August 04, 2023, shall remain unaffected. In case of the provisions pertaining to Arbitration and Investor grievance redressal, listed companies and trading/clearing members covered in the rescinded chapter of the master circular, the exchanges shall continue to be governed by the provisions stipulated in the corresponding master circulars for Online Dispute Resolution, LODR and Stock brokers.

5. Notwithstanding such rescission:

5.1. anything done or any action taken or purported to have been done or taken under the rescinded provisions of the Master circulars, including registrations or approvals granted, fees collected, registration or approval suspended or cancelled, any inspection or investigation or enquiry or adjudication commenced or show cause notice issued, prior to such rescission, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular;

5.2. any application made to SEBI under the rescinded provisions of the Master circulars, prior to such rescission, and pending before it shall be deemed to have been made under the corresponding provisions of this Master Circular;

5.3. the previous operation of the rescinded provisions of the Master circulars or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the rescinded provisions of the Master circulars, any penalty, incurred in respect of any violation committed against the rescinded circulars, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded provisions of the Master circulars have never been rescinded.

6. Words and expressions used but not defined in this Master Circular shall have the same meanings as may be defined in Securities Contracts (Regulation) Act, 1956 or the Securities and Exchange Board of India Act, 1992 or the Depositories Act, 1996

or Regulations made thereunder i.e. Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, SEBI (Depositories and Participants) Regulations, 2018, PIT Regulations, SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, unless the context requires otherwise.

7. This ~~Master~~ Circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 and Regulation 51 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

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#### LIST OF ABBREVIATIONS

Abbreviation	Full Form
CISO	Chief Information Security Officer
CO	Compliance Officer
CRiO	Chief Risk Officer
CTO	Chief Technology Officer
DB	Dissemination Board
ELC	Exclusively Listed Company
IPO	Initial public offering
ISC	Investor Service Centers
ISF	Investor Services Fund
ISIN	International Securities Identification Number
KMP	Key Management Personnel
LODR	Listing Obligations and Disclosure Requirement
MD/CEO	Managing Director/ Chief Executive Officer
MII	Market Infrastructure Institutions
NID	Non-Independent Directors
NISM	National Institute of Securities Markets
NOC	No Objection Certificate
PAN	Permanent Account Number
PID	Public Interest Directors
ROC	Registrar of Companies
SCORES	SEBI Complaints Redress System
SE	Stock Exchange
SECC	Stock Exchanges and Clearing Corporations
SMAC	Secondary Market Advisory Committee
SME	Small and Medium Enterprises
TM	Trading Member
ToR	Terms of Reference
UCC	Unique Client Code

#### 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

**Commented [A1]:** Obsolete requirement being discontinued. Rationale provided in point 2.1 of the consultation paper.

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

## 2.1 ADMINISTRATION AND GOVERNANCE FOR STOCK EXCHANGES AND CLEARING CORPORATIONS

### 2.1.1 Commencement of operations by a newly recognized Stock Exchange(SE)<sup>1</sup>/ Clearing Corporation<sup>2</sup>

2.1.1.1.1. 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

### 2.2.1.2 Statutory Committees<sup>2</sup>:

2.2.1.2.1. In order to ensure effective oversight of the functioning of stock exchanges ~~and clearing corporations (hereafter referred as Market Infrastructure Institutions or MIIs)~~, Regulation 29 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (henceforth referred to as 'SECC Regulations') inter alia, states that, ~~MIIs~~ SEs shall have the following statutory committees:

2.2.1.2.1.1. Functional Committees:

2.2.1.2.1.1.1. Member Committee (MC)

2.2.1.2.1.1.2. Nomination and Remuneration Committee (NRC)

2.2.1.2.1.2. Oversight Committees:

2.2.1.2.1.2.1. Standing Committee on Technology (SCOT)

2.2.1.2.1.2.2. Regulatory Oversight Committee (ROC) and

2.2.1.2.1.2.3. Risk Management Committee (RMC)

2.2.1.3.1.2.1.3. Investment Committee

2.2.2.1.2.2. The ToR for each of the Committees, as specified above, is provided at [Annexure 1](#).

2.2.3.1.2.3. The overarching principles for composition and quorum for the statutory committees of ~~MIIs~~ SEs shall be as under:

2.2.3.1.2.3.1. Composition

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

<sup>2</sup>SEBI Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/13 dated January 10, 2019

<sup>2</sup> Circular No. SEBI/HO/MRD/MRD-PoD-3/2024/088 dated June 25, 2024

2.2.3.1.1. The composition of statutory committees at ~~MHIs~~ MH-SEs shall be subject to the following:

Composition of Statutory Committees at <u>MH-SEs</u>		
S.No.	Name of Statutory Committee	Composition
1.	Member Committee (MC)	The Committee may include two Key Management Personnel (KMP) including the Managing Director (MD), Non-Independent Directors (NIDs) (other than Executive Director <sup>3</sup> ), Independent External Professionals (IEPs) along with Public Interest Directors (PIDs). The committee shall be chaired by the PID with expertise in Capital Markets.
2.	Nomination & Remuneration Committee (NRC)	The Committee may include NIDs (other than Executive Director and MD), IEPs along with PIDs. IEPs may be part of the committee for the limited purpose of recommendation relating to selection of the MD.
3.	Standing Committee on Technology (SCOT)	The Committee may include the MD, NIDs (other than Executive Director), at least 2 IEPs along with PIDs. The IEPs should be proficient in technology with at least one of them being an expert and practitioner in cyber security. The Chief Technology Officer (CTO) and Chief Information Security Officer (CISO) should be invitees to the meetings of the Committee. The committee shall be chaired by the PID with expertise in technology.
4.	Regulatory Oversight Committee (ROC)	The Committee may include NIDs (other than Executive Director and MD) and IEPs, along with PIDs. Relevant KMP(s) may be invited to the meetings of the committee, whenever required. The Committee shall be chaired by the PID with expertise in legal and regulatory practices.

<sup>3</sup> As per SECC Regulations, 2018 ~~and D&P Regulations, 2018~~, any employee of an MH-SE may be appointed on the governing board in addition to the managing director and such director shall deemed to be a non-independent director. Such employee of MH-SE appointed to the governing board has been termed as "Executive Director".

Composition of Statutory Committees at <del>MHs</del> SEs		
S.No.	Name of Statutory Committee	Composition
5.	Risk Management Committee (RMC)	The Committee may include the MD, NIDs (other than Executive Director) and IEPs, along with PIDs. The Chief Risk Officer (CRiO) and CISO should be invitees to the meetings of the Committee. If a PID with expertise in risk management is present in the governing board, the committee may preferably be chaired by the said PID.
6.	Investment Committee	The Committee may include the MD, NIDs (other than Executive Director), IEPs, along with PIDs.

~~2.2.3.1.2.1.2.3.1.1.~~ Appointment of the Managing Director as part of MC and IEPs as part of SCOT, ROC and RMC shall be ensured<sup>4</sup>.

~~2.2.3.1.3.1.2.3.1.2.~~ In any statutory committee, the total number of PIDs shall not be less than the total number of other members of the Committee (including IEPs) put together. In case of SCOT, the total number of PIDs shall not be less than the total number of other members of the Committee, excluding IEPs.

~~2.2.3.2.1.2.3.2.~~ The Chairperson of each statutory committee at ~~MH-SE~~ shall be a PID who shall have the casting vote in meetings of the committee.

~~2.2.3.3.1.2.3.3.~~ The voting on a resolution in the meetings of the statutory committees at ~~MHs-SEs~~ shall be valid only when the number of PIDs that have casted their vote on such resolution is not less than the total number of other members put together who have casted their vote on such resolution.

~~2.2.3.4.1.2.3.4.~~ The invitees, if any, to the meetings of the Committees shall not have any voting rights.

~~2.2.3.5. The casting vote in the meetings of the statutory committees shall be with the Chairperson of the committee.~~

~~2.2.3.6.1.2.3.5.~~ The functions or terms of reference of any statutory committee cannot be delegated. However, for the MC of ~~MHsSEs~~, certain operational activities of the Committee can be delegated to

<sup>4</sup> SEBI Letter No. SEBI/HO/MRD/MRD-PoD-3/P/OW/2024/26682/1 dated August 22, 2024 issued to MIIs

Internal Committee(s) (ICs). In such cases the ICs shall at least have one member from the MC, other than KMPs.

~~2.2.3.7~~1.2.3.6. ~~MHs-SEs~~ shall lay down the policy for the procedure for conducting of meetings, frequency of meetings, timelines for placing of agenda papers, etc., of their statutory committees.

~~2.2.4.1~~1.2.4. If certain activities of the ~~MH-SE~~ are not covered under the TOR of statutory committees, the governing board of the ~~MH-SE~~ shall be directly responsible for the functioning and oversight of such activities. Further, in order to ensure accountability within the ~~MHSE~~, the governing board and each statutory committee shall identify the KMP(s) or employees for executing the responsibilities assigned to them by the governing board or statutory committees.

~~2.2.5.1~~1.2.5. Further, ~~MHs-SEs~~ shall ensure compliance with the following:

~~2.2.5.1.1~~1.2.5.1. Over and above the statutory committees, the requirement to have mandatory committees under relevant laws for listed companies shall apply mutatis mutandis to ~~MHsSEs~~.

~~2.2.5.2~~1.2.5.2. **PIDs in Statutory Committees at ~~MHsSEs~~:**

~~2.2.5.2.1~~1.2.5.2.1. PIDs on the governing board of a ~~MH-SE~~ shall not act simultaneously as a member on more than five statutory committees of the ~~MHSE~~.

~~2.2.5.2.2~~1.2.5.2.2. The above restrictions shall not be applicable to committees constituted under other relevant laws such as The Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, amongst others.

~~2.2.5.2.3~~1.2.5.2.3. ~~MHs-SEs~~ shall ensure availability of the required number of PIDs in order to fulfil the requirement of composition of statutory committees.

~~2.2.5.3~~1.2.5.3. **IEPs in Statutory Committees at ~~MHsSEs~~:**

~~2.2.5.3.1~~1.2.5.3.1. The IEPs forming a part of statutory 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 ~~MHSE~~, its associates, its subsidiaries, any other entity associated with the ~~SEMH~~ and its members.

~~2.2.5.3.2~~1.2.5.3.2. ~~MHs-SEs~~ shall frame the guidelines for appointment, tenure, code of conduct, etc., of IEPs. Extension of the tenure may be granted to IEPs at the expiry of the tenure, subject to performance review in the manner prescribed by SEBI for PIDs.



~~2.2.5.3.3.~~ 1.2.5.3.3. The maximum tenure limit of IEPs in a committee of ~~MH-SE~~ shall be at par with that of PIDs, as prescribed under Regulation 24(3) of the SECC Regulations, 2018.

~~IEPs shall not use or act on any sensitive information received in capacity as a member of the statutory committee for obtaining any undue benefit.~~

~~The members of statutory committees shall abide by the code of conduct as applicable to them in terms of both SECC Regulations, 2018 and D&P Regulations, 2018.~~

**Commented [A2]:** Already covered under Code of Conduct for directors, committee members and KMPs (Page 66 of SECC Regulations)

~~2.2.5.4.~~ 1.2.5.4. In the interest of securities market, SEBI may suo moto nominate members on any statutory committee of the ~~MHsSEs~~, if felt necessary.

~~2.2.5.5.~~ 1.2.5.5. ~~MHs-SEs~~ shall devise an internal mechanism to obtain regular feedback, inputs, suggestions, etc. on regulatory, non-regulatory and operational matters from various stakeholders including trading members, clearing members and depository participants, investors, etc.

~~2.2.5.6.~~ 1.2.5.6. The newly recognized stock exchange, ~~clearing corporation and depository~~ shall submit a confirmation to SEBI within three months from the date of their recognition regarding the formation and composition of statutory committees.

### 2.3.1.3. Meeting of PIDs<sup>5</sup>:

~~2.3.1.1.~~ 1.3.1.1. 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 atleast once in every six months. It is added that ~~all the~~ each PIDs shall endeavour to attend all such meetings of PIDs, with mandatory attendance in any two such meetings during a year. ~~necessarily attend all such meetings of PIDs~~

1.3.1.2. The objective of such meetings, shall include, inter alia, include the following:

**Commented [A3]:** Simplification of requirements. Rationale covered in point 2.2 of consultation paper.

<sup>5</sup> SEBI/HO/MRD/POD-3/P/CIR/2024/162 dated November 22, 2024.

1.3.1.2.1. To review the status of compliance with all applicable regulations, circulars, guidelines, letters issued by SEBI from time to time;

1.3.1.2.2. To review the functioning of Vertical-1 i.e. "Critical Operations" and Vertical-2 i.e. "Regulatory, Compliance, Risk Management and Investor Grievances";

1.3.1.2.3. To review the adequacy of resources (both financial and human) for functions under Verticals 1 and 2;

1.3.1.2.4. To identify important issues which may involve conflict of interest for the SE or may have significant impact on the functioning of the SE or may not be in the interest of securities market; and

1.3.1.2.5. To review the corrective steps taken by the SE on observations of SEBI inspections particularly on issues of governance standards, technology, cyber security, system audit and cyber security audit observations.

1.3.1.3. In order to achieve the above objectives, PIDs may discuss with the concerned Vertical Heads or Key Management Personnel (KMPs) or any other personnel, as may be felt appropriate by the PIDs.

1.3.1.4. PIDs as member of various committees (including statutory committees) shall discuss and update amongst themselves on the working of committees where they are members.

1.3.1.5. A report on the outcome of such meetings shall be submitted by the PIDs to the Governing Board of exchange within 30 days of such meeting. In case there are important issues PIDs shall identify the important issues which may involve conflict of interest for the SE or may have significant impact on the market, the SE shall and report the same to SEBI within 30 days of such meeting, from time to time

**Commented [A4]:** Incorporation of New requirements given by circular dated Nov 22, 2024

**Commented [A5]:** Simplification of requirement. Rationale covered in point 2.3 of consultation paper.

## **2.4. 1.4. Performance review of Public Interest Directors (PIDs)<sup>5</sup>6:**

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

<sup>5</sup>-Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/26 dated February 5, 2019<sup>5</sup>-Circular No. SEBI/HO/MRD/POD-3/P/CIR/2024/162 dated November 22, 2024

<sup>6</sup>-Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/26 dated February 5, 2019

<sup>6</sup>SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/26 dated February 05, 2019.

*“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.”*

**2.4.2-** For complying with the ~~aforementioned Regulation 24(3) of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 regulation~~, while developing a framework for performance review of PIDs, ~~MHSEs~~ need to consider the following:

**2.4.2.1.1.4.1 Policy for Performance review of PIDs:**

2.4.2.1.1.1.4.1.1 The Nomination and Remuneration committee (NRC) of the ~~MHSEs~~ SEs will be responsible for framing the performance review policy for PIDs.

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

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

2.4.2.1.4.1.4.1.4 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.

2.4.2.1.5.1.4.1.5 Such performance review policy and changes made therein, shall be approved by the governing board of ~~MHSE~~ SE.

**2.4.2.2.1.4.2 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 minimum guiding principles provided at Annexure 2. These principles ~~would serve as a guidance for MIIs and the same~~ may be adopted by respective ~~MIIs~~SEs, as considered appropriate, with additional principles, if any.

#### 2.4.2.3.1.4.2.1 Evaluation mechanism:

2.4.2.3.1.4.2.1.1 PIDs shall be subjected to internal evaluation as well as external evaluation, carrying equal weightage.

2.4.2.3.2.1.4.2.1.2 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.

2.4.2.3.3.1.4.2.1.3 External evaluation: PIDs shall also be subject to external evaluation during their last year of the term in a MIIE, 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 MIIE, at least up to ~~4-6~~ 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 MIIE, the concerned PID or any other governing board members.

2.4.2.3.4.1.4.2.1.4 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.

2.4.2.3.5.1.4.2.1.5 While evaluating conflict of interest of a PID, the governing board of MIIE 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.

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

2.4.2.5.1.4.2.3 **Recommendation to SEBI:** After taking into account the performance of a PID in the concerned MIIE, 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 MIIE. The Governing Board of the MIIE shall

**Commented [A6]:** Simplification of requirement. Rationale covered in point 2.4 of Consultation paper.

in-turn consider and recommend to SEBI if the tenure of the PID is desired to be extended by another term of three years.

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

2.4.2.6.1. 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.

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

**Commented [A7]:** Already covered in Annexure-2(criteria for performance review of PID) of this circular

2.4.3.1.4.3 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 ~~MHSE~~ 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 ~~MHSE~~, or may not be in the interest of securities market as a whole, and whether the PID had reported the same to SEBI.

2.4.4.1.4.4 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 ~~SEMHs~~ 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. However, in case of reappointment of an existing PID, SEs need not send two names to SEBI.~~<sup>7</sup>

1.4.5 It has been decided to simplify the appointment process of PIDs further to make it a two stage process<sup>7</sup>:

Stage 1: The SEs shall submit brief profiles of at least two prospective candidates. SEBI, based on the information available, shall prima facie shortlist and give NOC to one candidate.

<sup>7</sup> SEBI/HO/MRD/POD-3/P/CIR/2024/162 dated November 22, 2024

Stage-2: The SEs, shall collect all the other information and documents required under the extant regulations from the shortlisted candidate and submit the same to SEBI. SEBI shall then consider the complete application and grant its approval subject to compliance with regulatory requirements.

- 1.4.6 All SEs shall develop a skill evaluation metrics to assess the applications for appointment or reappointment of PIDs. The indicative parameters and weightage for such evaluation is placed at Annexure 3. SEs shall develop a similar skill evaluation metric for appointment or reappointment of NIDs.

In order to bring parity in the frequency of skill evaluation between NIDs and PIDs, the following is clarified: <sup>8</sup>

Similar to PIDs, the skill evaluation for NIDs shall be carried out both at the time of appointment and also at the time of re-appointment after 3 years from the date of the initial appointment and any re-appointment within this period of 3 years would not require any fresh skill evaluation.

Further, SEs shall take the help of an independent Human Resource (HR) Agency to independently collect/verify the information as required under points 1, 2 and 3 of Annexure 3.

**Commented [A8]:** Incorporation of new circular/letter/email. Rationale given at point 2.34 of consultation paper.

In order to ensure independence of PIDs, ~~MHs-SEs~~ are advised to conduct appropriate due diligence so as to ascertain if there exists any pecuniary relationship between the PID with the ~~MHSE~~/its subsidiaries/its associates at least for a period of 3 years preceding the date of submission of the proposal to SEBI. ~~MHs-SEs~~ are advised to ensure that as far as possible, names where such relationship exists are not recommended for nomination as PID<sup>6,89</sup>.

- ~~2.4.5. It is clarified that the aforementioned norms specify the minimum requirements that have to be complied with by MIs, however the NRCs of MIs may adopt additional and more stringent norms while framing a policy for performance review of PIDs. With regard to the detailed criteria for~~

<sup>8</sup> SEBI Email dated July 28, 2025

<sup>6</sup>SEBI Letter dated December 04, 2019

<sup>6</sup>Circular No. SEBI/HO/MRD/POD-3/P/CIR/2024/162 dated November 22, 2024

<sup>7</sup>SEBI Letter dated December 04, 2019

<sup>8</sup> SEBI Letter dated December 04, 2019

<sup>9</sup> SEBI Letter dated December 04, 2019

performance evaluation, as provided in ~~Annexure 2~~ to the master circular, the same shall serve as an illustrative guide for MIs to frame performance evaluation criteria both for internal as well as external evaluation, and the same may be adopted by MIs as considered appropriate, with additional criteria, if any.

~~2.4.6.1.4.7~~ Additionally, with regard to tenure of existing PIDs as on date of this circular, following is clarified:

~~2.4.6.1.4.7.1~~ The term of existing PIDs serving in a ~~MHSE~~ 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 ~~MHSE~~.

~~1.4.7.2~~ The term of existing PIDs, that have already served for six years or more in a single ~~MHSE~~, shall not be eligible for further extension in that ~~MHSE~~.

Re-appointment of PID<sup>10</sup>: Based on approval of the Board, if it has been decided that in case the existing PID after completion of his first term is not considered for re-appointment by the Governing Board of the SE, the rationale for the same shall be recorded and informed to SEBI.<sup>10</sup>

~~2.4.6.2.~~

**Commented [A9]:** Incorporation of new circular/letter/email. Rationale given at point 2.34 of consultation paper.

## ~~2.5.1.5~~ Monitoring shareholding of ~~Market Infrastructure Institutions~~ Stock Exchanges (MHSEs)<sup>7,811</sup>

~~2.5.1.1.5.1~~ The framework for monitoring and ensuring compliance with shareholding norms currently applicable to listed ~~Stock Exchanges~~ SEs and ~~listed Depositories~~ shall be applicable to all ~~MHs-SEs~~ (i.e. both listed and unlisted); and

~~2.5.2.1.5.2~~ All ~~MHs-SEs~~ shall disclose their shareholding pattern as per the requirements and formats specified for listed companies under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations, 2015) on their respective websites.

<sup>10</sup> Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2025/75 dated May 26, 2025

<sup>7,811</sup> Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/139 dated October 14, 2024

<sup>10</sup> Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2025/75 dated May 26, 2025

<sup>11</sup> Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/139 dated October 14, 2024

In view of the above, the framework for monitoring of the shareholding norms of MHSEs is as under:

2.5.3-1.5.3 Every MHSE shall appoint a depository as “Designated Depository (DD)” for the purpose of monitoring of their shareholding limits as per SECC Regulations, 2018 ~~and D&P Regulations, 2018~~. The DD of an MHSE, shall not be an associate (as defined under SECC Regulations, 2018) of the MHSE.

However, in case the ISIN of any MHSE is frozen for debits by the company (MHSE), the appointment of DD is not required for monitoring the shareholding limits of that MHSE. In such case, the MHSE shall verify the shareholding limits prior to recording the transfer of its shares.

2.5.4-1.5.4 All MHSEs shall disclose their shareholding with category wise breakup as per the requirements and formats specified for listed companies under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations, 2015) on a quarterly basis on their respective websites. In case of listed MHSE, the stock exchange where the shares are listed, shall also display the above information.

2.5.5-1.5.5 The MHSEs shall at the time of appointment of the DD provide the details of paid-up equity share capital including the number of shares to the DD and as and when there are changes, the same shall be informed to the DD on End of Day (EoD) basis.

2.5.6-1.5.6 The DD shall monitor and inform the MHSE and stock exchange on which its shares are listed (in case of listed MHSE), as and when the threshold limit of 5% or 15%, as applicable under SECC Regulations, 2018 ~~and D&P Regulations, 2018~~, is breached and take appropriate consequential actions, as mentioned at paragraph 2.4.11-1.5.13

1.5.7

2.5.7—The DD shall monitor and inform the MHSE and stock exchange on which its shares are listed (in case of listed MHSE), as and when threshold limit of combined holding of 49% of all persons’ resident outside India (directly or indirectly, either individually or together with persons acting in concert) in



the paid-up equity share capital of an ~~MH-SE~~ is breached and take consequential actions as mentioned at paragraph ~~2.4.11~~ 1.5.13 below.

~~2.5.8. For Stock Exchanges:~~

~~1.4.11.5.8~~ The DD shall:

~~2.5.8.1.1.~~ 1.5.8.1 Have mechanism for coordination between the depositories for sharing of information regarding the shareholding of the stock exchange and ensure that the shareholding of Trading Members (TMs), their associates and agents does not exceed 49% of the paid-up equity share capital of the stock exchange.

~~2.5.8.1.2.~~ 1.5.8.2 Monitor the aggregate shareholding limit of the TMs, their associates and agents based on their demat balance, on a daily basis, at the end of the day. At the time of appointments of DD, all stock exchanges shall share the list of TMs, their associates and agents including their PANs, contact details, e-mail IDs with the DD and subsequent changes there off shall also be informed to the DD to facilitate monitoring of demat balances. Stock exchanges shall give suitable instructions to their members to provide the details of their associates & agents and subsequent changes, if any.

1.5.8.3 Generate aggregate shareholding reports of TMs, their associates and agents on daily basis. The report shall be shared with the stock exchange, its Registrar & Transfer Agent (RTA), the stock exchange where it is listed (in case of listed stock exchange) and other depository. Post receipt of such report from DD, the stock exchange shall disseminate the aggregate shareholding percentage of TMs, their associates and agents on its website on a daily basis.

1.5.8.4 Send alerts to the stock exchange and TMs, their associates and agents about the breach of the caution shareholding limit of 45% by TMs, their associates and agents and the said information shall also be disclosed on the exchange website and the website of stock exchange where it is listed (in case of listed stock exchange).

1.5.8.5 Inform to the stock exchange, its RTA, the stock exchange where it is listed (in case of listed stock exchange) and other depository about any breach of shareholding limit of 49% by TMs, their associates and agents. Stock exchange shall disseminate such breach on its website and the website of stock exchange where it is listed (in case of listed stock exchange).

2.5.8.2.1.5.9 The other depository shall provide on a daily basis the demat holdings of each TMs, their associates and agents in the stock exchange(s) held in its system at the End of Day (EOD) to the DD for computation of shareholding.

2.5.8.3.1.5.10 The TMs, their associates and agents shall obtain prior approval of the stock exchange(s) before acquisition of further shares, once the aggregate shareholding of all TMs, their associates and agents crosses the caution limit of 45%. The stock exchange shall provide to the DD the list of PANs which have sought approval for fresh purchases in the ISIN which has reached the caution limit. Such fresh purchases by a TM, their associates and agents who has obtained approval shall be marked as 'Approval obtained from Exchange'. In case any of the TMs, their associates and agents purchase shares without such approval of the stock exchange, the DD shall inform the same to the stock Exchange and shall initiate appropriate e-consequential action as mentioned at paragraph 2.4.11.1.5.13 below.

2.5.8.4.1.5.11 The TMs, their associates and agents shall also refer to the aggregate shareholding pattern under the category of TMs, their associates and agents, to determine/ascertain the available head room before placing the order.

2.5.9. ~~For recognized Clearing Corporations (CCs)~~

2.5.9.1. ~~The DD shall monitor that at least 51% of paid-up equity share capital of a CC shall always be held by one or more recognized stock exchange(s) and no recognized stock exchange shall, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than 15% of the paid-up equity share capital in more than one CC~~

and take consequential actions as mentioned at paragraph 2.4.11 below, in case of any breach.

However, the provision at paragraph 2.4.9.1 would not be applicable to AMC Repo Clearing Limited (ARCL).

**Commented [A10]:** Clearing Corporation related.  
Rationale given at point 2.29 of consultation paper.

#### ~~2.5.10.1~~ 1.5.12 Fit and Proper

~~2.5.10.1~~ 1.5.12.1 All the shareholders should be fit and proper persons at all times.

For shareholding of a person who directly or indirectly, acquires or holds two percent or more equity shares or voting rights of any recognized stock exchange, the ~~MH-SE~~ shall ensure that such shareholders are fit and proper at all times.

~~2.5.10.2~~ 1.5.12.2 The ~~MHs-SEs~~ shall notify on its website and undertake all measures to make investors aware of the requirement of eligibility for acquiring or holding its shares and fit and proper criteria for being its shareholders as per Regulation 19 and 20 of SECC Regulations, 2018.

~~2.5.10.3~~ 1.5.12.3 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.

~~2.5.10.4~~ 1.5.12.4 In the post listing scenario, a reference of the applicable Regulation with regard to fit and proper (by mentioning the URL/weblink of Regulation 19 and 20 of the SECC Regulations, 2018) shall be made part of the contract note.

~~2.5.10.5~~ 1.5.12.5 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, 2018.

~~2.5.10.6~~~~1.5.12.6~~ The ~~MHs~~~~SEs~~ shall submit to ~~SEBI~~~~Regulatory Oversight Committee~~ on a quarterly basis an exceptional report regarding the shareholders who are not fit and proper and action taken thereof as per the format given below:

**Commented [A11]:** Delegation of responsibility. Rationale covered in point 2.6 of Consultation paper

Sl. No.	Name of the Shareholder	Nature of Shareholder (Person Resident India/ Person Resident Outside India)	% Holding	Reason for not Fit and Proper and action taken thereof

#### ~~2.5.11~~~~1.5.13~~ Freezing of Voting Rights and Corporate Benefits

~~2.5.11.1~~~~1.5.13.1~~ Upon breach of the fit and proper criteria; and various threshold limits for shareholding of ~~MHs~~~~SEs~~, the DD shall apply ISIN level freeze on the demat account of the relevant shareholder for the excess shareholding and inform the respective ~~MH~~~~SE~~ and RTA to disable e-voting for the account holder on EoD basis. The DD shall initiate the freezing of corporate benefits, in the manner described below:

~~2.5.11.1.1~~~~1.5.13.1.1~~ With respect to freezing of voting rights, the DD shall inform the ~~MHSE~~, RTA and the other depository about the breach by the shareholders on EoD basis. The ~~MHSE~~ in consultation with the DD and RTA shall also disable the e-voting of the shareholder for the portion of the shareholding in excess of the regulatory requirement and the ~~SEMH~~ shall ensure that the shareholder's vote for such excess shareholding is not considered in the regular voting process.

~~2.5.11.1.2~~~~1.5.13.1.2~~ With respect to corporate benefits, the DD shall inform the list of shareholders whose corporate benefits are to be frozen, to the ~~MHSE~~ and other depository on EoD basis. The ~~MHSE~~ or its RTA shall transfer the corporate benefits (dividend) of such shareholders on the portion of shareholding in excess of the regulatory requirement to their

Investor Protection Fund (IPF) (for stock exchanges ~~and depositories~~)  
~~and Settlement Guarantee Fund (SGF) (for CCs).~~

~~2.5.11.2-1.5.13.2~~ The divestment of any excess shareholding in a listed ~~MH-SE~~ beyond the specified limit would be through a special window provided by the stock exchange where the shares of ~~MH-SE~~ are listed. However, any excess shareholding in an unlisted ~~MH-SE~~ shall be divested as per the directions given by SEBI on case to case basis.

~~2.5.12-1.5.14~~ The stock exchange submitting application for listing of its securities to SEBI shall ensure strict compliance with Chapter VII of SECC Regulations, 2018.

~~2.6. Investment Policy, Liquid Assets for the purpose of Calculation of Net Worth of a Clearing Corporation and Contribution to the Settlement Guarantee Fund<sup>8</sup>~~

~~2.6.1. 'Investment Policy' of Clearing Corporation~~

~~2.6.1.1. 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."~~

~~2.6.1.2. While framing the 'Investment policy', the clearing corporations shall consider the following principles:~~

~~2.6.1.2.1. The investment policy of the Clearing Corporation shall be built on the premise of highest degree of safety and least market risk;~~

~~2.6.1.2.2. The investments shall be broadly in Fixed Deposits/ T-bills/ Central Government Securities and units of Liquid and overnight Mutual Fund schemes.~~

<sup>8</sup> Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2016/54 dated May 04, 2016



2.6.1.3. 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:

2.6.1.3.1. Fixed Deposit with Banks [only those banks which have a minimum net worth of more than INR 5,000 crore and are having unsupported long term rating of AA and above or banks issuing unsupported long term instruments with rating of AA and above (excluding rating of bonds issued by the bank for the purpose of capital requirement under the Basel III), as mentioned under Section 6 titled 'Core Settlement Guarantee Fund' of Chapter 3 (Settlement) of this Master Circular on Stock Exchanges and Clearing Corporations.<sup>9</sup>

2.6.1.3.2. Section 6.6 of Chapter 3 (Settlement) of this Master Circular on Stock Exchanges and Clearing Corporations;

2.6.1.4. Combined investments made by Clearing Corporations in units of Liquid and Overnight Mutual Fund schemes 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.

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

2.6.2.1. 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".*

2.6.2.2. The eligible instruments for investment such as fixed deposits, Central Government Securities (T bills and G Secs) and liquid and overnight mutual fund schemes to the extent permissible, other instruments as may be specified by SEBI from time to time, and cash and bank balance, shall

<sup>9</sup>-Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/65 dated May 29, 2024

be considered as 'Liquid Assets', for the purpose of calculation of Net worth of a Clearing Corporation.

## 2.7. Disclosures relating to regulatory orders and arbitration matters on websites of Clearing Corporations<sup>10</sup>

2.7.1. 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.

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

2.7.3. 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.

**Commented [A12]:** Clearing Corporation related. Rationale given at point 2.29 of consultation paper.

## 2.8. Standard Operating Procedure for Suspension of Trading

2.8.1. 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.

**Commented [A13]:** Covered in LODR. Rationale provided in point 2.30 of Consultation paper

## 2.9. Framework for Orderly Winding Down of Critical Operations and Services of a Clearing Corporation<sup>11</sup>

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:

### 2.9.1. Identification of Potential Scenarios

<sup>10</sup> Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2017/24 dated March 16, 2017

<sup>11</sup> Circular no. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2022/173 dated December 16, 2022

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:

2.9.1.1. **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.

2.9.1.2. **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:

2.9.1.2.1. — **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.

2.9.1.2.2. — **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.

2.9.1.2.3. — **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.

#### 2.9.2. Identification of Critical Operations and Services of CCs

2.9.2.1. 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.

2.9.2.2. 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.

#### 2.9.3. Standard Operating Procedure (SOP)

2.9.3.1. 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 2.8.1.1 and 2.8.1.2 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.

2.9.3.2. 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.

2.9.3.3. 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:

2.9.3.3.1. 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.

2.9.3.3.2. ~~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.~~

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

2.9.4. ~~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).~~

2.9.5. ~~Return of Assets~~

2.9.5.1. ~~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.~~

2.9.5.2. ~~For the purpose of valuation of the assets of the CC, a valuation agency may be appointed by SEBI.~~

2.9.5.3. ~~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 SCF contributions of CMs and Stock Exchanges, as the case may be, depending upon the scenario triggering winding down of critical operations and services.~~

2.9.5.4. ~~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.

2.9.5.5. 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.

2.9.5.6. 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.

2.9.5.7. An exiting CC shall not alienate any assets without taking prior approval of SEBI.

## 2.9.6. Financial Resources

2.9.6.1. 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.

2.9.6.2. 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.

## 2.9.7. 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.

#### 2.9.8. 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.

**Commented [A14]:**

**Commented [A15R14]:** Clearing Corporation related. Rationale given at point 2.29 of consultation paper.

#### 2.10.1.6 Exit Policy for De-recognized/ Non-operational Stock Exchanges<sup>12,129,10</sup>

2.10.1.6.1 These provisions of the circular shall apply to:

- (i) Recognized stock exchanges
- (ii) Stock exchanges that stand de-recognized on or after the date of this circular as on May July 31<sup>st</sup>, 2025<sup>12</sup>.
- (iii) Stock exchanges that have applied for de-recognition/ exit on or after the date of this circular as on May July 31<sup>st</sup>, 2025<sup>12</sup>.

**Commented [A16]:** Clarification of requirement. Rationale covered in point 2.7 of consultation paper.

#### 2.10.2.1.6.2 Process of De-recognition and Exit

<sup>12</sup> Circular No. MRD/DSA/14/2012 dated May 30, 2012 and Circular No. MRD/DSA/18/2014 dated May 22, 2014 &

SEBI Circular No. CIR/CDMRD/DEA/01/2016, dated January 11, 2016

<sup>9+2</sup> Circular No. MRD/DSA/14/2012 dated May 30, 2012 and Circular No. MRD/DSA/18/2014 dated May 22, 2014

<sup>9</sup> Circular No. MRD/DSA/14/2012 dated May 30, 2012 and Circular No. MRD/DSA/18/2014 dated May 22, 2014 &

<sup>10</sup> SEBI Circular No. CIR/CDMRD/DEA/01/2016, dated January 11, 2016

2.10.2.1.1.6.2.1 Exchanges may seek exit through voluntary surrender of recognition.

2.10.2.2.1.6.2.2 Stock exchanges where the annual trading turnover on its own platform is less than Rs. 1000 Crore (or any higher amount as determined by SEBI from time to time) can apply to SEBI for voluntary surrender of recognition and exit.

2.10.2.3.1.6.2.3 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.

**Commented [A17]:** Clarification of requirement. Rationale covered in point 2.8 of consultation paper.

#### Exclusively listed Companies(ELCs)<sup>13</sup>

2.10.3.1.6.3 With regard to exit option to shareholders of ELCsexclusively listed companies, on stock exchanges seeking de-recognition and/ or exit and de-recognised stock exchanges, the following process should be followed by the ELCsexclusively listed companies. Such an exchange shall monitor the process given below until its exit:

#### Listing on any other recognized stock exchange

1.1.2.1.1 Exclusively listed companiesELCs shall list on any other recognized stock exchange. Such other recognized stock exchanges may facilitate the listing of exclusively listed companiesELCs, 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 companiesELCs 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 companiesELCs. Further, the listing of ELCs on any other recognized stock exchange shall be subject to the following:

- i. 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.

<sup>13</sup> Circular No. MRD/DSA/05/2015 dated April 17, 2015

- ii. The ~~exclusively listed companies~~ ELCs 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.
- iii. 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. 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.

#### Voluntary Delisting

~~2.10.3.1.~~ 1.6.4 Such ~~exclusively listed companies~~ ELCs 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.

1.6.5 With a view to facilitate voluntary delisting, if they so desire, it is clarified that for such companies as referred to at Para ~~2.9.3.3.1~~ 1.6.4 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.

#### Vanishing Companies

~~2.10.3.2.~~

1.6.6 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.

### Dissemination Board

~~2.10.3.3.~~

~~1.6.7~~—The ~~exclusively listed companies~~ELCs~~ELCs~~, which fail to obtain listing on any other—

~~Stock exchange~~, which do not voluntarily 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.

~~1.6.8~~ In the interest of investors of ~~exclusively listed companies~~ELCs, a mechanism of dissemination board will be set-up by stock exchanges having nationwide trading terminals.

~~2.10.3.4.~~ ~~1.6.9~~ 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~~ELCs. ~~Every stock exchange hosting a dissemination board shall clearly bring out the guidelines in respect of the Dissemination Board on its website.~~

#### **1.6.9.1 Features of Dissemination Board:**

~~2.10.3.4.1.~~ ~~1.6.9.1.1~~ Exiting 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.

~~2.10.3.4.2.~~ 1.6.9.1.2 Exchanges having nationwide trading terminal will not have listing agreement with these companies. However, information received from such companies will be disseminated.

~~2.10.3.4.3.~~ 1.6.9.1.3 The buyers/ sellers will be required to register with broker of the exchange where the dissemination board is set up.

~~2.10.3.4.4.~~ 1.6.9.1.4 No contract note is required to be issued for such transactions.

~~2.10.3.4.5.~~ 1.6.9.1.5 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.

~~2.10.3.4.6.~~ 1.6.9.1.6 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 and through other means periodically.

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

~~1.6.9.1.7~~ Pursuant to exit or de-recognition of the non-operational stock exchanges, the ~~exclusively listed companies~~ ELCs 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.~~ For the purpose of direct listing, the ELCs 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 ~~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. Until such listing, these companies shall continue to remain in the Dissemination Boards of the nation-wide stock exchanges.

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.

#### 2.10.4. Members of Stock Exchanges to continue trading through Subsidiary

2.10.4.1. 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.

2.10.4.2. 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.~~

**Commented [A18]:** Discontinuation of Obsolete requirement. Rationale covered in point 2.20 of consultation paper

#### 1.6.10 Treatment of the Assets of de-recognized exchange

~~2.10.4.3.~~ 1.6.10.1 \_\_\_\_ 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.

~~2.10.4.4.~~ 1.6.10.2 \_\_\_\_ For the purpose of valuation of the assets of the stock exchange, a \_\_\_\_ valuation agency shall be appointed by SEBI.

~~2.10.4.5.~~ 1.6.10.3 \_\_\_\_ The quantum of assets for distribution will be available after payment of statutory dues including income tax, transfer of funds as specified in para ~~2.9.6.4.1~~ 6.11.1, payment of dues as specified in para 1.6.11.2, 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 ~~2.9.5.4.1~~ 6.10.4. 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.

~~2.10.4.6.~~ 1.6.10.4 \_\_\_\_ 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.~~

**Commented [A19]:** Removal of duplication. Rationale provided in point 2.9 of Consultation paper.

~~2.10.4.7.~~ 1.6.10.5 \_\_\_\_ All stock exchanges including de-recognised stock exchanges shall not alienate any assets of the exchange without taking prior approval of SEBI.

#### ~~2.10.5.~~ 1.6.11 Other Conditions:

~~2.10.5.1.~~ 1.6.11.1 \_\_\_\_ The exchange shall transfer Investor Protection Fund, Investor Services Fund, ~~1% security deposit available with them~~ to the SEBI IPEF. The funds shall be utilised for purposes of Investor education, awareness, research, etc. ~~The 1% security deposit shall~~

~~subsequently be returned to the issuer company in due course on satisfying the prescribed conditions.~~

**Commented [A20]:** Obsolete requirement. Rationale provided in point 2.10 of consultation paper.

~~2.10.5.2.~~ 1.6.11.2 \_\_\_\_ The exchange shall pay following dues to SEBI:

~~2.10.5.2.1.~~ 1.6.11.2.1 \_\_\_\_ The dues outstanding to SEBI including 10% of the listing fee and the annual regulatory fee.

~~2.10.5.2.2.~~ 1.6.11.2.2 \_\_\_\_ 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.

~~2.10.5.2.2.1.~~ 1.6.11.2.3 \_\_\_\_ 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.

~~2.10.5.2.2.2.~~ 1.6.11.2.4 \_\_\_\_ The exchange will be liable to make good any shortfall in collection of dues of the brokers to SEBI.

~~2.10.5.3.~~

1.6.11.3 \_\_\_\_ 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.

~~2.10.5.4.~~ 1.6.11.4 \_\_\_\_ Sale/distribution/transfer of assets/winding up of such exchanges/ companies shall be subject to the applicable laws in force.

~~-1.6.11.5.~~ \_\_\_\_ 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.

~~2.10.6.~~ 1.6.11.6 \_\_\_\_ 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.

~~2.10.7.~~ 1.6.11.7 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.

**1.6.12 Process of exit of Exclusively listed companies ELCs from Dissemination Board<sup>14</sup>.**

**~~2.11.~~ Exclusively listed companies of De-recognized/Non-operational/exited Stock Exchanges<sup>13</sup>**

~~2.11.1.~~ SEBI issued guidelines<sup>14</sup> 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.

~~2.11.2.~~ 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.

~~2.11.3.~~ 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:

~~2.11.3.1.~~ 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.

~~2.11.3.2.~~ 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.

~~2.11.3.3.1.1.1.1.~~ 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.

<sup>14</sup>Circular No. MRD/DSA/CIR/P/2016/110 dated October 10, 2016

<sup>13</sup><sup>10</sup>Circular No. MRD/DSA/05/2015 dated April 17, 2015

<sup>14</sup>Circular dated May 30, 2012 and circular dated May 22, 2014

~~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.~~

~~2.11.4. 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. Until such listing, these companies shall continue to remain in the Dissemination Boards of the nation-wide stock exchanges.~~

~~2.11.5. 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.~~

#### ~~2.11.6. 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:~~

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

<sup>15</sup> Circular No. MRD/DSA/CIR/P/2016/110 dated October 10, 2016

2.12.1. 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).

2.12.2. 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.

2.12.3. 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:

2.12.3.1. 1.6.12.1 The respective nationwide stock exchanges hosting the ELC on its DB would hereinafter be referred as 'designated stock exchange'.

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 Exchanges having nationwide trading terminal of NSE and BSE and whose shares are available for buying and selling on Dissemination Board.

The ELCs on the DB would be required to exercise one of the two options as mentioned in Para 1.6.12.2 or 1.6.12.3 of the circular.

The ELCs on the DB shall submit<sup>46</sup> their plan of action to designated stock exchanges, failing which the designated exchange within 3 months of moving to DB, failing which the designated exchange shall recommend action as specified under Para 1.6.12.4.1 to 1.6.12.4.6 of this circular.

The designated stock exchanges shall review the plan of action and ensure completion of the entire process within 6 months from plan of action.

**Commented [A21]:** Clarification of requirement. Rationale provided in point 2.13 of consultation paper.

**Commented [A22]:** Clarification of requirement. Rationale provided in point 2.14 of consultation paper.

<sup>46</sup>Circular No. MRD/DSA/CIR/P/2016/110 dated October 10, 2016

<sup>47</sup>Circular No. MRD/DSA/CIR/P/2017/92 dated August 01, 2017

~~2.12.3.2. 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.~~

~~2.12.3.3.~~ **1.6.12.2 Raising capital for listing on Nationwide Stock Exchanges.**

~~1.6.12.2.1~~ 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).

~~2.12.3.3.1.~~ ~~1.6.12.2.2~~ 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.

~~2.12.3.3.2.~~ ~~1.6.12.2.3~~ 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.

~~2.12.3.3.3.~~ ~~1.6.12.2.4~~ 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~~1.6.12.3 of the circular.

~~2.12.3.4.~~ **1.6.12.3 Procedure to provide exit to investors:**

~~1.6.12.3.1~~ 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 54 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.



~~2.12.3.4.1.~~ 1.6.12.3.2 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.

~~2.12.3.4.2.~~ 1.6.12.3.3 The designated stock exchange shall display the list of companies willing to provide exit to their investors on their website on a monthly basis.

1.6.12.4 ~~Action against Exclusively Listed Companies~~ ELCs and its Promoters/Directors pending Exit Offer to the Shareholders<sup>15H,12</sup>

~~2.12.4.~~ 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:

~~2.12.4.1.~~ The ELCs on the DB which are yet to indicate their intention to comply with listing or to provide exit shall submit<sup>17</sup> their plan of action to designated stock exchanges, failing which the designated exchange shall recommend action as specified under Para 2.11.551.6.12.4.1 of this circular.

~~2.12.4.2.~~ The designated stock exchanges shall review the plan of action and ensure completion of the process within 6 months.

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

1.6.12.4.2 ~~Action against companies remaining on the DB~~

The non-compliant ~~Exclusively Listed Companies~~ ELCs, 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-

**Commented [A23]:** Clarification of requirement. Rationale covered in point 2.15 of consultation paper.

<sup>15</sup> Circular No. MRD/DSA/CIR/P/2017/92 dated August 01, 2017

<sup>17H</sup> Circular No. MRD/DSA/CIR/P/2016/110 dated October 10, 2016

<sup>12</sup> Circular No. MRD/DSA/CIR/P/2017/92 dated August 01, 2017 gave companies three months to submit their plan of action to the designated stock exchanges.



~~compliant Exclusively Listed Companies~~ ELCs provide an exit option to the public shareholders in compliance with para ~~2.11~~ 1.6.12 of this ~~master~~ circular, as certified by the concerned Designated Stock Exchanges.

1.6.12.4.3 ~~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~~ ELCs till the promoters of such non-compliant Exclusively Listed Companies ELCs provide an exit option to the public shareholders in compliance with para ~~2.11~~ 1.6.12 of this circular as certified by the concerned Designated Stock Exchanges :-

1.6.12.4.4 ~~The promoters or directors of non-compliant Exclusively Listed Companies~~ ELCs shall not be eligible to remain or become director of any listed company till the promoters of such non-compliant Exclusively Listed Companies ELCs provide an exit option to the public shareholders in compliance with para ~~2.11~~ 1.6.12 of this ~~master~~ circular, as certified by the concerned Designated Stock Exchanges.

**Commented [A24]:** Simplification of norms. Rationale provided in point 2.11 of consultation paper.

~~1.6.12.4.5~~

~~2.12.4.3. 1.6.12.4.5 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:~~

~~2.12.4.3.1. 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.~~

~~2.12.4.3.2.~~ Freezing of shares of the promoters/directors ~~and-~~  
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 website of designated stock exchange and SEBI website and shall also be shared with other respective agencies.

~~2.12.4.3.3.~~ 1.6.12.4.6 ~~\_\_\_~~ Attachment of bank accounts/other assets of promoters/directors of the companies so as to compensate the investors.

~~2.12.5.~~ 1.6.12.4.7 ~~\_\_\_~~ The provisions are applicable to the ~~exclusively listed companies~~ ELCs of all de-recognized/non-operational stock exchanges which are exited/in the process of exit in terms of para ~~2.9~~ 1.6.12. Additional clarifications in this regards are available at Annexure 5 and Annexure 6

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

The concerned Designated Stock Exchanges and Depositories shall co-ordinate with each other and ensure compliance of these requirements.

SEBI may also take any other appropriate action(s) against the promoters/directors of Exclusively Listed Companies ELCs for non-compliance with para ~~2.11~~ 1.6.12 of this master circular.

The cases of ELCs which have submitted High Court order related to scheme of arrangement or were under the process of scheme of arrangement on or before October 10, 2016 may be kept on hold till such process is completed. However, such cases shall be regularly monitored by the DSEs.

~~2.12.6.~~

1.7 Exclusively listed companies of De-recognized/Non-operational/exited Stock Exchanges placed in the Dissemination Board (DB).<sup>18</sup>

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.

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 Mechanism<sup>1316</sup>

19

2.13.1. 1.7.1 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. 1.7.2 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. 1.7.2.1 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.

2.13.2.2. 1.7.2.2 The Independent Regulatory 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 Regulatory 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. 1.7.2.1

2.13.2.3. 1.7.2.3 The listed stock exchange aggrieved by the decision of the Regulatory Oversight Committee of the listing exchange may appeal to a Conflict Resolution Committee(CRC) which may

**Commented [A25]:** Discontinuation of obsolete norms. Rationale provided in point 2.12 of Consultation paper.

**Commented [A26]:** Modification. Rationale given in point 2.16 of Consultation paper

<sup>18</sup> Circular No. MRD/DSA/CIR/P/2017/5 dated January 05, 2017

<sup>13</sup> Circular No. MRD/DSA/CIR/P/2017/9 dated January 27, 2017

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

<sup>49-13</sup> Circular No. MRD/DSA/CIR/P/2017/9 dated January 27, 2017

be constituted by SEBI in case of conflicts between listed and listing stock exchange. 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 Board<sup>20</sup>

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 2.12 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.

**Commented [A27]:** Simplification of requirement. Rationale provided in point 2.17 of consultation paper.

## 2.15. Action against Exclusively Listed Companies and its Promoters/Directors pending Exit Offer to the Shareholders<sup>21</sup>

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

**Commented [A28]:** Obsolete requirement. Rationale provided in point 2.18 of consultation paper.

<sup>20</sup> Circular No. MRD/DSA/CIR/P/2017/27 dated March 27, 2017

<sup>21</sup> Circular No. MRD/DSA/CIR/P/2017/92 dated August 01, 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. 1.8 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 Corporations<sup>221417</sup>**

**2.16.1** 1.8.1 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.

1.8.2 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 376](#). These guidelines are minimum standards which are compulsory to be followed, SEs may frame more stringent guidelines.

1.8.3 In order to ensure compliance with various regulatory requirements by the back office – vendors or outsourced agencies appointed by the SE and/or by their members or participants, the SEs shall have policies for appointment and monitoring of such back office vendors or outsourced agencies. Such policy shall clearly outline the risks that may arise from the back office vendors or outsourced agencies and steps to eliminate or reduce such risks. Such policy shall define the minimum standards or thresholds in terms of quantitative and qualitative parameters that shall be met by the back office vendors or outsourced agencies (including technology vendors) for appointment.<sup>1418</sup>

**2.16.3**

**Commented [A29]:** Clarification of requirement. Rationale provided in point 2.19 of consultation paper.

**Commented [A30]:** Incorporation of new circular/letter/email. Rationale given at point 2.34 of consultation paper.

<sup>22-14</sup> Circular No. SEBI/HO/MRD/DP/CIR/P/2017/101 dated September 13, 2017

<sup>14</sup> Circular No. SEBI/HO/MRD/DP/CIR/P/2017/101 dated September 13, 2017

<sup>17</sup> Circular No. SEBI/HO/MRD/DP/CIR/P/2017/101 dated September 13, 2017

<sup>18</sup> Circular No. SEBI/HO/MRD/POD-3/P/CIR/2024/162 dated November 22, 2024



**2.16.4. 1.9 Outsourcing of activities by Limited Purpose Clearing Corporation (LPCC)<sup>23</sup>**

~~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.~~

~~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 Exchanges<sup>1915</sup>**

~~2.17.1. 1.9.1~~ 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. 1.9.2~~ 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)

<sup>23</sup> Circular No. SEBI/HO/MRD2/DCAP/CIR/P/227 dated November 06, 2020

<sup>19 15</sup> Circular No. SEBI/HO/MRD/DSA/CIR/P/2018/14 dated January 29, 2018

<sup>15</sup> Circular No. SEBI/HO/MRD/DSA/CIR/P/2018/14 dated January 29, 2018

<sup>14</sup> Circular dated November 22, 2024



Regulations, 2018, shall now submit their applications online, through SEBI Intermediary Portal at <https://siportal.sebi.gov.in>.

~~2.17.3.~~ 1.9.3 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.~~ 1.9.4 Further, all other filings including Annual Financial Statements and Returns, Rules, Bye-laws, etc., shall also be submitted online.

~~2.18. — 1.10 Risk-based capital and net worth requirements for Clearing Corporations under Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018<sup>24</sup>~~

~~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.~~

~~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"):~~

<sup>24</sup> Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2019/55 dated April 10, 2019



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.<sup>25</sup>

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.<sup>26</sup>

**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.

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.

<sup>25</sup> Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/245 dated December 21, 2020

<sup>26</sup> Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/245 dated December 21, 2020

**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.

**Commented [A31]:** Clearing Corporation related.  
Rationale given at point 2.29 of consultation paper.

**2.19. Appointment of Managing Director and CEO<sup>162027</sup>**

1.10.1 Nomination and Remuneration Committee (NRC) is responsible for selecting the suitable person for the post of

<sup>16</sup> SEBI Letter dated May 29, 2019

<sup>20</sup> SEBI Letter dated May 29, 2019

<sup>27</sup> <sup>16</sup> SEBI Letter dated May 29, 2019

Managing Director; ~~wherein NRC shall include only Public Interest Directors.~~ The procedure for appointment of Managing Director & CEO is as under:

~~Further, for the limited purpose of recommendation relating to the selection of Managing Director, independent external persons may be part of the committee.~~

~~1.10.1.12 At least two names per for appointment as an independent external person along with their profile (without any order of preference), shall be forwarded to SEBI for approval.~~

~~2.19.1.~~

~~2.19.2. — 1.10.1.23 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. Hereinafter, aA~~ At least two names for the post of MD/CEO, without any order of preference, shall be forwarded to SEBI for approval.

1.10.1.34 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.

#### 1.11 Process for appointment, re-appointment, termination or acceptance of resignation of specific KMPs of an MHSE<sup>1721</sup>:

1.11.1 To strengthen the governance framework of Stock Exchanges, it is required that the Key Management Personnel (KMPs) of MHSEs in the crucial areas of operations such as compliance, risk management, technology and information security are of appropriate stature and independence. These KMPs namely the Compliance Officer (CO), Chief Risk Officer (CRiO), Chief Technology Officer (CTO) and Chief Information Security Officer (CISO) are crucial for any MHSE to deliver on its core public interest mandate of giving primacy to compliance, -risk

<sup>17</sup> Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2025/75 dated May 26, 2025

<sup>21</sup> Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2025/75 dated May 26, 2025

management, technological resilience and market integrity, over commercial considerations.

1.11.2 While the Governing Board of the MHSE sets the overall tone, a culture of prioritizing efficient discharge of responsibilities towards public interest falling under Verticals 1 and 2, over commercial interest under Vertical 3 must be ingrained at the operating level as well.

1.11.3 Along with having a capable and efficient Managing Director (MD), there is a need for KMPs of appropriate stature and ability in Vertical 1 and 2 to ensure that the MHSE delivers its primary mandate as a public utility infrastructure institution and a first line regulator.

1.11.4 Based on the feedback received from various stakeholders through public consultation, recommendations of Secondary Market Advisory Committee of SEBI (SMAC) and approval of the Board, it has been decided that the process for appointment, re-appointment, termination or acceptance of resignation of specific KMPs of Verticals 1 & 2 of an MHSE shall be as under:

1.11.5 For Appointment: The process for appointment shall be as under:

1.11.5.1 The MHSE shall engage an independent external agency to identify and recommend suitable candidates for appointment as CO, CRiO, CTO and CISO or by whatever designations called. The Agency shall submit its recommendations to the Nomination and Remuneration Committee (NRC) of the MHSE.

1.11.5.2 The NRC will evaluate the recommendations of the agency and after discussion with the management of the MHSE, submit its recommendations for appointment of such KMPs to the Governing Board of the MHSE.

1.11.5.3 The Governing Board shall take the final decision for appointment of such KMPs.

1.11.6 For Re-appointment, Termination or acceptance of Resignation:

1.11.6.1 The NRC shall evaluate the cases of re-appointment, termination or acceptance of resignation of CO, CRiO, CTO and CISO or by whatever designations called and after discussion with the

management of the MHSE, submit its recommendations to the Governing Board of the MHSE.

1.11.6.2 The Governing Board shall take the final decision for re-appointment, termination or acceptance of resignation of such KMPs. Provided that no such KMPs shall be terminated unless he/she has been given a reasonable opportunity of being heard by the Governing Board.

1.11.6.32 The appointment, re-appointment, termination or acceptance of resignation of KMPs other than the MD, CO, CRiO, CTO and CISO shall continue to be with the NRC of the MHSE. However, the MHSEs are free to implement the above mechanism for all KMPs.

#### Cooling-off period for KMPs of an MII joining a competing MII

1.11.7 The cooling-off period for Non-Independent Directors and PIDs shall be as prescribed by the Governing Board of the SE. The Governing Board of an MII shall prescribe the mechanism for a cooling-off period for KMPs (including the MD) of the MII joining a competing MII as a KMP.

1.11.8 For the purpose of this provision, the expression "competing MII" i.e. "competing recognised stock exchange or recognised clearing corporation" and "competing depository" shall be as explained under SECC Regulations, 2018

2.19.3.

2.20. Handling of Clients' Securities by Trading Member/ Clearing Member<sup>28</sup>

Refer Chapter III, Para 45 of Master Circular (SEBI/HO/MIRSD/MIRSD-PoD 1/P/CIR/2024/53) for Stock Brokers dated May 22, 2024.

2.21. Standard Operating Procedure in the cases of Trading Member / Clearing Member leading to default<sup>29</sup>

Refer Chapter VIII, Para 75 of Master Circular (SEBI/HO/MIRSD/MIRSD-PoD 1/P/CIR/2024/53) for Stock Brokers dated May 22, 2024.

**Commented [A32]:** Incorporation of new circular/letter/email. Rationale given at point 2.34 of consultation paper.

**Commented [A33]:** Covered in MIRSD Master Circular for broker. Rationale given in point 2.31 of Consultation paper

<sup>28</sup> Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 and Circular No. SMD/SED/CIR/93/23321

<sup>29</sup> Circular No. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 01, 2020

**2.22. 1.12 Code of Conduct & Institutional mechanism for prevention of Fraud or Market Abuse<sup>18,22</sup>**

26

~~2.22.1. 1.12.1 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~~ recommendations of the Committee on Fair Market Conduct, 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 'MHs')~~ also, on the lines of Regulation 9(1) to 9(4) of PIT Regulations 2015.

~~2.22.3.~~ 1.12.2 ~~\_\_\_~~ Accordingly, ~~MHs~~ SEs shall do the following:

~~2.22.3.1.~~ 1.12.2.1 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.~~ 1.12.2.2 Managing Director (MD)/ Chief Executive Officer (CEO) of the ~~MH~~ SE 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 MHSE, which is listed, is already required to adopt minimum standards set out in Schedule B of PIT regulations. Further, such MH-SE shall adopt minimum standards as set*

<sup>18</sup> Circular No. SEBI/HO/MRD/DCAP/CIR/P/2021/23 dated March 03, 2021

<sup>22</sup> Circular No. SEBI/HO/MRD/DCAP/CIR/P/2021/23 dated March 03, 2021

<sup>3017</sup> Circular No. SEBI/HO/MRD/MRD-POD/P/CIR/P/2025/75 dated May 26, 2025

<sup>18</sup> Circular No. SEBI/HO/MRD/DCAP/CIR/P/2021/23 dated March 03, 2021

<sup>19</sup> Circular No. SEBI/HO/MRD/MRD-POD3/P/CIR/P/2025/69 dated May 19, 2025

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.~~ 1.12.2.3 ~~MIH-SEI~~ shall identify and designate a compliance officer to administer the aforesaid code of conduct.

~~2.22.3.4.~~ 1.12.2.4 ~~MIHSE~~ The Board of Directors of ~~MIHSE~~, 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.~~ 1.12.3 ~~MIHs-SEs~~ shall put in place an Institutional Mechanism for prevention of fraud or market abuse covering the following:

~~2.22.4.1.~~ 1.12.3.1 ~~MD/ CEO of the MIH-SE~~ 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 ~~SEMIH~~ or its designated persons and immediate relatives of designated persons.

~~2.22.4.2.~~ 1.12.3.2 ~~The Board of Directors of the MIH-SE~~ shall ensure that the MD / CEO ~~ensures compliance with Para 2.22.3.1.12.2 and Para 2.22.4.1.12.3.1 above.~~ The compliance officer of the respective ~~MIH-SE~~ shall administer the internal controls to prevent fraud or market abuse by designated persons and immediate relatives of designated persons of the ~~MIHSE~~.

~~2.22.4.3.~~ 1.12.3.3 ~~The Regulatory Oversight Committee of the MIH-SE~~ 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.~~ 1.12.3.4 ~~MIH-SE~~ 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 ~~MIH-SE~~ 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.~~ ~~1.12.3.5~~ ~~MII-SE~~ 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.~~ ~~1.12.3.6~~ ~~MII shall have an effective whistle-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.~~ ~~1.12.3.7~~ ~~MII shall ensure that the policy framed under Para 2.22.4.6/1.12.3.6 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.~~

### 1.13 Guidelines on strengthening governance at exchanges <sup>23</sup>

#### 1.13.1 Quarterly reporting by Compliance Officer (CO)

##### 1.13.1.1

1.143.1.1 The CO shall submit the quarterly report as specified by Regulation 30(3) of SECC Regulations, 2018 to SEBI, within 45 days from the end of the quarter (i.e. June, September, December and March). The format of the report for stock exchanges is placed at Annexure 87.

#### 1.13.2 Half yearly reporting by Chief Risk Officer (CRiO)

##### 3

1.13.2.1 The CRiO shall submit the half yearly report as specified by Regulation 30A(2) of SECC Regulations, 2018 to SEBI within 90 days from the end of half year (i.e. September and March). The content and format of the report is placed at Annexure 98.

<sup>23</sup> SEBI/HO/MRD/POD-3/P/CIR/2024/162 Circular dated November 22, 2024

### 1.13.3 Disclosure of Board Meeting Agenda and Minutes<sup>3</sup>

1.13.3.1 The SEs shall comply with Regulation 33(7) of the SECC Regulations, 2018. The SEs may, however, subject to adherence to disclosure requirements as specified under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 not publicly disclose items which are of strategic/ confidential in nature and disclosure of which will put them in a disadvantageous business position. Such items should be classified as “confidential” along with reasons for such classification by their governing board

1.13.3.2 The relevant agenda and minutes shall be disclosed within 7 working days from the date of approval of such minutes.

### 1.13.4 SOP for disciplinary actions against KMPs:

1.13.4.1 All SEs shall devise internal Standard Operating Procedures (“SOPs”) for undertaking disciplinary actions against KMPs for any non-compliance with regulatory provisions and internal guidelines. The policy shall be approved by Nomination and Remuneration Committee (NRC) and the Governing Board of the SE.

1.13.4.2 The SOP shall include list of actions that may be initiated against a KMP for breach of any provision, including advisory, warning, impact on annual increment or promotion, invocation of malus-clawback provisions, suspension, termination, amongst other actions as may be suggested by the NRC.

1.13.4.3 The scenarios for invoking the malus-clawback provisions shall be clearly specified in the SOP.

1.13.4.4 In case of repeated non-compliances or considering the seriousness of noncompliance, stringent actions like termination or malus-clawback may be effected.

### 1.13.5 Whistle Blower Policy of SEs

1.13.5.1 As per the extant regulatory provisions, the disclosure requirements and corporate governance norms as specified for listed companies shall mutatis mutandis apply to all SEs.

1.13.5.2 In order to further strengthen the whistle blower mechanism, the following has been decided:

1.13.5.3 SEs shall resolve the whistle blower complaints within 60 days from the date of receipt of such complaints.

1.13.5.4 SE 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.

1.13.5.5 SE shall ensure that the policy framed under Para 1.12.3.61.13.5.4 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.

#### **1.13.6 The Audit Committee shall:**

1.13.6.1 Receive and investigate the whistle blower complaints.

1.13.6.2 Take appropriate decision, including any further course of action, with respect to the whistle blower complaint.

1.13.6.3 Submit a report to the governing board of the SE containing the details of all whistle blower complaints received during a quarter and decisions, if any, taken with respect to such complaints in the next governing board meeting after the end of the quarter (i.e. June, September, December and March). In case, the Audit Committee is not able to take any decision on the matter, the same may be escalated to the Governing Board of the SE.

1.13.6.4 Appropriate checks and balances should be implemented by the SE to ensure that disincentives for misreporting, if any, do not dissuade genuine whistle blowers from reporting irregularities.

1.13.6.5 The Regulatory Oversight Committee shall annually review the whistle blower policy of the SE.

1.13.6.6 The SEs shall disclose the whistle blower policy on their respective websites.

#### **1.13.7 Enhancing Supervision and Monitoring Mechanism of SEs**

#### 1.13.7.1 Mechanisms to monitor their Members

1.13.7.1.1— SEs shall adopt advanced technologies such as Regulatory Technologies (RegTech) and Supervisory Technologies (SupTech) to further strengthen their regulatory and supervision mechanisms.

1.13.7.1.2 SEs shall enable systems that require their members or participants (such as stock brokers, clearing members, depository participants, warehouse service providers) to make most of the submissions online and reduce reliance on physical information sharing. MHSEs should be able to generate alerts and reports on such submissions to meet their regulatory and supervisory objectives.

1.13.7.1.3 MHSEs shall disclose all material information pertaining to their members or participants on their website. Such information shall include aspects related to the following:

1.13.7.1.4 Details of number of investor complaints or grievances received against its members or participants, resolved and pending for the past 3 financial years (including the current financial year), to be updated on monthly basis;

1.13.7.1.5 Details of regulatory action taken against their members during the past 3 financial years;

1.13.7.1.6 Net worth (as on end of the previous financial year);

1.13.7.1.7 Other relevant information.

1.13.7.1.8 In case of any significant or material non-compliance of the regulatory requirements by any member or participant observed by an MHSE, the same shall be shared with other MIs

#### 1.13.8 Training or knowledge up-gradation of Directors on Governing Board of MHSEs

1.13.8.1 SECC Regulations, 2018 and D&P Regulations, 2018 require the MHSEs to provide at least seven days of training in a year to all its directors.

1.13.8.2 MHSEs, in coordination with reputed institutions like National Institute of Securities Markets (NISM) or experts/professionals, shall organize either online or offline learning modules related to ongoing development in capital markets and regulatory space, major developments in other developed economies in related areas, overview of development of various RegTech and SupTech, etc.

1.13.8.3 At the time of joining of a new director on the Governing Board, the MHSE shall provide familiarization programme to such directors with regard to their roles & responsibilities and expectations from them. Further, MHSEs shall also provide a list of applicable regulatory provisions including the code of conduct applicable to directors amongst other materials for ease of reference.

### **1.13.9 Policy on Data Sharing**

1.13.9.1 As per SECC Regulations, 2018 and D&P Regulations, 2018, MHSE shall have an internal policy for sharing and monitoring of confidential and sensitive data.

1.13.9.2 The policy should adequately cover all methods of data sharing online and offline including e-mails and social media, with appropriate delegation of powers for sharing of data.

1.13.9.3 The policy shall contain mechanisms to monitor the data being shared on a regular basis through technology and conduct periodic audits, at least once in six months (ending with September and March), to ensure compliance with the data sharing policy.

1.13.9.4 The policy shall be reviewed for its effectiveness annually by Standing Committee on Technology (SCOT).

1.13.9.5 Non-compliances (including data breaches and leakages of confidential and sensitive data), if any, shall be reported within 15 days to governing board of the MHSE and SEBI by the Compliance Officer (CO) along with remedial steps taken or to be taken in this regard.

1.13.9.6 Data sharing should be done on a non-discriminatory basis.

### **1.13.10 Reporting lines of KMPs**

1.13.10.1 SEBI through regulations and circulars require MHSEs to have certain KMPs. They include Compliance Officer (CO) who heads the Compliance function, the Chief Risk Officer (CRiO) who is responsible for identification and mitigation of risks being faced by the MHSE, the Chief Technology Officer (CTO) who focuses on the organization's overall technology strategy, innovation, and technical infrastructure and the Chief Information Security Officer (CISO) who is responsible for safeguarding data and information through cybersecurity practices

1.13.10.2 To ensure there is sufficient independence for the KMPs to freely provide their views to the governing board and/or statutory committees of MHSEs and the functioning of the MHSE is not disrupted, the following reporting structures for KMPs shall be implemented by MHSEs:

1.13.10.2.1 For CO: CO shall report to the MD. However, Regulatory Oversight Committee shall hold separate meeting with CO at least once a quarter without the presence of MD or any other executive.

1.13.10.2.2 For CRiO: CRiO shall report to the MD. However, Risk Management Committee shall hold separate meeting with CRiO at least once a quarter without the presence of MD or any other executive.

1.13.10.2.3 For CTO and CISO: CTO and CISO shall report to the MD. However, Standing Committee on Technology shall hold separate meeting with CTO and CISO at least once a quarter without the presence of MD or any other executive.

1.13.10.3 Currently, Nomination and Remuneration Committee (NRC) of the MHSE, while accessing the performance of KMPs, take reports or inputs from the functional heads or reporting authority, and observations received from SEBI, if any. In view of the above, it has been decided that for performance appraisal of CO, CRiO, CTO and CISO, in addition to the above requirements, NRC shall also take reports or inputs from relevant statutory committees.

**Commented [A34]:** Incorporation of new circular/letter/email. Rationale given at point 2.34 of consultation paper.

#### 1.14. Norms for Internal Audit Mechanism and composition of the Audit Committee of SE<sup>20</sup>-SE<sup>24</sup>

##### Norms for the Internal Audit Mechanism at SE

1.14.1 It is essential that the SEs shall operate in an efficient and transparent manner, be accountable for their actions, maintain highest standards of governance and risk management, etc. Internal audit helps to identify, assess, and mitigate risks that could impact the SE's operations, efficiency, financial stability, etc. Internal audit also ensures that the SE's comply with relevant laws, regulations, circulars, guidelines, industry standards, etc

1.14.2 SEs being corporate entities governed by the provisions of Companies Act, 2013 are required to conduct Internal Audit. Further, in terms of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (SECC Regulations, 2018) the governing boards of the SEs are required to provide for three lines of

<sup>20</sup> SEBI/HO/MRD/POD 3/P/CIR/2025/69 dated May 19, 2025

<sup>24</sup> SEBI/HO/MRD/POD 3/P/CIR/2025/69 dated May 19, 2025

defense of which the third line of defense comprises the Internal Audit Function.

1.14.3 In order to further strengthen the governance mechanism at SEs, based on the feedback received from various stakeholders and recommendations of Secondary Market Advisory Committee of SEBI (SMAC), the following guidelines for the internal audit mechanism at SEs have been prescribed:

1.14.3.1 Every SE shall conduct internal audit of all functions and activities of the SE (i.e. functions and activities of Vertical 1 (Critical operations), Vertical 2 (Regulatory, compliance, risk management and investor grievances) and Vertical 3 (Other functions including business development)) at least once in a Financial Year.

1.14.3.2 The internal auditor of the SE shall be an independent audit firm(s). The SEs shall have a policy for appointment of internal auditors approved by the Audit Committee and governing board of the SE.

1.14.3.3 Internal auditor of an MHSE shall report only to the Audit Committee of the SE.

1.14.3.4 The scope of the internal auditor shall include all functions and activities of the SEs (i.e. functions and activities of Vertical 1, Vertical 2 and Vertical 3) and shall be approved by the Audit Committee of the SE (including any other area as may be specified by the Audit Committee). Further, in order to standardize the terms of reference of the internal auditor across similar SEs, the SEs may do so in consultation with the Industry Standards Forum of MIs (ISF).

1.14.3.5 The observations of the internal auditor shall be sent to the respective Head of Departments (HoDs) for their comments in a time bound manner.

1.14.3.6 The internal auditor after incorporating comments of the HoDs shall share the final report with the Audit Committee in a time bound manner. Further, any initial observation(s) of the internal auditor, which have been dropped/closed subsequent to the clarifications/comments of HoDs, shall also be included in the Final Report, along with rationale/justifications for dropping such observation(s). Wherever required, the Audit Committee may seek views of other Statutory Committees of the SE on the observations of the internal auditor.

1.14.3.7 The various timelines for internal audit shall be prescribed by the Audit Committee of the MHSE.

1.14.3.8 The internal auditor of the MHSE shall appraise the Audit Committee, at least once in every six months within 60 days from the end of September and March, on critical issues concerning the MHSE, in the absence of the management.

#### Composition of the Audit Committee of the MHSE

1.14.4 The terms of reference of the Audit Committee (AC) amongst others involves approval of related party transactions, scrutiny of financial statements, evaluation of internal financial controls and risk management systems, etc. which requires objective evaluation of the functioning and decisions of the management.

1.14.5 In order to further strengthen the governance of the MHSE, based on the feedback received from various stakeholders and recommendations of the SMAC, the following have been decided:

1.14.5.1 The Audit Committee of the MHSE shall not consist of any Executive Director (including the Managing Director) of the MHSE;

1.14.5.2 The auditors of the MHSE and the Key Management Personnel (KMPs) shall have a right to be heard in the meetings of the Audit Committee when it considers the auditor's report but shall not have the right to vote; and

1.14.5.3 Wherever required, the KMPs (including the MD) can be invited to attend the meeting of the Audit Committee with permission of the Chairman of the Committee but shall not have the right to vote.

**Commented [A35]:** Incorporation of new circular/letter/email. Rationale given at point 2.34 of consultation paper.



### 3. ~~SUBSIDIARY MANAGEMENT BY STOCK EXCHANGE~~

**Commented [A36]:** Obsolete requirement. Rationale given at point 2.20 of consultation paper

#### 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 CORPORATIONS<sup>31</sup>

### 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

<sup>31</sup> Circular No. CIR/MRD/DRMNP/CIR/P/2018/145 dated November 27, 2018

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 SCF 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 Corporations<sup>32</sup>

#### 4.5. **Inter CCP Settlement<sup>33</sup>**

<sup>32</sup> SEBI Circular MRD/DoP/SE/Cir-07/2005 dated February 23, 2005 and SEBI Circular CIR/MRD/DRMNP/9/2013 dated March 20, 2013

<sup>33</sup> SEBI Circular MRD/DoP/SE/Dep/Cir-18/2005 dated September 02, 2005 and Circular SEBI/HO/MRD2/DCAP/P/CIR/2021/628

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'<sup>34</sup> would be the criteria for the Stock Exchanges to determine the stock brokers which would be admitted to the risk reduction Mode.<sup>35</sup>

#### 4.7. Default Handling Process<sup>36</sup>

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

#### 4.8. Charges by Stock Exchanges/Clearing Corporations<sup>37</sup>

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.

<sup>34</sup> circular CIR/MRD/DP/34/2012 dated December 13, 2012

<sup>35</sup> Removed vide Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/45 dated March 23, 2020

<sup>36</sup> SEBI Circular CIR/MRD/DRMNP/25/2014 dated August 27, 2014

<sup>37</sup> SEBI Circular MRD/DoP/SE/Cir-14/2009 dated October 14, 2009



- 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.

#### 4.9. **Dispute Resolution**

- 4.9.1. The Conflict Resolution Committee, as prescribed under "Procedures for Exchange Listing Control Mechanism" at para 2.13 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 systems, sharing of client data, sharing of product information, default handling process and dispute resolution process.

#### 4.11. **Clarifications on Interoperability<sup>38</sup>**

- 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

<sup>38</sup> SEBI email dated April 25, 2019 regarding clarifications on interoperability

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.

**Commented [A37]:** Clearing Corporation related. Rationale given at point 2.29 of consultation paper.

## 5. ~~ARBITRATION AND INVESTOR GRIEVANCE REDRESSAL MECHANISM~~

### 5.1. ~~Online Web Based Complaints Redressal System~~<sup>39</sup>

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)<sup>40</sup> 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.~~

<sup>39</sup> Circular no. SEBI/HO/MRD1/ICC1/CIR/P/2022/94 dated July 04, 2022 (has been superseded)

<sup>40</sup> Circular No. SEBI/HO/OIAE\_IAS-1/P/CIR/2023/131 dated July 31, 2023s.

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 Exchanges<sup>41</sup>**

Grievance Redressal Committee (CRC) 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.

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

Central Government notification no. F. No.14/4/SE/85 dated August 22, 1985<sup>41</sup>-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 (has been superceded)

be able to update their primary e-mail address and registered address on their own.

**Commented [A38]:** Covered in ODR Master Circulars. Rationale given in point 2.32 of consultation paper.

## 6.2 INVESTOR PROTECTION FUND & INVESTOR SERVICE FUND<sup>21,25,26</sup> &2242

### 6.1. 2.1 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 existing IPF maintained by stock exchanges and the IPF for commodity derivatives segment maintained by the exchanges are to be merged into a single IPF. A single trust for all segments shall ensure uniformity in policies, compensation mechanism and reporting standards across segments. Any claims arising from clients of members who have defaulted in any of the segments, would be compensated from the single IPF with the exchanges. The objectives of the merged trust shall encompass investor protection across all market segments of exchanges.

**Commented [A39]:** Simplification of requirement. Rationale provided in point 2.22 of consultation paper

The modified comprehensive guidelines for IPF and ISF to take care of legitimate investment claims of clients of defaulter members 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.

<sup>21</sup> Circular No. SEBI/HO/MRD-PoD-3/P/CIR/2023/81 dated May 30, 2023

<sup>25,26</sup> Circular No. SEBI/HO/MRD-PoD-3/P/CIR/2023/81 dated May 30, 2023

Circular No. SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/71 May 30, 2024

<sup>22</sup> Circular No. SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/71 May 30, 2024

<sup>4221</sup> Circular No. SEBI/HO/MRD-PoD-3/P/CIR/2023/81 dated May 30, 2023

- 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.<sup>23,27,43</sup>

#### A.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, if applicable;
- 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;
  - ii. One (1) percent of turnover fee (in Commodity Derivatives segment) charged by the stock exchange from its trading members or ` Ten Lakh, whichever is higher, in a financial year
- iii. Contribution towards the IPF based on the transaction charges collected from the members of the exchange, as per policy of the respective stock exchange.
  - iv. All the penalties levied and collected by the stock exchanges
- 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, if applicable 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.

<sup>23</sup> Circular No. SEBI/HO/MRD/DDAP/CIR/P/2020/16 dated January 28, 2020

<sup>27</sup> Circular No. SEBI/HO/MRD/DDAP/CIR/P/2020/16 dated January 28, 2020

<sup>43-22</sup> Circular No. SEBI/HO/MRD/DDAP/CIR/P/2020/16 dated January 28, 2020

- 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.i. ~~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.vi. At least 70% of interest or income received out of any investments made from the IPF (in case of other than predominantly commodity derivatives traded exchanges).
- ix.vii. Any other contribution as may be specified by SEBI from time to time.

**Commented [A40]:** Simplification of requirement.  
Rationale provided in point 2.22 of consultation paper

#### **BC. Utilization of IPF and Interest or Income from IPF<sup>442428</sup>**

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	<del>a) To meet the legitimate investment claims of the clients of the defaulting trading members (TMs)</del> <del>b)</del>
2	Interest or income received out of any investments on IPF	<u>In case of predominantly Commodity derivatives traded exchanges:</u> <u>The interest or income earned on IPF shall be utilized for investor education and awareness, capital expenditure w.r.t setting up of Investor Service Centre (ISC), Research activities, Digital media and administrative expenses related to dedicated employees of IPF Trust, administration of ISCs, other administrative and statutory expenses such as applicable taxes, audit fees etc. The interest amount credited in the last quarter of the financial year</u>

<sup>4423</sup> Circular No. SEBI/HO/MRD-PoD-3/P/CIR/2023/81 dated May 30, 2023

<sup>24</sup> Circular No. SEBI/HO/MRD/MRD-POD1/P/CIR/2024/71 dated May 30, 2024

<sup>24</sup> Circular No. SEBI/HO/MRD-PoD-3/P/CIR/2023/81 dated May 30, 2023

<sup>28</sup> Circular No. SEBI/HO/MRD-PoD-3/P/CIR/2023/81 dated May 30, 2023



	<p><u>may be carried forward to the next financial year for utilization.</u></p> <p><u>However, no expenditure incurred on product promotion shall be utilized from IPF/interest/income of IPF. The amount apportioned for research activity shall not be more than 10% of the interest/income of IPF. A maximum 10% of the interest/income of IPF may be utilized for administrative expenses in a financial year. In case of non-utilization of such amount in the same financial year (except for the last quarter), the same shall be ploughed back to IPF.</u></p> <p><u>In case of other exchanges:</u></p> <p>a) To further strengthen the corpus, at least 70% of interest or income from IPF received every year shall be ploughed back to IPF;</p> <p>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;</p> <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</p>
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**Commented [A41]:** Simplification of requirement.  
Rationale provided in point 2.22 of consultation paper

		<p>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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#### **ED. 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.

#### **DE. 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.

#### **EF. 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 6109](#).

#### **FG. 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.

#### **GH. 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, and where the underlying transaction is executed within three years before the date of declaration as defaulter such claims

**Commented [A42]:** Simplification of requirement.  
Rationale covered in point 2.23 of Consultation paper

- 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 or the may underlying transaction is executed within three years before the date of declaration as defaulter those 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.

#### **HI. 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, based on objective criteria such as inflation etc.

**Commented [A43]:** Simplification of requirement.  
Rationale provided in point 2.22 of consultation paper

~~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.~~

#### **II. 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 Committee (MC) for sanction and ratification. MC'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 MC 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 exchanges<sup>45, 25, 29</sup>

#### **JK. 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;

<sup>45, 25</sup> SEBI letter dated January 5, 2023 on Issues related to broker defaults and processing of claims of investors from Investor Protection Fund (IPF).

<sup>25</sup> SEBI letter dated January 5, 2023 on Issues related to broker defaults and processing of claims of investors from Investor Protection Fund (IPF).

<sup>29</sup> SEBI letter dated January 5, 2023 on Issues related to broker defaults and processing of claims of investors from Investor Protection Fund (IPF).

- iv. The stock exchange would do away with the practice of obtaining indemnity undertaking from the clients.
- 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: -
  - a. Claims of clients of TM received
  - b. Eligible claims of all stock exchanges of which the defaulter TM was a member;
  - c. Claims of SEBI, if any;
  - d. Pending litigations against the defaulter TM;
  - e. 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.

#### **KL. Disclosures**

The stock exchanges are advised to<sup>30</sup>

- i. Disclose the corpus of the IPF on its website and update the same on a monthly basis.
- ii. Disseminate its policy on processing investor claims from IPF on their website including the compensation limit fixed by them per investor.
- iii. 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.

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<sup>30</sup> SEBI Letter dated November 13, 2020

## 6.2. 2.2 Investor Services Fund (ISF) of Stock Exchanges<sup>463126</sup>

- i. The Stock Exchange shall set aside at least 20% of the listing fees received for ISF for providing services to the investing public, if applicable.
- ii. In case of predominantly commodity derivatives exchanges, the stock exchange shall contribute 10 lakhs initially and thereafter One (1) percent of the turnover fees charged by the stock exchange from its members, on monthly basis. Such contribution shall be made within 7 days of the end of the month, subject to minimum of Rs Ten Lakh of such contribution in a financial year
- iii. 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.
- iv. 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	<p>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;</p> <p>b) At least 50% should be spent at Tier II &amp; Tier III cities;</p> <p>c) <u>Maintenance of all price ticker boards installed by respective exchanges, in case of predominantly commodity derivatives exchanges</u></p> <p>d) In any other manner as may be prescribed or permitted by SEBI in the interest of investors</p>

**Commented [A44]:** Obsolete requirement. Rationale covered in point 2.24 of consultation paper

<sup>31</sup> <sup>26</sup><sup>46</sup> Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/81 dated May 30, 2023

<sup>26</sup> Circular No. ~~SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/81 dated May 30, 2023~~

		—ISF shall not be charged against expenses incurred for sending SMS and E-mails <sup>47,2327</sup> e)
2	Interest on ISF	Interest received on ISF shall be ploughed back to ISF, <u>within one month from the end of September and March of each year.</u>

### 6.3. 2.3 Miscellaneous:

6.3.1. ~~2.3.1 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.~~

### 6.4.2.4 Investor Service Centres of Stock Exchanges<sup>482833</sup>

6.4.1.2.4.1 ~~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, Mumbai, Chennai and Kolkata).~~

6.4.2.2.4.2 ~~In order to reach out to the investors across India, the stock exchanges SE shall make use of the existing ISCs at locations mentioned at paragraph 6.4.1 above and open additional ISCs wherever required; or as specified or to be specified by the Board from time to time. The ISCs can be set up either by one stock exchange or jointly by two or more stock exchanges as per their mutual agreement.~~

6.4.3. ~~The ISCs shall at least provide the following basic minimum facilities to the investors:~~

### 2.4.3

<sup>4727</sup> Circular no. CIR/MIRSD/15/2011 dated August 02, 2011

<sup>27</sup> Circular no. CIR/MIRSD/15/2011 dated August 02, 2011

<sup>32</sup> Circular no. CIR/MIRSD/15/2011 dated August 02, 2011

<sup>48,28</sup> Circular no. SEBI/HO/MRD/MRD-POD-3/CIR/P/2023/104 dated June 26, 2023

<sup>28</sup> Circular no. SEBI/HO/MRD/MRD-POD-3/CIR/P/2023/104 dated June 26, 2023

<sup>33</sup> Circular no. SEBI/HO/MRD/MRD-POD-3/CIR/P/2023/104 dated June 26, 2023

- 2.4.3.1. ~~Four~~ Two 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.
- 2.4.3.2. 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.
- 2.4.3.3. 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.
- 2.4.3.4. 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).
- 2.4.3.5. 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.
- 2.4.3.6. A meeting room for at least 5 to 6 persons and additional sitting space for at least 5 to 6 persons.
- 2.4.3.7. Other infrastructure facilities such as telephone, photocopier, printer, scanner, internet access, furniture, etc.
- 2.4.3.8. 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.
- 2.4.3.9. A register or database of visitors (including investors) for future correspondence, whenever required.

**Commented [A45]:** Harmonization of norms. Rationale provided in point 2.25 of consultation paper.

2.4.4.2.4.4 For upgradation of knowledge of officials at ISCs, stock exchanges shall ensure that:

- 2.4.4.1-2.4.4.1 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.

~~2.4.4.2~~<sup>2.4.4.2</sup> The training on securities market should, inter-alia, cover the following areas;

- a. Overview of securities market (both primary and secondary markets);
- b. Functions and operations of Stock Exchanges, Clearing Corporations and Depositories;
- c. 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.

~~2.4.4.3~~<sup>2.4.4.3</sup> The officials at ISCs should also have requisite NISM certification covering the areas mentioned at paragraph ~~6~~<sup>2</sup>4.2.2 above.

## ~~2.5. Grievance redressal mechanism at Stock Exchanges w.r.t to clients of defaulter Trading Members (TMs).~~<sup>293349</sup>

~~2.5.1. 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.~~

~~2.5.2. 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:~~

### ~~2.5.2.1. Disclosure of the corpus of IPF and policy on processing investor claims~~

~~2.5.2.1.1. The exchanges are advised to disclose the corpus of the IPF on its website and the same should be updated on a monthly basis.~~

~~2.5.2.1.2. The exchanges are advised to disseminate its policy on processing investor claims from IPF on their website. Further, the exchanges are~~

<sup>29</sup> SEBI Letter dated November 13, 2020

<sup>33</sup> SEBI Letter dated November 13, 2020

<sup>49</sup> SEBI Letter dated November 13, 2020



advised to frame FAQs on their policy on processing investor claims for easy understanding of investors.

#### 2.5.2.2. Implementation of Amendment in policy on processing investor claims

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

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.

2.5.2.2.2.

#### 3. Functions of Disciplinary Action Committee, Defaulters' Committee, Investors Service Committee, Arbitration Committee and IPF Trust<sup>50</sup>

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</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</p>

<sup>50</sup> Circular no. SEBI/HO/DMS/CIR/P/2017/15 dated Feb 23, 2017



		<p>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>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	<p>(i) To 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 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>(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;</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>



		(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;	
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 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>(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;</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</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</p>

		<p>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>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>
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~~The Arbitration Committee of the Stock Exchanges shall stand discontinued.~~

**Commented [A46]:** Obsolete requirement. Rationale given in point 2.26 Of consultation paper.

#### 4.3 SMALL AND MEDIUM ENTERPRISES (SME)

4.1. **3.1 Setting up of stock exchange / a trading platform by a recognized stock exchange having nationwide trading terminals for SME**<sup>51,30,34</sup>

4.1.1. **3.1.1** 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).

4.1.2. **3.1.2** 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

<sup>51-30</sup> Circular No. MRD/DSA/17/2010 dated May 18, 2010

<sup>30</sup> Circular No. MRD/DSA/17/2010 dated May 18, 2010

<sup>34</sup> Circular No. MRD/DSA/17/2010 dated May 18, 2010

the SEBI website [www.sebi.gov.in](http://www.sebi.gov.in). Salient features of those amendments are as under:

- ~~4.1.2.1.~~ 3.1.2.1 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 \(ICDR Regulations\)](#).
- ~~4.1.2.2.~~ 3.1.2.2 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.
- ~~4.1.2.3.~~ 3.1.2.3 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.
- ~~4.1.2.4.~~ 3.1.2.4 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.
- ~~4.1.2.5.~~ 3.1.2.5 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.
- ~~4.1.2.6.~~ 3.1.2.6 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 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.
- ~~4.1.2.7.~~ 3.1.2.7 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.
- ~~4.1.2.8.~~ 3.1.2.8 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.

~~4.1.2.9.~~ 3.1.2.9 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.

~~4.1.2.10.~~ 3.1.2.10 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.

~~4.1.2.11.~~ 3.1.2.11 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.

~~4.1.2.12.~~ 3.1.2.12 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.

~~4.1.2.13.~~ 3.1.2.13 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.

~~4.1.2.14.~~ 3.1.2.14 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.

~~4.1.2.15.~~ 3.1.2.15 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.~~

It is hereby further clarified that –

~~4.1.2.16.~~ 3.1.3 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.

~~4.1.3.~~ 3.1.4 Further, the Guidelines for market making for the specified securities listed on the SME exchange may be referred in ~~Section 5 of Chapter related to 'Trading'~~ Chapter 1 titled 'Trading' of ~~this-the~~ master circular on Stock Exchanges and Clearing Corporations.

~~4.1.4.~~ 3.1.5 The Company is required to comply with SEBI (LODR) Regulation, 2018.

~~4.1.5.~~ 3.1.6 The framework for recognition and supervision of SME exchanges/platforms is hereby specified.

~~4.1.5.1.~~ 3.1.7 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:

- ~~4.1.5.1.1.~~ 3.1.7.1 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
- ~~4.1.5.1.2.~~ 3.1.7.2. It has a balance sheet networth of at least Rs. 100 crores;
- ~~4.1.5.1.3.~~ 3.1.7.3 It shall have nationwide trading terminals and an online screen-based trading system, a suitable Business Continuity Plan including a disaster recovery site;
- ~~4.1.5.1.4.~~ 3.1.7.4 It shall have an online surveillance capability which monitors positions, prices and volumes in real time so as to check market manipulation;
- ~~4.1.5.1.5.~~ 3.1.7.5 It shall have adequate arbitration and investor grievances redressal mechanism operative from all the four regions of the country.
- ~~4.1.5.1.6.~~ 3.1.7.6 It shall have adequate inspection capability;
- ~~4.1.5.1.7.~~ 3.1.7.7 It shall have the same risk management system and surveillance system as are required for cash market segment of a recognised stock exchange;
- ~~4.1.5.1.8.~~ 3.1.7.8 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;
- ~~4.1.5.1.9.~~ 3.1.7.9 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;
- ~~4.1.5.1.10.~~ 3.1.7.10 The clearing function of the stock exchange shall be performed by a clearing corporation/ clearing house;
- ~~4.1.5.1.11.~~ 3.1.7.11 The minimum lot size for trading on the stock exchange shall be one lakh rupees.
- ~~4.1.5.2.~~ 3.1.8 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~~~~03.1.5.1.1~~ to ~~038.1.5.1.11~~ of para ~~038.1.5.1~~ 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.

#### **4.2. 3.2 Standardized lot size for SME Exchange / Platform<sup>523435</sup>**

**4.2.1. 3.2.1** 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

<sup>3152</sup> Circular No. MRD/DSA/06/2012 dated February 21, 2012

<sup>34</sup> Circular No. MRD/DSA/06/2012 dated February 21, 2012

<sup>35</sup> Circular No. MRD/DSA/06/2012 dated February 21, 2012

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

4.2.2. 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.

4.2.3. 3.2.2 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.

4.2.4. 3.2.3 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.

4.2.5. 3.2.4 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.

4.2.6. 3.2.5 Further, the stock exchanges shall ensure that the lot size shall be the same for a securities traded across the Exchanges.

4.2.7. 3.2.6 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.

## 5. MISCELLANEOUS

### 5.1. Database for Distinctive Number (DN) of Shares – Action against non-compliant companies<sup>53</sup>

5.1.1. 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.

5.1.2. 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:

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

5.1.2.2. 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.

5.1.3. 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:

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

5.1.3.1.1. 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].

<sup>53</sup> Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/87 dated August 1, 2019



5.1.3.1.2. 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.

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

5.1.3.1.4. 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.

5.1.3.2. 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.

5.1.3.3. 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.

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

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

**Commented [A47]:** Discontinuation of non-applicable norms. Rationale given in point 2.27 of consultation paper

## 6. Principles of Financial Market Infrastructures (PFMIs)<sup>54</sup>

6.1. SEBI, as a member of IOSCO, is committed for adoption and implementation of the CPSS-IOSCO Principles for Financial Market Infrastructures (FMIs) in its regulatory functions of oversight, supervision and governance of the key FMIs under its purview. The PFMIs issued on April 2012 comprise of 24 principles

<sup>54</sup> Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CH/2023/190 dated December 19, 2023



(Annexure 7), which are designed to ensure that the infrastructure supporting global financial markets is robust and well-placed to withstand financial shocks.

- 6.2. Full, timely and consistent implementation of the PFMI is fundamental to ensuring the safety, soundness and efficiency of key FMIs and for supporting the resilience of the global financial system. Global central clearing requirements reinforce the importance of strong safeguards and consistent oversight of derivatives CCPs in particular.

#### Financial Market Infrastructure (FMI)

- 6.3. The Principles apply to systematically important FMI entities such as Central Counterparty (CCP), Central Securities Depository (CSD)/ Securities Settlement System (SSS), Payment and Settlement Systems (PSS) and Trade Repository (TR) which are responsible for providing clearing, settlement and recording of monetary and other financial transactions. The principles are international standards set forth to—
- 6.3.1. Enhance safety and efficiency in payment, clearing, settlement, and recording arrangements
  - 6.3.2. Reduce systemic risk
  - 6.3.3. Foster transparency and financial stability
  - 6.3.4. Promote protection of participants and investors
- 6.4. SEBI regulated Depositories and Clearing Corporations are FMIs. These systemically important FMIs provide essential facilities and perform systemically critical functions in the market and shall be required to comply with the PFMI specified by CPSS-IOSCO as applicable to them.
- 6.5. FMIs shall carry out self assessment on a periodic basis against the PFMI and disclose the same on their websites. For this purpose, the 24 principles for FMIs have been classified as “quantitative” and “qualitative” and their applicability for the Clearing Corporations is as follows:

Principle No	Principle	Classification
1	Legal basis	Qualitative
2	Governance	Qualitative
3	Framework for the comprehensive management of risk	Qualitative
4	Credit Risk	Quantitative
5	Collateral	Quantitative
6	Margin	Quantitative
7	Liquidity Risk	Quantitative

— 8	— Settlement finality	— Qualitative
— 9	— Money settlements	— Qualitative
— 10	— Physical deliveries	— Qualitative
— 11	— Central securities depositories	— Not Applicable
— 12	— Exchange of value settlement systems	— Quantitative and Qualitative
— 13	— Participant default rules and procedures	— Qualitative
— 14	— Segregation and Portability	— Quantitative and Qualitative
— 15	— General business risk	— Quantitative and Qualitative
— 16	— Custody and investment risk	— Quantitative and Qualitative
— 17	— Operational risk	— Quantitative and Qualitative
— 18	— Access and participation requirement	— Qualitative
— 19	— Tiered participation arrangements	— Quantitative and Qualitative
— 20	— FMI links	— Qualitative
— 21	— Efficiency and effectiveness	— Qualitative
— 22	— Communication procedures and standards	— Qualitative
— 23	— Disclosure of rules, key procedures and market data	— Qualitative
— 24	— Disclosure of market data by Trade Repositories	— Not Applicable

6.6. The periodicity of self-assessment and disclosure by the FMIs shall be as follows:

— Self-assessments and Disclosures	— Periodicity
------------------------------------	---------------

Quantitative	Quarterly (within 45 <sup>55</sup> days from the end of the quarter June, September, December and within 60 days from the end of March quarter).
Qualitative	Annually (within 60 <sup>56</sup> days from the end of the financial year)

6.7. FMs shall be monitored and assessed against the PFMs on annual basis by the Regulatory Oversight Committee (ROC) of the FMI and the ROC shall submit a report to the governing board of the FMI and SEBI within 90<sup>57</sup> days from the end of the financial year.

**Commented [A48]:** Discontinuation of non-applicable norms. Rationale given in point 2.28 of consultation paper

#### 7.4 Investor Charter for Stock Exchanges<sup>58,3236</sup>

In order to facilitate investor awareness about various activities inter-alia detailing the services provided to Investors, Rights of Investors, various activities of stock exchanges with timelines, Dos and DON'T's for Investors, Responsibilities of Investors, Code of Conduct for Stock Exchanges and Grievance Redressal Mechanism etc., the Investor Charter for Stock exchanges, is formulated, containing the information for investors on aforesaid issues. The Investor Charter is placed at [Annexure 8140](#).

In this regard, Stock Exchanges are advised to disclose the Investor Charter on their respective websites.

#### 8.5 Parameters for Performance Evaluation of [Market Infrastructure Institutions](#) Stock Exchanges<sup>59,3337</sup>

<sup>55</sup> SEBI Letter No. SEBI/HO/MRD/MRD-PoD-3/P/OW/2024/14792/1-7 dated April 19, 2024 to MIs

<sup>56</sup> SEBI Letter No. SEBI/HO/MRD/MRD-PoD-3/P/OW/2024/14792/1-7 dated April 19, 2024 to MIs

<sup>57</sup> SEBI Letter No. SEBI/HO/MRD/MRD-PoD-3/P/OW/2024/14792/1-7 dated April 19, 2024 to MIs

<sup>58,32</sup> Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/63 dated May 29, 2024

<sup>32</sup> Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/63 dated May 29, 2024

<sup>36</sup> Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/63 dated May 29, 2024

<sup>59,33</sup> Circular SEBI/HO/MRD/POD-III/CIR/P/2024/127 dated September 24, 2024

<sup>34</sup> Circular SEBI/HO/MRD/POD-III/CIR/P/2025/12 dated January 30, 2025

<sup>32</sup> Circular SEBI/HO/MRD/POD-III/CIR/P/2024/127 dated September 24, 2024

<sup>37</sup> Circular SEBI/HO/MRD/POD-III/CIR/P/2024/127 dated September 24, 2024

**8.1. 5.1** In order to bring consistency and uniformity with respect to evaluations to be done by the external agency, it was felt that basic minimum standards and principles should be developed along with weightages. Accordingly, the matter was discussed at the Industry Standards Forum (ISF) of MIIIs where the broad criteria, the weightage for each criterion, sub-parameters under each criterion, etc. were deliberated. For each sub-parameter, sample Key Performance Indicators (KPIs), both quantitative and qualitative in nature, were identified by SEBI in consultation with the ISF.

**8.2. 5.2** The minimum criteria for the independent external evaluation of performance of [SEMIIs](#) and their weightages are as under:

S.N.	Criteria	Weightage
(i)	Resilience in technology and processes of <a href="#">SEMIIs</a> , in delivery of its core functions.	40%
(ii)	Investor Education and Protection.	17%
(iii)	Efficient discharge of Regulatory role by <a href="#">SEMIIs</a> .	15%
(iv)	Compliance with Regulatory Norms.	10%
(v)	Evaluation of Governance Practices.	8%
(vi)	Adequacy of Resources.	5%
(vii)	Fair access and treatment to all stakeholders and information disclosure.	5%

The above criteria may be subsequently reviewed, depending upon the evolving regulatory and operating context.

**8.3. 5.3** A broad framework in this regard, developed in consultation with ISF of MIIIs is provided at [Annexure 9121](#).

#### **8.4.5.4 Rating Framework**

**8.4.1.5.4.1** In order to ensure consistency in the manner of assessment and outcomes across similar MIIIs, compare performance of such MIIIs and



monitor trends over time, a rating framework has been developed which would be assigned after evaluation of the MIIs. The rating would reflect the Independent External Agency's judgment on the performance of the MII in respect of expected outcomes. The rating framework is provided at [Annexure 40132](#).

#### **8.5.5.5 Principles for appointment of Independent External Agency:**

The following principles shall be adhered to by the [SEMHs](#) for selection of an independent external agency:

**8.5.1.5.5.1** The Independent External Agency shall be appointed with prior No Objection Certificate (NOC) from SEBI and on such terms and conditions, including fees, timelines, etc. as may be approved by the Governing Board of the [SEMH](#).

**8.5.2.5.5.2** The Independent External Agency shall have requisite domain knowledge, experience and expertise on matters concerning the securities market and the functioning of the [SEMH](#).

**8.5.3.5.5.3** [SEMH](#) shall ensure that there is no conflict of interest in the appointment of the Independent External Agency and the Agency had not been employed/hired by the [SEMH](#) for the evaluation period and till submission of the report.

#### **8.6.5.6 Timelines for External Evaluation**

**8.6.1.5.6.1** The independent external evaluation shall take place once in three years for each [SEMH](#). In this regard, the following shall be ensured:

- a) The first independent external evaluation shall be only for the Financial Year (FY) 2024-2025. The report of the same shall be submitted to the Governing Board of the [SEMH](#) and SEBI by September 30, 2025.
- b) The subsequent independent external evaluation(s) shall be for a block of next three FYs and so on. Upon completion, a report in this regard shall be submitted to the Governing Board of the [SEMH](#) and SEBI within 6 months from the end of the 3<sup>rd</sup> FY to be evaluated.

#### **8.7.5.7 Performance Evaluation Metrics for KMPs including MD**

8.7.1. ~~Clause (k) of Part A under Schedule II of the SECC Regulations, 2018 on Code of Conduct for Stock Exchanges and Clearing Corporations, *inter alia*, state that~~

~~"A recognised stock exchange and a recognised clearing corporation shall:~~

~~....~~

~~(k) Segregate roles and responsibilities of key management personnel within the stock exchange and clearing corporation including~~

~~i. Clearly mapping legal and regulatory duties to the concerned position~~

~~ii. Defining delegation of powers to each position~~

~~iii. Assigning regulatory, risk management and compliance aspects to business and support teams"~~

8.7.2. ~~Further Clause u(iv) of Part B under Schedule II of the SECC Regulations, 2018 on Code of Conduct for Governing Board, *inter alia*, states that~~

~~"Governing Board shall~~

~~.....~~

~~u. endeavour that the stock exchange and clearing corporation put in place key elements related to culture such as~~

~~.....~~

~~iv. performance management mechanisms which take into account adherence to culture, conduct and behavior related dimensions."~~

Similar provisions as stated at paragraphs 8.1 and 8.2 above, also exist for depositories under the D&P Regulations, 2018.

8.8. ~~Above 5.7.1 - The provisions of SECC regulations, 2018 provisions require~~ MHs-SEs to clearly define the roles & responsibilities and the Key Performance Indicators (KPIs) of each Key Management Personnel (KMP) and have performance management mechanisms for their evaluation. Further, these KPIs have to inculcate regulatory, risk management and compliance outcomes.

8.9. 5.7.2 In order to effectively reflect the efforts of the Managing Director (MD) and KMPs towards outcomes of various functions under Verticals 1 (Critical Operations) and Vertical 2 (Regulatory, compliance, risk management and investor grievances), SEMHs shall ensure that their internal

performance evaluation metrics have allocated sufficient weightage for these outcomes.

~~8.10.~~ 5.7.3 The performance evaluation of MD should provide at least 50% weightage towards Verticals 1 and 2 related outcomes.

5.7.4 The performance evaluation of MD and KMPs shall include the minimum criteria as specified for the ~~SEMHs~~ at **Annexure-912**. However, for KMPs the criteria and corresponding weightages may be adjusted depending upon the specific roles and responsibilities assigned to such KMPs.

#### 5.8 Parameters for external evaluation of Performance of Statutory Committees of SE<sup>3438</sup>

5.8.1 The minimum criteria for the independent external evaluation of performance of Statutory Committees of SEs and their weightages are as under:

<u>S.N.</u>	<u>Criteria</u>	<u>Weightage</u>
<u>(i)</u>	<u>Roles, Responsibilities and Duties of Statutory Committees</u>	<u>40%</u>
<u>(ii)</u>	<u>Effectiveness of meetings of Statutory Committees</u>	<u>30%</u>
<u>(iii)</u>	<u>Governance aspect of Statutory Committees</u>	<u>30%</u>

The above criteria may be reviewed, depending upon the evolving regulatory and operating context.

5.8.2 The broad framework in this regard, developed in consultation with ISF of MIs is provided at ~~Annexure-14~~**Annexure 13**.

#### 5.9 Rating Framework

<sup>34</sup> Circular No.: SEBI/HO/MRD/POD-III/P/CIR/2025/12 dated January 30, 2025

<sup>38</sup> Circular No.: SEBI/HO/MRD/POD-III/P/CIR/2025/12 dated January 30, 2025

5.9.1 In order to ensure consistency in the manner of assessment and outcomes across Statutory Committees of similar MIIs, compare performance of such Committees and monitor trends over time, a rating framework has been developed which would be assigned after evaluation of Statutory Committees of SEs. The rating would reflect the Independent External Agency's judgment on the performance of the Statutory Committees of an SE in respect of expected outcomes. The rating framework is provided at ~~Annexure 15~~ Annexure 14.

**5.10 Principles for appointment of Independent External Agency:** The following principles shall be adhered to by the SEs for selection of an independent external agency:

5.10.1 The Independent External Agency shall be appointed with prior No Objection Certificate (NOC) from SEBI and on such terms and conditions, including fees, timelines, etc. as may be approved by the Governing Board of the SE. Thus, the SE shall forward the details of the external agency to SEBI for prior NOC before appointment.

5.10.2 The Independent External Agency shall have requisite domain knowledge, experience and expertise on matters concerning the securities market and/or the functioning of the Statutory Committees of SEs.

5.10.3 SE shall ensure that there is no conflict of interest in the appointment of the Independent External Agency and the Agency had not been employed/hired by the SE for the evaluation period and till submission of the report. However, the SE can hire the services of the same Independent External Agency appointed for external evaluation of the SE, for external evaluation of its Statutory Committees, subject to compliance with the requirements stated at paragraph 5.10.2 above.

#### **5.11 Timelines for External Evaluation**



5.11.1 The independent external evaluation of Statutory Committees shall take place once in three years for each SE. In this regard, the following shall be ensured:

5.11.1.1 The first independent external evaluation shall be only for the Financial Year (FY)2024-2025. The report of the same shall be submitted to the Governing Board of the SE and SEBI by September 30, 2025.

5.11.1.2 The subsequent independent external evaluation(s) shall be for a block of next three FYs and so on. Upon completion, a report in this regard shall be submitted to the Governing Board of the SE and SEBI within 6 months from the end of the 3<sup>rd</sup> FY to be evaluated.

#### **5.12 Internal Evaluation of Performance of SEs and its Statutory Committees**

5.12.1 The SEs shall develop the set of criteria for comprehensive internal evaluation of performance of the SE and its Statutory Committees in terms of Regulation 33(5) of SECC Regulations, 2018.

5.12.2 The report of the internal evaluation of the SE and its Statutory Committees shall be submitted to the Governing Board of the SE within 3 months from the end of each FY. The first report shall be for the FY 2024-25.

8.11.

**Commented [A49]:** Incorporation of new circular/letter/email. Rationale given at point 2.34 of consultation paper.

## 56 Miscellaneous<sup>3539</sup>

6.1 Stock Exchanges communicate with market participants including investors on a regular basis by way of circulars, directions, operating instructions, communiques or any other mode of communication (hereinafter collectively referred to as 'guidelines') for necessary compliance. This has led to a plethora of guidelines by the Exchanges on various subjects.

6.2 Due to the issuance of such guidelines of varied nature and based on the feedback received from the market participants, to ensure that all market participants, including investors, find all applicable provisions on a specific subject at a place, the [SEMHs](#) shall ensure the following:

a. Issue the respective Master Circulars consolidating all guidelines issued and applicable as on March 31 of every year, segregated subject-wise.

b. Take due care to include only the relevant guidelines into the respective Master Circular while reviewing all the existing guidelines on a particular subject.

c. Such Master Circular shall not include the following:

- i. Bye-laws, Rules and Regulations issued by [SEMHs](#).
- ii. Status of any compliance by the market participant.
- iii. Actions taken against any entity.

d. Each Master Circular shall contain a list of all guidelines incorporated therein as well as provision rescinding all such guidelines with effect from the date of implementation of the Master Circular. All such rescinded guidelines shall be archived on the respective websites of the [SEMHs](#).

e. The Master Circulars shall contain a savings clause as under:

*"Notwithstanding such rescission,*

*a. Anything done or any action taken or purported to have been done or contemplated under the rescinded guidelines before the commencement of this Master Circular shall be deemed to have been done or taken or*

<sup>35</sup> Circular No.: SEBI/HO/MRD/POD 3/CIR/P/2023/58 dated April 20, 2023

<sup>39</sup> Circular No.: SEBI/HO/MRD/POD 3/CIR/P/2023/58 dated April 20, 2023

*commenced or contemplated under the corresponding provisions of the Master Circular or rescinded guidelines whichever is applicable.*

*b. The previous operation of the rescinded guidelines or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the rescinded guidelines, any penalty, incurred in respect of any violation committed against the rescinded guidelines, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded guidelines have never been rescinded."*

6.3 The first Master Circular incorporating all the guidelines applicable as on March 31, 2023 shall be issued on or before June 30, 2023. Subsequently, ~~SEMHs~~ shall update the Master Circular incorporating all guidelines issued during the financial year, and issue the same on or before April 30 of each year

6.4 The ~~MHs~~ ~~SEs~~ are directed to:

a. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately;

b. disseminate each Master Circular on their website and bring the same to the notice of all stakeholders including the Members, Depository Participants and the investors

## 9. 7. Annexures

### Annexure 1

#### A. Terms of Reference for Statutory Committees of Stock Exchanges:

S.N.	Name of Committee	Brief terms of reference
(I) Functional Committees		
1.	Member Committee (MC)	(I) On admission, transfer and surrender of membership/Withdrawal and Change in control



S.N.	Name of Committee	Brief terms of reference
		<p>a. Formulate the policy to scrutinize, evaluate, accept or reject applications for admission of members, transfer of membership and approve surrender of membership or withdrawal and Change in Control.</p> <p>b. The activities with regard to scrutinizing, evaluating, accepting or rejecting applications for admission, transfer surrender, withdrawal and change in control of membership can be implemented through an Internal Committee (IC) under MC.</p> <p>c. Define the Standard Operating Procedure (SOP) for the IC, including the timelines to be followed by IC, its composition, standardize criteria to scrutinize, evaluate, accept and grounds for rejection of applications, and other associated aspects to ensure uniformity and consistency while dealing with applications or cases. For scenarios not covered in the SOP, IC should seek approval of MC.</p> <p>d. Oversee the implementation of the membership policy by the IC, including its timelines, uniformity and consistency in approach, based on quarterly report submitted by IC. MC shall continue to be responsible and accountable for the activities of the IC.</p> <p><b>(II) On Regulatory Actions</b></p> <p>e. Ensure that the stock exchange has detailed SOP and processes in place towards monitoring the activities of its members through inspections.</p> <p>f. Ensure that there is mechanism for monitoring of the members on various parameters including through adoption of technology and take necessary action for non-compliance.</p> <p>g. Formulate the policy for regulatory actions including warning, monetary penalty, suspension, withdrawal of trading membership, declaration of default, expulsion, etc. to be taken by the stock exchange for various</p>

S.N.	Name of Committee	Brief terms of reference
		<p>violations by the members of the stock exchange. The policy should have an SOP for undertaking such actions.</p> <p>h. Based on the laid down policy, consider all cases of violations observed and impose appropriate regulatory measures on the members of the stock exchange.</p> <p>i. For enforcement actions against violations, where no discretion of MC is involved, the same could be delegated to an <u>IC/Functional Department Head</u>, provided corresponding regulatory action, including penalty amount, if any, is standardised in the policy framed by MC or through a circular issued by the stock exchange or SEBI. If the same is delegated, quarterly report in this regard should be placed before MC by the IC/<u>Functional Department Head</u>. However, for scenarios which require immediate regulatory action, the stock exchange shall inform the MC post imposition of such actions.</p> <p>j. Oversee the regulatory actions taken by IC/<u>Functional Department Head</u>, if delegated, including evaluating that no discretion has been exercised in the process. For any violation by IC/<u>Functional Department Head</u>, MC will be responsible and liable for the same.</p> <p>k. While imposing the regulatory measure, the Committee shall adopt a laid down process, based on the 'Principles of natural justice' and 'Principle of proportionality'. The 'Principle of natural justice' may be extended by the MC/IC, as applicable.</p> <p>l. Any review, appeal or waiver of penalty filed shall be placed before MC for its consideration.</p> <p><u>(i) Exchanges shall lay down a process that has provision for Trading Members(TM) to file a request for review<sup>40</sup> before Internal Committee in case of non-critical violations and for personal hearing before Member Committee for critical as well as non-critical violations.</u></p>

**Commented [A50]:** Simplification of requirement. Rationale given at point 2.5 of consultation paper

<sup>40</sup> SEBI letter vide SEBI/HO/MRD-POD-2/P/OW/30623/1 dated September 27, 2024



S.N.	Name of Committee	Brief terms of reference
		<p><u>(ii) IC may review the requests of TMs in cases of penal action for which penalties have been prescribed by the exchanges. Subsequently, IC after review could give its recommendation to MC. If the TM is aggrieved even after the review by IC, the TM could approach MC. Further, in case of alleged violations for which no penalty or punitive action is prescribed, the matter could be directly reviewed by MC.</u></p> <p>1.</p> <p><b><u>(III) On Defaulter Members:</u></b></p> <p>m. Formulate the policy to realise all the assets, and deposits of the defaulter or expelled member and appropriate the same amongst various dues and claims against the defaulter or expelled member in accordance with the Rules, Byelaws, Regulations of the Stock Exchange and applicable regulatory provisions.</p> <p>n. The activities with regard to realization of assets and deposits of the defaulter or expelled member and appropriation of the same amongst various dues and claims against the defaulter or expelled member, etc. can be implemented through an Internal Committee (IC) under MC.</p> <p>o. Define the SOP for the IC, including the timelines to be followed by IC and its composition. For scenarios not covered in the SOP, IC should seek approval of MC.</p> <p>p. In the event both the trading member and the constituent clearing member are declared defaulter, then the MC of the stock exchange and that of the clearing corporation shall work together to realise the assets of both the trading member and the clearing member.</p> <p>q. Admission or rejection of claims of client or trading members or clearing members over the assets of the defaulter or expelled member.</p> <p><b><u>(IV) On IPF related aspects:</u></b></p>

**Commented [A51]:** Incorporation of new circular/letter/email. Rationale given at point 2.34 of consultation paper.

S.N.	Name of Committee	Brief terms of reference
		r. Recommendation in respect of the claims of clients of defaulter trading member to the Trustees of the IPF on whether the claim is to be paid out of IPF or otherwise.
2.	Nomination & Remuneration Committee (NRC)	<p><b>(I) <u>Governing Board &amp; its Member related aspects:</u></b></p> <p>a. Scrutinising and interviewing applicants for selecting the MD of the stock exchange.</p> <p>b. Adhering and developing a skill evaluation metrics to assess applications of new or existing PIDs and NIDs for their appointment and/or reappointment and recommending their names to the Governing Board.</p> <p>c. Ensuring at all times that the governing board comprises of directors with required skill set and expertise in the areas as provided in SECC Regulations, 2018.</p> <p>d. Ensure compliance with governing board level skill diversity at the time of appointment, reappointment or extension of tenure of PIDs or NIDs.</p> <p>e. Framing &amp; reviewing the policy to carry out internal evaluation of every director's performance, including that of PIDs.</p> <p>f. Reviewing and recommending extension of the term of appointment and re-appointment of existing PIDs.</p> <p>g. Appointment of Independent External Professionals (IEPs).</p> <p><b>(II) <u>KMPs related aspects:</u></b></p> <p>h. Identifying KMPs based on importance of activities carried out by them, including being key decision maker(s) within the stock exchange, other than those specifically provided under regulation 2(1)(j) of the SECC Regulations, 2018. For identifying KMPs, one of the criteria should be, persons (including employees/consultants) drawing annual pay higher than any KMP(s).</p>

S.N.	Name of Committee	Brief terms of reference
		<ul style="list-style-type: none"> <li>i. Review, at least once a year hierarchical set ups across the departments, in order to identify KMPs due to a change in role and responsibilities assigned to them. Such review should necessarily include, consultants reporting to the MD/CEO or ED.</li> <li>j. The appointment and removal of KMPs other than resignations.</li> <li>k. Laying down policy for accountability of KMPs. Further, mapping legal and regulatory duties to the concerned position and Delegation of Power (DoP) at various levels.</li> <li>l. Laying down the policy for compensation of KMPs in compliance with the compensation norms prescribed under SECC Regulations, 2018 and ensuring that the compensation paid to KMPs is as per the compensation policy.</li> <li>m. Framing performance review parameters for evaluation of KMPs including that of MD.</li> <li>n. Assess the performance of KMPs based on reports submitted by the functional heads/reporting authority, and observations, if any, received from SEBI, and submit such reports to the governing board every year.</li> <li>o. Determining the tenure of a KMP, other than a director, to be posted in a particular role within regulatory, compliance, risk management and investor grievance vertical.</li> <li>p. Determining and finalizing the Key Result Areas (KRAs) of all KMPs at the beginning of every year. Review the same in line with organization needs.</li> <li>q. Ensuring that no KMP reports to a non-KMP.</li> </ul> <p><b><u>(III) On other organisation level related aspects:</u></b></p> <ul style="list-style-type: none"> <li>r. Ensure that no employee of the stock exchange is working or reporting to an employee of any other</li> </ul>



S.N.	Name of Committee	Brief terms of reference
		<p>company where the stock exchange has invested and vice-versa.</p> <p>s. Ensure that hiring of consultants is based on a pre-defined SOP of the stock exchange.</p> <p>t. Framing, reviewing, implementing and monitoring SOP for imposing disciplinary actions against employees of stock exchange.</p> <p>u. Besides the above, it will also discharge the function as Nomination &amp; Remuneration Committee under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 as amended from time to time.</p>
<b>(II) Oversight Committees</b>		
3.	<b>Standing Committee on Technology (SCOT)</b>	<p>a. Ensure the availability of required IT infrastructure for core and critical functions under verticals for "Critical operations" and "Regulatory, compliance, risk management and investor grievances".</p> <p>b. Ensure existence of adequate Business Continuity Plan (BCP) and Disaster Recovery (DR) plans.</p> <p>c. Ensuring sound and prudent policies, standards and procedures for managing technology risks and safeguard information assets in the stock exchange.</p> <p>d. Review the implementation of technology risk management framework and strategy of stock exchange.</p> <p>e. Monitor whether the technology used remains up to date and meets the growing demands of the markets.</p> <p>f. Periodic review of the IT system and network architecture design to identify any weaknesses in the existing design.</p> <p>g. Review of in-house availability of appropriate IT staff to manage IT systems and related outsourcing arrangement.</p> <p>h. Monitor the adequacy of systems capacity and efficiency.</p> <p>i. To look into the changes being suggested by the stock exchange to the existing software or hardware.</p>

S.N.	Name of Committee	Brief terms of reference
		<p>j. Oversee investigations into issues related to computerized trading system, such as hanging, slowdown, breakdown, etc.</p> <p>k. Ensure that transparency is maintained in disseminating information regarding slowdown or breakdown in Online Trading System and ensure that the Stock Exchange issues a press release specifying the reasons for any such breakdown.</p> <p>l. Approve Root Cause Analysis (RCA) of any stoppage of Trading system and report to the governing board and SEBI.</p> <p>m. Review the implementation of board approved cyber security and cyber resilience policy and its framework and ensure existence of advanced Cyber Security and Cyber Resilience framework at the stock exchange.</p> <p>n. Review the identification and classification process of critical assets based on their sensitivity and criticality for business operations, services and data management.</p> <p>o. Ensuring that the scope of the system audit, cyber audit and VAPT of the stock exchange is broad and representative of all critical areas of the stock exchange.</p> <p>p. Monitoring the results of periodic cyber security and DR drills conducted by the stock exchange.</p> <p>q. Review and approve the report regarding overall cyber security posture and technology implementation at the stock exchange and submit to the governing board. Upon approval by the governing board, submit the report to SEBI.</p> <p>r. On the above areas, the Committee shall submit a report to the Governing Board of the stock exchange for necessary action, if any.</p> <p>s. Such other matters as may be referred by the Governing Board of stock exchange and/or SEBI.</p>
4.	<b>Regulatory Oversight Committee (ROC)</b>	<p>Oversee the matters related to the following:</p> <p>a. <u>Surveillance and Investigation:</u></p>

S.N.	Name of Committee	Brief terms of reference
		<ul style="list-style-type: none"> <li>i. Oversight of market through order and trade level alerts, security level alerts, processing of alerts, price band changes, rumour verifications, shifting of securities to trade for trade segment, action against listed companies as a part of Surveillance Action, detailed investigations undertaken, disciplinary actions, development of new alerts based on learnings from past or ongoing cases, etc., as may be applicable to the relevant segments of the exchange.</li> <li>ii. Requests, received from members of stock exchange, for review of decision taken by stock exchange regarding annulment of trades and provide its recommendation within 30 days of receipt of request by the stock exchange.</li> </ul> <p>b. <u>Listing of Securities</u>: Oversight of admission of securities for trading, suspension, revocation, delisting, etc.</p> <p>c. <u>Compliance</u>:</p> <ul style="list-style-type: none"> <li>i. Oversee and monitor implementation of SECC Regulations, 2018 and other applicable rules and regulations along with SEBI Circulars and other directions issued thereunder.</li> <li>ii. Review the observations arising from various SEBI inspections, ensuring its advisories and findings are appropriately and timely addressed, and reports to governing board on timely basis.</li> </ul> <p>d. <u>Code of Conduct</u>:</p> <ul style="list-style-type: none"> <li>i. Lay down procedures for implementation of the code of conduct and prescribe the reporting formats for disclosures required under the code of conduct.</li> <li>ii. Oversee the compliance of the code of conduct by KMPs and members of statutory committees (except directors)</li> <li>iii. Review compliance with the provisions on “Code of Conduct &amp; Institutional mechanism for prevention of</li> </ul>



S.N.	Name of Committee	Brief terms of reference
		<p>Fraud or Market Abuse” <del>of Chapter VI of SEBI Master Circular for Stock Exchanges and Clearing Corporations</del> at least once in a financial year and also verify the adequacy and operational effectiveness of the systems for internal control.</p> <p>iv. Periodically oversee the dealings in securities by KMPs and IEPs.</p> <p>v. Periodically oversee the trading conducted by firms or corporate entities in which the directors of the stock exchange hold twenty percent or more beneficial interest or hold a controlling interest.</p> <p>vi. While monitoring trades by KMPs and members of statutory committees, ROC shall take into consideration sensitive information held by them as per structured digital database maintained by stock exchange.</p> <p>vi-vii. <u>Monitor compliance with the fit and proper criteria by shareholders of SE</u></p> <p>e. Ensure the adequacy of resources dedicated to functions under verticals for “Critical operations” and “Regulatory, compliance, risk management and investor grievances”.</p> <p>f. <u>Grievance Redressal Mechanism:</u></p> <p>i. Define policy and SOP for dealing with complaints by stock exchanges.</p> <p>ii. Review of complaint resolution process, complaints remaining unresolved over long period of time, etc.</p> <p>iii. Ensuring that stock exchanges take pro-active actions in case of repeated nature of complaints against particular TMs.</p> <p>g. <u>Investor Protection and Services:</u></p>

**Commented [A52]:** Delegation of responsibility. Rationale provided in point 2.6 of consultation paper



S.N.	Name of Committee	Brief terms of reference
		<ul style="list-style-type: none"> <li>i. Supervising the functioning of Investors Services Cell of the stock exchange.</li> <li>ii. Approve the investment policy for Investor Service Fund (ISF)</li> <li>iii. Supervise ISF, including its utilization.</li> <li>h. <u>Whistleblower Mechanism</u>: <ul style="list-style-type: none"> <li>i. Frame the Whistle Blower Policy to be approved by the governing board.</li> <li>ii. Communicate the whistle blower policy internally to all persons and display the same on the stock exchange website.</li> <li>iii. Review the whistle blower policy based on feedback received.</li> </ul> </li> <li>i. <u>Fees and Charges</u>: <ul style="list-style-type: none"> <li>i. Review the fees and charges levied by the exchange, including commenting on its appropriateness, on a periodic basis as well as each time there is change.</li> <li>ii. Review Liquidity Enhancement Scheme (LES) including reduction or waiver of transaction fees, etc., its justification and impact,</li> </ul> </li> <li>j. Oversee contribution of the stock exchange towards Core Settlement Guarantee Fund (SGF) of the Clearing Corporation.</li> <li>k. Review annually the performance of Product Advisory Committee (for Stock Exchanges with Commodities Derivatives segment)</li> <li>l. Oversee matters related to product design and review the design of the already approved and running contracts.</li> </ul>
5.	<b>Risk Management Committee (RMC)</b>	<ul style="list-style-type: none"> <li>a. Formulate a detailed Risk Management Framework (RMF) which shall be approved by the governing board of the stock exchange to ensure continuity of operation at all points of time.</li> </ul>

S.N.	Name of Committee	Brief terms of reference
		<ul style="list-style-type: none"> <li>b. The RMF shall include the following: <ul style="list-style-type: none"> <li>i. The framework for identification of internal and external risks.</li> <li>ii. Measures for risk mitigation including systems and processes for internal control.</li> <li>iii. Business continuity plan</li> </ul> </li> <li>c. Monitor each risk associated with the functioning of the stock exchange more specifically for functions under vertical 1 and 2.</li> <li>d. Review the RMF &amp; Risk Mitigation Measures at least once annually taking into account the changing industry dynamics and evolving complexity.</li> <li>e. Monitor and review enterprise-wide risk management plan and lay down procedures to inform the governing board about the risk assessment and mitigation procedures.</li> <li>f. RMC shall coordinate with other committees. In case of overlap with activities of other committees, RMC may consider views of such committees.</li> <li>g. Monitor implementation of the RMF and also keep the governing board informed about implementation of the RMF and deviation, if any.</li> <li>h. Approve the Half-Yearly Risk report to be submitted by the Chief Risk Officer (CRiO) to SEBI and the governing board of the stock exchange.</li> <li>i. Comply with the roles and responsibilities as provided under the Companies Act 2013 and the SEBI (Listing Obligation and Disclosure Requirement), Regulations, 2015.</li> </ul>
6.	<b>Investment Committee (IC)</b>	<ul style="list-style-type: none"> <li>a. Evaluate each investment and divestment proposals, whether requiring infusion of funds or otherwise, except treasury investments.</li> <li>b. Evaluate proposals of capital expenditure.</li> <li>c. Make detailed analysis of existing investments.</li> </ul>

S.N.	Name of Committee	Brief terms of reference
		d. Investment Committee shall provide their recommendations along with rationale to the governing board.

**SEBI clarification/response letter dated August 22, 2024 on Joint Representation by MIs on SEBI Circular dated June 25, 2024 on Statutory Committees at MIs<sup>41</sup>**

**SEBI/HO/MRD/MRD-PoD-3/P/OW/2024/26682/12**  
**August 22, 2024**

1. This has reference to the joint representation dated July 15, 2024 and queries received from certain MIs on the captioned subject seeking clarifications on SEBI Circular dated June 25, 2024 pertaining to Statutory Committees at Market Infrastructure Institutions (MIs) and discussions with all MIs held on August 08, 2024. The point wise clarification/response is provided in the table below: -

S. N.	Query	Our Comments
1.	<p><b>All Committees:</b></p> <p>a) With regard to the term 'may' referred to in the composition of the various statutory committees, the same is considered to be optional.</p> <p>b) Wherever plural is used in the case of Non Independent Director (NID), IEP, it is</p>	<p>a) As per SEBI circular dated June 25, 2024, the composition of the Statutory Committees is left to the discretion of the MIs subject to compliance with the regulatory requirements. However, it is clarified that appointment of the Managing Director as part of Member Committee (MC) and Independent External Professionals (IEPs) as part of Standing Committee on Technology (SCOT), Regulatory Oversight Committee (ROC) and Risk Management Committee (RMC) shall be ensured.</p> <p>b) The understanding with the provision is appropriate.</p>

<sup>41</sup> [SEBI letter SEBI/HO/MRD/MRD-PoD-3/P/OW/2024/26682/12 dated August 22, 2024](#)

S. N.	Query	Our Comments
	<p>understood that it includes singular also except in the case of SCOT since the Circular specifically mandates induction of at-least 2 IEPs in the Committee.</p> <p>c) There are certain activities that are essential and critical for the adherence/ completion of TOR, although these activities may not be covered as TOR. It is understood that such activities would be addressed by the concerned Committees.</p>	<p>c) Paragraph 6 of SEBI Circular dated June 25, 2024 may be referred in this regard.</p>
2.	<p><b><u>For Nomination and Remuneration Committee (NRC), SCOT, ROC, RMC &amp; Investment Committee (IC):</u></b> MD and relevant Key Management Personnel (KMP) can attend the entire meeting(s) as invitees.</p>	<p>As per the provisions of SEBI Circular dated June 25, 2024:</p> <p>a) KMPs including MD are not part of NRC.</p> <p>b) MD is not part of ROC.</p> <p>c) SCOT, RMC and Investment Committee may include the MD as member and KMPs like Chief Risk Officer (CRO), Chief Information &amp; Security Officer (CISO), Chief Technology Officer (CTO), etc. as invitees in meetings of certain Committees. However, if MD is not included as a member, then he/she may attend the meeting as an invitee for the specific agenda item(s) where their involvement is considered essential by the Chairman of respective Committees based on documented necessity rather than as a permanent invitee.</p>
3.	<p><b><u>SCOT:</u></b></p> <p>a) Clarity is required as to what constitutes 'expert' and 'practitioner' in cyber security'.</p> <p>b) Since the circular permits more Non Independent Directors (NIDs) and IEPs than Public Interest Directors (PIDs) in the composition of SCOT, there could be situations wherein proposals cannot be put to vote since the number of PIDs would</p>	<p>a) The terms of reference in this regard is clear and self-explanatory.</p> <p>b) As a special exception has been made for the composition of SCOT where the total number of PIDs shall not be less than the total number of other members of the Committee, excluding IEPs, it is clarified that voting on any resolution shall be considered to be valid when the total</p>

S. N.	Query	Our Comments
	be out-numbered by the non-PID members.	number of PIDs that voted is not less than other members of SCOT, excluding IEPs.
4.	<p><b>MC:</b> We understand that</p> <p>a) It is at the discretion of the MII whether or not to form an Internal Committee(s).</p> <p>b) The interpretation of expertise in "Capital Markets" as prescribed by SEBI would broadly encompass a wide range of products and expertise including that in financial markets and commodity markets such as agriculture, warehousing etc.</p> <p>c) Various proposals have been stated for Internal Committee (IC) to be formed for Regulatory Actions under Member Committee(MC) and how enforcement action shall be taken against members by exchanges. Additional points were raised with respect to delegation to MII for system based actions and other routine actions to be delegated to officials of MII.</p>	<p>a) The understanding with the provision is appropriate.</p> <p>b) The term, "capital markets" can be construed to be an overarching term which has been used to include stocks, bonds, along with key components of the commodities markets such as agriculture, warehousing, etc.</p> <p>c) We take note of the proposals made for taking actions against members/participants by MIIs. In this regard, it is stated that any action against members or participants for violations/non-compliance, no discretion shall be exercised by IC or the officials of the stock exchange and they shall act as per the SOP approved by MC. All decisions where discretion is required shall be referred to MC. Further MC shall be responsible for all actions being taken against members. Thus, the MIIs shall strictly follow the regulatory requirement in this regard.</p>
5.	<p><b>NRC:</b> Regulation 38(3) of SECC Regulations, 2018 inter alia states that an employee of a recognised stock exchange or recognised clearing corporation shall not simultaneously be an employee of any other company where the recognised stock exchange or recognised clearing corporation has invested.</p> <p>In this context, the provision in the revised ToR of NRC states that <i>"Ensure that no employee of the stock exchange is working or reporting to an employee of any other company where the stock exchange has invested and vice-versa."</i></p>	<p>In this regard, it is clarified that an employee of an MII cannot simultaneously be an employee of any other company where the MII has invested, whether treasury investment or otherwise. The revised provision does not restrict deputation of employees of an MII to its subsidiaries.</p> <p>As per the terms of NRC, they have to ensure that no employee of the stock exchange is working or reporting to an employee of any other company simultaneously where the stock exchange has invested and vice-versa.</p>

S. N.	Query	Our Comments
	<p>The above seems to indicate that the restriction does not apply to the deputation of employees from an MII to its subsidiaries.</p> <p>We request your confirmation on the above clarification</p>	
6.	The SEBI Circular dated June 25, 2024 does not state clearly whether SEBI Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/13 dated January 10, 2019 on "Committees at Market Infrastructure Institutions (MIIs)" stands rescinded.	The circular SEBI Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/13 dated January 10, 2019 dated January 10, 2019 was rescinded when the Master Circular of stock exchange, clearing corporation and depositories were issued.
7.	SEBI circular dated June 25, 2024 do not specifically mention that the clauses pertaining to Statutory Committees mentioned in SEBI Master Circular No. SEBI/HO/MRD-PoD-1/P/CIR/2023/136 dated August 4, 2023 which is the Master Circular for Commodities Derivatives segment, stand rescinded with effect from the date of implementation of SEBI Circular dated June 25, 2024.	It is clarified that appropriate modifications shall be carried out while issuing the Master Circular for Commodity Derivatives Segment.
8.	As per composition requirement, certain committees are required to have Chairperson with specific expertise. The MIIs have a well-diversified Board and Directors having the requisite qualifications and experience as prescribed under SECC Regulations. In view of the same, except for SCOT, we request SEBI to grant relaxation for having a Chairperson with specific expertise for all other Statutory Committees.	<p>SEBI have amended the SECC Regulations, 2018 and D&amp;P Regulations 2018 to have at least one PID with specific skill-sets and experience in each of the areas of technology, capital markets, legal and regulatory practice and finance and accountancy in the MIIs. These skills/qualifications are essential in the operations of the MIIs. Therefore, with specialized PIDs available in the above stated areas, the mentioned statutory committees shall be chaired by these specific PIDs only.</p> <p>In view of the above, the request is not acceded to.</p>
9.	<p><u>Criteria for identification of KMPs:</u></p> <p>The MIIs have jointly submitted that along with a list of KMPs identified as per SECC Regulations, 2018 and D&amp;P Regulations, 2018, MIIs will additionally submit a list of all non-KMPs (employees and consultants) whose annual salary or professional fees is higher than the salary/professional fees to a KMP.</p>	The process suggested jointed by MIIs is noted.

S. N.	Query	Our Comments
	The NRC would review the said list of such non-KMPs, along with their roles and responsibilities and consider whether such non-KMPs need to be designated as KMPs	
10.	<b>Investment Committee:</b> The TOR of Investment Committee inter alia states that it will evaluate proposals for capital expenditure. This will lead to MIs going to Investment Committee for routine capital expenditure like buying of laptops, printers etc. which may not be desired objective of this committee. It is therefore requested that a threshold level may be prescribed for taking matters to this committee.	This point requires further deliberation. It is suggested that the MIs may discuss this issue at ISF and comeback to SEBI w.r.t. an equitable threshold agreeable to all MIs for which they would take such matters to their Investment Committee.
11.	The timelines for implementation be extended <b>upto 3 months</b> from the date of issuance of the circular.	As per request of the MIs, the date of implementation of the circular dated June 25, 2024 on "Statutory Committees at Market Infrastructure Institutions(MIs)" shall be with effect from <b>90<sup>th</sup> day of its issuance</b> .

**b. Terms of Reference for Statutory Committees of Clearing Corporations:**

**Commented [A53]:** Clearing Corporation related. Rationale given at point 2.29 of consultation paper.

S.N.	Name of Committee	Brief terms of reference
<b>(I) Functional Committees</b>		
1.	<b>Member Committee (MC)</b>	<p><del>(I) On admission, transfer and surrender of membership/Withdrawal/Change in control.</del></p> <p>a. Formulate the policy to scrutinize, evaluate, accept or reject applications for admission of members and transfer of membership and approve voluntary withdrawal of membership or withdrawal and Change in Control.</p>





S.N.	Name of Committee	Brief terms of reference
		<p>b. <del>The activities with regard to scrutinizing, evaluating, accepting or rejecting applications for admission, transfer surrender/withdrawal and change in control of membership can be implemented through an Internal Committee (IC) under MC.</del></p> <p>c. <del>Also, in case of clearing corporations with commodity derivatives segment, the committee shall also look into:</del></p> <p style="padding-left: 20px;"><del>i. Approving the empanelment &amp; cancellation of Warehouse Service Providers or Vault Service Providers or Assayers, accreditation of warehouse, etc.</del></p> <p style="padding-left: 20px;"><del>ii. Reviewing the continuous functioning, monitoring, and compliance of norms by Warehouse Service Providers, Vault Service Providers and assayers.</del></p> <p>d. <del>The activities with regard to empanelment, cancellation, continuous functioning, monitoring and compliance by Warehouse Service Providers or Vault Service Providers or Assayers, accreditation of warehouse, etc. could also be implemented through an IC under MC.</del></p> <p>e. <del>Define the Standard Operating Procedure (SOP) for the ICs, including the timelines to be followed by ICs, its composition, standardize criteria to scrutinize, evaluate, accept and grounds for rejection of applications, and other associated aspects to ensure uniformity and consistency while dealing, / with applications or cases. For scenarios not covered in the SOP, ICs should seek approval of MC.</del></p> <p>f. <del>Oversee the implementation of the SOP by the ICs, including its timelines, uniformity and consistency in approach, based on quarterly report submitted by ICs. MC shall continue to be responsible and accountable for the activities of the ICs.</del></p> <p><b><u>(II) On Regulatory Actions</u></b></p> <p>g. <del>Ensure that the clearing corporation has detailed SOP and processes in place towards monitoring the activities of its members through inspections.</del></p>



S.N.	Name of Committee	Brief terms of reference
		<p>h. Ensure that there is mechanism for monitoring of its members on various parameters through technology and take necessary action for non-compliance.</p> <p>i. Formulate policy for regulatory actions, including warning, monetary penalty, suspension, withdrawal of clearing membership, declaring of default, expulsion, to be taken by the clearing corporations for various violations by the members of the clearing corporation. The policy should have an SOP for undertaking such actions.</p> <p>j. Based on the laid down policy, consider all cases of violations observed and impose appropriate regulatory measures on the members of the clearing corporation.</p> <p>k. For enforcement actions against violations, where no discretion of MC is involved, the same could be delegated to an IC, provided corresponding regulatory action, including penalty amount, if any, is standardized in the policy framed by MC or through a circular issued by the clearing corporation/SEBI. If the same is delegated, quarterly report in this regard should be placed before MC by the IC. However, for scenarios which require immediate regulatory action, the clearing corporation shall inform the MC post imposition of such actions.</p> <p>l. Oversee the regulatory actions taken by IC, if delegated, including evaluating that no discretion has been exercised in the process. For any violation by IC, MC will be responsible and liable for the same.</p> <p>m. While imposing the regulatory measure, the Committee shall adopt a laid down process, based on the 'Principles of natural justice' and 'Principle of proportionality'. The 'Principle of natural justice' may be extended by the MC/IC, as applicable.</p> <p>n. Any review, appeal or waiver of penalty filed shall be placed before MC for its consideration.</p> <p><b><u>(III) On Defaulter Members:</u></b></p> <p>o. Formulate the policy to realize the assets or deposits of defaulter or expelled member and appropriate the same</p>



S.N.	Name of Committee	Brief terms of reference
		<p>amongst various dues and claims against the defaulter or expelled member in accordance with the Rules, Byelaws and Regulations of the clearing corporation and applicable regulatory provisions.</p> <p>p. The activities with regard to realization of assets, and deposits of the defaulter or expelled member and appropriation of the same amongst various dues and claims against the defaulter or expelled member, etc. can be implemented through an IC under MC.</p> <p>q. Define the SOP for the IC, including the timelines to be followed by IC and its composition. For scenarios not covered in the SOP, IC should seek approval of MC.</p> <p>r. In the event both the clearing member and the constituent trading member are declared defaulter, then the MC of the clearing corporation and that of the stock exchange shall work together to realise the assets of both the clearing member and the trading member.</p> <p>s. Admission or rejection of claims against such members over the assets of the defaulter or expelled member.</p>
2.—	Nomination and Remuneration Committee (NRC)	<p><b>(I) Governing Board &amp; its Members related aspects:</b></p> <p>a. Scrutinising and interviewing applicants for selecting the MD of the clearing corporation.</p> <p>b. Adhering and developing a skill evaluation metrics to assess applications of new or existing PIDs and NIDs for their appointment and/or reappointment and recommending their names to the Governing Board.</p> <p>c. Ensuring at all times that the governing board comprises of directors with required skill set and expertise in the areas as provided in SECC Regulations, 2018.</p> <p>d. Ensure compliance with governing board level skill diversity at the time of appointment, reappointment or extension of tenure of PIDs or NIDs.</p> <p>e. Framing &amp; reviewing the policy to carry out internal evaluation of every director's performance, including that of PIDs.</p>

S.N.	Name of Committee	Brief terms of reference
		<p><del>f. Reviewing and recommending extension of the term of appointment and re-appointment of existing PIDs.</del></p> <p><del>g. Appointment of Independent External Professionals (IEPs).</del></p> <p><u>(II) KMPs related aspects:</u></p> <p><del>h. Identifying KMPs based on importance of activities carried out by them, including being key decision makers within the clearing corporation, other than those specifically provided under regulation 2(1)(j) of the SECC Regulations, 2018. For identifying KMPs, one of the criteria should be, persons (including employees/consultants) drawing annual pay higher than any KMP(s).</del></p> <p><del>i. Review, at least once a year hierarchical set-ups across the departments, in order to identify KMPs due to a change in role and responsibilities assigned to them. Such review should necessarily include, consultants reporting to the MD/CEO or ED.</del></p> <p><del>j. The appointment and removal of KMPs other than resignations.</del></p> <p><del>k. Laying down policy for accountability of KMPs. Further, mapping legal and regulatory duties to the concerned position and Delegation of Power (DoP) at various levels</del></p> <p><del>l. Laying down the policy for compensation of KMPs in compliance with the compensation norms prescribed under SECC Regulations, 2018 and ensuring that the compensation paid to KMPs is as per the compensation policy.</del></p> <p><del>m. Framing performance review parameters for evaluation of KMPs, including that of MD.</del></p> <p><del>n. Assess the performance of KMPs based on reports submitted by the functional heads/reporting authority, and observations, if any, received from SEBI, and submit such reports to the governing board every year.</del></p> <p><del>o. Determining the tenure of a KMP, other than a director, to be posted in a particular role within regulatory compliance, risk management and investor grievance vertical.</del></p>



S.N.	Name of Committee	Brief terms of reference
		<p>p. Determining and finalizing the KRAs of all KMPs at the beginning of the year. Review the same in line with organizational needs.</p> <p>q. Ensuring that no KMP reports to a non-KMP.</p> <p><u>(III) On other organisation level related aspects:</u></p> <p>r. Ensure that no employee of the clearing corporation is working or reporting to an employee of any other company where the clearing corporation has invested and vice-versa.</p> <p>s. Ensure that hiring of consultants is based on a pre-defined SOP of the clearing corporation.</p> <p>t. Framing, reviewing, implementing and monitoring SOP for imposing disciplinary actions against employees of clearing corporation.</p> <p>u. Besides the above, it will also discharge the function as Nomination &amp; Remuneration Committee under the Companies Act, 2013 and SEBI (LODR) regulations, 2015 as amended from time to time.</p>
<u>(II) Oversight Committees</u>		
3.—	Standing Committee on Technology (SCOT)	<p>a. Ensure availability of required IT infrastructure for core and critical functions under verticals for “Critical operations” and “Regulatory, compliance, risk management and investor grievances”.</p> <p>b. Ensure existence of adequate Business Continuity Plan (BCP) and Disaster Recovery (DR) plans</p> <p>c. Ensuring sound and prudent policies, standards and procedures for managing technology risks and safeguard information assets in the clearing corporation.</p> <p>d. Review the implementation of technology risk management framework and strategy of clearing corporation.</p> <p>e. Monitor whether the technology used by the clearing corporation remains up to date and meets the growing demands of the markets.</p> <p>f. Periodic review of the IT system and network architecture design to identify any weaknesses in the existing design.</p>

S.N.	Name of Committee	Brief terms of reference
		<p>g. Review of in-house availability of appropriate IT staff to manage IT systems and related outsourcing arrangement.</p> <p>h. Monitor the adequacy of system capacity and efficiency.</p> <p>i. To look into the changes being suggested by the clearing corporation to the existing software or hardware.</p> <p>j. Oversee investigation into the computerized risk management or clearing &amp; settlement system, such as hanging or slowdown or breakdown etc.</p> <p>k. Ensure that transparency is maintained in disseminating information regarding slowdown or break down risk in Online Clearing &amp; Settlement System and ensure that the Clearing Corporation issues a press release specifying the reasons for any such breakdown.</p> <p>l. Approve Root Cause Analysis (RCA) of any stoppage of Clearing and Settlement system and report to the governing board and SEBI.</p> <p>m. Review the implementation of board approved cyber security and cyber resilience policy and its framework and ensure existence of advanced Cyber Security and Cyber Resilience framework at the clearing corporation.</p> <p>n. Review the identification and classification process of critical assets based on their sensitivity and criticality for business operations, services and data management.</p> <p>o. Ensuring that the scope of the system audit, cyber audit and VAPT of the clearing corporation is broad and representative of all critical areas of the clearing corporation.</p> <p>p. Monitoring the results of periodic cyber security and DR drills conducted by clearing corporations.</p> <p>q. Review and approve the report regarding overall cyber security posture and technology implementation at the Clearing Corporation and submit to the Governing Board. Upon approval by the governing board, submit the report to SEBI.</p> <p>r. On the above areas, the Committee shall submit a report to the Governing Board of the clearing corporation for necessary action, if any</p>

S.N.	Name of Committee	Brief terms of reference
		s. Such other matters as may be referred by the Governing Board of the Clearing Corporation and/or SEBI.
4.—	<b>Regulatory Oversight Committee (ROC)</b>	<p>Oversee the matters related to the following:</p> <p>a. <u>Compliance:</u></p> <ul style="list-style-type: none"> <li>i. <del>Oversee implementation and compliance with SECC Regulations, 2018 as amended from time to time and other applicable rules and regulations along with SEBI Circulars and other directions issued thereunder.</del></li> <li>ii. <del>Review the observations arising from various SEBI inspections, ensuring its advisories and findings are appropriately and timely addressed, and reports to governing board on timely basis.</del></li> <li>iii. <del>Monitor and assess the clearing corporation against the PFMLs on an annual basis and submit a report to the governing board of the clearing corporation.</del></li> </ul> <p>b. <u>Code of Conduct</u></p> <ul style="list-style-type: none"> <li>i. <del>Lay down procedures for implementation of the code of conduct and prescribe the reporting formats for disclosures required under the code of conduct.</del></li> <li>ii. <del>Oversee the compliance of the code of conduct by KMPs and members of statutory committees (except directors)</del></li> <li>iii. <del>Review compliance with the provisions on "Code of Conduct &amp; Institutional mechanism for prevention of Fraud or Market Abuse" of Chapter VI of SEBI Master Circular for Stock Exchanges and Clearing Corporations at least once in a financial year and also verify that the adequacy and operational effectiveness of the systems for internal control.</del></li> <li>iv. <del>Periodically oversee the dealings in securities by KMPs and IEPs.</del></li> <li>v. <del>Periodically oversee the trading conducted by firms or corporate entities in which the directors of the Clearing</del></li> </ul>



S.N.	Name of Committee	Brief terms of reference
		<p><del>Corporation hold twenty percent or more beneficial interest or hold a controlling interest.</del></p> <p><del>vi. While monitoring trades by KMPs and members of statutory committees, ROC shall take into consideration sensitive information held by them as per structured digital database maintained by clearing corporation.</del></p> <p><del>e. Ensure the adequacy of resources dedicated to functions under verticals for "Critical operations" and "Regulatory, compliance, risk management and investor grievance".</del></p> <p><del>d. Grievance Redressal mechanism:</del></p> <p><del>i. Define policy and SOP for dealing with complaints by clearing corporation.</del></p> <p><del>ii. Review of complaint resolution process, complaints remaining unresolved over long period of time, etc.</del></p> <p><del>iii. Ensuring that Clearing Corporations take pro-active actions in case of repeated nature of complaints against particular CMCs, if any.</del></p> <p><del>e. Supervising the functioning of Investors Services Cell of the clearing corporation.</del></p> <p><del>f. Whistleblower Mechanism:</del></p> <p><del>i. Frame the Whistle Blower Policy to be approved by the governing board</del></p> <p><del>ii. Communicate the whistle-blower policy internally to all persons and display the same on the clearing corporation's website.</del></p> <p><del>iii. Review the whistle-blower policy based on feedback received.</del></p> <p><del>g. Review the fees and charges levied by a Clearing Corporation including comments on its appropriateness, on a periodic basis as well as each time there is change.</del></p>





S.N.	Name of Committee	Brief terms of reference
		<del>h. 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.</del>
5.—	<b>Risk Management Committee (RMC)</b>	<del>a. Formulate a detailed Risk Management Framework (RMF) which shall be approved by the governing board of the clearing corporation to ensure continuity of operation at all points of time. b. The RMF shall include the following: i. The framework for identification of internal and external risks; ii. Measures for risk mitigation including systems and processes for internal control and; iii. Business continuity plan. c. Monitor each risk associated with the functioning of the clearing corporation more specifically for functions under vertical 1 and 2. d. Review the RMF &amp; risk mitigation measures at least once annually taking into account the changing industry dynamics and evolving complexity. e. Monitor and review enterprise wide risk management plan and lay down procedures to inform governing board about the risk assessment and mitigation procedures. f. RMC shall coordinate with other committees. In case of overlap with activities of other committees, RMC may consider views of such committees. g. Monitor implementation of the RMF and also keep the governing board informed about implementation of the RMF and deviation, if any. h. Approve the Half-Yearly Risk report to be submitted by the Chief Risk Officer (CRiO) to SEBI and the governing board of the clearing corporation. i. Comply with the roles and responsibilities as provided under the Companies Act 2013 and the SEBI (Listing Obligation and Disclosure Requirement), Regulations, 2015.</del>

S.N.	Name of Committee	Brief terms of reference
6.—	Investment Committee (IC)	<p>a. Evaluate each investment and divestment proposals, whether requiring infusion of funds or otherwise, except treasury investments.</p> <p>b. Evaluate proposals of capital expenditure.</p> <p>c. Make detailed analysis of existing investments.</p> <p>d. Investment Committee can provide the recommendation along with rationale to the governing Board</p>

## Annexure 2

### Guide for SEMHs to frame criteria for performance review of PIDs:

- Qualifications**<sup>60, 4235</sup>: PID's qualification in area of capital markets, finance and accountancy, legal and regulatory practice, technology, risk management and management or administration.
- 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.

<sup>60, 35</sup> Pursuant to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, the qualification criteria for PIDs has been revised.

<sup>42</sup> Pursuant to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, the qualification criteria for PIDs has been revised

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-SE](#) (The [MII-SE](#) may list various competencies and mark all PIDs against every such competency e.g. Constructive and analytical decision making abilities).
- 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 [SEMH](#) 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 [SEMH](#), 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 [SEMH](#).

**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 [MH-SE](#) and its member.
- Whether the PID keeps regulators informed of material developments in the concerned [MHs-SEs](#) 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 [SEMHs](#) system, in letter as well as spirit.



Skill evaluation metrics to assess the applications for appointment or reappointment of PIDs

<u>Criterion</u>	<u>Weightage</u>	<u>Grouping</u>	<u>Indicative Parameters for Assessing the same</u>
<b>1. Value Assessment</b> (Core personal attributes)	30%	(i) High Standards of Ethical Behaviour (30%)	<ul style="list-style-type: none"><li>• No instances of bribery, fraud, or malpractice.</li><li>• No instances of misuse/abuse of any position/power.</li><li>• Violation of any Acts, Rules, Regulations, Guidelines, Code, etc.</li><li>• High degree of interpersonal skills and repute amongst peers and industry professionals.</li><li>• Comments of SEs in case of any adverse comments by an independent HR agency.</li></ul>
		(ii) Potential Conflict of Interest (30%)	<ul style="list-style-type: none"><li>• If there are any business interests / conflicts which were not disclosed.</li><li>• If there are connections to competitors or other parties that may impede independence.</li><li>• Whether such candidate has been a material supplier, service provider or customer (other than the user) of the SE or its subsidiary or has/had any other pecuniary relationship with SE or its subsidiary in the preceding three financial years.</li><li>• Association of candidate / relative of candidate with the SE or its subsidiary or its associates in the capacity of director, advisor, KMP, etc. in any direct or indirect manner.</li><li>• Association of candidate / relative of candidate with</li></ul>



Criterion	Weightage	Grouping	Indicative Parameters for Assessing the same
			<p>any major vendor of the SE or its subsidiary or its associates in the capacity of promoter, director, KMP, etc.</p> <ul style="list-style-type: none"> <li>Association with any trading member or clearing member or their associates and agents of any SE</li> </ul>
		(iii) Integrity (30%)	<ul style="list-style-type: none"> <li>Civil Proceedings, if any, related to Financial and Ethical matters.</li> <li>Criminal Proceedings, if any, related to Financial and Ethical matters.</li> <li>If the individual has been involved in civil or criminal proceedings, frauds, offences involving moral turpitude, corruption charges, abuse of various positions held etc. and if yes, <ul style="list-style-type: none"> <li>Parties to the issue.</li> <li>Status of such cases.</li> </ul> </li> <li>Credit and Reputation Risk database check.</li> <li>Criminal Records Database Checks.</li> <li>Civil Litigation Database Checks.</li> <li>Compliance Authorities Database Checks.</li> <li>Regulatory Authorities Database Checks.</li> <li>Web and Media Searches.</li> <li>Serious and Organized Crimes Database Checks.</li> <li>Comments of MII</li> </ul>
		(iv) Availability (5%)	<ul style="list-style-type: none"> <li>No. of other directorships currently held / Other services provided in personal capacity, and time allotted for the same.</li> </ul>

<u>Criterion</u>	<u>Weightage</u>	<u>Grouping</u>	<u>Indicative Parameters for Assessing the same</u>
			<ul style="list-style-type: none"> <li>Whether the individual has sufficient time based on current professional obligations, for informed and balanced decision making.</li> <li>Attendance record (In case of reappointment of the director).</li> </ul>
		(v) Political affiliations (5%)	<ul style="list-style-type: none"> <li>Whether the individual or his/her relative is a politically exposed person. (A politically exposed person (PEP) is an individual with a high-profile political role, or someone who has been entrusted with a prominent public function.)</li> </ul>
<b>2. General Competencies</b> (General skillsets for SE Board level appointment)	30%	(i) Qualification, experience, and knowledge in the relevant skill set. (50%)	<ul style="list-style-type: none"> <li>Educational Qualifications.</li> <li>Professional experience and knowledge.</li> <li>Key assignments handled in past; attributable to the relevant skillset required by the SE.</li> <li>Major achievements/career milestones.</li> <li>Relevant and important Seminars/ webinars/ symposium/ conferences etc. addressed.</li> <li>Contribution to Industry associations, professional memberships &amp; academia, etc.</li> <li>Policy advocacy.</li> <li>Part of relevant committees (like RBI/SEBI, etc.).</li> </ul>



Criterion	Weightage	Grouping	Indicative Parameters for Assessing the same
		(ii) Leadership responsibilities (Corporate Governance, Strategy, and planning, etc.) (50%)	<ul style="list-style-type: none"> <li>Directorships / Committee memberships held in other Companies.</li> <li>Communication skills, People management skills, Accountability.</li> <li>Extended leadership experience resulting in a practical understanding of organizations, processes, strategic planning, and risk management.</li> <li>Demonstrated strengths in developing talent, planning succession, driving change and long-term growth.</li> </ul>
3. Domain Expertise (Specialised competencies)	30%	(i) Technology (Fintech/ Block chain/Cyber Security/ Artificial Intelligence/ Machine Learning etc.) (25%)	<ul style="list-style-type: none"> <li>Significant background in the field of technology and digitisation, envisage new technological business trends, generate disruptive innovation and experience in creating new business models through technology.</li> <li>Expertise or experience in information technology business, technology consulting and operations, emerging areas of technology such as digital, cloud and cyber security, intellectual property in information technology domain etc. relevant to SE</li> </ul>
		(ii) Legal and Regulatory practices(25%)	<ul style="list-style-type: none"> <li>Preferred experience in Securities Law.</li> <li>Significant background in the field of law or having experience of working with a regulator with respect to framing, implementation or monitoring of the various applicable industry specific laws.</li> </ul>



<u>Criterion</u>	<u>Weightage</u>	<u>Grouping</u>	<u>Indicative Parameters for Assessing the same</u>
		<u>(iii) Finance and accounting (25%)</u>	<ul style="list-style-type: none"><li>• Leadership or relevant experience of working in a financial firm or management of the finance function of an enterprise, proficiency in complex financial management, capital allocation, and financial reporting processes, or experience in actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor, or person performing similar function.</li></ul>
		<u>(iv) Capital Markets (25%)</u>	<ul style="list-style-type: none"><li>• Significant background in the field of capital market. Understanding of the functioning/mechanism of capital markets, its products, and its participants.</li><li>• Experience in identifying and evaluating the significant risk exposures to the business strategy of the Company and assess the Management's actions to mitigate strategic, legal and compliance, and operational risk exposures.</li><li>• Ability to identify and evaluate the significant risk affecting the business operations of the Company and to monitor the effectiveness of risk management framework and practices.</li></ul>

Criterion	Weightage	Grouping	Indicative Parameters for Assessing the same
4. SE Board Composition (Reduce Skill gap in the SE Board)	10%	Qualifications and experience in the areas of capital markets, finance and accountancy, legal and regulatory practice, technology, risk management and management or administration (100%)	<ul style="list-style-type: none"> <li>Fulfilling the requirement as per regulatory norms and desired skillset matrix of Board of directors of SE.</li> <li>Based on new skill requirement assessment vis-à-vis skills and experiences of existing Board of directors of an SE.</li> <li>Possession of any additional/multiple skill sets, other than the desired skill set for which the person is being considered for the position of a PID.</li> <li>A competency matrix detailing desired technical/functional (domain expertise) competencies vs competencies as captured from candidate profile.</li> </ul>

#### Annexure 4: Procedure to provide Exit to Investors

- 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.
- 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.
- The promoter shall undertake to complete the entire process within seventy five working days.
- 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~~ ELCs 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.
12. Further to the above, it is clarified that:

a. The ELC's<sup>443</sup> request to allow buyback of shares by the company so as to provide exit to the public shareholders may be considered by DSE.

b.b- Investors who are willing to be included in the category of promoters may be allowed. In this regard, DSEs may obtain an undertaking from the investors who wish to be classified as promoters and the exit obligation of the promoter may be reduced accordingly.

c. Investors who are willing to remain as shareholders of the company and do not want an exit may be allowed. In this regard, DSEs may obtain an undertaking from the investors who don't want exit and the exit obligation of the promoter may be reduced accordingly.

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<sup>443</sup> SEBI letter vide MRD/OW/DSA//2017/17464/1 dated July 25, 2017



भारतीय प्रतिभूति और विनिमय बोर्ड  
Securities and Exchange Board of India

**Annexure 5 : Additional Clarification on Exit Mechanism**

MRD/OW/DSA//2017/17464/1

July 25, 2017

To  
NSE/BSE

Clarification<sup>424</sup> on actions pursuant to SEBI circular dated October 10, 2016 & August 1, 2017 regarding ELCs and its promoters/directors pending exit offer to shareholders- reg.  
Sub: Representations received from Designated Stock Exchanges regarding Exclusively Listed Companies on Dissemination Board in terms of SEBI circular dated October 10, 2016

1. Penal action against deceased director of the ELC may not be taken.
2. A review may be conducted on a case to case basis to ascertain whether the nominee/ legal heir of the deceased promoter of the non-compliant ELC is being classified as promoter or promoter group of that non-compliant ELC or not and accordingly, any decision may be taken.
3. The actions of independent directors of the ELCs on DB may be reviewed on a case to case basis. Further, before granting any relief to an independent director of non-compliant ELC, the status of such person as 'non-executive and non-promoter independent director' may be thoroughly ascertained.
4. The action taken against such director(s) shall not be withdrawn upon their resignation and continue till the time the company complies with the provisions of the SEBI circulars.

<sup>424</sup> SEBI letter vide SEBI/HO/MRD/MRD-PoD-2/P/OW/2023/12943/2 dated March 29, 2023



5. The obligation to provide exit to shareholders in compliance with the SEBI circular dated October 10, 2016 shall also fall on the directors who join the board of the ELCs after the ELC was shifted on the DB.

~~This has reference to the representations received from the designated stock exchanges (DSEs) and subsequent discussions regarding certain issues related to the Exclusively Listed Companies (ELCs) on the Dissemination Board (DB) in terms of SEBI circular dated October 10, 2016. In this context, while the ELCs shall be guided by the broad framework specified vide SEBI circular dated October 10, 2016 and subsequent clarifications issued, it is further clarified that:~~

~~a. The ELC's request to allow issue of bonus shares so as to raise capital may be considered — subject to compliance with the conditions as mentioned in Companies Act, 2013 by the ELCs.~~

~~b. The ELC's request to allow buyback of shares by the company so as to provide exit to the public shareholders may be considered~~

~~c. Investors who are willing to be included in the category of promoters may be allowed. In this regard, DSEs may obtain an undertaking from the investors who wish to be classified as promoters and the exit obligation of the promoter may be reduced accordingly.~~

~~d. Investors who are willing to remain as shareholders of the company and do not want an exit may be allowed. In this regard, DSEs may obtain an undertaking from the investors who don't want exit and the exit obligation of the promoter may be reduced accordingly.~~

~~e. The ELCs which have requested further time to comply with the minimum public shareholding requirement and have made representation to list, may not be considered.~~

~~f. The cases of ELCs which have submitted High Court order related to scheme of arrangement or were under the process of scheme of arrangement on or before October 10, 2016 may be kept on hold till such process is completed. However, such cases shall be regularly monitored by the DSEs.~~

~~The exchanges are advised to bring the above to the notice of ELCs. Additionally, the DSEs shall be responsible for oversight and compliance of the above in terms of the SEBI circular dated October 10, 2016.~~



भारतीय प्रतिभूति और विनियम बोर्ड  
Securities and Exchange Board of India

Annexure 6: Additional Clarification on Exit Mechanism

SEBI/HO/MRD/MRD-PoD-2/P/OW/2023/12943/2  
March 29, 2023

To  
The Chief Regulatory Officers  
NSE/BSE

Subject: Clarification on actions pursuant to SEBI circular dated October 10, 2016 & August 1, 2017 regarding Exclusively Listed companies and its promoters/directors pending exit offer to shareholders reg.

This has reference to the several requests received by SEBI regarding certain actions taken upon the Directors/Promoters of the Exclusively Listed companies (ELCs) on the Dissemination Board (DB). Such actions including freezing of PAN of Directors by Nationalised Exchanges emanate from the provisions of above mentioned SEBI circulars.

In this regard, the clarifications provided below may be noted for compliance.

S.No.	Query	Clarification
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4	<p><b>Whether de-freezing of PAN can be done in cases where the director has died and heirs are claiming the de-freezing.</b></p>	<p>Upon the death of a director of a company, his or her nominee/ legal heir does not automatically become the director of that company. Therefore, it may be concluded that obligation/liability of a director of a non-compliant ELC comes to an end with their death.</p> <p>However, in the event of the death of a promoter of a company, the nominee or the legal heir to whom the shares of the company may be transmitted, may get classified as promoter of that company, provided they attract the definition of the term "promoter" as defined in Regulation 2(1)(oo) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations"). Further, an immediate relative of the promoter (i.e. any spouse of that person, or any parent, brother, sister or child of the person or of the spouse) is included in the definition of the term "promoter group" in Regulation 2(1)(pp) of the ICDR Regulations. Therefore, a review may be conducted on a case to case basis to ascertain whether the nominee/ legal heir of the promoter of the non-compliant ELC is being classified as promoter or promoter group of that non-compliant ELC or</p>
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		<del>not and accordingly, any decision may be taken.</del>
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2	<del>Can the action be withdrawn on such directors who were independent directors and presently they are no more directors in the company</del>	<del>The actions of independent directors of the ELCs on DB may be reviewed on a case to case basis. Further, before granting any relief to an independent director of non-compliant ELC, the status of such person as 'non-executive and non-promoter independent director' may be thoroughly ascertained.</del>
3	<del>If a director has resigned from the board, whether action can be withdrawn against such director.</del>	<del>The action taken against such director(s) shall not be withdrawn upon their resignation and continue till the time the company complies with the provisions of the SEBI circulars.</del>
4	<del>There are certain cases wherein directors have stated they have joined after the company was already on dissemination board of the exchange and the directors responsible for not complying with the requirements of the circulars have already left the board. And therefore, action taken against them should be withdrawn. In other words, whether actions should be taken against even current directors.</del>	<del>SEBI circulars dated October 10, 2016 and August 1, 2017 cast a continuing obligation on the ELCs on the DB and its promoters/directors so that they either get listed on nationwide stock exchange or provide an exit option to public shareholders in the specified method, to protect the interest of public shareholders of such ELCs. Therefore, the obligation of compliance with the SEBI circular dated October 10, 2016 shall also fall on the directors who join the board of the ELCs after the ELC was shifted on the DB.</del>



5	<p><del>In certain cases, the company has not yet complied with the requirements of the said circulars and the action has already been taken on some directors. However, there are certain directors who have joined the ELC after the earlier action has been taken and still no action is taken against such new directors. Whether circular intends action(s) on such directors also.</del></p>	<p><del>SEBI circulars dated October 10, 2016 and August 1, 2017 cast a continuing obligation on the ELCs on the DB and its promoters/directors so that they either get listed on nationwide stock exchange or provide an exit option to public shareholders in the specified method, to protect the interest of public shareholders of such ELCs. Therefore, the obligation of compliance with the SEBI circular dated October 10, 2016 shall also fall on the directors who join the board of the ELCs after the ELC was shifted on the DB.</del></p>
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Annexure 3

Annexure 5

~~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.~~

~~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.~~

~~The promoter shall undertake to complete the entire process within seventy five working days.~~



~~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.~~

~~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.~~

~~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.~~

~~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.~~

~~The promoter shall make payment of consideration within fifteen working days from the date completion of offer.~~

~~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.~~

~~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.~~

~~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.~~

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## Annexure 76 - Outsourcing policy Guidelines

### 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 pre-condition of having a clear demarcation of infrastructure between the parties involved. Access control and responsibility would need to remain with the Clearing Corporations);~~

**Commented [A54]:** Clearing Corporation related.  
Rationale given at point 2.29 of consultation paper.

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 vests 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 78](#)

[FORMAT FOR QUARTERLY REPORT TO SEBI BY COMPLIANCE OFFICER](#)

[https://www.sebi.gov.in/sebi\\_data/commondocs/nov-2024/Annexure-A1%20Format%20for%20Compliance%20Report%20from%20Stock%20Exchanges%20and%20Clearing%20Corporations\\_p.pdf](https://www.sebi.gov.in/sebi_data/commondocs/nov-2024/Annexure-A1%20Format%20for%20Compliance%20Report%20from%20Stock%20Exchanges%20and%20Clearing%20Corporations_p.pdf)

[Annexure 98](#)

[Format for Half-yearly Report to SEBI by Chief Risk Officer](#)

[https://www.sebi.gov.in/sebi\\_data/commondocs/nov-2024/Annexure-B%20Format%20for%20CRiO%20Report\\_p.pdf](https://www.sebi.gov.in/sebi_data/commondocs/nov-2024/Annexure-B%20Format%20for%20CRiO%20Report_p.pdf)

[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 MIs, 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. 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 SCF, decision making, default process, disciplinary proceedings, etc.

**Commented [A55]:** Clearing Corporation related.  
Rationale given at point 2.29 of consultation paper.

- ~~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.~~
- ~~2.1. 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.~~
- ~~3.1. The promoter shall undertake to complete the entire process within seventy five working days.~~
- ~~4.1. 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.~~
- ~~5.1. 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.~~
- ~~6.1. 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.~~
- ~~7.1. 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.~~
- ~~8.1. The promoter shall make payment of consideration within fifteen working days from the date completion of offer.~~
- ~~9.1. 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.~~

~~10.1. 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.~~

~~11.1. 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.~~

~~\*\*\*\*\*~~

#### Annexure 109

6

#### 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 <sup>64</sup> <sup>3945</sup> on account of trigger of SOP as per Section	T day

<sup>64-39</sup> Circular No. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 01, 2020

<sup>45</sup> Circular No. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 01, 2020



Sl. No.	Action	Process to be followed	Timeline
		<a href="#">7579</a> , Chapter VIII of SEBI <a href="#">Master Circular on Stock Brokers dated May-June 1722, 20254</a> .	
2.	Information to investors about disablement of TM	➤ The Stock Exchange shall issue the public notice on its website	T day
		➤ The Stock Exchange should intimate investors through SMS and e-mail on their registered mobile no. and e-mail ID.	T+1 day
3.	Pre-filled forms to be sent to clients providing information regarding balances with the TM	➤ The stock exchange shall provide a prefilled claim form to the client containing details of their funds and securities balances with TM as per information available with the stock exchange and trades data for 90 days prior to disablement of the TM.	T+15 days



Sl. No.	Action	Process to be followed	Timeline
		<ul style="list-style-type: none"> <li>➤ The prefilled form would also include the details available with the exchange such as PAN, address, e-mail ID, mobile no. etc.</li> <li>➤ The information w.r.t. funds and securities balances to be provided to the client would be provisional as it would be without verification about its correctness/ completeness. The exchange may mention that the claims would be processed as per the provisions of SEBI Circulars and Regulations and as per Rules, Regulations, Bye-laws of the stock exchange.</li> </ul>	
4.	Submission of claim forms by	➤ The client would be required to fill claim	T+75 days

Sl. No.	Action	Process to be followed	Timeline
	the client of defaulting TM	<p>forms either online or offline by making necessary changes in the pre-filled claim form and providing additional details</p> <ul style="list-style-type: none"> <li>➤ Supporting documents such as relevant bank statements, demat statements, client ledger etc. needs to be provided along with the claim form</li> <li>➤ The Client should provide the bank details for disbursal of the amount at this stage itself in case the claim is admitted</li> <li>➤ Exchange may seek additional documents, if required, on case to case basis</li> </ul>	
5.	Declaration of default of the TM	<ul style="list-style-type: none"> <li>➤ The exchange will declare the TM a defaulter after</li> </ul>	T+120 days

Sl. No.	Action	Process to be followed	Timeline
		<p>completing the due process for declaring a TM as a defaulter.</p> <ul style="list-style-type: none"> <li>➤ Extension of timeline beyond T+120 days, if any, for declaration of default of the TM would be subject to approval of SEBI</li> <li>➤ The notice should also invite claims, from those clients who have not submitted their claims earlier, along with all supporting documents.</li> </ul>	
6.	Intimation to investors about declaration of TM as a defaulter	<ul style="list-style-type: none"> <li>➤ The stock exchange shall issue the Public Notice on default of the TM immediately on their website.</li> </ul>	On the day of declaration of default of the TM
		<ul style="list-style-type: none"> <li>➤ The exchange shall also intimate the investors about the default of the TM through SMS or e-mail</li> </ul>	1 Day from declaration of default



Sl. No.	Action	Process to be followed	Timeline
		on their registered mobile no.	
		➤ The default notice shall also be published in the newspapers i.e. 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, in regional language, based on the maximum concentration of the clients of defaulter TM from a particular region or state.	Within 3 days from the date of declaration of default of the TM
7.	Processing, auditing and settlement of claims	➤ The claim forms from clients received either online or offline are to be scrutinized to ensure that the claims are supported by relevant documents such as proof of	1. All claims received within the timeline mentioned at point-4, if approved by the IPFT, shall be settled within T+135 days. 2. All claims received after the timeline mentioned at point-4 above but before the declaration of the TM as defaulter, if approved by the IPFT, shall be settled



Sl. No.	Action	Process to be followed	Timeline
		<p>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.</p> <p>➤ The claims which are complete in all respect are to be processed by verifying the details 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.</p> <p>➤ After processing of the claims by the exchange, the claims</p>	<p>within 60 days from the date of such declaration.</p> <p>3. All claims received on or after the date of declaration of the TM as defaulter, if approved by the IPFT, shall be settled within 60 days from the date of receipt of such claims .</p>



Sl. No.	Action	Process to be followed	Timeline
		<p>would be routed to the auditors to assess the veracity and genuineness of the claims including admissibility of the claim.</p> <p>➤ After processing, auditing of the claims and declaration of the TM as defaulter, the claims shall be placed before Member Committee <sup>62/40</sup>(MC) for approval.</p> <p>➤ In case the assets of the defaulter and / or expelled TM are insufficient to meet the admitted amount, the MC would recommend payment of investor claims to the Trustees of the Investor Protection Fund Trust (IPFT) for</p>	

Sl. No.	Action	Process to be followed	Timeline
		<p>payment out of the Investor Protection Fund (IPF)</p> <ul style="list-style-type: none"> <li>➤ The IPFT to approve the payment of the eligible claim amount to the client from the IPF.</li> <li>➤ The exchange will communicate the decision on claims to the clients post approval by the IPFT.</li> </ul>	
8.	Request for review of the claim from the client (First Review)	<ul style="list-style-type: none"> <li>➤ In case the client is not satisfied with the processing of his claim, the client can file a review with the Member Committee (MC) (first review).</li> </ul>	Within 90 days of receipt of intimation of the decision of the IPFT from the stock exchange
		<ul style="list-style-type: none"> <li>➤ The MC will review the claim and inform the same to the client.</li> </ul>	Within 60 days from receipt of review application

Sl. No.	Action	Process to be followed	Timeline
9.	Request for review of the claim from the client (Second Review)	➤ In case the client is still not satisfied with the first review by the MC, the client can file the second review application with the committee of Public Interest Directors (PIDs). The Committee of PIDs wherever possible shall consist of PIDs not forming part of the MC.	Within 90 days of receipt of intimation of decision of the first review by MC
		➤ The committee of PIDs would review the claim and inform the same to the client.	Within 60 days of receipt of the review application







## Annexure 7

### **Principle 1: Legal basis**

An FMI should have a well founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

### **Principle 2: Governance**

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

### **Principle 3: Framework for the comprehensive management of risks**

An FMI should have a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.

## **Credit and Liquidity Risk Management**

### **Principle 4: Credit risk**

An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.

In addition, a CCP that is involved in activities with a more complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions.

### **Principle 5: Collateral**

An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.

### **Principle 6: Margin**

A CCP should cover its credit exposures to its participants for all products through an effective margin system that is risk based and regularly reviewed.

### **Principle 7: Liquidity risk**

An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-

day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.

#### **Settlement**

##### **Principle 8: Settlement finality**

An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.

##### **Principle 9: Money settlements**

An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.

##### **Principle 10: Physical deliveries**

An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.

#### **Central Securities Depositories and Exchange of value Settlement Systems**

##### **Principle 11: Central securities depositories**

A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimise and manage the risks associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry.

##### **Principle 12: Exchange of value settlement systems**

If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.

#### **Default Management**

##### **Principle 13: Participant default rules and procedures**

An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.

##### **Principle 14: Segregation and portability**

A CCP should have rules and procedures that enable the segregation and portability of positions of a participant's customers and the collateral provided to the CCP with respect to those positions.

#### **General Business and Operational Risk Management**

##### **Principle 15: General business risk**

An FMI should 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 if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

##### **Principle 16: Custody and investment risks**

An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.

##### **Principle 17: Operational risk**

An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.

#### **Access**

##### **Principle 18: Access and participation requirements**

An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.

##### **Principle 19: Tiered participation arrangements**

An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.

##### **Principle 20: FMI links**

An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.

#### **Efficiency**

##### **Principle 21: Efficiency and effectiveness**

An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.

**Principle 22: Communication procedures and standards**

An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

**Transparency****Principle 23: Disclosure of rules, key procedures, and market data**

An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.

**Principle 24: Disclosure of market data by trade repositories**

A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.

## **Annexure 8-110**

### **Investor Charter-Stock Exchanges**

#### **1. Vision statement for Investors**

##### **Mission**

- To provide transparent, equitable and reliable markets with timely and accurate information dissemination for investors.
- To provide the highest standards of investor education, investor awareness and investor protection and timely services.

##### **Vision**

To provide a safe, equitable, transparent, and trusted platform for investors to participate across asset classes with highest standards of integrity for investors.

#### **2. Business transacted by the Exchange with investors:**

The Exchange facilitates various products for investors to participate across asset classes viz Equity, Commodities, Derivatives, Debt, Mutual Funds, Government securities etc. Details available on the link [link provided by stock exchanges].

#### **3. Services provided by the Exchanges to investors:**

Exchange provides various services to investors electronically through its online platform and physically through the dedicated common Investor Service Centers (ISC) set for this purpose. Details available on the link [link provided by stock exchanges]

#### **4. Grievance redressal mechanism:**

- (1) Mode of filing the complaints – Complaints can be lodged on the Exchange in the following ways:
- (i) Through SCORES 2.0 (a web based centralized grievance redressal system of SEBI) [<https://scores.sebi.gov.in>]

##### **Two Level Review:**

- a. First review done by Exchange
  - b. Second review done by SEBI
- (ii) Respective Exchange's web portal dedicated for the filing of complaint [link to be provided by Exchange]
- (iii) Emails to designated email IDs of Exchange [link to be provided by Exchange]

(iv) Through SMARTODR (<https://smartodr.in/login>) dedicated for the filing of complaint.

(2) Regarding documents required for complaint resolution, please refer to link [link provided by stock exchanges].

(3) Process flow for Complaint Resolution Process through Scores 2.0

<<refer to [Schedule III of the SEBI Circular dated September 20, 2023](#)>>

#### Online Dispute Resolution (ODR)

1.	Online Dispute Resolution (ODR) platform for online Conciliation and Arbitration	If the Investor is not satisfied with the resolution provided by the Market Participants, then the Investor has the option to file the complaint/ grievance on SMARTODR platform for its resolution through online conciliation or arbitration. <a href="#">[SMARTODR]</a>
2.	Steps to be followed in ODR for Review, Conciliation and Arbitration	<ul style="list-style-type: none"> <li>➤ Investor to approach Market Participant for redressal of complaint</li> <li>➤ If investor is not satisfied with response of Market Participant, he/she has either of the following 2 options: May escalate the complaint on SEBI SCORES portal. (In this scenario the above steps shall prevail) May also file a complaint on SMARTODR portal for its resolution through online conciliation and arbitration.</li> <li>➤ Upon receipt of complaint on SMARTODR portal, the relevant <a href="#">SEMI</a> will review the matter and endeavour to resolve the matter between the Market Participant and investor within 21 days.</li> <li>➤ If the matter could not be amicably resolved, then to the matter shall be referred for conciliation.</li> <li>➤ During the conciliation process, the conciliator will endeavour for amicable settlement of the dispute within 21 days, which may be extended with 10 days by the conciliator with consent of the parties to dispute.</li> </ul>

		<ul style="list-style-type: none"> <li>➤ If the conciliation is unsuccessful, then the investor may request to refer the matter for arbitration.</li> <li>➤ The arbitration process to be concluded by arbitrator(s) within 30 days, which is extendable by 30 days with consent of the parties to dispute.</li> <li>➤ If the parties are not satisfied with the arbitration award, option to file u/s 34 of Arbitration and Conciliation Act, 1996.</li> </ul>
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## 5. Rights and Obligations of investors:

a) Investor has a Right to: *[link provided by stock exchanges]*

- Get a copy of KYC and other documents executed.
- Get Unique Client Code (UCC) allotted.
- Place order on complying with the norms agreed to with the Trading Member (TM).
- Get best price for trade execution.
- Receive various SMS, emails and information from TMs regarding trade confirmations.
- Get Contract notes for trades executed from the TM in the specified format given by the Exchange showing transaction price, brokerage, GST and STT etc. as applicable, separately, within 24 hours of your trades.
- Receive funds and securities/commodities on time within 24 hours from payout.
- Receive statement of accounts from TM at least once in a quarter/ month from your TM.
- Settlement of accounts as per terms of agreement.
- Get the details of Principal Officer/ Compliance Officer of the TM.
- Get information of all the businesses done by the TM.
- Receive all benefits/material information declared for the investors by the Company.
- Prompt services from the company such as transfers, dematerialization, Sub-divisions and consolidation of holdings in the company.
- As an equity holder have a right to subscribe to further issue of capital by the Company.
- Approach nearest Common Investor Service Centre's for lodging a complaint.
- Complaint and avail dispute resolution mechanism against TM or listed company.
- Raise queries on excess brokerage and other charges charged by TMs.



- File arbitration against TMs for disputes.
- Challenge the arbitration award before court of law.
- Privacy and Confidentiality.
- Fair & True Advertisement – Potential Risks to be clarified.
- Exit from financial product or service.
- Receive clear guidance and caution notice when dealing in Complex and High-Risk Financial Products and Services.
- Provide feedback on the financial products and service used.

b) Investor obligations/ Responsibilities [link provided by stock exchanges]

- Deal with a SEBI registered Stock Brokers and Depository Participants for opening trading account and demat account.
- Provide complete documents for account opening and KYC (Know Your Client). Fill all the required details in Account Opening Form / KYC form in own handwriting and cancel out the blanks.
- Read all documents and conditions being agreed before signing the account opening form.
- Accept the Delivery Instruction Slip (DIS) book from DP only (pre-printed with a serial number along with client ID) and keep it in safe custody and do not sign or issue blank or partially filled DIS.
- Always mention the details like ISIN, number of securities accurately.
- Inform any change in information for updation of KYC and obtain confirmation of updation in the system.
- Regularly verify balances and transaction/ demat statement and reconcile with trades / transactions.
- Appoint nominee(s) to facilitate heirs.
- Do not fall prey to fraudsters sending emails and SMSs luring to trade in stocks / securities promising huge profits.

**6. Guidance pertaining to special circumstances related to market activities:**

**Default of Trading Members (TMs)**

(1) When a TMs defaults, the Exchange carries out the following steps for benefit of investor:

- Dissemination on Exchange website with regard to default of the TM.
- Issue of Public Notice informing declaration of default by a TM and inviting claims within specified period.
- Intimation to clients of defaulter TMs via Emails and SMS for facilitating lodging of claims within specified period

(2) Following information made available on Exchange Website for information of Investors [link to be provided by the stock exchanges]:

- Norms for eligibility of claims for compensation from IPF.

- FAQ on processing of investors' claims against defaulter TM.
- Form for lodging claim against defaulter TM.
- Standard Operating Procedure (SOP) for handling of Claims of Investors in the Cases of default by TMs
- Provision to check online status of claims on Exchange Website.
- Claim processing policy against Defaulter/Expelled TMs.
- List of Defaulter/Expelled TMs and public notice issued.

(3) Standard Operating Procedure (SOP) for Handling of Claims of Investors in the Cases of Default by TMs (excluding Commodity Derivatives Exchanges)

Sr. No.	Action	Timeline
1.	Disablement of the TM	T day
2.	Information to investors about disablement of the TM on website and through SMS and email	T+1 day
3.	Pre-filled forms to be sent to clients providing information regarding balances with the TM (only in case of SOP trigger)	T+15 days
4.	Claim lodgement Clients to fill the claim form and provide the supporting documents	T+ 75 days
5.	Declaration of Default by the TM	T+120 days
6.	Information to investors about default of TM on website, through SMS, email and newspapers.	Within 3 working days from the date of declaration of defaulter
7.	Processing, auditing, and settlement of claims	Within 60 days of receipt of the claim form from the clients post declaration of default and T+135 days where prefilled forms are received.
8.	Request for review of the claim by client	Within 90 days of receipt of intimation of the decision of the IPFT from the stock exchange
9.	Processing, auditing, and settlement of review claims	Within 60 days of receipt of review application.
10.	Request for 2 <sup>nd</sup> review of the claim by client	Within 90 days of receipt of intimation of the decision of the IPFT from the stock exchange

Sr. No.	Action	Timeline
11.	Processing, auditing, and settlement of review claims	Within 60 days of receipt of review application.

#### 7. Dos and Don'ts - Advisory for Investors

- Do's of Investing:** Please refer to the link [*link provided by stock exchanges*]
- Do's for Grievance Redressal:** Please refer to the link [*link provided by stock exchanges*]
- Don'ts of Investing:** Please refer to the link [*link provided by stock exchanges*]

#### 8. Code of Conduct for Stock Exchanges [*link to be provided by the Exchanges*]

A Stock Exchange shall:

- always abide by the provisions of the Act, Securities and Exchange Board of India Act 1992, any Rules or Regulations framed thereunder, circulars, guidelines and any other directions issued by the Board from time to time.
- adopt appropriate due diligence measures.
- take effective measures to ensure implementation of proper risk management framework and good governance practices.
- take appropriate measures towards investor protection and education of investors.
- treat all its applicants or members in a fair and transparent manner.
- promptly inform the Board of violations of the provisions of the Act, Securities and Exchange Board of India Act 1992, rules, regulations, circulars, guidelines or any other directions by any of its members or issuer.
- take a proactive and responsible attitude towards safeguarding the interests of investors, integrity of stock exchange's systems and the securities market.
- endeavor for introduction of best business practices amongst itself and its members.
- act in utmost good faith and shall avoid conflict of interest in the conduct of its functions.
- not indulge in unfair competition, which is likely to harm the interests of any other Exchange, their participants or investors or is likely to place them in a disadvantageous position while competing for or executing any assignment.
- segregate roles and responsibilities of key management personnel within the stock exchange including:
  - Clearly mapping legal and regulatory duties to the concerned position
  - Defining delegation of powers to each position

- c. Assigning regulatory, risk management and compliance aspects to business and support teams
- (l) be responsible for the acts or omissions of its employees in respect of the conduct of its business.
- (m) monitor the compliance of the rules and regulations by the participants and shall further ensure that their conduct is in a manner that will safeguard the interest of investors and the securities market.

Annexure [9121](#)

[Broad Framework for evaluation of SE ~~MLs~~ MLs by External Agency](#)

Annexure 10132: Rating Framework

Rating Framework							
Sample Rating Score	Scale/	Assessment criteria					SEMI Overall final Rating Score
	Level of Governance	Level of Compliance	Level of Comprehensiveness	Degree of improvement/maintenance of score	Timelines/TAT and comprehensiveness	Number of non-compliances, replies submitted, and corrective actions taken	
4	Substantially Observed	SEMI substantially observes the criterion. Any identified gaps and shortcomings are not issues of concern and are minor or are self identified and appropriately mitigated by the SEMI, and therefore manageable.  The SEMI is governing well.					3.51 to 4.00
3	Broadly Observed	The SEMI broadly observes the criterion. One or more issues of concern have been identified, which the SEMI is encouraged to address and follow up to better manage its risks or improve operations.  The SEMI should pursue further improvements in a defined and time-bound manner.					2.01 to 3.50
2	Partly Observed	The SEMI partly observes the criterion. One or more issues of concern have been identified, which will become serious if not addressed in a timely manner.  Intervention is desirable by senior management by undertaking structural reforms, to address the issues.					0.51 to 2.00

1	Not Observ ed	<p>The <a href="#">SEMI</a> does not observe the principle. One or more issues of concern have been identified that warrant immediate action.</p> <p>Intervention is desirable by Governing Board to address the issues.</p>	0.00 to 0.50
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Annexure 14-13 - Parameters for evaluation of performance of Statutory Committees of SEs by External Agency

[https://www.sebi.gov.in/sebi\\_data/commondocs/jan-2025/Annexure%20A%20-%20Parameters%20for%20external%20evaluation%20of%20Statutory%20Committee%20p.pdf](https://www.sebi.gov.in/sebi_data/commondocs/jan-2025/Annexure%20A%20-%20Parameters%20for%20external%20evaluation%20of%20Statutory%20Committee%20p.pdf)

Annexure 1514

Rating Framework for performance evaluation of Statutory Committee of SEs							
Sam ple Rati ng Scor e	Scale/	Assessment criteria					Overa ll final Ratin g Score of Statut ory Com mittee of SE
	Level of Govern ance	Level of Compl iance	Level of Comprehen siveness	Degree of improve ment/ mainten ance of score	Timelines/ TAT and comprehen siveness	Numbe r of non- compli ances, replies submitt ed, and correcti ve actions taken	
4	Substa ntially Observ ed  -	Statutory Committee of SE substantially observes the criterion. Any identified gaps and shortcomings are not issues of concern and are minor or are self-identified and appropriately mitigated by the Statutory Committee of SE, and therefore manageable.					3.51 to 4.00
		-					
		The Statutory Committee of SE is governing well.					
3	Broadl y Observ ed  -	The Statutory Committee of SE broadly observes the criterion. One or more issues of concern have been identified, which the Statutory Committee of SE is encouraged to address and follow up to better manage its risks or improve operations.					2.01 to 3.50
		-					
		The Statutory Committee of SE should pursue further improvements in a defined and time-bound manner.					
2	Partly Observ ed	The Statutory Committee of SE partly observes the criterion. One or more issues of concern have been identified, which will become serious if not addressed in a timely manner.					0.51 to 2.00



		- <u>Intervention is desirable by the Chairman of the Statutory Committee by undertaking reforms, to address the issues.</u>	
<u>1</u>	<u>Not Observed</u>	<u>The Statutory Committee of SE does not observe the principle. One or more issues of concern have been identified that warrant immediate action.</u> - <u>Intervention is desirable by Governing Board to address the issues.</u>	<u>0.00 to 0.50</u>

10. **7. 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. SEBI letter dated March 29, 2023.
- 96-98. Circular No.: SEBI/HO/MRD/POD 3/CIR/P/2023/58 dated April 20, 2023
- 97-99. Circular No. SEBI/HO/MRD-PoD-3/P/CIR/2023/81 dated May 30, 2023
- 98-100. Circular no. SEBI/HO/MRD/MRD-POD-3/CIR/P/2023/104 dated June 26, 2023
- 99-101. Circular no. SEBI/HO/OIAE\_IAD-1/P/CIR/2023/131 dated July 31, 2023
- 100-102. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/190 December 19, 2023
- 101-103. SEBI Letter No. SEBI/HO/MRD/MRD-PoD-3/P/OW2024/14792/ 1-7 dated April 19, 2024 to MIIs
- 102-104. Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/65 dated May 29, 2024
- 103-105. Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/63 dated May 29, 2024
- 104-106. Circular No. SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/71 May 30, 2024
- 105-107. SEBI Letter No. SEBI/HO/MRD/MRD-PoD-3/P/OW/2024/26682/1 dated August 22, 2024 issued to MIIs
- 106-108. Circular No. SEBI/HO/MRD/POD-III/CIR/P/2024/127 dated September 24, 2024

~~107.~~109. Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/139 dated October 14, 2024

110. Circular No. SEBI/HO/MRD/POD-3/P/CIR/2024/162 November 22, 2024

~~108.~~111. Circular No. SEBI/HO/MRD/POD-III/P/CIR/2025/12 January 30, 2025

112. Circular No. SEBI/HO/MRD/POD 3/P/CIR/2025/69 dated May 19, 2025

~~109.~~

113. Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2025/75 May 26, 2025

~~—~~SEBI email dated July 28, 2025

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