



# AMC Repo Clearing Limited

## Compliance Department Code of Conduct

ARCL/COMPLIANCE/POLICY/001

May 2026

# Code of Conduct Policy



## Document Review and Approval

### Revision History

Version	Author	Date	Revision
1.0	Mr. Natarajan Ramasamy	19-May-2022	Original
1.1	Mr. Vedant Kamulkar	17-May-2024	Amended as per SEBI LODR amendment 2023.
1.2	Mr. Vedant Kamulkar	15-Apr-2025	Inclusion of CFO, CS and Chief Regulatory and Compliance Officer for determining materiality of event.
1.2	Mr. V. Narayanan Iyer	10-Apr -2026	Annual Review and aligning the Code of Conduct with SECC Regulations, 2018

### Approval Details

Sr. No.	Reviewer	Date Reviewed	Approved By	Approval Date
1	Mr. Natarajan Ramasamy	19-May-2022	Board of Directors	19-May-2022
2	Mr. Kashinath Katakdhond	17-May-2024	Board of Directors	17-May-2024
3	Mr. Kashinath Katakdhond	15-Apr-2025	Board of Directors	16-May-2025
4	Mr. Kashinath Katakdhond	10-Apr-2026	Board of Directors	07-May-2026

## Table of Contents

<b>1</b>	<b>BACKGROUND</b> .....	<b>4</b>
<b>2</b>	<b>DEFINITIONS</b> .....	<b>4</b>
<b>3</b>	<b>SCOPE</b> .....	<b>5</b>
<b>4</b>	<b>REGULATION 10A – PART A - CODE OF CONDUCT FOR CLEARING CORPORATION</b> .....	<b>5</b>
4.1	CODE OF CONDUCT FOR DIRECTORS ON THE GOVERNING BOARD .....	5
4.1.1	<i>Meetings and Minutes</i> .....	5
4.2	CODE OF CONDUCT FOR THE PUBLIC INTEREST DIRECTORS .....	6
4.3	STRATEGIC PLANNING .....	6
4.4	REGULATORY COMPLIANCES .....	6
4.5	GENERAL RESPONSIBILITY .....	7
4.6	CODE OF ETHICS FOR DIRECTORS, COMMITTEE MEMBERS, INDEPENDENT EXTERNAL PROFESSIONALS, KEY MANAGERIAL PERSONNEL AND EMPLOYEES .....	7
4.6.1	<i>Objectives and Principles</i> .....	7
4.6.2	<i>Regulatory Oversight Committee</i> .....	8
4.6.3	<i>General Standards for Directors, IEPs, KMPs and Employees</i> .....	8
4.6.4	<i>Disclosure of dealings in securities by KMPs and Employees</i> .....	8
4.6.5	<i>Disclosure of dealings in securities by Director and Independent External Professionals</i> .....	9
4.6.6	<i>Avoidance of Conflict of Interest of Director and IEP</i> .....	9
4.6.7	<i>Disclosure of Beneficial Interest</i> .....	9
4.6.8	<i>Role of the Chairperson, Directors and Independent External Professionals in the day-to-day functioning of the Clearing Corporation</i> .....	9
4.6.9	<i>Access to Information</i> .....	10
4.6.10	<i>Misuse of Position</i> .....	10
4.6.11	<i>Regulatory Oversight Committee Role</i> .....	10
<b>5</b>	<b>REGULATION 28 - PART C - MEASURES TO ENSURE SEGREGATION OF REGULATORY DEPARTMENTS</b> .....	<b>10</b>
5.1	CODE OF CONDUCT FOR CLEARING CORPORATION .....	11
<b>6</b>	<b>REGULATION 26(1) – PART B - CODE OF CONDUCT</b> .....	<b>11</b>
6.1	CODE OF CONDUCT FOR GOVERNING BOARD, DIRECTORS, COMMITTEE MEMBERS, KEY MANAGEMENT PERSONNEL AND EMPLOYEE .....	11
6.1.1	<i>Governing Board</i> .....	12
6.1.2	<i>Code of Conduct for directors, committee members, independent external professionals, key management personnel and employees</i> .....	13
6.1.3	<i>Applicable to the Directors, Committee Members and Independent External Professionals</i> .....	15
6.1.4	<i>Applicable to Public Interest Directors</i> .....	16
6.1.5	<i>Applicable to Independent External Professionals</i> .....	17
6.1.6	<i>Applicable to key management personnel and employee</i> .....	17

## 1 Background

AMC Repo Clearing Limited (hereinafter referred to as (“ARCL” or “the company”) is governed by the Companies Act, 2013 and rules notified thereunder; the Securities Contracts (Regulation) Act, 1956 read with rules notified thereunder and the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (hereinafter referred to as SCR (SECC) Regulations, 2018) including disclosure requirements and corporate governance norms as specified for listed companies to the extent applicable to clearing corporations.

ARCL has also been authorized by RBI under Payment and Settlement Systems Act, 2007 (PSS Act 2007) to offer central counterparty services in repo transactions in corporate debt securities and to act as a tri-party repo agent. The governance norms as prescribed by RBI in its Master Directions for Central Counterparties, 2019 are applicable to ARCL.

Regulation 10A of the SECC Regulations, 2018 states that every recognised stock exchange and recognised clearing corporation shall abide by the Code of Conduct as specified under **Part-A of Schedule-II** of these regulations

Regulation 26 of the SECC Regulations, 2018 states that a) The governing board, directors, committee members and key management personnel of a recognised clearing corporation shall abide by the Code of Conduct specified under **Part-B of Schedule-II of these regulations** and b) Every director and key management personnel of a recognised clearing corporation shall be a fit and proper person as described in Regulation 20.

## 2 Definitions

“**Director**” means a director appointed to the Governing Board of the Clearing Corporation;

“**Clearing Corporation**” shall mean the AMC Repo Clearing Limited (ARCL);

“**Key Managerial Personnel**” (the “KMP”) as defined under section 2(51) of the Companies Act, 2013, means:

- a) the Chief Executive Officer or the Managing Director or Manager;
- b) the Company Secretary;
- c) the Whole-time Director;
- d) the Chief Financial Officer;
- e) such other officer, not more than one level below the directors who is in whole time employment, designated as key managerial personnel by the Governing Board; and
- f) any other person as may be prescribed.

Further, as defined in Regulation 2(1)(j) of the SECC Regulations, 2018 "Key Management Personnel" (KMP) shall include:

- a) Any person appointed as the managing director or executive director; or
- b) A person serving as the head of department or vertical and directly reporting to the managing director or to the directors on the governing board of the recognized stock exchange or recognized clearing corporation; or
- c) A person serving as the head of a core function as specified under Part-C of Schedule-II of these regulations; or
- d) A person who stands higher in hierarchy to the head of any department(s) handling core function(s) in the recognized stock exchange or recognized clearing corporation; or
- e) Reporting officials of key managerial personnel; or

- f) Any person defined as “key managerial personnel” under the Companies Act, 2013; or
- g) Any other person who is decision making authority at the level of the recognized stock exchange or recognized clearing corporation or its direct or indirect material subsidiaries, as identified by the managing director or its Nomination and Remuneration Committee:

Provided that in the case of a subsidiary of a recognized stock exchange or a recognized clearing corporation that is regulated by a financial sector regulator; the norms specified by such a regulator may be considered for determining as to whether the person at the subsidiary is designated as key management personnel only in case of deputation.

“**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 Securities and Exchange Board of India (“SEBI”), is in conflict with his role;

“**Independent Director**” shall have the meaning as defined under the Companies Act, 2013 read with relevant rules and Regulation 16(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘Listing regulations’) as amended from time to time.

“**Independent external professional**” means an external expert in the specific field for which he is appointed in a committee of the recognised clearing corporation.

“**Employee**” means any person who is on the payroll of the Company and also includes consultants hired by the company for the purpose of Code of Conduct.

### 3 Scope

The scope of the Code of Conduct policy covers:

- a) Clearing Corporation
- b) Directors on the Governing Board
- c) Independent Expert Professionals (IEP)
- d) Key Managerial Personnels (KMPs)
- e) Employees and consultants of the company

## 4 Regulation 10A – Part A - Code of Conduct for Clearing Corporation

### 4.1 Code of Conduct for Directors on the Governing Board

#### 4.1.1 Meetings and Minutes

The directors and committee members of the recognised clearing corporation shall:

- a) not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting.
- b) not encourage the circulation of agenda papers during the meeting, unless circumstances so require.
- c) ensure that minutes are recorded to capture all points of opinion comprehensively
- d) offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes.

- e) insist on the minutes of the previous meeting being placed for approval in subsequent meeting;
- f) endeavour to have the date of next meeting fixed at each governing board meeting in consultation with other members of the Governing Board.
- g) ensure that all important agendas placed before the governing board of stock exchange and clearing corporation and committees are deliberated in a timely manner;
- h) endeavour to ensure that in case all the items of the agenda of a meeting were not covered for want of time, the next meeting is held within fifteen days for considering the remaining items.
- i) not support any decision in the meeting of the Governing Board of stock exchange and clearing corporation and the committees respectively which may adversely affect the interest of investors and shall report forthwith any such decision to the Board.

## 4.2 Code of Conduct for the Public Interest Directors

- a) In addition to the conditions stated in Para (i) above, public interest directors of the recognised clearing corporation shall, endeavour to attend all the Governing Board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the Governing Board or do not attend seventy-five per cent. of the total meetings of the Governing Board in a calendar year.
- b) Public Interest Directors shall meet separately, at least once in six months to exchange views on critical issues.
- c) The Public Interest Directors shall identify important issues which may involve conflict of interest for the clearing corporation or may have significant impact on the functioning of recognised clearing corporation or may not be in the interest of securities market. The same shall be reported to the Board.

## 4.3 Strategic Planning

Every director and committee member of the recognised clearing corporation shall:

- a) participate in the formulation and execution of strategies in the best interest of the recognised clearing corporation and contribute towards pro-active decision making at the Governing Board level.
- b) give benefit of their experience and expertise to the recognised clearing and provide assistance in strategic planning and execution of decisions.
- c) corporation and provide assistance in strategic planning and execution of decisions.
- d) place priority for redressing investor grievances and encouraging fair trade practice so that the clearing corporation becomes an engine for the growth of the securities market.

## 4.4 Regulatory Compliances

Every director of the recognised stock exchange and recognised clearing corporation shall:

- a) ensure that the recognised clearing corporation abides by all the applicable provisions of the Securities and Exchange Board of India Act, 1992, Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, rules and regulations framed thereunder and the circulars, directions issued by SEBI/RBI from time to time.
- b) ensure that the recognised clearing corporation abides by all the applicable provisions of the Reserve Bank of India, Payment and Settlement Systems Act, 2007 and the RBI Directions for

Central Counterparties (CCPs), rules and regulations framed thereunder and the circulars, directions issued by SEBI/RBI from time to time.

- c) ensure compliance at all levels so that the regulatory system does not suffer any breaches.
- d) ensure that the recognised clearing corporation takes steps commensurate to honour the time limit stipulated by SEBI/RBI for corrective action.
- e) not support any decision in the meeting of the governing board which may adversely affect the interest of investors and shall report forthwith any such decision to SEBI/RBI.

## 4.5 General Responsibility

Every director of the recognised clearing corporation shall:

- a) place priority for redressing investor grievances and encouraging fair trade practice so that the recognised clearing corporation becomes an engine for the growth of the securities market.
- b) endeavour to analyse and administer the recognised clearing corporation issues with professional competence, fairness, impartiality, efficiency and effectiveness.
- c) submit the necessary disclosures/statement of holdings/dealings in securities as required by the recognised clearing corporation from time to time as per their Rules or Articles of Association.
- d) unless otherwise required by law, maintain confidentiality and shall not divulge/disclose any information obtained in the discharge of their duty and no such information shall be used for personal gains.
- e) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and shall not engage in acts discreditable to their responsibilities.
- f) perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties.
- g) perform their duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion.
- h) not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the recognised clearing corporation.

## 4.6 Code of Ethics for Directors, Committee Members, Independent External Professionals, Key Managerial Personnel and Employees

The 'Code of Ethics' for directors, independent external professionals, key management personnel and employees of the recognised clearing corporations, is aimed at improving the professional and ethical standards in the functioning of recognised clearing corporations thereby creating better investor confidence in the integrity of the securities market.

### 4.6.1 Objectives and Principles

The Code of Ethics for directors, independent external professionals, key management personnel and employees of recognised clearing corporation seeks to establish a minimum level of business/professional ethics to be followed by these directors independent external professionals, key management personnel and employees, towards establishing a fair and transparent marketplace.

The Code of Ethics is based on the following fundamental principles:

- a) Fairness and transparency in dealing with matters relating to the clearing corporation and the investors.
- b) Compliance with all laws/ rules/ regulations laid down by regulatory agencies/ recognised clearing corporation.
- c) Exercising due diligence in the performance of duties.
- d) Avoidance of conflict of interest between self-interest of directors/ key management personnel and interests of recognised clearing corporation and investors

## **4.6.2 Regulatory Oversight Committee**

- a) For overseeing implementation of this Code, a regulatory oversight committee shall be constituted by every recognised clearing corporation under the respective Governing Board.
- b) The regulatory oversight committee shall lay down procedures for the implementation of the code and prescribe reporting formats for the disclosures required under the code.
- c) The Compliance Officer shall execute the requirements laid down by the regulatory oversight committee.

## **4.6.3 General Standards for Directors, IEPs, KMPs and Employees**

- a) Directors, independent external professionals, key management personnel and employees shall endeavour to promote greater awareness and understanding of ethical responsibilities.
- b) Directors, independent external professionals, key management personnel and employees in the conduct of their business shall observe high standards of commercial honour and just and equitable principles of trade.
- c) The conduct of directors, independent external professionals, key management personnel and employees in business life should be exemplary which will set a standard for other members of the recognised clearing corporation.
- d) Directors, independent external professionals, key management personnel and employees shall not use their position to give/get favours to/from the executive or administrative staff of the clearing corporation, technology or service providers and vendors of the recognised clearing corporation.
- e) Directors, independent external professionals, key management personnel and employees shall not commit any act which will put the reputation of the recognised clearing corporation, in jeopardy.
- f) Directors, committee members, independent external professionals, key management personnel and employees of the recognised clearing corporation, should comply with the provisions of all applicable law to the securities market.

## **4.6.4 Disclosure of dealings in securities by KMPs and Employees**

- a) Key management personnel and employees of the recognised clearing corporation shall disclose on a periodic basis as determined by the recognised clearing corporation (which could be monthly), all their dealings in securities, directly or indirectly, to the governing board/ regulatory oversight committee/ Compliance Officer.
- b) The dealings in securities shall also be subject to trading restrictions for securities about which key management personnel in the recognised stock exchange or recognised clearing corporation may have unpublished price sensitive information. Requirement laid down under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 shall be referred in this regard.

- c) All transactions must be of an investment nature and not speculative in nature. Towards this end, all securities purchased must be held for a minimum period of sixty days before they are sold. However, in specific/exceptional circumstances, sale can be effected anytime by obtaining pre-clearance from the Compliance Officer to waive this condition after recording in writing his satisfaction in this regard.

Note: Securities for the purposes of this Code shall not include mutual fund units.

#### **4.6.5 Disclosure of dealings in securities by Director and Independent External Professionals**

- a) All transactions / dealings in securities by the directors / Independent External Professionals (IEP) and their relatives shall be disclosed to the governing board of the recognised clearing corporation.
- b) All directors / IEPs shall also disclose the trading conducted by firms/corporate entities in which they hold twenty per cent. or more beneficial interest or hold a controlling interest, to the clearing corporation.
- c) The details including time period for disclosure under clause 5 (a) and 5 (b) above shall be prescribed by the clearing corporation, provided that the time period for disclosure shall not be later than fifteen days of the transaction / dealing.
- d) Directors and independent external professionals who are Govt. of India nominees or nominees of Govt. of India statutory bodies or Public Financial Institutions and are governed by their own codes shall be exempt from this requirement.

#### **4.6.6 Avoidance of Conflict of Interest of Director and IEP**

- a) No director of the Governing Board or member of any Committee including IEP of the recognised clearing corporation shall participate in any decision making/adjudication in respect of any person /matter in which he is in any way, directly or indirectly, concerned or interested.
- b) Conflict of interest in a matter, if any, shall be decided by the Governing Board of the clearing corporation.

#### **4.6.7 Disclosure of Beneficial Interest**

All directors and IEPs shall disclose to the Governing Board, upon assuming office and during their tenure in office, whenever the following arises:

- a) any fiduciary relationship of self and family members and directorship/partnership of self and family members in any trading member or clearing member.
- b) shareholding, in cases where the shareholding of the director, independent external professional key management personnel and employees directly or through his family exceeds 5 per cent. in any listed company or in other entities related to the securities markets.
- c) any other business interests.

#### **4.6.8 Role of the Chairperson, Directors and Independent External Professionals in the day-to-day functioning of the Clearing Corporation.**

- a) The Chairperson, directors and IEPs shall not interfere in the day-to-day functioning of the recognised clearing corporation and shall limit their role to decision making on policy issues and to issues as the governing board may decide.

- b) The Chairperson, directors and IEPs shall abstain from influencing the employees of the recognised clearing corporation in conducting their day-to-day activities.
- c) The Chairperson, directors and IEPs shall not be directly involved in the function of appointment and promotion of employees unless specifically so decided by the Governing Board.

#### **4.6.9 Access to Information**

- a) Directors and IEPs shall call for information only as part of specific committees or as may be authorised by the governing board.
- b) There shall be prescribed channels through which information shall move and further there shall be an audit trail of the same. Any retrieval of confidential documents/ information shall be properly recorded.
- c) All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration/ gain.
- d) Any information relating to the business/operations of the recognised clearing corporation, which may come to the knowledge of directors/ IEP / key management personnel during performance of their duties shall be held in strict confidence, shall not be divulged to any third party and shall not be used in any manner except for the performance of their duties.

#### **4.6.10 Misuse of Position**

Directors/ committee members including IEPs / KMPs / Employees shall not use their position to obtain business or any pecuniary benefit in the organization for themselves or family members.

#### **4.6.11 Regulatory Oversight Committee Role**

- a) The regulatory oversight committee shall lay down procedures for the implementation of the code and prescribe reporting formats for the disclosures required under the code.
- b) The Compliance Officer shall execute the requirements laid down by the regulatory oversight committee.

### **5 Regulation 28 - Part C - Measures to ensure segregation of regulatory departments**

- a) In order to ensure the segregation of regulatory departments, every recognised clearing corporation shall adopt a "Chinese Wall" policy which separates the regulatory departments of the recognised stock exchange or recognised clearing corporation from the other departments. The employees in the regulatory departments shall not communicate any information concerning regulatory activity to any one in other departments. The employees in regulatory areas may be physically segregated from employees in other departments including with respect to access controls. In exceptional circumstances employees from other departments may be given confidential information on "need to know" basis, under intimation to the Compliance Officer.
- b) Regulation 28 of these Regulations mandate segregation of regulatory departments from other departments. For this purpose, an indicative list of regulatory departments is given below. The governing board of the clearing corporation may specify any other department having a regulatory function in addition to the list given below as a regulatory department.
- c) Departments handling the following functions shall be considered as regulatory departments in a clearing corporation:
  - a. Risk management,
  - b. member registration,

- c. compliance,
  - d. inspection,
  - e. enforcement,
  - f. default,
  - g. investor protection,
  - h. investor services
- d) The recognized clearing corporation shall ensure that the regulatory departments viz., surveillance, inspection, risk management, default, investor protection, investor services etc, are sufficiently staffed with adequate number of persons having professional and relevant experience at all times.

## 5.1 Code of Conduct for Clearing Corporation

A recognised clearing corporation shall:

- a) always abide by the provisions of the Act, Securities and Exchange Board of India Act, 1992, any Rules or Regulations framed thereunder, circulars, guidelines and any other directions issued by the Board from time to time.
- b) adopt appropriate due diligence measures.
- c) take effective measures to ensure implementation of risk management framework and good governance practices.
- d) take appropriate measures towards investor protection and education of investors.
- e) treat all its applicants or members in a fair and transparent manner.
- f) promptly inform the Board of violations of the provisions of the Act, Securities and Exchange Board of India Act, 1992, rules, regulations, circulars, guidelines or any other directions by any of its members or issuer.
- g) take a proactive and responsible attitude towards safeguarding the interests of investors, integrity of stock exchange's or clearing corporation's systems and the securities market.
- h) endeavor for introduction of best business practices amongst itself and its members.
- i) act in utmost good faith and shall avoid conflict of interest in the conduct of its functions.
- j) not indulge in unfair competition, which is likely to harm the interests of any other stock exchange or clearing corporation, their members or investors or is likely to place them in a disadvantageous position while competing for or executing any assignment.
- k) Segregate roles and responsibilities of key management personnel within the stock exchange and clearing corporation including
  - a. Clearly mapping legal and regulatory duties to the concerned position
  - b. Defining delegation of powers to each position
  - c. Assigning regulatory, risk management and compliance aspects to business and support teams
- l) be responsible for the acts or omissions of its employees in respect of the conduct of its business.
- m) monitor the compliance of the rules and regulations by the members and shall further ensure that their conduct is in a manner that will safeguard the interest of investors and the securities market.

## 6 Regulation 26(1) – Part B - Code of Conduct

### 6.1 Code of Conduct for governing board, directors, committee members, key management personnel and employee

Applicable to Governing Board, directors, committee members including IEPs and key management personnel and employees

## 6.1.1 Governing Board

The Governing Board of the recognised clearing corporation shall:

- a) evaluate profitability margins of the clearing corporations.
- b) ensure adequacy of resource allocation (both financial and human) towards regulatory compliances.
- c) focus on strategy, policy level issues and important matters and may review the day-to-day operational matters only in exceptional cases.
- d) oversee the critical operations including technology as well as the regulatory, risk management, compliance and investor grievance redressal functions of the stock exchange or clearing corporation.
- e) take the lead in succession planning for the managing director and other key positions.
- f) play an active role in defining, establishing and documenting risk management framework, covering risk appetite or risk tolerance policy of the stock exchange or clearing corporation and ensure that the policy contains the following:
  - a. role of risk appetite in key processes
  - b. clear quantitative metrics and thresholds to monitor performance of the stock exchange's or clearing corporation's risk appetite
  - c. acceptability of breaches and trigger response(s), if any.
  - d. zero tolerance for areas such as cyber security, system stability, surveillance, fair access, fraud or corruption, compliance, etc.
- g) make key stakeholders (executive and non-executive) aware of the use and value of risk appetite across the organization (including implications of breaches) and review and approve risk appetite metrics and thresholds periodically.
- h) ensure adequate independence of key functions such as regulatory and control functions (risk management, compliance and audit functions) such that;
  - a. regulatory and control functions have sufficient stature to perform their tasks effectively.
  - b. regulatory and control functions operate independently and have appropriate direct access to the governing board of the clearing corporation and senior management.
  - c. control functions are proactively involved in all relevant decisions and activities.
- i) Provide for three lines of defense construct where:
  - a. the first line of defense incorporates business units and support functions as it has the responsibility to own and manage risks associated with day-to-day operational activities.
  - b. the second line of defense 123[consists of] various oversight functions i.e., regulatory, risk management, compliance teams, and
  - c. the third line of defense comprises the internal audit function.
- j) ensure that the roles and responsibilities of management in relation to three lines of defense are clearly specified and understood and that all employees are responsible for the regulatory, risk management and compliance outcomes.
- k) ensure a culture of effective communication and challenge (i.e., encourage alternate views or questions from individuals and groups) and value and respect it.
- l) ensure that any new product, service, revenue stream is examined by the concerned department of the stock exchange or clearing corporation from the compliance and risk management perspectives in addition to normal viability issues before approving the same.
- m) review periodically all existing products, services and revenue streams.

- n) shall meet, without the presence of the managing director and any other executive director, the chief regulatory officer or compliance officer, the chief risk officer, the chief information security officer, the statutory auditor of the stock exchange and clearing corporation and any other person as determined by the public interest directors and non-independent directors to discuss important
- o) issues concerning the stock exchange and clearing corporation, on a periodic basis as specified by the Board.
- p) periodically review the frequency of meetings and agenda items of the governing board and statutory committees to ensure that the number of meetings is rationalized and all important issues are discussed.
- q) ensure that the agenda papers are approved by the Chairman of the governing board.
- r) ensure that members of the governing board can place agenda item during their meeting.
- s) be responsible for monitoring compliance with the code of conduct by the directors of the stock exchange and clearing corporation.
- t) uphold a strong culture in the stock exchange or clearing corporation and promote target culture from the top through behaviour, actions and effective communication.
- u) communicate the guiding principles for institution's target regulatory,
- v) compliance, risk and conduct culture.
- w) endeavor that the stock exchange and clearing corporation put in place key elements related to culture such as:
  - a. adequate training programs to help employees better understand expectations of behavior (for example, trainings on dilemmas);
  - b. mechanisms to measure and track indicators related to culture at regular intervals;
  - c. accountability mechanisms; and
  - d. performance management mechanisms which take into account adherence to culture, conduct and behavior related dimensions.

## **6.1.2 Code of Conduct for directors, committee members, independent external professionals, key management personnel and employees**

### **6.1.2.1 Applicable to directors, committee members, independent external professionals, key management personnel and employees of clearing corporation.**

#### **6.1.2.1.1 General Responsibility**

Every director, committee members including independent external professional, key management personnel and employee of the recognised clearing corporations shall:

- a) analyse and administer the clearing corporations' issues with professional competence, fairness, impartiality, efficiency and effectiveness;
- b) submit the necessary disclosures, statement of holdings, dealings in securities as required by the clearing corporations from time to time as per their rules, bye-laws or articles of association;
- c) unless otherwise required by law, maintain confidentiality and not divulge or disclose any information obtained in the discharge of their duty and no such information is used for personal gains;
- d) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and not engage in acts discreditable to their responsibilities;
- e) perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;

- f) perform their duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion;
- g) not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the clearing corporations;
- h) promote greater awareness and understanding of ethical responsibilities;
- i) in the conduct of their business, observe high standards of commercial honour and; just and equitable principles of trade;
- j) be exemplary in their conduct in business life which may set a standard for others;
- k) not use their position to give or receive favours to or from the executive or administrative staff of the clearing corporation, technology or service providers and vendors or suppliers of the clearing corporation, or any issuer company admitted by the clearing corporations;
- l) not commit any act which will put the reputation of the clearing corporations in jeopardy;
- m) comply with the provisions of all applicable laws pertaining to the securities market;
- n) directors, independent external professionals, key management personnel and employee shall at all point of time comply with all the internal policies of the clearing corporation including their code of conduct. If there is a conflict between the code of conduct policy of the clearing corporation with those provided by the Board, then the policy issued by SEBI shall prevail.

#### **6.1.2.1.2 Regulatory Compliances**

Every director, committee member and key management personnel of the recognised stock exchange or recognised clearing corporation shall:

- a) ensure that the stock exchange or clearing corporation abides by all the applicable provisions of the Act, the Securities and Exchange Board of India Act, 1992, rules and regulations framed thereunder and the circulars, directions or any other instructions issued by the Board from time to time;
- b) ensure compliance at all levels so that the regulatory system does not suffer any breaches;
- c) ensure that the stock exchange or clearing corporation takes steps commensurate to honour the time limit stipulated by Board for corrective action.

#### **6.1.2.1.3 Disclosures of Beneficial Interest**

All directors, committee members, independent external professionals, key management personnel and employee shall disclose to the Governing Board of recognised clearing corporation, upon assuming office and during their tenure in office, whenever the following arises:

- a) any fiduciary relationship of self and family members and directorship or partnership of self and family members in any trading member or clearing member or depository participant or registrar and transfer agent;
- b) shareholding, in cases where the shareholding of the director, independent external professional, key management personnel or employee, directly or through his family exceeds 5 percent in any listed company or in other entities related to the securities markets;
- c) any other business interests.

#### **6.1.2.1.4 Access to Information**

- a) There shall be prescribed channels through which information shall move and further there shall be audit trail of the same. Any retrieval of confidential documents or information shall be properly recorded.

- b) All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration or gain.
- c) Any information relating to the business or operations of the clearing corporation, which may come to the knowledge of directors or committee members or independent external professional or key management personnel or employee during performance of their duties shall be held in strict confidence, shall not be divulged to any third party and shall not be used in any manner except for the performance of their duties.
- d) Directors and independent external professional shall call for information only as part of specific committees or as may be authorised by the Governing Board of clearing corporation.

#### **6.1.2.1.5 Misuse of Position**

Directors or committee members or independent external professional or key management personnel or employee shall not use their position to obtain business or any pecuniary benefit in the organization for themselves or family members.

### **6.1.3 Applicable to the Directors, Committee Members and Independent External Professionals**

#### **6.1.3.1 Meetings and Minutes.**

The directors and committee members of the recognised stock exchange or recognised clearing corporation shall:

- a) not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise and in such cases the same shall be disclosed and recorded in the minutes of the meeting;
- b) not encourage the circulation of agenda papers during the meeting, unless circumstances so require;
- c) ensure that minutes are recorded to capture all points of opinion comprehensively;
- d) offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;
- e) insist on the minutes of the previous meeting being placed for approval in subsequent meeting;
- f) endeavor to have the date of next meeting fixed at each governing board meeting and committee meetings respectively in consultation with other respective members of the governing board and committees;
- g) ensure that all important agendas placed before the governing board of clearing corporation and committees are deliberated in a timely manner;
- h) not support any decision in the meeting of the governing board of clearing corporation and the committees respectively which may adversely affect the interest of investors and shall report forthwith any such decision to the Board.

#### **6.1.3.2 Role of the directors, committee members and independent external professionals in the day-to-day functioning of the recognised clearing corporation.**

- a) The directors, committee members and independent external professionals shall not interfere in the day-to-day functioning of the clearing corporations and shall limit their role to decision making on policy issues and to issues as the governing clearing corporation may decide.
- b) The directors, committee members and independent external professionals shall abstain from influencing the employees of the clearing corporations in conducting their day-to-day activities.

- c) The directors, committee members and independent external professionals shall not be directly involved in the function of appointment and promotion of employees unless specifically so decided by the governing board of clearing corporation.

### 6.1.3.3 Avoidance of Conflict of Interest

- a) No director or committee member of the clearing corporation shall participate in any decision making or adjudication in respect of any person or matter in which he or she is in any way, directly or indirectly, concerned or interested.
- b) Conflict of interest in a matter, if any, shall be decided by the governing board of the clearing corporation.

### 6.1.3.4 Strategic Planning

Every director, committee member and independent external professional of the recognised clearing corporation shall:

- a) participate in the formulation and execution of strategies in the best interest of the clearing corporation and contribute towards pro-active decision making at the governing board level;
- b) give benefit of their experience and expertise to the clearing corporation and provide assistance in strategic planning and execution of decisions;
- c) place priority for redressing investor grievances and encouraging fair trade practice so that the clearing corporation becomes an engine for the growth of the securities market.

### 6.1.3.5 Disclosure of dealings in securities by Directors and independent external professionals of the recognised clearing corporations.

- a) All transactions or dealings in securities by the directors, independent external professionals and their immediate relatives (as defined in the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015) shall be disclosed to the governing board of the stock exchange or clearing corporation.
- b) All directors and independent external professionals shall also disclose the trading conducted by firms or corporate entities in which they hold twenty percent or more beneficial interest or hold a controlling interest, to the clearing corporation.
- c) The details including time period for disclosures stated above shall be provided by the stock exchange and clearing corporation, provided that the time period for disclosure shall not be later than fifteen days of the transaction/ dealing.
- d) Directors and independent external professionals who are nominees of Government of India, its statutory bodies or Public Financial Institutions and are governed by their own codes shall be exempt from this requirement.

### 6.1.4 Applicable to Public Interest Directors

- a) Public Interest Directors of the clearing corporations shall endeavor to attend all the governing board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the governing board or do not attend seventy-five percent of the total meetings of the governing board in a calendar year.
- b) Public interest directors shall meet separately, at least once in six months to exchange views on critical issues. Public interest directors shall submit a report of such meeting to the Board and to

the governing board of the recognised clearing corporation within the time and manner as may be specified by the Board from time to time.

- c) (c) Public interest directors shall identify important issues which may involve conflict of interest for the clearing corporation or may have significant impact on the functioning of the stock exchange and clearing corporation or may not be in the interest of securities market. The same shall be reported to the Board in a time bound manner.
- d) (d) Public interest directors shall have regular oversight on observations of Board's inspection particularly on issues of governance standards, technology and cyber security and system audit and cyber security audit observations.
- e) (e) Public interest directors should be proactive in identifying any issues concerning functioning of clearing corporations and report the same to the Board. Public interest directors should ensure all regulatory communication/letter from the Board are placed before the governing board with comments/report of managing director.
- f) (f) Public interest directors shall put in place an evaluation mechanism to assess the performance of managing directors on a continuing basis in line with evaluation guidelines for public interest directors.
- g) (g) Public interest directors to ensure that appointments of managing director be held within specified timelines. Identification of key management personnel be closely scrutinized as per the laid down procedure and exceptions should be brought to the notice of the Board.
- h) (h) Public interest directors should take proactive part in the deliberations of different committees and steer their functioning.
- i) Ensure adequacy of resource allocations (both financial & human) towards regulatory compliances to be ensured.

## **6.1.5 Applicable to Independent External Professionals**

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

## **6.1.6 Applicable to key management personnel and employee**

- a) Managing director of the clearing corporation shall meet employees without the presence of other key management personnel (the heads of departments) to discuss important issues pertaining to clearing corporation.
- b) Key management personnel and employees of the clearing corporation shall disclose on a periodic basis as determined by the clearing corporation (which could be monthly), all their dealings in securities, directly or indirectly, to the governing board or regulatory oversight committee or compliance officer of clearing corporation.
- c) All transactions must be of an investment nature and not speculative in nature. Towards this end, all securities purchased must be held for a minimum period of sixty days before they are sold. In specific or exceptional circumstances, however, sale can be effected anytime by obtaining pre-clearance from the compliance officer to waive this condition after recording in writing his satisfaction in this regard.

Note – Securities for the purpose of this code shall not include mutual fund units.