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SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the 2nd September, 2013

SECURITIES CONTRACTS (REGULATION) (STOCK EXCHANGES AND CLEARING CORPORATIONS) (AMENDMENT) REGULATIONS, 2013

No. LAD-NRO/GN/2013/14/21/6463 -*In exercise of the powers conferred by sections 4, 8A and 31 of the Securities Contracts (Regulation) Act, 1956 read with sections 11 and 30 of the Securities and Exchange Board of India Act, 1992, the Securities and Exchange Board of India hereby makes the following regulations to further amend the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations,2012, namely:—*

1.These Regulations may be called the Securities Contracts (Regulation)(Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2013.

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

3. In the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012─

(I) in regulation 2, in sub-regulation (1), for clause (j) the following shall be substituted, namely-

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

(II) after regulation 44, the following new regulations shall be inserted, namely-

" **Settlement and netting.**

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

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

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

Explanation. – For removal of doubts, it is hereby declared that the settlement, whether gross or net, referred to in this regulation is final and irrevocable as soon as the money, securities or other transactions payable as a result of such settlement is determined, whether or not such money, securities or other transactions is actually paid.

Right of Clearing Corporation.

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

U.K. SINHA

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA

Footnote:

1. The SC(R)(Stock Exchanges and Clearing Corporations) Regulations, 2012 were published in the Gazette of India on 20th June, 2012 vide F. No. LAD-NRO/GN/2012-13/07/13546.