

**BYE-LAWS OF NATIONAL COMMODITY CLEARING LIMITED**

**(Amended as on July 15, 2025)**

## BYE-LAWS OF NATIONAL COMMODITY CLEARING LIMITED

### INDEX

Chapter No.	PARTICULARS	PAGE No.
1	PREAMBLE	3
2	DEFINITIONS AND INTERPRETATION	3-11
3	APPLICATION OF BYE-LAWS	11-12
4	CLEARING SEGMENT	12
5	COMMITTEE(S)	12
6	REGULATIONS	12-16
7	MEMBERSHIP OF CLEARING CORPORATION	17-18
8	CLEARING AND SETTLEMENT	18-31
9	MARGINS AND LIMIT	32-35
10	RIGHTS AND LIABILITIES OF MEMBERS AND CONSTITUENTS	35-38
11	ARBITRATION	38-39
12	DEFAULT AND LIKELIHOOD OF DEFAULT	40-49
13	CORE SETTLEMENT GUARANTEE FUND	49-57
14	SEVERABILITY	57-58
15	MISCELLANEOUS	58

### BYE LAWS OF NATIONAL COMMODITY CLEARING LIMITED

The National Commodity Clearing Limited has submitted an application for recognition as a Clearing Corporation under Section 8A of Securities Contracts (Regulation) Act, 1956 and pursuant thereto makes the following Bye Laws:

#### 1. PREAMBLE

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- 1.1 These Bye Laws shall be called “Bye Laws of the National Commodity Clearing Limited (NCCL) and shall herein after be referred to as the “Bye-Laws” or the “Bye-Laws of the Clearing Corporation.”
- 1.2 These Bye-laws shall come into force with effect from such date as the Securities and Exchange Board of India (hereinafter referred to as “SEBI”) established under Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “SEBI Act”) or the Board of NCCL (hereinafter referred to as “the Clearing Corporation”) may notify in that behalf.

**1.3 OTHER LAWS APPLICABLE:**

These Bye-Laws shall be in addition to the provisions of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as “the SCRA”) as may be amended from time to time and Rules and Regulations if any made thereunder and SEBI Act and Rules and Regulations made thereunder, as amended from time to time and the directives, orders, guidelines, norms and circulars issued by the Government of India and/or SEBI from time to time.

**1.4 ORDER OF PRECEDENCE:**

In case of difference or any interpretational issues between the provisions of these Bye laws, Rules and Regulations of the Clearing Corporation and the provisions of the SCRA and Rules and Regulations made thereunder or the SEBI Act and Rules and Regulations made thereunder, the provisions of SCRA and Rules and Regulations made thereunder, and/or SEBI Act and Rules and Regulations made thereunder; shall prevail.

## **2. DEFINITIONS AND INTERPRETATION**

### **2.1 DEFINITIONS**

- 2.1.1 “**Arbitration**” shall have same meaning as assigned to it under Section 2(1) (a) of the Arbitration and Conciliation Act, 1996 and amendments thereto from time to time.
- 2.1.2 “**Articles**” means the Articles of Association of National Commodity Clearing Limited (NCCL) and includes any modification or alteration thereof for the time being in force.
- 2.1.3 “**Authorized User**” means suitable person(s) appointed by a Member who is registered with the Clearing Corporation to operate the Clearing and Settlement systems and procedure allocated to such Member by the Clearing Corporation.
- 2.1.4 “**Board**” means the Board of Directors of National Commodity Clearing Limited.
- 2.1.5 “**Circular or Notice**” means information notifications or a binding communication issued from time to time by the Clearing Corporation to its Member(s) and the Market in general and transmitted by fax, e-mail or any other mode and manner which the Clearing Corporation may deem appropriate, including publication through the website and titled “Circular” or “Notice” accordingly.



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- 2.1.6 **“Books of accounts, records and documents”** include books of accounts, records and documents, which are required to be maintained under Securities Contracts (Regulation) Act, 1956, Rules framed thereunder, SECC Regulations 2012 and any other law for the time being in force.
- 2.1.7 **“Buying Member”** shall mean the Member who has to receive delivery or has received documents of title and other relevant documents in lieu thereof and has paid or has an obligation to make payment in consideration thereof in fulfillment of Deal to which this Rules, Bye Laws and Regulations apply unless the context indicates otherwise.
- 2.1.8 **“Bye Laws”** unless the context indicates otherwise, Bye Laws means the Bye Laws of the Clearing Corporation for the time being in force.
- 2.1.9 **“Clearing”** means and includes the process of determining rights and obligations towards settling claims of the one Member against the claims of another for Deals settled by the Clearing Corporation by such processes and manner as the Relevant Authority may specify.
- 2.1.10 **“Clearing Agreement”** means a binding agreement entered into or between a Member and its Constituent to handle and carry out all the Clearing and Settlement functions relating to Deals executed by such Constituent.
- 2.1.11 **“Clearing and Settlement”** means clearing or settlement or clearing and settlement of deals in such manner and subject to such conditions as may be specified by the Relevant Authority from time to time, unless the context indicates otherwise.
- 2.1.12 **“Clearing and Settlement Account”** means a bank account maintained by the Member with one of the designated or approved Clearing Banks and accordingly notified to the Clearing Corporation, from which all fund obligations owed to the Clearing Corporation by a Member or due to a Member by the Clearing Corporation with respect to the Deals of the Member or its Clients or Constituents on the trading floor of the Concerned Exchange, will be made or received.
- 2.1.13 **“Clearing Bank”** is such bank as the Clearing Corporation may appoint to act as a funds settling agency, for the collection of margin money for all deals cleared through the Clearing Corporation and any other funds movement between members and the Clearing Corporation, and also between members as may be directed by the Clearing Corporation from time to time.
- 2.1.14 **“Clearing Corporation”** means National Commodity Clearing Limited.
- 2.1.15 **“Clearing Segment”** means and includes the different categories of Securities, within a Market Segment type, that the Concerned Exchanges may make available to their respective Trading Members for dealing on their trading platforms and has been agreed to by the Clearing Corporation for being admitted to its Clearing and Settlement mechanisms in terms of these Bye-Laws and categorized appropriately.
- 2.1.16 **“Clearing Sub-Segment”** means and includes those categories of Securities falling under a broad head of clearing segment but differentiated either on the basis of market acceptability and practice or the product or Security profile and attributes.
- 2.1.17 **“Close-out”** means the cancellation of an outstanding open position of a member with an equal and opposite position.

- 2.1.18 **“Clearing Member”** means a Clearing Member as defined under section 2 (ae) of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.<sup>1</sup>
- 2.1.19 **“Client /Constituent”** means a person, on whose instructions and on whose account the Member clears and settles Deals.
- Explanation 1:** The terms ‘Constituent’ and ‘Client’ are interchangeable used in the Bye-Laws, Rules & Regulations and shall have the same meaning as assigned herein.
- Explanation 2:** Where the context requires, the term “Constituent” in relation to trades shall also include a Trading Member where such trades including proprietary trades, done on the Concerned Exchange, are cleared and settled on his behalf by the Member.
- 2.1.20 **“Core Settlement Guarantee Fund”** means a fund established and maintained by the Clearing Corporation in accordance with these Bye-Laws and as per directives of SEBI from time to time.
- 2.1.21 **“Collateral”** means and includes monies, fixed deposit receipt, bank guarantee, goods and securities or any other financial instrument/ asset as specified by the Clearing Corporation from time to time and offered by Members as security deposit, margin deposit or as such security as required by the Clearing Corporation.
- 2.1.22 **“Committee”** means a group or body of person appointed by the Board or the Relevant Authority to undertake tasks or responsibilities specified by the Board and/or mandated under these ByeLaws.
- 2.1.23 **“Concerned Exchange”** means any Stock Exchange including commodity and/or currency derivatives exchanges duly recognized under SCRA which has entered into an arrangement with the Clearing Corporation for carrying out all operational procedures and regulatory functions in the matter of Clearing and Settlement of the Deals executed on its trading platform between its Trading members so as to complete the fulfillment of the funds pay-in, Securities delivery and the related pay-out obligation concerning such Deals.
- 2.1.24 **“Contract”** shall have same meaning as assigned to it under Section 2(a) of SCRA 1956.
- 2.1.25 **“Contract Month or Delivery Month”** means that month in which contractual obligations in respect of a Derivatives Contract is due for final fulfillment by the parties to the Contract.
- 2.1.26 **“Contract Specification”** means the standardized commercial and technical terms of a Security admitted for trading on a Concerned Exchange which may include the size of the Contract, Contract Month, trading hours, underlying to the Security, minimum price fluctuations Last Trading Day, settlement basis and such other details as may be set out by such Exchange and accepted by the Clearing Corporation for Clearing and Settlement.
- 2.1.27 **“Corporate Action”** means any event that brings material change to a company and affects its stakeholders, including shareholders, both common and preferred, as well as bondholders. These

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<sup>1</sup>Inserted vide clause A (2) of Gazette Notification in Part IV of weekly Gazette dated June 28, 2025 – July 04, 2025 of Gazette of India and Part II of weekly Gazette dated July 10, 2025–July 16, 2025 of State Gazette of Maharashtra.

events are approved by the company's board of directors; shareholders may be permitted to vote on some events as well and generally include dividend, bonus, right shares, issues of share as a result of stock split, stock consolidations, schemes of mergers/ demerges, spin-offs amalgamations, capital restructuring and such other privileges or events of a similar nature which may be specified by the Concerned Exchange from time to time, under intimation to the Clearing Corporation.

- 2.1.28 **"Custodial participant"** means an entity registered with the Clearing Corporation to enable to Clearing and Settlement of their Deals on the Concerned Exchange through a Member.
- 2.1.29 **"Custodian"** means a custodian of securities as defined under Regulation 2(d) of Securities and Exchange Board of India (Custodian of Securities) Regulations, 1996.
- 2.1.30 **"Daily Settlement Price"** means the daily price for each Contract or Security as determined in accordance with the method specified or such other method as may be notified by the by the Concerned Exchange and/or the Clearing Corporation.
- 2.1.31 **"Days of Tender or Tender Days"** mean the days on which securities/ goods/ warehouse receipt /or any other documents of title to securities/ goods are tendered to the Clearing Corporation in settlement of a Contract.
- 2.1.32 **"Defaulter"** means a Member who has been declared a Defaulter in accordance with these ByeLaws and the Rules of the Clearing Corporation.
- 2.1.33 **"Delivery"** means the tender and receipt of securities/ goods/ warehouse receipt /or any other documents of title to securities/ goods by issue of delivery order in settlement of a Contract as may be specified by the Clearing Corporation.
- 2.1.34 **"Delivery Centers"** are those places or locations where the Goods or underlying to the Security permitted for trading on the Concerned Exchange can be delivered by the Seller.
- 2.1.35 **"Delivery Day"** means the day on which Delivery shall occur towards a Settlement obligation in respect of a Security or Contract.
- 2.1.36 **"Delivery Order"** means an order/intention issued by a Member in the prescribed form to the Clearing Corporation, in terms of the instructions received from its Client or Constituent offering delivery of goods at one or more permitted delivery centers in fulfillment of its obligation against an expiring contract.
- 2.1.37 **"Delivery Period"** means the period during which the Goods or Security or underlying to the security are tendered in terms of the contracts in fulfillment of the transactions executed under these Byelaws, and the Rules and Regulations of the Clearing Corporation, or under the order issued in exercise of the powers vested by any of them, and includes tender days as prescribed by the Exchange/Clearing Corporation for different contract months.
- 2.1.38 **"Delivery Settlement"** is a process where the buying Member will complete his side of the transaction by making the necessary payments and the selling Member will in turn deliver the Goods or Securities or underlying.

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- <sup>2</sup>2.1.38A **"Deposit"** for the purpose of these Byelaws and the Rules & Regulations made thereunder includes monies which are pre requisites for the purpose of the membership of the Clearing Corporation. Such monies include member's obligation towards membership, margin and such other requirement as may be specified by SEBI/Clearing Corporation from time to time including contribution made to SGF in terms of chapter 13 of these Byelaws. Such monies are not deposits as contemplated under the protection of interest of depositors under various State statutes and shall be subject to the paramount lien of the Clearing Corporation.
- 2.1.39 **"Depository"** shall have same meaning as assigned to it under Section 2(1)(e) of Depositories Act, 1996.
- 2.1.40 **"Deal"** means, unless the context indicates otherwise, a trade, contract, transaction or a deal which is admitted to be cleared and settled through the Clearing Corporation.
- 2.1.41 **"Derivative"** shall have same meaning as assigned to it under section 2(ac) of SCRA 1956.
- 2.1.42 **"Disciplinary Action Committee"** means a Committee constituted by the Board or the Relevant Authority to evaluate, consider and/or decide on a reference made to it by the Relevant Authority in respect of an alleged or presumed violation or infringement of these Bye-laws, the Rules or the Regulations by a Member or a participant in the Clearing and settlement mechanism and in its conduct as a Member or a Participant, including any willful disobedience of the lawful instruction of the Relevant authority.
- 2.1.43 **"Due Date/Contract Expiry day/ Contract Maturity Day"** means the maturity date (last day) on which a specific contract in a specific commodity derivative or any other Security expires and is not available for trading thereafter.
- 2.1.44 **"Electronic Negotiable Warehouse Receipt"** shall have same meaning as assigned to it under Regulation 3 (d) of Warehousing Development and Regulatory Authority (Electronic Negotiable Warehouse Receipts) Regulations, 2017.
- 2.1.45 **"Exchange"** means a stock exchange which is for the time being recognized by the Central Government under Section 4 of SCRA.
- 2.1.46 **"Exchange Member or Trading Member"** means an entity admitted as to the Membership of the Concerned Exchange for trading of Securities or contracts that are permitted to be dealt on the Exchange and shall not mean and include a shareholder of the said Stock Exchange Company unless expressly stated. Membership of the Exchange in this context shall not mean or require or entitle shareholding in the Stock Exchange Company.
- 2.1.47 **"Exchange Rules or Rules of the Exchange"** means the Rules of the Concerned Exchange by whatever name it may be titled which are in force and as may be amended from time to time and include the Bye-Laws and Regulations/ Business Rules of such Exchange.

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<sup>2</sup> Inserted vide clause B (3) of Gazette Notification in Part IV of weekly Gazette dated August 17, 2024 – August 23, 2024 of Gazette of India and Part II of weekly Gazette dated August 01, 2024 –August 07, 2024 of State Gazette of Maharashtra.

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- 2.1.48 **“Expiry Date or Expiration Date”** means date on which the contract will expire and in the case of an Options Contract, it is the date on or up to which the holder of an Option may elect to exercise the Option or allow it to expire worthless.
- 2.1.49 **“Expiration time”** is the close of business hours on the expiration day of the Futures or Option contract or such other time as may be specified by the Relevant Authority from time to time.
- 2.1.50 **“Final Settlement Price”** in respect of a contract means Due Date Rate (DDR) determined by the Clearing Corporation for settling that contract in accordance with the method specified in the Contract Specification or such other method as may be notified by the Relevant Authority.
- 2.1.51 **“Goods”** shall have same meaning as assigned to it under section 2(bb) of SCRA 1956.
- 2.1.52 **“Good Delivery”** for the purpose of this Bye Laws means the delivery of goods of the quality and quantity as per contract specifications of the concerned exchange or in the case of delivery default to financially compensate the non-defaulting party for the losses incurred by it.
- 2.1.53 **“Margin”** means a deposit or payment of Collateral(s) to establish or maintain a position in a Security and includes among others initial Margin, Additional Margin, Variation Margin, Tender Period Margin, Special Margin, Delivery Margin, Extreme loss Margin or any other type of Margin as may be applicable and determined by Exchange and/or the Clearing Corporation from time to time.
- 2.1.54 **“Mark to Market Settlement”** means settlement of all open positions of clients or Constituents done on a daily basis and includes those positions closed intra-day.
- 2.1.55 **“Negotiable Warehouse Receipt”** means a warehouse receipt as defined under Section 2 (m) of the Warehousing (Development and Regulation) Act, 2007 as amended from time to time.
- 2.1.56 **“Month”** means a month reckoned according to the English calendar unless otherwise specified.
- 2.1.57 **“Novation”** shall have the same meaning as assigned to it under Regulation 2(1) (k) of SECC Regulations.
- 2.1.58 **“Open Position”** means any outstanding Buy or Sell transaction which has not been liquidated by an offsetting transaction or Delivery or cash settlement or as specified in the Contract Specification.
- 2.1.59 **“Order”** means an offer to buy or sell any contract through the trading platform permitted by the Concerned Exchange for specific Securities or Contracts.
- 2.1.60 **“Outstanding Obligation”** means the obligation which has neither been closed out nor been settled.
- 2.1.61 **“Participant”** means and refers to an entity accredited or permitted by the Clearing Corporation through an arrangement or agreement to participate in one or more of the processes of the Clearing and Settlement mechanism towards facilitating the completing of the said processes in accordance with these Bye-Laws, the Rules and Regulations framed from time to time for such purpose and subject to such terms and conditions, as may be prescribed by the Relevant Authority.
- 2.1.62 **“Pay-in”** in respect of deals or transactions done on the Concerned Exchange, means making available funds/ Securities or Goods or such other Underlying by the respective Member to the Clearing



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Corporation or its accredited or recognized agencies in accordance with the applicable settlement schedule notified by the Clearing Corporation separately for each Security or Contract.

- 2.1.63 **“Pay-in Date”** means the date and time prescribed by the Clearing Corporation for each settlement by which date and time, the Members are required to perform their obligations by way of remittance of funds or delivery of Securities or Goods or such other Underlying as applicable, to the Clearing Corporation.
- 2.1.64 **“Pay-out”** in respect of Deals or transactions done on the Concerned Exchange means the release of funds/Securities/ Goods or such other Underlying by the Clearing Corporation to the Member who becomes entitled to receive them to the extent of and upon its fulfilling respective pay-in obligations into the Clearing Corporation, in accordance with the applicable settlement schedule notified by the Clearing Corporation separately for each Security or Contract.
- 2.1.65 **“Pay-out Date”** means the date and time prescribed by the Clearing Corporation for each Settlement on which date and time, the Clearing Corporation shall be required to release funds/ Securities or the Underlying to the respective accounts of the Member and/or its client/s.
- 2.1.66 **“Position Limit”** means any limit on Open Positions held or controlled by a person (whether directly or indirectly, and whether individually by such person or by such person acting in concert with any person or person) or a Trading member of the concerned Exchange, that the Exchange and/or the Clearing Corporation may from time to time impose in respect of any Security.
- 2.1.67 **“Proprietary Account”** means an account in the books of the Trading Member of the Exchange to which the proprietary positions of the Trading Member are designated.
- 2.1.68 **“Regulations”** means Regulations of the Clearing Corporation for the time being in force and includes Code of Conduct and such other procedures and regulations, circulars, directives and orders as issued by the Relevant Authority from time to time for the operations of the Clearing Corporation.
- 2.1.69 **“Relevant Authority”** means the Board, or such other authority as specified by the Board from time to time as relevant for a specified purpose.
- 2.1.70 **“Repository”** shall have be same meaning as assigned to it under Regulation 3 (f) of Warehousing Development and Regulatory Authority (Electronic Negotiable Warehouse Receipts) Regulations, 2017.
- 2.1.71 **“Repository Participant”** means the entity appointed by a Repository, who shall be persons referred to in clause 16(4) of WDRA Guidelines on Repositories and creation and management of Electronic Warehouse Receipts, to be its agent for all or any of the specified purposes.
- 2.1.72 **“Repository Account”** means the account of the Client opened with the Repository directly or through a Repository Participant, for the purposes of dealing with the Electronic Warehouse Receipts issued by the Warehouseman.
- 2.1.73 **“Rules”** unless the context indicates otherwise, means the Rules of the Clearing Corporation, as amended from time to time.

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- 2.1.74 “**SCRA**” is the abbreviation for Securities Contracts (Regulation) Act 1956.
- 2.1.75 “**SCRR**” is the abbreviation for Securities Contracts (Regulation) Rules 1957.
- 2.1.76 “**SEBI**” means the Securities and Exchange Board of India established under Securities and Exchange Board of India Act, 1992.
- 2.1.77 “**SECC Regulations**” means Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 and amendments thereto.
- 2.1.78 “**Security or Securities**” shall have same meaning as assigned to it under section 2(h) of SCRA 1956.
- 2.1.79 “**Seller**” means a seller of any Security or Goods.
- 2.1.80 “**Selling Member**” shall mean the Member who has to give Delivery or has delivered documents of title and other relevant documents in lieu thereof and has received or has a right to receive payment in consideration thereof in fulfillment of Deal to which this Rules, Bye Laws and Regulations apply unless the context indicates otherwise.
- 2.1.81 “**Settlement**” includes Delivery Settlement and/or Mark to Market Settlement.
- 2.1.82 “**Settlement Day**” means the day fixed by the Clearing Corporation for Members to settle their trade obligations in terms of these Bye-laws, the Rules and/or the Regulations and as prescribed or instructed by the Relevant Authority.
- 2.1.83 “**Strike Price or Exercise Price**” means the price at which the Underlying to an Options Contract can be purchased or sold or the price at which an Options Contract may be exercised.
- 2.1.84 “**Transactions or Deal or Trading and to Trade**” and such similar expressions for the purposes of these Bye-laws shall mean Deals as defined in these Bye-Laws and also refer to Securities transactions that are to be cleared and settled through the Clearing Corporation.
- 2.1.85 “**Underlying**” shall refers to Goods or Security or such other assets as may be specified in the contract specifications.
- 2.1.86 “**Warehouse**” shall have same meaning as defined under Section 2 (s) of the Warehousing (Development and Regulation) Act, 2007 as amended from time to time.
- 2.1.87 “**Warehouse Receipt**” means a “Warehouse Receipt” as defined under Section 2 (u) of the Warehousing (Development and Regulation) Act, 2007 as amended from time to time.
- 2.1.88 “**Warehouse Service Provider (WSP)**” means an agency approved and accredited by the Clearing Corporation for the storage and preservation of any Underlying/ goods.

## **2.2 INTERPRETATION**

2.2.1 Unless the contrary intention is provided for:

- (a) a reference to any gender includes the other.
- (b) words in these Bye-Laws in the singular include the plural and words in the plural include the singular.

- (c) a reference to a 'time' is reference to a time as in India unless specified otherwise.
  - (d) where a reference is made in these Bye-Laws to any provisions of SCRA or SCRR or the SEBI Act or any other provisions in Law or statute, it is a reference to the said provisions as amended from time to time.
  - (e) where a reference is made in these Bye-Laws to a statutory provision, it refers to the laws of India.
  - (f) a reference to any legislation or law or to any provision thereof shall include reference to any such law as it may, after the date hereof, from time to time, be amended, supplemented or re-enacted and any reference to any enactment shall include any subordinate legislation made thereunder from time to time.
- 2.2.2 Headings are for convenience only and shall not affect the interpretation of these Bye-Laws.
- 2.2.3 Subject to these Bye-Laws, the decision of the Clearing Corporation shall be final in relation to the interpretation of these Bye-Laws against a Member, any of its affiliated clients (who are Members of the Concerned Exchanges), Clearing Banks, Warehousing entities, Warehouse Service Providers, Depositories, Clearing Banks, Warehousing entities, Warehouse Service Providers, Repositories, vaults or any third party involved in rendering relevant services and the Concerned Exchanges.
- 2.2.4 In these Bye-Laws, reference to knowledge of a Member shall include reference to the knowledge of a Director, Controller, shareholder, officer, employee or representative or agent or that Member or entity or agency referred to above as the case may be.
- 2.2.5 The words and terms defined above shall mean the same when used in lower case in these Bye-Laws, unless the context indicates otherwise.
- 2.2.6 Words and expressions used in these Bye-Laws but not defined herein shall have the same meaning assigned to them under the relevant Acts and Rules or Regulations made thereunder as the case may be.
- 2.2.7 These Bye-Laws shall be interpreted in a harmonious manner with a view to complying with the requirements of the Relevant Acts and Rules & Regulations made thereunder, to effectuate the purposes and businesses of the Clearing Corporation and to ensure that all practices in connection with the business of the Clearing Corporation as well as the functions of Clearing and Settlement process of Deals executed on the Concerned Exchanges are conducted in a fair, just, reasonable manner in order to maintain the integrity of the markets, protect the investors trading on the Concerned Exchanges, the Members of the Clearing Corporation as well as the Concerned Exchange on whose behalf the Clearing and Settlement functions are being carried out.

### **3. APPLICATION OF BYE-LAWS**

- 3.1 These Bye-Laws shall govern the Clearing, Settlement of Deal/Contract and delivery of the Goods or Securities traded on the Concerned Exchanges (s) that mandate the Clearing Corporation to extend its Clearing and Settlement infrastructure and facilities for clearing and settlement of the Deal/ Contracts that are executed on the trading platform of such exchanges.

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- 3.2 These Bye-Laws shall also apply to all types of Market Segments of the Concerned Exchanges(s) unless the context requires otherwise or unless otherwise specified by the Concerned Exchanges or the Clearing Corporation from time to time.
- 3.3 These Bye-Laws shall also apply to;
- a) all Members of the Clearing Corporation and their Authorised Users where applicable;
  - b) the Members of the Clearing Corporation inter-se;
  - c) the Members of the Concerned Exchange/s who arrange to get themselves affiliated to the Member of the Clearing Corporation where such exchange has entered into a binding arrangement with the Clearing Corporation to clear and settle the deals that are executed by such Members on the trading platform of such exchange;
  - d) the Concerned Exchanges that enter into a binding arrangement or agreement with the Clearing Corporation for facilitating the Clearing and Settlement functions along with all associated and related functions in relation with the Deals / Contracts executed on the trading platform of such exchanges;
  - e) such other person or entities including among others one or more Warehouse Service Providers, warehousing entities, Assayers, Repositories, Depositories and/or secured vaults, Clearing Bail Custodians and such other agencies who render appropriate services of the Clearing Corporation and fulfillment of the settlement of the Deals executed on the trading platform of the Concerned Exchanges by its members; and
  - f) any other entity or agency as the Relevant Authority may specify or notify from time to time.
- 3.4 Unless specifically exempted, these Bye-Laws shall apply to all or any of the clearing segments that are operative on or handled by the Clearing Corporation and as may be specified by the Clearing Corporation from time to time.
- 3.5 Unless otherwise provided under these Bye-Laws, a third party has no rights to enforce any provisions of these Bye-Laws or any Regulations framed thereunder.
- 3.6 These Bye-laws shall be subject to the provisions of SEBI Act, SCRA, Depositories Act 1996 and any rules, regulations, circulars, guidelines or directions issued thereunder by SEBI from time to time.

#### **4. CLEARING SEGMENT**

- 4.1 There may be more than one clearing segment as may be specified and notified by the Relevant Authority from time to time.
- 4.2 The Relevant Authority will specify the Deal which will be eligible for admission to the different clearing segments of the Clearing Corporation from time to time.
- 4.3 The Clearing Corporation may establish more than one sub-segment or division of a clearing segment as may be specified by the Relevant Authority from time to time. Deals which may be admitted to the different clearing sub-segments or divisions for the purpose of clearing and settlement will be specified by the Relevant Authority from time to time.
- 4.4 These Byelaws shall apply to the different segments, sub-segments and divisions of the Clearing Corporation, to the extent as may be applicable and/or specified by the Clearing Corporation from time to time.

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- 4.5 Subject to the provisions of these Bye-laws, the Relevant Authority shall have powers to frame Regulations in respect of each Clearing segment and/or Sub-segment;
- 4.5.1 for their efficient functioning and operations;
  - 4.5.2 to regulate the functioning and activities of the Members of the Clearing Corporation, their authorized users or representatives or persons, approved users;
  - 4.5.3 to determine settlement and delivery specifications for contracts within each Clearing segment or Sub segment that is made available for trading on the Concerned Exchange;
  - 4.5.4 to facilitate, in respect of all the obligations that crystallise in respect of Deals on the Clearing Corporation, smooth pay-in and pay-out processes through designated agencies including among others Clearing Banks and Warehouse Service Providers that the Clearing Corporation may appoint, and
  - 4.5.5 to formalize the functioning of all other persons, entities or agencies operating under or through the Clearing Corporation or Clearing Banks or dealings with them inter-se.

## **5. COMMITTEE(S)**

- 5.1 Committee(s) may be appointed by the Board for the purposes of managing the day to day affairs of the various segments of the Clearing Corporation in such manner as laid down in the Rules.
- 5.2 The Committee(s) of such segments shall have such responsibilities and powers as may be delegated to it by the Board.

## **6. REGULATIONS**

- 6.1 The Board may prescribe Regulations from time to time for the functioning and operations of the various segments and to regulate the functioning and operations of the Members of such segments.
- 6.2 Without prejudice to the generality of the above, the Board may prescribe regulations from time to time, inter alia, with respect to:
- 6.2.1 norms, procedures, terms and conditions for admission of exchanges;
  - 6.2.2 norms, procedures, terms and conditions to be complied with for admission of deals for Clearing and Settlement in a segment by the Clearing Corporation;
  - 6.2.3 norms, procedures, terms and conditions for Clearing and Settlement of such deals;
  - 6.2.4 forms and conditions of deals to be entered into, and the time, mode and manner for performance of deals between members inter se or between members and their constituents;
  - 6.2.5 norms, procedures, terms and conditions for guaranteed settlement of deals for a segment;



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- 6.2.6 prescription, from time to time, and administration of penalties, fines and other consequences, including norms for suspension/expulsion of members from a segment for defaults;
- 6.2.7 norms, procedures, terms and conditions for imposition and administration of different types of margins and other charges and restrictions that may be imposed for a segment from time to time.
- 6.2.8 determination from time to time, of fees, system usage charges, collateral, deposits, margins and other monies payable to the Clearing Corporation by members for a segment and the scale of clearing and other charges that may be collected by such members;
- 6.2.9 norms, procedures, terms and conditions for supervision of the clearing operations and promulgation of such Business Rules and Codes of Conduct as it may deem fit;
- 6.2.10 norms, procedures, terms and conditions for inspection and audit of records and books of accounts;
- 6.2.11 norms, procedures, terms and conditions for settlement of disputes, complaints, claims arising between members inter se as well as between members and persons who are not members relating to any deal cleared and settled through a segment including resolution of disputes through arbitration;
- 6.2.12 norms, procedures, terms and conditions for arbitration;
- 6.2.13 norms, procedures, terms and conditions for administration, maintenance and investment of the corpus of the Fund(s) set up by the Segments including Core Settlement Guarantee Fund(s);
- 6.2.14 establishment, norms, terms and conditions, functioning and procedures of Clearing Corporation, clearing through depository/ repository or other arrangements including custodial services for Clearing and Settlement;
- 6.2.15 norms, procedures, terms and conditions in respect of, incidental to or consequential to closing out of deals;
- 6.2.16 norms and procedures for dissemination of information and announcements;
- 6.2.17 norms and procedures for approval, audit and certification of Warehouses, warehouse service providers, allied facilities and assaying laboratories;
- 6.2.18 Norms and procedures pertaining to delivery mechanism from Warehouses including assaying of Goods;
- 6.2.19 specify norms, procedures, terms and conditions for admission to Membership of the Clearing Corporation;
- 6.2.20 specify norms for the conduct of Members with regard to the business of the Clearing Corporation;
- 6.2.21 specify norms, procedures, terms and conditions for Clearing and settlement of deals or

transactions for different Clearing Segments and for different Securities and Contacts based on the different Clearing Segments of the Concerned Exchanges;

- 6.2.22 specify terms and conditions of deals to be entered into, and the time, mode and manner for clearing and settlement of securities transactions between Members or between Members and their Clients;
- 6.2.23 determine norms and procedures for availing services from Warehouses and Warehouse Service providers for physical delivery of the Underlying Goods and from surveyors, assaying agencies, quality testing and certification laboratories/ agencies and other appropriate authorities and agencies;
- 6.2.24 investigate the financial condition, business conduct and dealings of the Members;
- 6.2.25 specify terms for appointment and dissolution of different Committee(s) of the Clearing Corporation;
- 6.2.26 carry out settlement of disputes, complaints, claims arising between Member inter-se as well as between Members and person who are not Members relating to any deal in securities cleared and settled through the Clearing Corporation including settlement by arbitration;
- 6.2.27 specify norms, procedures, terms and conditions for arbitration;
- 6.2.28 decide on the framework to impose penalties for non-compliance with or contravention of these Bye-Laws, the Rules Regulations and Circulars of the Clearing Corporation or that of SEBI;
- 6.2.29 specify norms, procedures, terms and conditions in respect of, incidental to or consequential to close out of deals;
- 6.2.30 specify the processes for expulsion or suspension of the Members;
- 6.2.31 declare any Member as a defaulter or impose suspension or terminate from Membership of the Clearing Corporation;
- 6.2.32 exercise its powers in such other matters in relation to the Clearing Corporation as may be specified under the provisions of the Memorandum and/or Articles of Association or these Bye-Laws or as may be necessary or expedient for the maintenance, control, management, regulation;
- 6.2.33 disseminate information and make announcements;
- 6.2.34 any other matter as may be decided by the Board.

### **6.3 Powers to amend Bye-Laws:**

6.3.1 Subject to the requirements set out under the Relevant Acts or as approved by SEBI, the Clearing Corporation may from time to time amend all or any part of these Bye-Laws as may be deemed necessary or appropriate.

#### **6.4 Power to issue Notices and Circulars/ Power to Prescribe Enabling Provisions:**

6.4.1 The Relevant Authority may, from time to time, issue clarifications/ directive / Notice and/or Circulars, as may be required from time to time, including but not limited; a) to remove any difficulties or ambiguity in implementing the provisions of any of the Bye-Laws of the Clearing Corporation and Regulations framed thereunder, b) to provide any clarifications / directions including withdrawal/relaxation of any directive / Notice and/or Circulars in part or otherwise, as it may deem necessary which shall have the same effect as these Bye-Laws and the Regulations.

6.4.2 Any non-compliance or violation of such clarifications/ directives /Notice and/or Circulars shall be deemed to be a contravention of these Bye-Laws.

#### **6.5 Board's power to delegate**

##### **6.5.1 Board**

6.5.1.1 The Board is responsible for the governance of the Clearing Corporation pursuant to these Bye-Laws.

6.5.1.2 The Board may delegate such of its powers, authorities and functions to such directors, officers, employees, persons and to such Committees as it may authorize from time to time.

6.5.1.3 The Board may delegate one or more of the functions in provision 6.2 to the Relevant Authority of the Clearing Corporation for effective and timely decision making and implementation.

#### **6.6 Jurisdiction and governing law**

6.6.1 These Bye-Laws shall be governed by and construed in accordance with the laws of India, Save as provided under these Bye-Laws and irrespective of the location of Member of the Clearing Corporation or any of the entities rendering any service to the Clearing Corporation and its Members towards completing the Clearing and Settlement functions under these Bye Laws, the court in Mumbai shall have the exclusive jurisdiction to determine any dispute with the Clearing Corporation in relation to or arising from these Bye-Laws.

6.6.2 All Deals admitted by the Clearing Corporation for Clearing and Settlement shall be deemed to have been entered into exclusively in the city of Mumbai and courts in Mumbai shall have exclusive jurisdiction with regard to such deals, admitted on the Clearing Corporation.

6.6.3 The Clearing Corporation may, from time to time, specify deals as subject to a particular jurisdiction, having regard to the type or nature of the deal settled on the Clearing Corporation and other relevant factors.



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- 6.6.4 Members are liable for due fulfilment of their obligations to the Clearing Corporation as may be specified by the Relevant Authority, whether such obligation be for account of the Member or on account of a Constituent.
- 6.6.5 The Clearing Corporation shall be entitled to bring an action in any court of competent jurisdiction against a Member to enforce the obligations of a Member which may arise under or in connection with these Bye-Laws, a judgment an award or an order.
- 6.6.6 Any dispute between a Member of the Clearing Corporation and its constituents may be referred to any court in India depending on the location of the said Client provided the Clearing Corporation is not being made a party to the dispute.

## **6.7 Governing language**

- 6.7.1 All Rules, Notices, writings, Circulars, instructions and documents issued by the Clearing Corporation under these Bye-Laws in relation to the operation and functions of the Clearing Corporation shall be in the English language. For the convenience of Members, the Clearing Corporation may publish Notice and/or Circulars in any other language in addition to English. In case of any discrepancy between the different versions of any Notice and/or Circular, the English version shall prevail.

## **7. MEMBERSHIP OF CLEARING CORPORATION**

- 7.1 The Relevant Authority is empowered to admit Members in accordance with the Bye Laws, Rules and Regulations subject to the minimum financial requirements prescribed by the Clearing Corporation.
- 7.2 Such Members shall pay such fees, security deposits and other monies as may be specified by the Board or the Relevant Authority from time to time, on admission as Member and for continued admission.
- 7.3 The fees, security deposits, other monies and any additional deposits paid, whether in the form of cash, bank guarantee, securities or otherwise, with the Clearing Corporation, by a Member from time to time, shall be subject to a first and paramount lien for any sum due to the Clearing Corporation and all other claims against the Member for due fulfilment of engagements, obligations and liabilities of Members arising out of or incidental to any dealings made subject to and in accordance with the Bye laws, Rules and Regulations of the Clearing Corporation.
- 7.4 The Clearing Corporation shall be entitled to adjust or appropriate such fees, deposits and other monies for such dues and claims, to the exclusion of the other claims against the Member, without any reference to the Member.
- 7.5 Members of the Clearing Corporation shall clear and settle deals through the Clearing Corporation in such manner and mode and subject to such terms and conditions and procedures as may be specified by the Clearing Corporation.

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- 7.6 Members shall clear and settle deals either on their own account or on behalf of their clients unless otherwise specified by the relevant authority and subject to such terms and conditions which the relevant authority may prescribe from time to time.
- 7.7 The proceeds arising out of invocation of the bank guarantees furnished by a Member in lieu of security deposits or additional deposits on being invoked by the Clearing Corporation shall not be reckoned as part of the Member's deposits for the purpose of enablement or exposure, etc.
- 7.8 The Clearing Corporation may utilize the proceeds of the bank guarantee so invoked for the purpose of settlement of claims / dues of the Clearing Corporation and towards claims of the stock exchanges or SEBI against the Member. The surplus, if any, shall be refunded to the Member.
- 7.9 Any bank included in the Second Schedule of the Reserve Bank of India Act, 1934, and specifically authorised by Reserve Bank of India for this purpose;
- 7.9.1 is eligible to become a Member of the Clearing Corporation, on the recommendation of the Relevant Authority.
- 7.9.2 such bank can only act as a Member for its clients or constituents.
- 7.9.3 such bank shall also abide by the circulars and directions issued by RBI and SEBI in respect of dealings of such bank on the Clearing Corporation besides Rules, Byelaws and Regulations of the Clearing Corporation.
- 7.10 General and prudential requirements:**
- 7.10.1 An Applicant Member shall not be entitled to exercise any of the rights or privileges of Membership unless it;
- 7.10.2 has paid in full the non-refundable Membership fees, annual fees and any other charges, deposits or fees as may be specified by the Clearing Corporation.
- 7.10.3 meets the applicable minimum capital and financial requirements specified in the Rules and/or Circulars issued by the Relevant Authority and/or
- 7.10.4 has obtained permission or is exempted under the Relevant statutes from holding license/ authorization / recognition.
- 7.10.5 A Member of any Clearing Segment shall clear and settle Deals/ transaction made on a Concerned Exchange and attributable to it as a Member pertinent to a particular Clearing Segment:
- (a) on its own account or
  - (b) on behalf of its Clients and/or
  - (c) on behalf of its affiliated Constituents in terms of its scope as a Member in such manner and mode and subject to such terms and conditions and procedures as may be prescribed for the Member for the respective Clearing Segments.

## **8. CLEARING AND SETTLEMENT**

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## **8.1 Clearing and Settlement**

8.1.1 Settlement shall be effected by Members giving and receiving delivery of Goods or Security and paying and receiving funds as may be specified by the Relevant Authority from time to time in the Bye Laws and Regulations.

### **8.1.2 Settlement Finality**

- a) Payment and settlement in respect of a Deal effected under these bye laws, shall be final, irrevocable and binding on the Members and their Constituents.
- b) When a settlement has become final and irrevocable, the right of the Clearing Corporation to appropriate any collaterals or deposits or margins contributed by the Member towards its settlement or other obligations in accordance with these Byelaws shall take priority over any other liability of or claim against the said Member.
- c) For removal of doubts, it is hereby declared that the settlement, whether gross or net, referred to in Clause (a) above is final and irrevocable as soon as the money, Goods and Securities or other obligations payable as a result of such settlement is determined, whether or not such money, Goods and Securities or other obligations are actually paid or otherwise.
- d) The payment and settlement in respect of a Deal, shall be determined in accordance with the netting or gross procedure as specified by the Relevant Authority.

Explanation: 1. For the purpose of Clause (d) above, "netting" means the determination by Clearing Corporation of net payment or delivery obligations of the Member by setting off or adjustment of the inter se obligations or claims arising out of buying and selling of Goods and Securities including the claims and obligations arising out of the termination by the Clearing Corporation, in such circumstances as the Clearing Corporation may specify in Byelaws, of the deals admitted for settlement at a future date or otherwise, so that only a net claim be demanded, or a net obligation be owed.

Explanation: 2 For removal of doubts, it is hereby declared that claims and obligations arising out of the termination by the Clearing Corporation referred to in Explanation 1 above shall mean claims and obligations arising out of deals closed out in accordance with these Bye laws.

### **8.1.3 Right of Clearing Corporation:**

- 8.1.3.1 The right of Clearing Corporation to recover the dues from its Members, arising from the discharge of their Clearing and Settlement functions, from the collaterals, deposits and the assets of the Members, shall have priority over any other liability of or claim against the Members.

<sup>3</sup>8.1.3.2 Notwithstanding and without prejudice to the right of the Clearing Corporation as stated in 8.1.3.1, any order to freeze/attach all such collaterals by any other statutory authority shall not in any way affect the settlement which has become final and irrevocable

## **8.2 Deals for Clearing and Settlement**

8.2.1 The Clearing Corporation shall clear and settle such deals as may be permitted under these Bye Laws from time to time.

8.2.2 Without prejudice to the generality of the above, the Relevant Authority may in its discretion and subject to such conditions as it may deem fit admit any other deals.

8.2.3 The Clearing and Settlement of deals shall be effected by the Members or any other persons acting through them by adopting and using such arrangements, systems, agencies or procedures as may be prescribed or specified by the Relevant Authority from time to time. Without prejudice to the generality of the foregoing, the Relevant Authority may prescribe or specify, for adoption and use by the Members, , participants, and other specified constituents, such custodial, repository or other similar services from time to time to facilitate smooth operation of the Clearing and Settlement arrangement or systems.

8.2.4 The function of the Clearing and Settlement may be performed by the Clearing Corporation or any agency identified by the Relevant Authority for this purpose;

8.2.5 The Clearing Corporation may consider incorporating an independent entity to handle the Clearing and Settlement activities of the Clearing Corporation. As such all rights and obligations

of the Clearing Corporation may be transferred to that entity and the Members may be considered to be registered with it and will have to adhere to its Bye Laws, rules and regulations as prescribed from time to time.

8.2.6 Settlement in Relevant segment of the Clearing Corporations shall be either on netted basis, gross basis, trade for trade basis or any other basis as may be specified by the Relevant Authority from time to time. Settlement shall be effected by Members giving and receiving delivery Goods and/or Securities and /or paying and receiving funds as may be specified by the Relevant Authority from time to time in the Bye Laws and Regulations.

8.2.7 Save as otherwise expressly provided in the Rules, Bye Laws and Regulations, when funds and Goods and/ or Securities or documents of title to Goods and/ or Securities are, under a prescribed arrangement, routed through the Clearing Corporation, the settlement responsibility shall rest wholly and solely upon the counter parties to the trade and /or the concerned Members as the case may be; and the Clearing Corporation shall act as the common agent of the Members / Constituents for receiving or giving delivery of Goods and/ or Securities and for receiving and paying funds, without incurring any liability or obligation as a principal.

## **8.3 Conditions and requirements of Clearing and Settlement**

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<sup>3</sup> New sub clause 8.1.3.2 is inserted vide clause B (2) of Gazette Notification in Part IV of weekly Gazette dated August 17, 2024 – August 23, 2024 of Gazette of India and Part II of weekly Gazette dated August 01, 2024 –August 07, 2024 of State Gazette of Maharashtra.

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8.3.1 The Relevant Authority may grant admission of deals on the Clearing Corporation provided all the conditions and requirements specified in the Bye Laws and Regulations and such other conditions and requirements as the Relevant Authority may prescribe from time to time are complied with.

#### **8.4 Admission of Deals**

8.4.1 Clearing and Settlement shall be permitted on the Clearing Corporation of deals, which are from time to time admitted by the Relevant Authority in accordance with the provisions of the Bye Laws and Regulations.

8.4.2 The Relevant Authority may specify Goods and Securities from time to time, dealings on which may be admitted in accordance with the provisions of the Bye Laws and Regulations in that regard.

#### **8.5 Refusal of admission of Deals**

8.5.1 The Relevant Authority may, in its discretion, approve admission of deals or defer, or reject admission of deals for Clearing and Settlement on the Clearing Corporation subject to such terms as it deems fit.

#### **8.6 Specified Deals**

8.6.1 The Relevant Authority may permit in appropriate cases as it may at its discretion decide from time to time specific deals to be cleared and settled through the Clearing Corporation in case of Goods and Securities which are not admitted or are for the time being prohibited or suspended.

#### **8.7 Suspension of admission of Deals**

8.7.1 The Relevant Authority may suspend at any time the admission of deals including of any of the Goods and Securities for such period as it may determine and reinstate such deals subject to such conditions as it may deem fit.

#### **8.8 Withdrawal of admission of Deals**

8.8.1 The Relevant Authority may where it deems necessary withdraw the admission to dealings of a Concerned Exchange, or otherwise either for breach of or non-compliance with any of the conditions or requirements of admission of dealings or for any other reason whatsoever.

#### **8.9 Readmission of Deals**

8.9.1 The Relevant Authority in its discretion may readmit deals of a Concerned Exchange, or otherwise, which has been previously withdrawn.

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**8.10 Daily Settlement Price**

- 8.10.1 The relevant authority of the Clearing Corporation in or without consultation of the concerned Exchange shall, at the close of trading hours, determine the daily settlement price for each security.
- 8.10.2 The Daily Settlement Price so determined by the Clearing Corporation shall be binding on all Members.
- 8.10.3 Notwithstanding anything in these Byelaws, the relevant authority reserves the right to amend daily, the settlement prices of any security where it deems fit.

**8.11 Inability to declare Daily Settlement Price:**

- 8.11.1 If in the opinion of the Relevant Authority a situation or practice may prevent or has prevented the determination of the Daily Settlement Price for a Security or a group of Securities in accordance with the relevant Contract Specifications, the Relevant Authority may take any steps it deems necessary in the circumstances to correct such situation so as to enable the Daily Settlement Price to be determined and declared and may give directions to Members accordingly.

**8.12 Final Settlement Price:**

- 8.12.1 The Final Settlement Price shall be such price as may be specified by the Relevant Authority.

**8.13 Open Positions:**

- 8.13.1 All positions shall remain open and in force and shall continue to be binding upon the Members until liquidated by offsetting positions in accordance with these Byelaws, or upon delivery or cash settlement, provided however that all open positions shall cease to exist on the dates such contracts are stated to expire.
- 8.13.2 The relevant authority may from time to time specify the provisions relating to Corporate Action adjustments, including non-adjustment, in open positions, discontinuing any or all securities and/or settlement methods and procedures for the relevant securities, arising out of or incidental to corporate actions in the underlying.

**8.14 Transfer of Open Positions:**

- 8.14.1 The Clearing Corporation may:
- a) upon the request of a Member,
  - b) where provided in Rules and/or Regulations of the concerned Exchanges, at the direction of the said Exchange, or
  - c) pursuant to the disciplinary provisions contained in these Byelaws – transfer an open position held in the name of a Member (the “Transferor Member”) to another Member (they “Transferee Member”).
- 8.14.2 Notwithstanding the above provision 8.14.1, the relevant authority may decline to effect the transfer of a position without providing any reason. A transfer may be made subject to the Transferor

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Member and Transferee Member complying with any conditions imposed by the Clearing Corporation, including the deposit of Margin, or collateral by either or both of the Transferor Member and the Transferee Member, or any other party.

- 8.14.3 The transfer shall be effected in such manner and at such time as the Clearing Corporation determines, subject to the acceptance by the Transferee Member. Upon the Transferee Member accepting the transfer in the manner specified by the Clearing Corporation, the open position between the Transferor Member and the Clearing Corporation shall be cancelled and a new open position will come into existence between the Clearing Corporation and the Transferee Member on the same terms as the cancelled open position.

## **8.15 Clearing Banks**

### **8.15.1 Appointment of Clearing Bank(s)**

- 8.15.1.1 The Clearing Corporation shall appoint Clearing Bank(s) from time to time for the purpose of daily and final Settlement, for the collection of deposits, Margins, and other amounts for all Deals entered into through the Clearing Corporation and any other funds movement between Members and the Clearing Corporation.
- 8.15.1.2 The Relevant Authority shall specify from time to time the processes, account types, procedure and operations that every Member shall be required to follow for the purpose of funds settlement through their accounts maintained with the Clearing Bank (s). The Clearing Corporation shall have the power to enter into necessary arrangement with financial institutions or entities such as banks for conducting clearing and settlement operations.

## **8.16 Clearing Hours**

- 8.16.1 The hours for clearing and settlement shall be during such time as may be decided by the Clearing Corporation from time to time. The Clearing Corporation may, from time to time, specify clearing hours for different types of deals.
- 8.16.2 The Clearing Corporation may declare a list of holidays in a calendar year. Without prejudice to the above, for reasons to be recorded, the Clearing Corporation may from time to time alter or cancel any of the holidays fixed in accordance with these provisions.
- 8.16.3 The Clearing Corporation may, for reasons to be recorded, suspend Clearing and Settlement operations on days other than or in addition to holidays.
- 8.16.4 The provisions under sub clause (8.16.1), (8.16.2) and (8.16.3), shall be subject to the approval of SEBI, as the case may be.

## **8.17 Novation**

- 8.17.1 Upon a Deal in relation to a Security transacted on the Concerned Exchange being reported to the

Clearing Corporation for Clearing and Settlement, the relevant Deal shall be passed on to the Clearing Corporation. The Clearing Corporation shall then become the Central Counterparty for each such Deal.

- 8.17.2 Novation shall result in two contracts, one between the Selling Member and the Clearing Corporation, and the other between the Clearing Corporation and the Buying Member. Each separate contract resulting from such Novation shall be identical to the original contract except that the Clearing Corporation shall be substituted as and shall assume the position, and accordingly rights and liabilities, of Selling Member to the Buying Member and conversely, the position, and accordingly the rights and liabilities, of Buying Member to the Selling Member. However, the responsibility of Clearing Corporation under novation shall be for guarantee of funds pay-out till marking of delivery and for guarantee of financial compensation (to make good losses of non-defaulting party) in case of default (in goods or funds pay-in) after marking of delivery. In case of disputes pertaining to quality or quantity/any damages arising after the delivery shall be addressed through complaint redressal mechanism including arbitration mechanism of the Clearing Corporation and can be settled in terms of financial compensation.
- 8.17.3 The Clearing Corporation shall be entitled to rely conclusively on the accuracy and authenticity of any and/or all information and data regarding any Deal or transaction submitted to the Clearing Corporation by or on behalf of the Concerned Exchange or any Member, whether or not a Member has in fact authorised the submission of such information or data so submitted.
- 8.17.4 Each Open Position (whether designated to a proprietary position or a Client position of a Member) when accepted by the Clearing Corporation for Clearing and Settlement shall be between the Clearing Corporation and a Member as principal to principal.
- 8.17.5 No other person or any third party, including any Trading Member who is a Client of the Member, or otherwise, shall have any rights under any Open Position between the Member and the Clearing Corporation.
- 8.17.6 Nothing in these Bye-Laws shall be regarded, treated or otherwise interpreted as:
- a) limiting, diminishing, modifying or otherwise affecting the relationship between the Clearing Corporation and a Member.
  - b) obliging or requiring the Clearing Corporation to recognize any right or entitlement of any third party.

**8.17.7 Transactions where the Clearing Corporation shall not act as a Legal Counter Party:**

- 8.17.7.1 If on an investigation, the Concerned Exchange concludes that either all the transaction or part thereof in any Contract executed on its trading platform or any of its other trading systems, have been executed in a fraudulent manner and/or are placed as financial transactions or structured deals and/or with a design to defraud the Core Settlement Guarantee Fund operated by the Clearing Corporation, the Relevant Authority of the Clearing Corporation, upon receiving a report from the Concerned Exchange, shall have absolute authority and discretion to withdraw itself as a legal Counter Party to such Deal / transaction or set of transactions;
- 8.17.7.2 Provided that where the Relevant Authority decides to exercise its discretion to withdraw itself as a legal Counter Party to any such transaction, either in full or



in part, and/or either from both sides or single side of the transaction, it shall afford an opportunity of being heard to all the parties affected or likely to be affected by such decision. The decision taken by the Relevant Authority thereafter shall come into force forthwith and shall be final and binding on all the parties concerned.

## **8.18 Privity of Contract**

8.18.1 Except as provided herein, Members giving and receiving delivery as provided in the Bye Laws and Regulations shall be deemed, notwithstanding that no direct contract may exist between them, to have made a contract with each other as sellers and buyers. However the rights and liabilities of Selling Member and Buying Member in relation to their immediate contracting party shall not be deemed to be affected thereby except that the selling member (unless he be himself the seller) shall be released from all responsibility in regard to the title, ownership, genuineness, regularity and validity of the documents of Goods and Securities received by the Buying Member and in regard to the loss and damages arising therefrom, which shall be dealt with in accordance with the provisions of Bye Laws and Regulations thereof.

8.18.2 In cases where the Clearing Corporation may specify either generally or specifically, Members giving and receiving delivery and paying and receiving funds as provided in the Bye Laws and Regulations shall be deemed, notwithstanding that no direct contract exists between them, to have made a contract with the Clearing Corporation as sellers and buyers and between themselves as Selling Members and Buying Members; provided further however that in such event the rights and liabilities of Selling Members and Buying Members with the Clearing Corporation shall not be deemed to be affected thereby except that the Clearing Corporation shall not be responsible in respect of the title, ownership, genuineness, regularity and validity of the documents of Goods and Securities delivered or received and in regard to the loss and damages arising therefrom, which shall be dealt with in accordance with the provisions of Bye Laws and Regulations thereof.

8.18.3 Notwithstanding anything contained above, the Clearing Corporation may specify either generally or specifically that the Clearing Corporation shall be counterparty to the deal specified by it and arising out of trades executed / reported on the trading system of the exchanges or otherwise, admitted for clearing and settlement except the fact that in respect of failure on the part of the Selling Member in tendering delivery, the Clearing Corporation shall be responsible only to pay financial compensation and not to give physical delivery to the Buying Member. The Clearing Corporation shall undertake to guarantee the financial settlement of all deals arising out of deals in Goods and Securities duly executed / reported on the trading system of the exchanges or otherwise irrespective of default, insolvency or failure on the part of the corresponding member. Provided that the settlement guarantee by the Clearing Corporation extends only:

- i) to its own Members, and
- ii) to those deals that have been accepted for clearing and settlement by the Clearing Corporation., and iii) to those Members who are not in default in their financial obligations to the Clearing Corporation, an exchange or otherwise.

Provided however, the Clearing Corporation shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any Goods and Securities or any document in lieu thereof passing through the Clearing Corporation, the object of maintaining the Clearing Corporation being

to facilitate the delivery and payment in respect of the Goods and Securities or documents in lieu thereof between Members.

Provided however that the nature of guarantee by the Clearing Corporation is strictly financial, that is, in case of buyer default or seller default, the Clearing Corporation shall guarantee financial compensation to make good any monetary loss to non-defaulting party.

## **8.19 Operational parameter for Clearing**

8.19.1 The Clearing Corporation may determine and announce from time to time operational parameters regarding clearing of deals through the Clearing Corporation, which the Members shall adhere to.

8.19.2 The operational parameters may, inter alia, include:

- a) Clearing/exposure limits allowed which may include clearing/exposure limits with reference to net worth and capital adequacy norms;
- b) Clearing volumes and limits at which it will be incumbent for Members to intimate the Clearing Corporation,
- c) Fixation of delivery lots for different settlement types;
- d) Other matters which may affect smooth operation of clearing of deals keeping in view larger interest of the public;
- e) Determining types of deals permitted for a Member and for Goods and Securities;
- f) Determining functional details of the Clearing and Settlement system including the system design, user infrastructure and system operation;
- g) Any other matters which is required to ensure the settlement functions.

## **8.20 Delivery of Goods and Securities:**

8.20.1 Delivery of all Goods and Securities or documents in lieu thereof and payments in respect of the same shall be in such manner as the Clearing Corporation may prescribe from time to time.

8.20.2 The Clearing Corporation shall specify from time to time, the Goods and Securities or documents in lieu thereof which, when delivered in prescribed manner, shall constitute good delivery. Where circumstances so warrant, the Clearing Corporation may determine, for reasons to be recorded, whether or not a delivery constitutes a good delivery, and such finding shall be binding on the parties concerned. Where the Clearing Corporation determines that a delivery does not constitute a good delivery, the Selling Member shall be required to substitute good delivery instead or make such payment of difference amount including the penalty for default and monetary compensation towards the claim of loss, if any, as prescribed by the Clearing Corporation within such time period as may be specified failing which appropriate action may be initiated by the Clearing Corporation as provided in the Bye Laws, Rules and regulations from time to time.

8.20.3 The Clearing Corporation may prescribe from time to time such norms and procedures which may include delivery with respect to deals admitted by the Clearing Corporation for clearing and settlement and matters incidental thereto.

8.20.4 The Clearing Corporation shall prescribe the norms for approving the Warehouses/Warehouse Service Providers for the purpose of deposit and delivery of Goods.

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- 8.20.5 The Depositors/Selling Clients shall complete the Know Your Depositor Documents (KYD) before depositing any Goods in the warehouses approved by the Clearing Corporation or otherwise as the case may be and shall be bound by the Guidelines/Circulars as may be issued by the Clearing Corporation from time to time.
- 8.20.6 The Clearing Corporation shall prescribe the norms for deposit and delivery of Goods from the Warehouses approved by the Clearing Corporation or the repository as the case may be and all deliveries and deposits shall be governed by the Physical Delivery Guide as may be notified by the Clearing Corporation from time to time.
- 8.20.7 The Clearing Corporation may prescribe from time to time the requirements and procedures for determining disputed deliveries or defective deliveries, and measures, procedures and system of resolving the dispute or defect in deliveries or of consequences of such deliveries or the resolution shall, subject to and in accordance with the Bye Laws, Rules and Regulations.
- 8.20.8 The relevant authority may prescribe from time to time such norms and procedures which may include delivery with respect to market lot, odd lot, minimum lot, part delivery, delivery period, expiry date, designated tender days, delivery orders, delivery grades, delivery centers, freight adjustment factors, sampling analysis & certification method etc. shall be as prescribed by the relevant authority from time to time.
- 8.20.9 For the purpose of deliveries of Goods under this clause the Clearing Corporation shall approve Warehouses in accordance to the norms and procedures as prescribed by the Clearing Corporation and/or SEBI from time to time.
- 8.20.10 The Clearing Corporation shall prescribe such norms not specifically mentioned herein but necessary for the purpose of ensuring Good Delivery.

## **8.21 Closing Out**

- 8.21.1 A deal admitted for Clearing and Settlement may be transferred to another Member with his consent on the failure of a Member to comply with any of the provisions relating to delivery, payment and settlement of deals or on any failure to fulfil the terms and conditions subject to which the deal has been made, or such other circumstances as the Clearing Corporation may specify from time to time. The deal may be transferred to another Member by the Clearing Corporation in such manner, within such time frame, and subject to such conditions and procedures as the Clearing Corporation may prescribe from time to time.
- 8.21.2 A deal admitted for Clearing and Settlement may be closed out on failure of a Member to comply with any of the provisions relating to delivery, payment and settlement of deals or on any failure to fulfil the terms and conditions subject to which the deal has been made, or such other circumstances as the Clearing Corporation may specify from time to time. The deal may be closed out by the Clearing Corporation in such manner, within such time frame, and subject to such conditions and procedures as the Clearing Corporation may prescribe from time to time.
- 8.21.3 Without prejudice to the generality of the foregoing, the Clearing Corporation may close out deals, inter alia, by buying in or selling out against a Member in the following circumstances

- (a) in case of the Selling Member, on failure to make payment of settlement obligation or on failure to make delivery on the due date; and
- (b) in case of the Buying Members, on failure to make payment of settlement obligation on the due date,
- (c) and any loss, damage or shortfall sustained or suffered as result of such closing out shall be payable by the defaulting Member.

8.21.4 The Clearing Corporation may suspend or postpone closing-out in respect of any deals and from time to time extend or postpone the period of such suspension or postponement when circumstances appear in its view to make such suspension or postponement desirable in the general interest. The liability of Member in respect of deals in such Goods and Securities settled through the Clearing Corporation shall continue during the period of such suspension or postponement.

8.21.5 The Clearing Corporation may defer closing-out in any particular case if in its opinion a fair market to close-out is not available or if it determines that the default is due to the existence of a special situation but no such deferment shall relieve the Member in default of the obligation to pay for any resulting damages or free the intermediate parties of their liabilities.

8.21.6 The Clearing Corporation shall effect closing out against the Member in any of the following manner:

- i. by declaring a closing-out at such prices as may be decided by the Clearing Corporation.
- ii. in any other manner as the Clearing Corporation may decide from time to time.

8.21.7 If any Member against whom a deal is closed-out under the provisions of these Bye Laws, fails to make payment of the loss arising out of the closing -out and of the damages, if any, within such time as may be stipulated by the Clearing Corporation from time to time, he may be declared a defaulter.

## **8.22 Failure to meet obligations**

8.22.1 In the event a Member fails to meet obligations to the Clearing Corporation arising out of Clearing and Settlement operations of admitted deals the Clearing Corporation may charge such interest, impose such penalties and fines and take such disciplinary action against the Member as it may determine from time to time. Any disciplinary action, which the Clearing Corporation takes pursuant to the above, shall not affect the obligations of the Member to the Clearing Corporation or any remedy to which the Clearing Corporation may be entitled under applicable law.

## **8.23 Liquidation of Goods and Securities**

8.23.1 The Clearing Corporation shall prescribe the norms, procedures, terms and conditions for appointment of liquidation agents and the process of liquidation of Goods and Securities from time to time.

8.23.2 The decision of the Clearing Corporation with respect to all matters relating to liquidation of Goods and Securities shall be final and conclusive.

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**8.24 Record for Evidence**

- 8.24.1 The record of a Deal as maintained by a central processing unit or a cluster of processing units or computer processing units, whether maintained in any other manner shall constitute the agreed and authentic record in relation to any deals cleared and settled through the Clearing Corporation. For the purposes of any disputes regarding Clearing and Settlement of deals, the records as maintained by the Clearing Corporation shall constitute valid evidence in any dispute or claim between the constituents and the Members or between the Members inter-se or between the Members and the Clearing Corporation.

**8.25 Member only parties to Deals**

- 8.25.1 The Clearing Corporation does not recognize as parties to deals any persons other than its own Members, and every Member is directly and wholly liable in accordance with whom such Member has any deal, for due fulfilment of the deal, as may be specified by the Clearing Corporation, whether such deal be for account of the Member effecting it or for account of a constituent.

**8.26 All Deals subject to Bye Laws, Rules and Regulations**

- 8.26.1 All deals shall be made subject to and in accordance with the Rules, Bye Laws, Regulations, Circulars and guidelines as issued/notified by the Clearing Corporation from time to time and this shall be a part of the terms and conditions of all such deals and the deals shall be subject to the exercise by the Clearing Corporation of the powers with respect thereto vested in it by the Bye Laws, Rules and Regulations.

**8.27 Inviolability of admitted Deals**

- 8.27.1 All the Deals settled on the Clearing Corporation subject to and in accordance with the Bye laws, Rules and Regulations shall be in-violable and shall be cleared and settled in accordance with the Bye laws, Rules and Regulations. However, the Clearing Corporation may by a notice annul the deal(s) on an application by a Member in that behalf; if the Clearing Corporation is satisfied after hearing the other party/parties to the deal(s) that the deal(s) is /are fit for annulment on account of fraud or willful misrepresentation or material mistake in the deal.
- 8.27.2 Notwithstanding anything contained in above clause, the Clearing Corporation may, to protect the interest of constituents in contracts or Goods or Securities and for proper regulation of the market, suo moto annul deal(s) at any time if the relevant authority is satisfied for reasons to be recorded in writing that such deal(s) is/ are vitiated by fraud, material mistake, misrepresentation or market or price manipulation and the like.
- 8.27.3 Any annulment made pursuant to clause (8.27.1) and (8.27.2) above, shall be final and binding upon the parties to deal(s). In such an event, the Member shall be entitled to cancel the relevant deal(s) with its constituents.

**8.28 Deals by Representative Members**

- 8.28.1 A Member may authorise another Member to act as its representative for a specified period with the prior permission of the Clearing Corporation.

## **8.29 Indemnity**

- 8.29.1 Every Member shall indemnify and keep indemnified the Clearing Corporation against all losses, costs, expenses, damages injuries and liabilities arose out of or in connection with any violation by the Member (including its present and past directors, officers, employees, agents, clients) of its obligations under these Bye-Laws or the Regulations made thereunder or the Rules or violation of any applicable law or any unlawful, wilful, reckless or negligent act or omission of the Member (including its present and past directors, officers, employees, agents and Clients).
- 8.29.2 Each Member shall indemnify and hold the Clearing Corporation harmless for the full amount awarded under any judgment, settled or paid by the Clearing Corporation in respect of any legal or administrative proceeding brought against the Clearing Corporation as a result of an alleged violation of any applicable law or these Bye-Laws by such Member or as a result of an alleged failure of the Clearing Corporation to detect, prevent or otherwise act against such alleged violation.
- 8.29.3 Each exemption from liability, defense or immunity to the Clearing Corporation or to which the Clearing Corporation is entitled under these Bye-Laws shall also be available and shall extend to protect directors, officers, employees or agents of the Clearing Corporation.
- 8.29.4 The Clearing Corporation shall not be liable for any act of a Member or its Constituents or any person acting on their behalf whether authorised or unauthorised including deals cleared and settled through the Clearing Corporation save and except as and to the extent provided in the Bye Laws, Rules and Regulations.

## **8.30 Limitation of Liability**

- 8.30.1 The Clearing Corporation shall have no liability, obligation or duty to any Member, any of their clients or any third party, including but not limited to, as a result of:
- 8.30.1.1 any force majeure event which is beyond the reasonable control of the Clearing Corporation;
  - 8.30.1.2 any losses or damages, including consequential losses and damages incurred or which may arise directly or indirectly with respect to the activities and functions of the Clearing Corporation;
  - 8.30.1.3 any failure, omission or error on the part of the Clearing Corporation including any losses or damages with respect to Clearing and Settlement through the infrastructure of the Clearing Corporation or suspensions, interruption, cancellation or closure of the Clearing Corporation or any inoperability or malfunction of any equipment, software compute system or any other product operated, supplied or used by the Clearing Corporation;
  - 8.30.1.4 any decision of the Disciplinary Action Committee or Defaulters Committee exercising their powers or the Clearing Corporation accepting a Member's or the Clearing Corporation's decision to suspend or terminate the membership of any Member or declare any Member to be a Defaulter Member.
  - 8.30.1.5 the exercise or failure to exercise any discretion or rights under these Bye-Laws by the Clearing Corporation.

8.30.1.6 Notwithstanding anything contained in the Bye-laws, the Clearing Corporation shall ensure good delivery.

**8.30.2 Without prejudice to any other limitation or exclusion of liability:**

8.30.2.1 in the event of a Declared Default, the liability of the Clearing Corporation shall be limited to net losses suffered by any Member not in default resulting from the substitution of the Clearing Corporation by way of Novation in respect of the transactions between Members; and

8.30.2.2 except as expressly provided in 8.32.1, the Clearing Corporation shall not have any liability or obligation to any Client of a Member or any person that such Client may be liable to or has any obligation to, nor shall the Clearing Corporation be liable for any obligations or liabilities of a Member to any person (including any non-Member of the Clearing Corporation), or any obligations of a Member to any other Member other than liabilities of the Clearing Corporation as a central counterparty.

8.30.2.3 Immunity and Protection for acts done in good faith

8.30.2.3.1 No claim, suit, prosecution or any other legal proceedings shall lie against the Clearing Corporation or any of its directors, officers, employees or any other duly authorised persons acting for and on behalf of the Clearing Corporation, in respect of anything which is done or intended to be done or omitted in good faith in exercise of any power under these Bye-Laws or Regulations made thereunder, Rules, Circulars and/or Notices or in pursuance of any order or any other kind of communication received by the Clearing Corporation in writing from any court, tribunal, Government, SEBI, or any other competent regulatory or revenue authority empowered under any law or delegated legislation.

8.30.2.3.2 The liability of the Clearing Corporation resulting from the deemed contracts of Members with the Clearing Corporation and to losses in connection therefrom be limited to the extent of contributions available to the Core Settlement Guarantee Fund. The Clearing Corporation shall not be liable for obligations of the non-member, obligations of the Member to another Member of the Clearing Corporation towards deals to which the Clearing Corporation is not a party or obligations to a Client by a Member and losses in connection therefrom.

**8.31 Confidentiality**

8.31.1 Confidential information that is received and obtained under these Bye-Laws or the Regulations made thereunder shall not be disclosed by the Clearing Corporation or by any of its directors, officers, employees or agents or by a person coming into possession of the information. The Clearing Corporation shall take all necessary steps to preserve and protect the confidential



information. The Clearing Corporation shall however, be entitled to disclose confidential information in all or any of the following circumstances;

- a) for the purpose of compliance with any applicable law, Rule or regulation;
- b) for the purpose of the Clearing Corporation to institute, carry on or defend any proceedings including any court proceedings; or
- c) in relation to the enforcement of that Member's obligations under these Bye-Laws or the Regulations made thereunder and the Rules or the Clearing Corporation.

### **8.32 Force Majeure**

8.32.1 The Clearing Corporation shall not be liable for any harm, loss, damage or injury caused by it to any person if such harm, loss, damage or injury is caused by conditions beyond its control. Such events or causes include but does not limit to war, riots, acts of God, civil disturbances, terrorism, acts of a civil or military authority, embargoes, fires, labour disputes, pandemic, natural calamities like floods, cyclones, tsunami, explosions, accidents, mechanical breakdowns, computer or system failures or other failures of equipment, any failure or interruption of any network, telecommunication equipment or online system, any failure or interruption of power supply, any failure in the utility of service provider, any failure of or defect in compute or software systems, change of law, interruption or suspension or insolvency or bankruptcy of any bank, emergent measures, directions or initiatives by any government or regulatory authority, financial institution, depository or custodian, market emergency closure of any market or cessation of trading by any of the Concerned Exchanges including any clearing segments or subsegments handled by the Clearing Corporation on behalf of the Concerned Exchanges.

8.32.2 Notwithstanding anything contained in sub clause 8.32.1 above, any failure on the part of the Clearing Corporation which is caused by conditions beyond its control shall not in any way reduce, alter, limit or affect the liability of a Member in respect of any transaction entered into or executed through the systems of the Clearing Corporation by such Member.

8.32.3 Notwithstanding the above, the Clearing Corporation shall, on its own or in consultation with the Concerned Exchange be entitled to require any Member to take such actions, including but not limited to closing out of all or any of the Security transactions attributable to a Member or the Clients affiliated to the said Member as the Clearing Corporation may direct in respect of the Security transactions affected by the force majeure event.

## **9. MARGINS AND LIMIT**

### **9.1 Margin Requirements**

9.1.1 The Clearing Corporation may from time to time prescribe requirements of margins for deals cleared and settled through the Clearing Corporation and the Member shall furnish such margin as a condition precedent.

<sup>1</sup>**Note:** Without prejudice to the above, the Clearing Corporation may provide cross margin benefit between Index futures and its underlying constituents or its variants subject to such terms



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and conditions as maybe prescribed by SEBI and/or the Clearing Corporation from time to time.

- 9.1.2 Every Member has a continuing obligation to maintain margins at such levels and during such periods as may be stipulated by the Clearing Corporation from time to time.
- 9.1.3 The Clearing Corporation shall impose additional/ special margins at the behest of the exchanges or the Relevant Authority as the case may be.
- 9.1.4 Every member shall segregate, monitor and report the collaterals held by it in such manner as may be prescribed by the Clearing Corporation and/or SEBI from time to time.
- 9.1.5 Allocation of the collaterals deposited by the Clearing member/Client, its valuation, manner of blocking the said collaterals towards margin requirement and withdrawal of such collateral shall be in a manner as prescribed by SEBI and/or Clearing Corporation from time to time.
- 9.1.6 Any false allocation by members shall be treated as a violation and disciplinary action shall be taken against the members”

## **9.2 Form of Margin**

- 9.2.1 The margins to be provided by a Member under the Bye Laws, Rules and Regulations shall be in such form as may be prescribed by the Clearing Corporation from time to time.
- 9.2.2 The Clearing Corporation may at its discretion accept monies, fixed deposit receipt, bank guarantee, goods and securities or any other financial instrument/ asset subject to such terms and conditions as the Clearing Corporation may impose from time to time.
- 9.2.3 Any such monies, fixed deposit receipt, bank guarantee, goods and securities or any other financial instrument/ asset shall be deemed to have been pledged in favour of the Clearing Corporation.

## **9.3 Quantum of Margin**

- 9.3.1 The Member depositing margins, in the form of goods and securities by way of pledge or otherwise or in such other mode as may be specified by the Clearing Corporation from time to time, shall always maintain the value there of at not less than the quantum of margin required for the time being covered by them by providing further goods and securities to the satisfaction of the Clearing Corporation which shall determine the said value and whose valuation shall conclusively fix the amount of any deficiency to be made up from time to time.

## **9.4 Margin to be held by the Clearing Corporation**

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- 9.4.1 The margins shall be held by the Clearing Corporation in the form of monies, fixed deposit receipt, bank guarantee, goods and securities or any other financial instrument/ asset and may be transferred to such persons or to the name of a custodian or such other entity approved by the Clearing Corporation.
- 9.4.2 All margin deposits shall be held by the Clearing Corporation and/or by the approved custodian in such form and on such account as the Clearing Corporation may deem fit without any right whatsoever on the part of the depositing Member or those in its right to call in question the exercise of such discretion.
- 9.4.3 All the Margins including Collaterals provided by the member to the Clearing Corporation shall be free of and shall remain free of, any encumbrances whatsoever. The Clearing Corporation shall not have any obligation or responsibility to preserve, protect, collect or realise collaterals or its value other than that applicable to an ordinary and prudent person and under no circumstances shall the Clearing Corporation be liable for any loss or diminution in value or depreciation in or in connection with the Collaterals tendered or deposited by the Member and maintained as above.

## **9.5 Letter of declaration**

- 9.5.1 A Member depositing margin under the provisions of these Bye Laws and Regulations shall when required to do so sign a Letter of Declaration in respect of such matters and in such form or forms as the Clearing Corporation may from time to time prescribe.

## **9.6 Lien on Margins**

- 9.6.1 The margin paid by way of monies, fixed deposit receipt, bank guarantee, goods and securities or any other financial instrument/ asset pledged by a Member under the provisions of the Bye Laws, Rules and Regulations shall be subject to a first and paramount lien for all sums due to the Clearing Corporation.
- 9.6.2 Margin shall be available in preference to all other claims against the Member for the due fulfilment of his obligations and liabilities arising out of or incidental to clearing and settlement of deals subject to and in accordance with the Bye Laws, Rules and Regulations or anything done in pursuance thereof.

## **9.7 Utilisation for failure to meet Obligations**

- 9.7.1 In the event a Member fails to meet obligations to the Clearing Corporation arising out of Clearing and Settlement of such deals on Clearing Corporation as provided in the Bye Laws, Rules and Regulations, the Clearing Corporation shall be entitled to utilise any amount paid by the said Member in the form of margin or any other payment retained by the Clearing Corporation for the purpose of Clearing and Settlement on the Clearing Corporation.
- 9.7.2 In case of default by a Member to the Clearing Corporation arising out of the positions in one or more clearing segments, the Clearing Corporation shall be entitled to utilise the margins or any other monies of such a Member in any other clearing segment in order to meet the obligations arising out of such positions.
- 9.7.3 In the event of a member/client failing to honour pay-in/margin obligations, the Clearing Corporation may employ the alternative tools to liquidate the positions and regain a matched book based on the conditions of market liquidity, volatility, size of position to be liquidated as may be prescribed by

the Clearing Corporation or/ and as per directions of SEBI from time to time. <sup>5</sup>The alternate tools shall be such as may be employed by the Clearing Corporation and/or as prescribed by SEBI under the default management process for regaining a matchbook.

## **9.8 Evasion of Margin requirements forbidden**

- 9.8.1 A Member shall not directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the margin requirements specified under the Bye Laws, Rules and Regulations.

## **9.9 Suspension on failure to pay Margin**

- 9.9.1 If a Member fails to pay margin as required in the Bye Laws, Rules and Regulations, the Clearing Corporation may take such action, as it may deem fit and specified from time to time including suspension. The suspension shall continue until the margin required is duly deposited.

- 9.9.2 \*\*\*Deleted\*\*\*

- 9.9.3 A Member who maintains collaterals with the Clearing Corporation pursuant to these Byelaws and the Rules shall indemnify and hold the Clearing Corporation harmless from any loss, damage, costs, charges and / or expenses of whatsoever nature and however arising ("loss") suffered or incurred by the Clearing Corporation to any approved custodian which may result from or arise with respect to:

9.9.3.1.1 any act, delay or omission in connection with the Collaterals deposited with such approved Custodian (by such Member or the Clearing Corporations) or;

9.9.3.1.2 any agreement between the Member and any approved Custodian or bank or any representation, warranty or undertaking given by the Clearing Corporation to any designated Custodian or bank in relation to or otherwise in connection with Collaterals deposited with such approved Custodian or bank, provided that this indemnity shall not cover any loss and/or liability of the Clearing Corporation attributable to or referable to the gross negligence or willful misconduct of the Clearing Corporation or any of its directors, officers employees or agents.

- 9.9.4 Each Member shall pay the Clearing Corporation all fees, expenses, charges and costs incurred by the Clearing Corporation in relation to its acceptance and maintenance of Collaterals specified under the Rules of the Clearing Corporation as the relevant authority may determine from time to time and shall make such deposits of margins (in such form as may be acceptable to the Clearing Corporation) as may be required by the Clearing Corporation by reason of any erosion or depreciation in the market value of such Collaterals.

- 9.9.5 Failure or default of a Member in fulfilling its obligations to the Clearing Corporation in accordance with the provisions of these Byelaws and the Rules, the Collaterals of a Member maintained with the Clearing Corporation may be disposed of, without notice and in any manner deemed appropriate by the Clearing Corporation and the proceeds from the liquidation of such Collaterals shall be

applied against the obligations of the Member to the Clearing Corporation in respect of one or more Clearing Segments.

#### **9.10 Limits**

- 9.10.1 The Clearing Corporation may at any time in its absolute discretion or as directed by Relevant Authority, prescribe limits on exposure / Open Positions of a Member or in a Good or Security, either in quantity or value or as a percentage of capital adequacy / net worth / base capital or a combination of any of the above or such other method as the decided by Clearing Corporation or as directed by the Relevant Authority from time to time for all or any of the Member / Goods/ Securities.
- 9.10.2 The Clearing Corporation may at any time impose, increase, reduce or remove any limits pursuant to the above clause either on its own or as directed by Relevant Authority.
- 9.10.3 If a Member exceeds any limit imposed by the Clearing Corporation, the Clearing Corporation or the Relevant Authority may take such action as it may deem fit and specified from time to time including close out of open positions on the Member or withdrawal of clearing facility.

#### **9.11 Clearing Fees**

- 9.11.1 The Clearing Corporation may prescribe from time to time fees, charges and recoveries to be levied on the Members in respect of Clearing and Settlement of deals and it shall be obligatory on each Member to pay the Clearing Corporation all such fees, expenses, charges and costs incurred by the Clearing Corporation in relation to its acceptance and maintenance of Collaterals specified under the Rules of the Clearing Corporation as the relevant authority may determine from time to time and shall make such deposits of margins (in such form as may be acceptable to the Clearing Corporation) as may be required by the Clearing Corporation by reason of any erosion or depreciation in the market value of such Collaterals.

### **10. RIGHTS AND LIABILITIES OF MEMBERS AND CONSTITUENTS**

#### **10.1 Margin from Constituents**

- 10.1.1 A Member shall demand from his constituent the margin it has to provide under the Rules, Bye Laws, Rules and Regulations in respect of the business done for such constituent. Margins applicable on client positions have to be compulsorily collected from the clients and reported to the Clearing Corporation by the Members.
- 10.1.2 A Member shall also demand and collect such prescribed margin in securities, fixed deposit receipts, liquid assets or such other forms from his constituent as may be prescribed by the Clearing Corporation/ Relevant Authority, before undertaking to clear their obligations and to stipulate that the constituent shall pay a margin or furnish additional Margin as may be specified by the Clearing Corporation from time to time.
- 10.1.3 The constituent shall when from time to time called upon to do so forthwith pay margins and furnish additional margins as required under the Rules, Bye Laws and Regulations in respect of his obligations and as agreed upon by him with the Member concerned.

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<sup>4</sup>10.1.2A A Member shall upstream all the clients' funds to the Clearing Corporation in a manner as may be prescribed and specified by the SEBI/Clearing Corporation from time to time.

## **10.2 Constituent in Default**

- 10.2.1 A Member shall not transact business directly or indirectly for a constituent who to his knowledge is in default to another Member unless such constituent shall have made a satisfactory arrangement with the Member who is his creditor.
- 10.2.2 On the application of a creditor Member who refers or has referred to arbitration his claim against the defaulting constituent, the Clearing Corporation shall issue instructions to members restraining them from paying or delivering to the defaulting constituent any monies or goods or securities up to an amount or value not exceeding the creditor member's claim payable or deliverable by him to the defaulting constituent in respect of deals subject to the Bye Laws, Rules and Regulations, which monies, goods and securities shall be deposited with the Clearing Corporation.
- 10.2.3 The monies, goods and securities deposited shall be disposed of in terms of the award in arbitration and pending a decree shall be deposited with the concerned Court when filing the award unless the creditor member and the defaulting constituent mutually agree otherwise.
- 10.2.4 In case of a default by the Trading member or its constituents, the Clearing member shall follow such procedure as may be specified by SEBI and continue to meet its obligation towards other constituents and the Clearing Corporation.

## **10.3 Closing out of constituent's account**

- 10.3.1 Unless otherwise specified by the Clearing Corporation from time to time, when closing-out the account of a constituent a member may assume or take over such deals to his own account as a principal at prices which are fair and justified by the condition of the market or he may close out in the open market and any expense incurred or any loss arising therefrom shall be borne by the constituent.

## **10.4 Closing out in the event of death or insolvency of a Constituent / Trading Member:**

- 10.4.1 A Member may close out all open transactions on account of a Constituent who has died or declared insolvent or bankrupt. A Member may close out all open transactions on account of such a constituent.

## **10.5 Release of funds and securities by Members:**

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<sup>4</sup> New sub clause is inserted vide clause B (4) of Gazette Notification in Part IV of weekly Gazette dated August 17, 2024 - August 23, 2024 of Gazette of India and Part II of weekly Gazette dated August 01, 2024 –August 07, 2024 of State Gazette of Maharashtra

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- 10.5.1 A Member shall make pay out of funds and Securities in such manner so as to ensure full and timely compliance of all relevant requirements in this regard as may be prescribed by SEBI / Clearing Corporation.

**10.6 Confidentiality to be maintained:**

- 10.6.1 The Member shall maintain the details of its Constituents in confidence and it shall not disclose such details to any person / entity, except as required under the law or by any authority.

**10.7 Transfer of positions by Member:**

- 10.7.1 The Clearing Corporation may suo moto or on the application of a Constituent of a suspended or defaulter Member or in case of withdrawal / transfer / integration or any other such scenario requiring or entailing transfer of position of their clients or and on such terms and conditions as the Clearing Corporation deems fit to impose, permit all or any open positions of a Member (whether on his own account or on account of his Constituent) or Constituent to be transferred to another Member who agrees to accept such Open Positions.

**10.8 Segregation of Dues:**

- 10.8.1 the accounts of the Members, their Clients and their affiliated Constituents (which is a member of the Concerned Exchange) for whom the Member is acting as such, shall be segregated from each other;
- 10.8.2 the amounts and assets standing to the debit and credit of the Member, its Clients or its affiliated Constituents shall not be adjusted against the credit or debit of each other or;
- 10.8.3 the Member's funds or assets or those of its Clients or affiliated Constituents shall not be utilised for payment of the dues of the other;
- 10.8.4 obligations payable by a Member on his own account shall not be paid or met out of funds /assets of a client or affiliated Constituent;
- 10.8.5 Notwithstanding the aforesaid, any amount or assets payable / deliverable to a Member (on his own account) by the Clearing Corporation may be applied by the Clearing Corporation for paying amounts / assets payable / deliverable by the Member or by any Constituent of the Member or any Trading Member of a Concerned Exchange (whose trades the Member and agreed to clear).

**10.9 Member not liable to attend to registration of transfer**

- 10.9.1 Unless otherwise specified by the Clearing Corporation from time to time, a Member shall not be deemed to be under any obligation to attend to the transfer of title of Goods and Securities and the registration thereof in the name of the Constituent.
- 10.9.2 If it attends to such work in the ordinary course or at the request or desire or by the consent of the Constituent it shall be deemed to be the agent of the Constituent in the matter and shall not be responsible for loss in transit or for the company's refusal to transfer not be under any other liability or obligation other than that specifically imposed by the Rules, Bye Laws and Regulations.

- 10.9.3 The stamp duty, the transfer fees and other charges payable, the fee for attending to the registration of securities/ title transfer of goods, applicable taxes and all incidental expenses such as postage etc. incurred by the Member shall be borne by the constituent.

#### **10.10 Registration of securities when in the name of Member or nominee**

- 10.10.1 When the time available to the Client of a Member is not sufficient to complete transfers and lodge the securities for registration before the closing of the transfer books and where the security is purchased cum interest, dividend, bonus or rights which the company may have announced or declared, the Member may register the securities in its or its nominee's name and recover the transfer fee, stamp duty and other charges from the Client.
- 10.10.2 The Member shall give immediate intimation to the Clearing Corporation the name of such Client and details of the deals as may be specified by the Clearing Corporation from time to time. The Member shall also give immediate intimation thereof to the Buyer and shall stand indemnified for the consequences of any delay in delivery caused by such action.
- 10.10.3 The Member shall be obliged to re-transfer the security in the name of the original Client as soon as it has become ex interest, dividend, bonus or rights.

#### **10.11 No lien on Constituent's Goods**

- 10.11.1 If a Member is declared a defaulter after delivering Goods on account of his Client, the Client shall be entitled to claim and on offering proof considered satisfactory by the Clearing Corporation, and in the absolute discretion of the Clearing Corporation, shall receive either such Goods or the value thereof subject to payment or deduction of the amount if any due by him to such Member.

#### **10.12 Closing out by Client on failure to perform a Deal**

- 10.12.1 If a Member fails to complete the performance of a deal by delivery or payment in accordance with provisions of the Rules, Bye Laws, Rules and Regulations, the Client shall, after giving notice in writing to the Member, close out such deal through any other Member as soon as possible and any loss or damages sustained as a result of such closing out shall be immediately payable by the defaulting Member to the Client.
- 10.12.2 If the closing out be not effected as provided herein, the damages between the parties shall be determined on such basis as may be specified by the Clearing Corporation from time to time and the Client and the Member shall forfeit all further rights of recourse against each other.

#### **10.13 Complaint by Client**

- 10.13.1 When a complaint has been lodged by a Client with the Clearing Corporation that any Member has failed to perform his dealings, the Clearing Corporation shall investigate the complaint and it is satisfied that

the complaint is justified it may take such disciplinary action as it deems fit in accordance with the provisions of the Rules of the Clearing Corporation.

#### **10.14 Relationship between Member and Client**

10.14.1 Without prejudice to any other law for the time being in force and subject to these Bye Laws, the mutual rights and obligations inter se between the Member and his/its constituent shall be such as may be prescribed by the relevant authority from time to time.

10.14.2 When a complaint has been lodged by a Constituent, against a Clearing Member and upon the failure of such Clearing Member to satisfactorily perform in its dealings or meet its obligations, then such complaint shall be taken up with the concerned Clearing Member and upon the said complaint remaining unresolved, the same shall be placed before the Grievance Redressal Committee or such other Committee for redressal of the grievance in accordance with such procedure as specified by the Clearing Corporation and/or SEBI from time to time;

##### **Explanation (1):**

For the purpose of this clause, the term “Constituent” shall mean Custodial Participant or a Trading Member as the case may be on whose instructions and/or on whose account the Clearing Member clears and settles the deals.

##### **Explanation (2):**

For the purpose of this clause, the term “Custodial Participant” shall mean a direct Constituent/client of a Clearing Member.

### **11. ARBITRATION**

#### **11.1 Reference to Arbitration**

11.1.1 All claims, differences or disputes between the Clearing Members inter-se and between the Clearing Members and their Clients or Constituents arising out of or in relation to any of the processes and procedures adopted and implemented by the Clearing Corporation in accordance with these Bye-Laws, the Rules and/or the Regulations made under these Bye-Laws or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfilment or the rights, obligations and liabilities of the parties thereto and including any question of whether any transactions and contracts have been entered into, shall be submitted to arbitration in accordance with the provisions of these Byelaws, Rules and Regulations of the Clearing Corporation or the concerned Exchange as the case may be. The Clearing Corporation shall be entitled to facilitate arbitration processes for such disputes between the parties as mentioned in provision 3.3 of these Byelaws, by adopting such procedures as prescribed in these Bye-laws, the Rules and/or the Regulations made under these Bye-Laws or Notices and Circulars issued by it. For that purpose, the Relevant Authority or a Committee constituted by the Clearing Corporation may provide for the following and Relevant Authority shall be guided by the prescriptions of SEBI in the manner of conducting the Arbitration procedures:

- (a) norms, procedures, forms, jurisdiction, terms, conditions and scale or s labs of arbitration fees and other charges for reference to arbitration, places where arbitration proceedings may be facilitated;



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- (b) deciding on the eligibility criteria for persons to be appointed as Arbitrators;
  - (c) constituting a panel of Arbitrators;
  - (d) determining a suitable and effective Code of Conduct for all members of the Arbitration panel.
  - (e) fixing the size of the Arbitral bench visa vis the quantum or magnitude of the dispute so referred to;
  - (f) appointment of arbitrators, substitute arbitrators and umpires as the case may be;
  - (g) determining the limitation period for referring matters to the arbitration mechanism of the Clearing Corporation;
  - (h) determining the procedure for serving notice of hearing and adjournment of hearings and communications to the parties and witnesses;
  - (i) procedure for appearance, hearing, filing of information and counter claims and taking witnesses and evidence of assessors and experts;
  - (j) procedure for issue of arbitration awards;
  - (k) procedure for implementing the award of the Arbitration proceedings;
  - (l) procedure for preferring an appeal against Arbitration proceedings or an award;
  - (m) procedures and manner for preservation of documents and records;
  - (n) manner and periodicity of publishing the data related to arbitration on the web site of the Clearing Corporation;
  - (o) manner of publishing the arbitral Awards on the web site of the Clearing Corporation;
  - (p) any other matter incidental or that may be necessary to effectually govern the requirements of Arbitration mechanism.
- 11.1.2 All claims, differences or disputes between the Constituents and the Warehouse Service Provider shall be subject to arbitration in accordance with Clause 11.1.1 above.
- 11.1.2A All claims, difference or disputes pertaining to additional facilities, incidental or ancillary in nature, including but not limited to Electronic Negotiable Warehouse Receipt (“ENWR”) may be referred to arbitration in accordance with Clause 11.1.1 above.  
For the purpose of the above clause ENWR shall have same meaning as assigned to it under Regulation 3 (d) of Warehousing Development and Regulatory Authority (Electronic Negotiable Warehouse Receipts) Regulations, 2017.
- 11.1.3 Such disputes or claims covered in clause 11.1.1 or 11.1.2 above shall be adjudicated in accordance to the provisions of Bye Laws, Rules and Regulations of the Concerned Exchange or the Clearing Corporation as the case may be.
- 11.1.4 The provisions of Byelaws 11.1.1 and 11.1.2 shall become applicable to all claims, differences, disputes between the parties mentioned therein for all dealings, contracts and transactions admitted for clearing and settlement on the Clearing Corporation and made subject to the byelaws, rules and regulations provided such dealings, contracts and transactions had been entered into between the parties mentioned therein prior to or to the date on which the Member was either declared a defaulter or expelled or has surrendered his trading membership of the Concerned Exchange.

## **12. DEFAULT AND LIKELIHOOD OF DEFAULT**

### **12.1 Declaration of Default**

12.1.1 A Member may be declared a defaulter by direction/circular/notification of the Clearing Corporation if:

- a) It is a Member of any exchange and the said exchange declares it as a defaulter; or
- b) It is a Member of any clearing corporation and the said clearing corporation declares it to be a defaulter; or
- c) It is unable to fulfil its clearing, settlement or obligations; or
- d) It admits or discloses its inability to fulfil or discharge its duties, obligations and liabilities; or
- e) It fails or is unable to pay within the specified time the damages and the money difference due on a closing-out effected against it under the Rules, Bye Laws, Rules and Regulations; or
- f) It fails to pay any sum due to the Clearing Corporation as the Clearing Corporation may from time to time prescribe; or
- g) It fails to pay or deliver all monies, Goods, securities and other assets due to a Member who has been declared a defaulter within such time of declaration of default of such Member in such manner and to such person as the Clearing Corporation may direct; or
- h) It fails to abide by the arbitration award as laid down under the Rules, Bye Laws, Rules and Regulations; or
- i) It has been adjudicated as an insolvent or being a Company incorporated under the Companies Act, has been ordered to be wound-up by a court of law in the petition filed by any of its creditors, it shall ipso facto be declared a defaulter though it may not have at the same time defaulted on any of its obligations on the Clearing Corporation; or
- j) It files a petition before a court of law for adjudication of itself as an insolvent or for winding-up, as the case may be, although it may not have at the same time defaulted on any of its obligations on the Clearing Corporation; or
- k) Under any other circumstances as may be decided by the Clearing Corporation from time to time;

12.1.2 When a Member is declared a defaulter in one segment in terms of 12.1 above, the clearing corporation shall immediately declare such Member as defaulter in all other segments too and inform the other Stock Exchanges/Clearing Corporations.

12.1.3 The Clearing Corporation shall take appropriate action against the associates of the defaulter Member

For the purpose of this sub clause 12.1.3, the term 'associate' shall include a person:

- a) who, directly or indirectly, by itself, or in combination with other persons, exercises control over the Member, whether individual, body corporate or firm or holds substantial share of not less than 15% in the capital of such entities; or

- b) in respect of whom the Member, individual or body corporate or firm, directly or indirectly, by itself or in combination with other persons, exercises control; or
- c) whose director or partner is also a director or partner of the Member, body corporate or the firm, as the case may be.

Explanation: The expression "control" shall have the same meaning as defined under clause (e) of Regulation 2 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or as SEBI may prescribe in this regard from time to time.

## **12.2 Member's duty to inform**

**12.3** A Member shall be bound to notify the Clearing Corporation immediately if there is a failure by any Member to discharge its liabilities in full.

## **12.4 Compromise forbidden**

12.4.1 A Member shall not accept from any Member anything less than a full and bona fide money payment in settlement of a debt arising out of a deal cleared through the Clearing Corporation.

## **12.5 Notice of declaration of Default**

12.5.1 On a Member being declared a defaulter a notice shall be forthwith issued to all the Members of the Clearing Corporation.

## **12.6 Notice to the Stock Exchange**

12.6.1 On a Member being declared a defaulter, a notice shall be forthwith issued to the stock exchange if the Member is also a trading member of the stock exchange.

## **12.7 Defaulter's book and documents**

12.7.1 When a Member has been declared a defaulter, the Relevant Authority appointed by the Clearing Corporation shall take charge of all its books of accounts, documents, papers, vouchers and all relevant records as may be required to ascertain the state of its affairs and such Member shall hand over such books, documents, papers, vouchers and all relevant records to such Relevant Authority.

## **12.8 List of Debtors and Creditors**

12.8.1 The defaulter Member shall file with such Relevant Authority within such time of the declaration of its default as the Relevant Authority may direct, a written statement containing the complete list of its debtors and creditors and the sum owing by and to each.

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**12.9 Defaulter to give information**

12.9.1 The defaulter Member shall submit to such Relevant Authority such statement of accounts, information and particulars of its affairs as the Relevant Authority may from time to time require and if so desired shall appear before the Relevant Authority at its meetings held in connection with its default.

**12.10 Inquiry**

12.10.1 The Relevant Authority may conduct a strict inquiry into the accounts and dealings of the defaulter Member in the market either on its own or through a designated official. Such designated official shall report anything improper, un-businesslike or unbecoming of a Member in connection therewith which may come to its knowledge to the Relevant Authority appointed by the Clearing Corporation for taking disciplinary actions.

**12.11 Notice Inviting Claims**

12.11.1 the Clearing Corporation <sup>11</sup>may publish a notice inviting the legitimate claimants to file claims against the defaulter member within a period of ninety days or such other period as may be specified. <sup>12</sup> Such notice may be issued by the Exchange jointly on behalf of the Clearing Corporation as may be agreed with the Clearing Corporation.

12.11.2 The Clearing Corporation shall publish the notice <sup>13</sup>as referred in 12.11.1 above 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 at the place(s) where the concerned Member/s are situated and such notice shall also be displayed on the website of the <sup>14</sup>Clearing Corporation for the entire specified period.

12.11.3 The notice calling for claims shall contain the maximum compensation limit for a single claim and all other relevant information.

**12.12 Vesting of Defaulter's assets in the Clearing Corporation**

12.12.1 The Relevant Authority appointed by the Clearing Corporation for taking disciplinary actions shall call in and realise the security deposits in any form, collateral, margin money, other amounts lying to the credit of and Goods and securities deposited by the defaulter Member and recover all moneys, Goods, securities and other assets due, payable or deliverable to the defaulter Member by any other Member in respect of any transaction or dealing made subject to and in accordance with the Bye Laws, Rules and Regulations of the Clearing Corporation and such assets shall vest ipso facto, on declaration of any Member as a defaulter, in the Clearing Corporation for the benefit of and on account of any dues of the Clearing Corporation, other members, Clients of the defaulter Member, approved banks and any other persons as may be approved by the Relevant Authority appointed by the Clearing Corporation.

**12.12A. Charge On Defaulter's Assets:**

12.12A.1 For the purpose of satisfying the liabilities/obligations of a defaulter under the Rules, Bye Laws and Regulations, the Clearing Corporation shall have a first charge on all unencumbered assets and pari passu charge on the other assets, including receivables and properties of the defaulter member,

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wherever situated and of whatsoever nature, as security for the repayment of such money /obligation and the payment of interest thereon.

12.12 A.2 Upon payment of any money out of the Settlement Guarantee Fund (hereinafter to be referred as “Fund” for the purpose of this clause), the concerned defaulter member shall forthwith repay the money to the Fund along with interest. The Clearing Corporation and the Concerned Exchange, for the benefit of the Fund, shall have a priority of charge/ first charge (subject only to and subservient to the charge in favour of the Settlement Guarantee Fund under these Rules, Byelaws and Regulations of the Clearing Corporation) on all assets and properties of the defaulter member wherever situated and of whatsoever nature as a security for the repayment of such money and the payment of interest thereon, subject only to any and all charges, mortgages and other encumbrances created thereon by the defaulter member bona fide for valuable consideration prior to the day the member is declared as a defaulter.

Notwithstanding anything contained herein, such Charge on Defaulter’s Asset shall be subject to regulatory guidelines as applicable.”

### **12.13 Payment to Relevant Authority**

12.13.1 All monies, Goods, securities and other assets due, payable or deliverable to the defaulter Member must be paid or delivered to the Relevant Authority appointed by the Clearing Corporation within such time of the declaration of default as such Relevant Authority may direct. A Member violating this provision may be declared a defaulter.

12.13.2 A Member who shall have received a difference on account or shall have received any consideration in any deal prior to the date fixed for settling such account or deal shall, in the event of the Member from whom he received such difference or consideration being declared a defaulter, refund the same to the Relevant Authority for the benefit and on account of the creditor members. Any Member who shall have paid or given such difference or consideration to any other Member prior to such settlement day shall again pay or give the same to the Relevant Authority for the benefit and on account of the creditor Member in the event of the default of such other Member.

12.13.3 A Member who receives from another Member during any clearing a claim note or credit note representing a sum other than difference due to it or due to its Client which amount is to be received by it on behalf and for the account of that Client shall refund such sum if such other Member be declared a defaulter within such number of days as specified by the Relevant Authority after the settlement day. Such refunds shall be made to the Relevant Authority for the benefit and on account of the creditor Members and it shall be applied in liquidation of the claims of such creditor Members whose claims are admitted in accordance with the Rules, Bye Laws, Rules and Regulations.

### **12.14 Distribution**

12.14.1 The Relevant Authority appointed by the Clearing Corporation shall at the risk and cost of the creditor Members pay all assets received in the course of realisation into such bank and/or keep them with Clearing Corporation in such names as the Relevant Authority may from time to time deem appropriate and shall distribute the same as soon as possible pro rata but without interest

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among creditor Members whose claims are admitted in accordance with the Bye Laws, Rules and Regulations.

#### **12.15 Close Out**

12.15.1 Members having open deals with the defaulter Member shall close out such deals after declaration of default. Such closing out shall be in such manner as may be specified by the Clearing Corporation from time to time. Subject to the regulations in this regard specified by the Clearing Corporation, when in the opinion of the Clearing Corporation, circumstances so warrant, such closing out shall be deemed to have taken place in such manner as may be determined by the Clearing Corporation.

12.15.2 Differences arising from the above adjustments of closing out shall be claimed from the defaulter Member or paid to the Relevant Authority appointed by the Clearing Corporation for the benefit of creditor Members.

#### **12.16 Claims against Defaulter**

12.16.1 Within such time of the declaration of default as the Clearing Corporation may direct every Member, to compare its accounts with the defaulter Member duly adjusted and made up as provided in the Rules, Bye Laws and Regulations and furnish a statement of such accounts with the defaulter Member in such form or forms as the Clearing Corporation may prescribe or render a certificate that he has no such account.

#### **12.17 Delay in Comparison and Submission of Accounts**

12.17.1 Any Member failing to compare its accounts and send a statement or certificate relating to a defaulter Member within the time specified shall be called upon to compare its accounts and send such statement or certificate within such further time as may be specified by the Clearing Corporation.

#### **12.18 Penalty for failure to Compare or submit accounts**

12.18.1 The Clearing Corporation may take such action as it may deem fit including levying of fine and suspension, on any Member who fails to compare its accounts or submit a statement of its account with the defaulter Member or a certificate that it has no such account within the specified time.

#### **12.19 Misleading statement**

12.19.1 The Clearing Corporation may take such action as it may deem fit including levying of fine and suspension, if it is satisfied that any comparison statement or certificate relating to a defaulter Member sent by a Member was false or misleading.

#### **12.20 Accounts of Clearing Corporation**

12.20.1 The Clearing Corporation shall keep a separate account in respect of all monies, Goods, securities and other assets payable to a defaulter Member which are received by it and shall defray there from

all costs, charges and expenses incurred in or about the collection of such assets or in or about any proceedings it takes in connection with the default.

## 12.21 Application of Assets

12.21.1 The Clearing Corporation shall apply the net assets remaining in its hands after defraying all such costs, charges and expenses as are allowed under its Bye laws, Rules and Regulations to be incurred by the Clearing Corporation, in satisfying the claims in the order of priority provided hereunder: -

- a) **Dues to Clearing Corporation:** The payment of such subscriptions, debts, fines, fees, charges and other moneys due to the Clearing Corporation.
- b) **Dues to the concerned Exchange:** The payment of such subscriptions, debts, fines, fees, charges and other moneys due to the concerned Exchange of the Clearing Corporation.
- c) **Dues to SEBI:** The payment of such subscriptions, debts, fines, fees, charges and other moneys due to SEBI.
- d) **Dues to other Members and to Clients of the defaulter Member:** The payments as may be admitted by the Relevant Authority appointed by the Clearing Corporation, as being due to other members and Clients of the defaulter Member for debts, liabilities, obligations and claims arising out of any contracts made by the defaulter Member subject to and in accordance with the Rules, Bye Laws and Regulations of the Clearing Corporation, provided that if the amount is insufficient then the amounts shall be distributed pro rata amongst other members and all the Clients of the defaulter Member. The Members shall in turn share the amounts so received with their Clients on pro rata basis.
- e) **Dues to the relevant Repository:** The payment of dues to the concerned Repository from the defaulting Member”
- f) **Dues to any other recognised stock exchange / clearing Corporation:** After meeting the claims in the order above, the remaining amounts, if any shall be disbursed to any other recognised stock exchange / clearing corporation for the purpose of meeting the obligations of the defaulter as a member of that exchange / clearing corporation. If the defaulter is a member of more than one recognised stock exchange / clearing corporation, then the remaining amounts shall be distributed amongst all such recognized stock exchanges / clearing corporations and if the remaining amount is insufficient to meet the claims of all such stock exchanges / clearing corporations, then the remaining amount shall be distributed pro rata among all such stock exchanges / clearing corporations;
- g) **Dues to the Approved Banks, Warehouses and claims of any other persons as approved by the Relevant Authority appointed by the Clearing Corporation:** After making payments under Clause “(a, b, c, d, e and f)” above, the amounts remaining, if any, shall be utilised to meet the claims of the approved banks and of any other person as may be admitted by the Relevant Authority approved by the Clearing Corporation. The claims of the approved banks should have arisen by virtue of the Clearing Corporation invoking any bank guarantee issued by the bank concerned to the Clearing Corporation on behalf of the defaulter Member to fulfill its obligation of submitting bank guarantee, guaranteeing discharge of obligations under the Byelaws, Rules and Regulations of the Clearing Corporation. The claims of other persons should have arisen out of or incidental to the transaction/s settled on the Clearing Corporation or requirements laid down by the Clearing Corporation, provided that if the amount available be insufficient to pay all such claims in full, they shall be paid pro rata, and
- h) **Surplus:** Surplus, if any, shall be paid to the defaulter Member.

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**12.22 Certain claims not to be entertained**

12.22.1 The Relevant Authority appointed by the Clearing Corporation shall not entertain any claim against a defaulter Member:

- a) Which arises out of a contract in Goods and Securities, dealings in which are not permitted or which are not made subject to and in accordance with Bye Laws, Rules and Regulations of the Clearing Corporation or in which the claimant has either not paid himself or colluded with the defaulter Member in evasion of margin payable on Deals in any Goods and Securities;
- b) Which arises out of a contract in respect of which comparison of accounts has not been made in the manner specified in the Bye Laws, Rules and Regulations of the Clearing Corporation or when there has been no comparison if a contract note in respect of such deals has not been rendered as provided in the Bye Laws, Rules and Regulations of the Clearing Corporation;
- c) Which arises from any arrangement for settlement of claims in lieu of bonafide money payment in full on the day when such claims become due;
- d) Which is in respect of a loan with or without security;
- e) Which is not filed with the Relevant Authority appointed by the Clearing Corporation within such time of date of declaration of default as may be specified by the said Relevant Authority.

**12.23 Assignment of claims on Defaulters' estate**

12.23.1 A Member being a creditor of a defaulter Member shall not sell, assign or pledge the claim on the estate of such defaulter Member without the consent of the Relevant Authority appointed by the Clearing Corporation.

**12.24 Proceedings in the name of Defaulter**

12.24.1 The Relevant Authority appointed by the Clearing Corporation shall be empowered to;

- a) initiate any proceedings in a court of law either in the name of the Clearing Corporation or in the name of the defaulter against any person for the purpose of recovering any amounts due to the defaulter;
- b) initiate any proceedings in a court of law either in the name of Clearing Corporation or in the name of the creditors (who have become creditors of the defaulter as a result of deals cleared and settled subject to Byelaws, Rules and Regulations of the Clearing Corporation) of the defaulter against the defaulter for the purpose of recovering any amounts due from the defaulter;
- c) The defaulter as well as the creditors of the defaulter shall be deemed to have appointed the Clearing Corporation as their constituted attorney for the purpose of taking such proceedings.

**12.25 Payment of Relevant Authority**



12.25.1 If any Member takes any proceedings in a court of law against a defaulter Member whether during the period of its default or subsequent to its re-admission to enforce any claim against the defaulter Member's estate arising out of any admitted deals in the market made subject to and in accordance with the Bye Laws, Rules and Regulations of the Clearing Corporation before it was declared a defaulter and obtains a decree and recovers any sum of money thereon, it shall pay such amount or any portion thereof as may be fixed by the Relevant Authority appointed by the Clearing Corporation for the benefit and on account of the creditor members having claims against such defaulter Member.

#### **12.26 Subsequent recovery from the Defaulter Member**

12.26.1 Any amount that the Clearing Corporation may later recover from the Defaulter Member shall, to the extent of such recovery, reduce the loss of the Clearing Corporation.

#### **12.27 Relevant Authority to decide on Likelihood of Default:**

a) The Relevant Authority shall, keeping in view the circumstances and/or standard operating procedure, guidelines, directives, circulars of the SEBI issued from time to time, decide that any Member or Trading Member is likely to default in payment/repayment of funds or securities to its client/s and/or likely to fail to meet the settlement obligations or any payment obligations to the Corporation or its Member.

b) The decision of the Relevant Authority as stated in 12.27 (a) above shall be final and binding on the Members, Trading Members, their agents and banks.

c) Upon decision as per 12.27 (a) the Relevant Authority shall take such actions as it deems appropriate and/ or such actions as prescribed in any standard operating procedure, guidelines, circulars or directives of the SEBI issued from time to time."

Provided however that the relevant authority shall be guided and bound by regulatory prescriptions in this regard.

#### **12.28 Freezing of Bank Account in case of Likelihood of Default by The Member:**

12.28.1 The Clearing Corporation is empowered to issue instructions to the concerned bank/s to freeze the bank account/s maintained by the Member, for all debits / withdrawal by the Member in the event of a likelihood of default by the Member in meeting its obligations to the Clearing Member and/or the Clearing Corporation and / or repayment of funds / securities to his / its clients."

#### **12.29 Rights of Clearing Corporation in the event of Default or Likelihood of Default:**

12.29.1 In the event of default or a likelihood of default, the Clearing corporation may exercise the following rights among others;

a) to do all such necessary acts and things as are in the opinion of the Relevant Authority necessary to reduce, increase, remove or determine the exposure of the Clearing Corporation arising out of an Open Positions of a Member or otherwise, arising from or as result of a default, or likelihood of default.

- b) to take such measures, including but not limited to, Closing- out of positions, effect alternative delivery process in the event of Declaration of Default or during the process of declaration of default or in the event of likelihood of default, to ensure financial safety and integrity of the Clearing and Settlement system. The non-defaulting Clearing Members shall accept the decision of the Relevant Authority and abide by the directives issued in this regard.
- c) to freeze and/or withhold sell, realize, apply and set off any Collateral, deposited by the Defaulter including the member likely to default, by way of Margin, security deposit or otherwise and to apply the proceeds towards the outstanding obligation of the Member as may be deemed fit.
- d) to take such action, as it may deem fit against such Clearing Member including suspension of such Clearing Member or squaring off / close out / shifting of the Open Positions of the Clearing Member and/or his affiliated constituents and their clients.
- e) to transfer all or any Open Positions of a Constituent of the Defaulter member or a member who is likely to default, either on its own or at the request of the member, to another Clearing Member together with any Margins which, in the opinion of the Clearing Corporation, are held by it with respect to such Open Positions;
- f) to take such actions and/or initiate appropriate legal proceedings to liquidate the assets (movable and immovable) of the defaulter member including that of debit balance clients (to the extent of debit balance), not in possession of Clearing Corporation for recovery of dues in such period and manner as may be prescribed by SEBI from time to time.
- g) the Clearing Corporation shall have no liability, obligation or duty to any Member, their affiliates, any of their clients or any third party, including but not limited to, as a result of any force majeure event which is beyond the reasonable control of the Clearing Corporation.

12.29.2 The relevant authority may on its own or on the request of the concerned Exchange instruct the clearing member/s with whom the defaulting trading member is affiliated, (a) to freeze and/ or withhold deposits in any form, collateral, margin money, other amounts lying to the credit of and commodities and securities deposited by the defaulter with such clearing member/s; and/ or (b) to call in and realise the security deposits in any form, collateral, margin money, other amounts lying to the credit of and commodities and securities deposited by the defaulter and recover all moneys, commodities, securities and other assets due, payable or deliverable”.

#### **<sup>5</sup>12.30 The Relevant Authority for The Purpose of This Chapter**

The Relevant Authority for the purpose of this Chapter shall be the Member Committee or any Committee as may be termed by SEBI from time to time.”

### **13. CORE SETTLEMENT GUARANTEE FUND**

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<sup>5</sup> Inserted vide clause B (2) of Gazette Notification in Part IV of weekly Gazette dated March 15- March 21, 2025 of Gazette of India and Part II of weekly Gazette dated March 06- March 12, 2025 of State Gazette of Maharashtra

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### **13.1 Establishment of Settlement Guarantee Fund “(SGF)”**

13.1.1 The Clearing Corporation shall, in accordance with the prescriptions of SEBI, establish and maintain a Settlement Guarantee Fund for each Clearing Segment that it operates.

### **13.2 Corpus of Core SGF**

13.2.1 The Settlement Guarantee Fund called Core SGF shall be established by the Clearing Corporation for each Clearing Segment it operates to guarantee the settlement of trades executed in the respective clearing segment of the concerned Exchange.

13.2.2 The Core Settlement Guarantee Fund shall be used by the Clearing Corporation in accordance with SEBI directives issued from time to time.

13.2.3 The Core Settlement Guarantee Fund shall have a minimum corpus which shall be referred to as the Minimum Required Corpus of Core SGF (MRC). In determining the size or extent of the Corpus of the Core Settlement Guarantee Fund the Relevant Authority shall ensure that:

- a) The corpus of the Core Settlement Guarantee Fund shall be adequate to meet all the contingencies arising on account of failure of any Member(s) in meeting its obligations. In the event of a member (member) failing to honour settlement commitments, the Core SGF shall be used to fulfill the obligations of that member and complete the settlement without affecting the normal settlement process.
- b) The risk of liability to the fund shall relate to or depend on various factors such as trade volume, delivery percentage, maximum settlement liability of the members, the history of defaults, capital adequacy of the members, the degree of safety measures employed by the Clearing Corporation or the concerned Exchange with reference to a particular clearing segment;
- c) In order to assess the fair quantum of the corpus of Core SGF appropriate consideration shall be made to, among others, the following factors:
  - i. Risk management system in force at the Clearing Corporation in respect of each Clearing Segment;
  - ii. Current and projected volume / turn over to be cleared and settled by the Clearing Corporation on a guarantee basis;
  - iii. Clearing Segment wise track record of defaults of Members (number of defaults, amount in default)

13.2.4 The Minimum Required Corpus of Core SGF (MRC) for each clearing segment shall be computed by the relevant authority separately and shall be subject to the following prescriptions of SEBI and as may be modified by SEBI from time to time;

- a) The MRC shall be fixed for a calendar month.
- b) By 15th of every preceding month, the relevant authority shall review and determine the MRC for each Clearing Segment for the next month based on the results of daily stress tests of the preceding month.
- c) The relevant authority shall also review and determine by 15th every month, the adequacy or otherwise of contributions made by various contributors and any further contributions to the Core SGF required to be made by various contributors (as per clause 13.2.5) for the next month.
- d) For every day of the preceding month, any uncovered loss numbers shall be estimated by the various stress tests for credit risk conducted by the relevant authority for each clearing segment and highest of such numbers shall be taken as worst case loss number for the day.
- e) Average of all the daily worst case loss numbers determined in (d) above shall be calculated.
- f) The MRC for each succeeding month shall be higher of the average arrived in at step (e) above and the Clearing segment MRC as per previous review.

### **13.2.5 Contribution to Core SGF:**

13.2.5.1 The Relevant Authority shall ensure that at any point of time, the contributions of various contributors to Core SGF of any segment shall be as follows:

- a) Contribution by the Clearing Corporation: The Clearing Corporation's contribution to Core SGF shall be at least 50% of the MRC, which shall be made out of its own funds.
- b) Contribution from the Concerned Exchange: Each of the concerned Exchange shall contribute to the Core SGF at least 25% of the MRC of each clearing segment;
- c) Member primary contribution: where the Relevant Authority determines, it can seek risk based contribution from Members of the relevant clearing segment to the SGF subject to the following conditions:
  - i. that total contribution from Members shall not be more than 25% of the MRC;
  - ii. that no exposure shall be made available to a Member on its contribution to the Core SGF (exposure-free collateral, if any of a Member available with the Clearing Corporation can be considered towards Core SGF contribution of such Member), and
  - iii. That required contributions of individual members shall be pro-rata based on the risk they bring to the system.

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- iv. The relevant authority shall have the flexibility to collect a member's primary contribution to the Core Guarantee Fund either upfront or staggered over a period of time. In case of staggered contribution, the remaining balance shall be met by Clearing Corporation to ensure adequacy of total Core SGF corpus at all times. Such contribution by the Clearing Corporation shall be available for withdrawal by the Clearing Corporation as and when further contributions from Members are received.
  - v. The above quantum or limits of contribution to be made by the Clearing Corporation, the Concerned Exchanges and Members may be reviewed by Relevant Authority from time to time considering the prevailing market conditions and/or prescriptions of SEBI.
- d) Penalties levied and collected by Clearing Corporation (as per SECC Regulations in force) shall be credited to Core SGF corpus of the concerned Clearing Segment.
  - e) Interest on cash contribution to Core SGF shall also accrue to the Core SGF of the concerned Clearing Segment and pro-rata attributed to the contributors in proportion to their cash contribution.
  - f) The Clearing Corporation shall ordinarily accept cash collateral for Core SGF contribution. However, it may also accept a Members contribution in the form of Fixed Deposits issued by banks which are approved by the Relevant Authority for such purposes. The Relevant Authority shall be guided by the directions issued from time to time by SEBI in this regard.

### **13.3 Form of contribution/deposit**

- 13.3.1 The Clearing Corporation shall permit a Member to contribute or provide the deposit either in the form of cash, or by such other forms as specified by SEBI and subject to such terms and conditions as may be specified from time to time.

### **13.4 Replacement of deposit**

- 13.4.1 By giving a suitable notice to the Clearing Corporation and subject to such conditions as may be specified by the Clearing Corporation from time to time, a Member may withdraw qualifying securities from pledge, or may cause the Clearing Corporation to revoke an acceptable letter of credit or bank guarantee, which secured the Member's contribution or deposit towards the Core Settlement Guarantee Fund, provided that the Member has, effective simultaneously with such withdrawal or revocation, deposited cash with, or pledged qualifying securities to the Clearing Corporation or through such other mode as may be approved by the Clearing Corporation from time to time to satisfy the Member's required contribution or deposit.

### **13.5 Management of the Core Settlement Guarantee Funds:**

- 13.5.1 The Relevant Authority shall constitute a committee to conduct and manage the utilization of the Settlement Guarantee Fund which shall

- a) Deal with among others the manner of utilizing the funds in the event of the Clearing Corporation declaration a Member as a Defaulter;
- b) Decide on, among others, the manner of utilizing the funds in the event of a delay or temporary failure of one or more Members to discharge their respective obligations and liabilities under each Clearing Segment.

13.5.2 The Relevant Authority shall follow prudential norms of Investment policy for Core SGF corpus and establish and implement policies and procedures to ensure that Core SGF corpus is invested in highly liquid financial instruments with minimal market and credit risk and is capable of being liquidated rapidly with minimal adverse price effect. The Relevant Authority shall also be guided by the investment norms that SEBI may prescribe in this regard from time to time.

### **13.6 Further contribution to / Recoupment of Core SGF**

13.6.1 The requisite contributions to the Core SGF by various contributors (as per clause 13.2.4) under each Clearing Segment for any month shall be made by the contributors before start of the month.

13.6.2 In the event of usage of Core SGF of a particular Segment during a calendar month, it becomes incumbent upon the respective contributors to, as per usage of their individual contribution, immediately replenish the Core SGF to the MRC. However, such contribution towards replenishment of Core SGF by the members would be restricted to only once during a period of 30 calendar days regardless of the number of defaults during the period or as may be directed by SEBI from time to time. The period of 30 calendar days shall commence from the date of notice of default by Clearing Corporation to market participants.

13.6.3 In case of failure on the part of one or more contributor(s) to replenish its (their) contribution, such contributions shall be immediately met, on a temporary basis during the month, in the following order:

- i. By Clearing Corporation
- ii. By the Concerned Exchange

13.6.4 The Relevant Authority shall place before the Risk Management Committee and the Governing Board of the Clearing Corporation a summary of the affairs of the Settlement Guarantee Fund for a particular month with particular reference or focus on the utilisation and the corpus of the Fund, shortfall if any and the manner of replenishing the required corpus from the Contributors. An execution reporting shall be made to SEBI detailing the outcome of the review by the Governing Board of the Clearing Corporation, especially on matters taken to enhance the Core SGF.

### **13.7 Default waterfall**

13.7.1 The recouping of the corpus of the Clearing Corporation in the event of an emerging shortfall situation in respect of the MRC of a particular Clearing Segment, which is also termed as default waterfall of the clearing Corporation shall, as per the current directions of SEBI, generally follow the following order;

- a) Monies of defaulting Member (including defaulting Member's) primary contribution to Core SGF(s) and excess monies of defaulter in other segment).
- b) Proceeds of insurance policies, if any.

- c) Resources of the Clearing Corporation (equal to 5% of the segment MRC).
- d) Core SGF of the Clearing Segment in the following order:
  - i. Penalties
  - ii. Contributions of the Clearing Corporation to the extent of at least 25% of the particular Clearing Segment MRC.
  - iii. Remaining Core SGF; CC contribution, Concerned Exchange contribution and non-defaulting Members' primary contribution to Core SGF on pro-rata basis.
- e) Proportion of remaining Clearing Corporation resources (excluding its contribution to core SGFs of other segments and <sup>8</sup>higher of Rs. 100 Crore <sup>9</sup>or the capital requirement towards orderly winding down of critical operations and services) equal to ratio of segment MRC to sum of MRCs of all segments.

**NOTE:** SEBI has mandated that the said Rs.100 Crore <sup>10</sup>or the capital requirement towards orderly winding down of critical operations and services, whichever is higher is to be excluded only when remaining Clearing Corporation resources, excluding the contribution of the Clearing Corporation to the core SGFs of other Clearing segments, are more than Rs.100 Core.

- f) Clearing Corporation's/Concerned Exchange's contribution to Core SGFs of other Clearing Segments (after meeting obligations of those Clearing Segments) and remaining available resources of the Clearing Corporation to that extent as approved by SEBI.
- g) The capped additional contribution by non-defaulting Members of the particular Clearing Segment.

**NOTE:**

Provided however, subject to any direction, if any, issued by SEBI from time to time in this regard:

- i. Clearing Corporation shall call for the capped additional contribution only once during a period of 30 calendar days regardless of the number of defaults during the period. The period of 30 calendar days shall commence from the date of notice of default by Clearing Corporation to market participants.
- ii. Clearing Corporations shall have relevant regulations or prescribed provisions for non-defaulting members to resign un-conditionally within the abovementioned period of 30 calendar days, subject to member closing out/settling any outstanding positions, paying the capped additional contribution and any outstanding dues to SEBI. No further contribution shall be called from such resigned members.
- iii. The maximum capped additional contribution by non-defaulting members shall be lower of 2 times of their primary contribution to Core SGF or 10%

of the Core SGF of the segment on the date of default in case of equity/ debt segments.

- iv. The maximum capped additional contribution by non-defaulting members shall be lower of 2 times of their primary contribution to Core SGF or 20% of the Core SGF of the segment on the date of default in case of derivatives segment.
- v. In case of shortfall in recovery of assessed amounts from non-defaulting members, further loss can be allocated to layer 'F' with approval of SEBI

h) Any remaining shortfall or loss shall be covered by way of pro-rata haircut to payouts

**EXPLANATION:** In case loss allocation is effected through haircut to payouts, any subsequent usage of funds by the Clearing Corporation in respect of a particular Clearing Segment shall be with prior approval of SEBI. Further, any exit by Clearing Corporation post exhausting this layer shall be as per the terms as may be decided by SEBI in public interest.

### 13.8 Administration of the Settlement Guarantee Fund

13.8.1 The Core Settlement Guarantee Fund shall be utilised for such purposes as may be provided in the Bye Laws, Rules and Regulations of the Clearing Corporation and subject to such conditions as the Clearing Corporation may prescribe from time to time which shall include:

- a) To defray the expenses of creation, maintenance and repayment of the Core Settlement Guarantee Fund;
- b) Investment in such approved securities and other avenues subject to such terms and conditions as may be decided by the Clearing Corporation from time to time;
- c) Payment of premium for any insurance or for creating a default reserve fund through the mode and manner specified by SEBI or the Clearing Corporation from time to time;
- d) The application of Core Settlement Guarantee Fund to meet shortfalls and deficiencies arising out of the Clearing and Settlement of such deals as provided in these Bye Laws, Rules and Regulations.
- e) The application of the Core Settlement Guarantee Fund to satisfy any loss or liability of the Clearing Corporation arising out of Clearing and Settlement operations of such deals as provided in these Bye Laws, Rules and Regulations.
- f) Repayment of the balance after meeting all obligations under these Bye Laws, Rules and Regulations to the Member when he ceases to be a member pursuant to the provisions regarding the repayment of deposit;
- g) Any other purpose as may be specified by the Clearing Corporation from time to time.

13.8.2 Save as otherwise expressly provided in these Bye Laws, Rules and Regulations, the Core Settlement Guarantee Fund shall not be utilised for any other purpose. The Clearing Corporation shall have full power and authority to pledge, re-pledge, hypothecate, transfer, create a security interest in, or assign any or all of the

- i. Core Settlement Guarantee Fund cash,
- ii. securities or other instruments in which Core Settlement Guarantee Fund cash is invested and
- iii. qualifying securities pledged by a Member or letters of credit or any other instrument issued on behalf of a Member in favour of the Clearing Corporation towards deposit to the Core Settlement Guarantee Fund.



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**13.9 Obligation to bring in additional contribution or deposit**

- 13.9.1 If a pro-rata charge is made as mentioned in the above provision against a Member's actual contribution or deposit, and as a consequence the Member's remaining contribution and deposit towards the Core Settlement Guarantee Fund is less than his required contribution and deposit, the Member shall contribute or deposit in the Core Settlement Guarantee Fund, the deficient amount within such time as the Clearing Corporation shall require.
- 13.9.2 If the Member shall fail to do so, the Clearing Corporation may charge such interest, impose penalties and fines and take such disciplinary action against the Member as it may determine from time to time. Any disciplinary action which the Clearing Corporation takes pursuant to the above provisions or involuntary cessation of membership by the Member shall not affect the obligations of the Member to the Clearing Corporation or any remedy to which the Clearing Corporation may be entitled under applicable law.

**13.10 Allocation of the contribution or deposit**

- 13.10.1 The allocation of each Member's contribution and deposit towards Core Settlement Guarantee Fund to meet the losses or liabilities of the Clearing Corporation incidental to the operation of that Member may be decided by the Clearing Corporation at its discretion.

**13.11 Cessation of the Member**

- 13.11.1 A Member shall be entitled to the repayment of deposit made by him to the Core Settlement Guarantee Fund after:
- a) the Member ceases to be a Member, and
  - b) all pending deals at the time the Member ceases to be a Member which could result in a charge to the Core Settlement Guarantee Fund have been closed and settled, and
  - c) all obligations to the Clearing Corporation for which the Member was responsible while he was a Member have been satisfied or, at the discretion of the Clearing Corporation, have been deducted by the Clearing Corporation from the Member's actual deposit; provided, however, that the Member has presented to the Clearing Corporation such indemnities or guarantees as the Clearing Corporation deems satisfactory or another Member has been substituted on all deals and obligations of the outgoing Member, and
  - d) a suitable amount as may be determined by the Clearing Corporation at its discretion has been set aside for taking care of any loss arising from any document defects that may be reported in the future, and
  - e) a suitable amount as may be determined by the Clearing Corporation at its discretion towards such other obligations as may be perceived by the Clearing Corporation to exist or may be perceived to arise in future.
- 13.11.2 The Clearing Corporation may specify rules for the repayment of deposit including the manner, amount and period within which it will be paid but at no point of time will the repayment exceed the actual deposit available to the credit of the Member after deducting the necessary charges from the same.

- 13.11.3 Any obligation of a Member to the Clearing Corporation unsatisfied at the time he ceases to be a member shall not be affected by such cessation of membership.

#### **13.12 Recovery of loss and re-distribution**

- 13.12.1 If a loss charged pro rata is afterward recovered by the Clearing Corporation, in whole or in part, through insurance or otherwise, the net amount of the recovery shall be credited to the Members against whom the loss was charged in proportion to the amounts actually charged against them.

#### **13.13 Stress testing and back testing**

- 13.13.1 The Clearing Corporation shall conduct stress tests for credit risk, liquidity stress test, reverse stress test, back testing for adequacy of margins and such other tests as may be appropriate in accordance with the norms prescribed by SEBI from time to time.

### **14 SEVERABILITY**

- 14.1 In the event of any provision of these Bye-Laws being rendered void or unenforceable by reason of any statutory amendment, re-enactment, notification or judicial decision or pronouncement by any competent court, tribunal, regulatory authority or SEBI, such provision shall to the extent required, be severed and rendered ineffective without in any way affecting the validity or enforceability of the rest of the provisions of these Bye-Laws which shall continue to apply with full force and effect, provided further that the action already taken earlier under such provision(s) shall remain unaffected.

### **15 MISCELLANEOUS**

- 15.1 No claim, suit, prosecution or other legal proceeding shall lie against the Clearing Corporation or any authorized person(s) or any authorised user acting for or on behalf of the Clearing Corporation in respect of anything which is in good faith done or intended to be done in pursuance of any order or other binding directive issued to the Clearing Corporation under any law or delegated legislation for the time being in force.

#### **15.2 Disclosures by the Clearing Corporation**

The Clearing Corporation shall make such disclosures in such manner either on its own or as may be required by SEBI or upon the directives of any statutory, regulatory or government authorities.

