



AMC Repo Clearing Limited

Secretarial Policy Diversity of Governing Board

ARCL/SECRETARIAL/POL/003

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Policy on Diversity of Governing Board



Document Review and Approval

Revision History

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1 Introduction

AMC Repo Clearing Limited (hereinafter referred to as “ARCL” or “the company”) is governed by the Companies Act, 2013 and rules notified thereunder. ARCL is a Limited Purpose Clearing Corporation setup in April 2021 and is recognised by SEBI under the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 read with rules notified thereunder. ARCL is required to make disclosure requirements and comply with corporate governance norms as specified for listed companies to the extent applicable to stock exchanges/clearing corporations.

ARCL has been authorized by Reserve Bank of India (RBI) under Payment and Settlement Systems (PSS) Act, 2007 to offer central counterparty services and to act as a tri-party repo agent for repo transactions in corporate debt securities that are dealt with or traded on a recognized stock exchange.

ARCL provides clearing and settlement and settlement guarantee for tri-party repo product in corporate debt securities.

The basic essence of the Board Diversity policy is to provide a framework for leveraging on the diverse knowledge and expertise of the Governing Board which can offer its valuable guidance to the Management consistent with the Company’s business perspective. It also helps in ensuring a transparent nomination process to the Board of Directors with the diversity of thought, experience, knowledge, perspective and gender in the Board of Directors and helps consider candidates from a wide range of backgrounds, having due regard to diversity.

The SEBI (LODR) Regulations, 2015, mandates that the company should put in place a policy on diversity of Board of Directors.

2 Objectives

The Policy is framed to address the importance of a diverse Governing Board to:

- Harnessing the unique and individual skills and
- Leveraging experience of various Members of the Board in such a way that it collectively benefits the business and the Company as whole.

3 Definitions

‘Act’ means the Companies Act 2013, and includes the Rules framed thereunder, as may be amended from time to time.

‘Committee’ means the Nomination and Remuneration Committee of the Company as constituted/reconstituted by the Board of Directors of the Company, in accordance with the Act and provisions of SEBI (LODR), 2015, SECC Regulations, 2018 and RBI Directions for CCPs.

‘Directors’ means Directors of the Company.

‘Governing Board’ means the Board of Directors of the Company.

‘Independent Director’ means a Director referred to in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations, 2015.

‘Public Interest Director’ means an Independent Director, representing the interests of investors in securities market and who is not having any association, directly or indirectly, which in the opinion of the SEBI, is in conflict with his role.

‘Nominee Director’ means (representatives of the issuers*) of debt securities on the Governing Board of the recognized Limited Purpose Clearing Corporation on a rotational basis.

**The representative of the issuer of debt securities during a financial year shall be one of the top three issuers, which are public sector undertakings, based on their issue size in the preceding financial year.*

‘RBI’ means the Reserve Bank of India.

‘RBI Directions for CCPs’ means RBI Directions for Central Counterparties, 2024.

‘SEBI’ means the Securities and Exchange Board of India.

‘SEBI (LODR), 2015’ means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

‘SECC Regulations, 2018’ means Securities Contracts (Regulations) (Stock Exchanges and Clearing Corporations) Regulations, 2018.

Words and expressions used and not defined in this Policy but defined in the Companies Act or any rules framed thereunder or the Securities and Exchange Board of India Act, 1992 and Rules and Regulations framed thereunder or in the SEBI (LODR), 2015 shall have the meanings assigned to them in these acts/regulations/Rules/Standards.

4 Categories of Directors on the Governing Board

In terms of Regulation 23 (1) of the SECC Regulations, 2018 and Para 1 of Section A of RBI Directions for CCPs the Governing Board of the company shall include:

- a) Nominee Director (ND)
- b) Public Interest Director (PID)
- c) Managing Director (MD)
- d) such other directors as may be specified by the Reserve Bank of India or the SEBI from time to time.

The Chairperson of the Governing Board shall be elected by the Public Interest Directors from amongst Governing Board members. The number of PIDs shall not be less than the number of NDs on the Governing Board of the company. The Managing Director shall be included in the category of Nominee directors.

Note:

- a) *The representative of the issuers of debt securities may be appointed on the Governing Board of the recognized Limited Purpose Clearing Corporation on a rotational basis, and such a Director shall be deemed to be a Nominee Director.*
- b) *No foreign institutional investor shall have any representation in the Governing Board of the authorised CCP.*

5 Diversity of Governing Board

The Company aims to enhance the effectiveness of the Governing Board by diversifying its composition and to obtain the benefit out of such diversity in better and improved decision making. In order to ensure that the Company's Governing Board has appropriate balance of skills, experience and diversity of perspectives that are imperative for the execution of its business strategy, the Company shall consider a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service, including to:

- a) provide strategic guidance;
- b) enhance long - term value creation;
- c) make corporate governance more effective;
- d) enhance quality and responsible decision-making capability;
- e) ensure sustainable development; and
- f) enhance the reputation of the Company.

5.1 Principles of Diversification

In order to ensure that the Governing Board is endowed with appropriate balance of skills, experience and diversity of perspectives, the Company shall conform to the following principles relating to the Governing Board Diversity:

- a) Decisions pertaining to appointment/ re-appointment of Directors shall be based on their age, skills, experience, backgrounds, level of independence, contributions during deliberations at meetings of the Governing Board and adherence to corporate governance norms as reflected in the outcome of their performance evaluation;
- b) The Governing Board of the Company shall comprise Directors having the requisite qualifications and experience in the areas of capital markets, finance and accountancy, legal and regulatory practice, technology, risk management and management or administration.
- c) The Governing Board of the Company shall comprise at least one Public Interest Director having the requisite qualification and experience in each of the areas of capital markets, finance and accountancy, legal and regulatory practice, and technology.
- d) The Company may also appoint Directors having qualification and experience in other areas which may be specific to it.
- e) As per the provisions of the Companies Act, 2013, the Company shall at all times have at least one-woman director on the Governing Board. Any vacancy of the woman director shall be filled within a period of six months.

6 Composition of Governing Board

The Directors who are selected as Public Interest Directors (Independent Directors) are required to satisfy one of the following criteria:

- a) Women Director (to fulfil the requirement under the Companies Act, 2013)
- b) Director with Securities Market experience
- c) Director with Risk Management experience
- d) Director with Markets experience
- e) Director with background in Regulatory and/or Market Infrastructure Institution (MII)
- f) Director with background in Academics
- g) Director with background in Legal

7 Role of Nomination and Remuneration Committee

The NRC is responsible for reviewing and assessing the composition of the Governing Board as well as for identifying and recommending appropriately qualified candidature(s), to hold Directorship in the Company, to the Board of Directors as per the Nomination and Remuneration Policy.

The Committee will ensure that no person is discriminated against on grounds of religion, race, gender, pregnancy, childbirth or related medical conditions, national origin or ancestry, marital status, age, sexual orientation, or any other personal or physical attribute which does not speak to such person's ability to perform as a Board member.

Accordingly, the Committee shall:

- a) assess the appropriate mix of diversity, skills, experience and expertise required on the Governing Board and assess the extent to which the required skills are represented on the Governing Board,
- b) make recommendations to the Governing Board in relation to appointments/re-appointments, and maintain an appropriate mix of diversity, skills, experience and expertise on the Governing Board, and
- c) Ensure at all times that the Governing Board comprises of directors with required skill set and expertise in the areas as provided in SECC Regulations and RBI Directions for CCP.

NRC is required to prepare the list of core skills/expertise/competencies identified by the Board of Directors as required in the context of its business(es) and sector(s) for it to function effectively and those actually available with the board; and the names of directors who have such skills / expertise / competence for appointment of Public Interest Directors (Independent Directors).

The Governing Board shall have an optimum combination of executive, non-executive and public interest directors/independent directors in accordance with requirements of the Articles of Association, the Companies Act, 2013, LODR Regulations, SECC Regulations and other statutory, regulatory and contractual obligations of the Company.

8 Policy Review

In the event of any conflict between the provisions of this Policy and of the applicable law, the provisions of applicable law shall prevail over this Policy. Any subsequent amendment / modification to the applicable law shall automatically apply to this Policy.

This Policy shall be reviewed by the Nomination and Remuneration Committee as and when required or at least once in a year and changes made therein, if any, shall be approved by the Governing Board.