

BYE-LAWS

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CHAPTER – I PRELIMINARY & DEFINITIONS

PRELIMINARY

Short Title

These Bye-Laws shall be called “**Bye-Laws**” or “**ARCL Bye-Laws**”.

Applicability of the Securities Laws and PSS Act

These Bye-Laws and Regulations prescribed there under shall be subject to the provisions of the Securities Laws and PSS Act.

1. DEFINITIONS

In these Bye-Laws, unless the context otherwise requires:

1.1 “Board of Directors” or “Board of ARCL”

“Board of Directors” or “Board of ARCL” means Board of Directors of the AMC Repo Clearing Limited.

1.2 Business Days

The Clearing Corporation shall be open on all days except on public holidays under the Negotiable Instruments Act, 1881 and whenever declared in advance by the Relevant Authority.

1.3 Bye-Laws

“Bye-laws” means the bye-laws of the Clearing Corporation for the time being in force.

1.4 Clearing and Settlement

“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.

1.5 Clearing Bank(s)

“Clearing Bank(s)” means Clearing Bank(s) is such bank(s) as the Clearing Corporation may appoint to act as a funds settling agency, for the collection of settlement value and margin money for all deals cleared through the Clearing Corporation and any other funds movement between clearing members and the Clearing Corporation and between clearing members as may be directed by the Clearing Corporation from time to time.

1.6 Clearing Corporation

“Clearing Corporation” or “ARCL” means AMC Repo Clearing Limited that is established to undertake the activity of clearing and settlement of Repo Transaction.

1.7 Clearing Member

“Clearing Member” shall mean a member of the Clearing Corporation and includes all categories of Clearing Members as may be admitted as such by the Clearing Corporation but does not denote the shareholder of the Clearing Corporation.

1.8 Clearing Segments

“Clearing Segments” means the different segments or divisions for clearing and settlement of deals as may be classified by the Relevant Authority from time to time.

1.9 Client/Constituent

“Client” or “Constituent” means a person on whose instructions and on whose account the Clearing Member settles deals on the Clearing Corporation or as may be permitted by the Clearing Corporation.

Explanation 1:

The terms ‘Constituent’ and ‘Client’ are interchangeably used in the Bye-Laws, Rules & Regulations and shall have the same meaning as assigned herein.

Explanation 2:

The term ‘Constituent’ shall include the Participants unless the context indicates otherwise.

Explanation 3:

Wherever the context requires the term ‘Constituent’ in relation to trades shall also include a Trading Member where such trades, done on the Exchange, are cleared and settled on its behalf by the Clearing Member.

1.10 Collateral

“Collateral” means Eligible Securities owned by Clearing Members and/or their Constituents and delivered to Clearing Corporation to secure exposures undertaken on behalf of the Clearing Members and/or for their Constituents.

1.11 Core Settlement Guarantee Fund

“Core Settlement Guarantee Fund” means a fund established and maintained in accordance with the relevant provisions of the Bye-Laws of Clearing Corporation.

1.12 Critical Operations and Services

“Critical Operations and Services” shall include the operations and services such as collateral management, risk management, clearing and settlement shall be deemed to be critical operations and services of the Clearing Corporation or any other operations and services as may be identified by the Clearing Corporation as Critical Operations and Services.

1.13 Deal

“Deal” means deals of Repo and Reverse Repo Transactions which are admitted to be cleared and settled through the Clearing Corporation.

1.14 Delivering Member/Selling Member

“Delivering Member/Selling Member” means a Clearing Member who ought to or has affected delivery in fulfillment of contracts to which these Rules, Bye-Laws and Regulations apply unless the context indicates otherwise.

1.15 Eligible Security

“Eligible Security” means any security specified by Clearing Corporation from time to time as acceptable to Clearing Corporation towards Margins/Collaterals/Core Settlement Guarantee Fund to be furnished by the Clearing Members and/or Constituents as a part of their obligation under the Bye-Laws, Rules and relevant Regulations.

1.16 Exchange

“Exchange” means any stock exchange recognized under the SCRA as a stock exchange.

1.17 Haircut

“Haircut” refers to the difference between the market value of Eligible Security and its Collateral value.

Explanation:

Haircuts are taken by Clearing Corporation to protect itself from potential losses arising out of a decline in market value of a security held as collateral.

1.18 Margin

“Margin” means funds/ securities/deposits/bank guarantees deposited/required to be deposited by Clearing Members and/or Constituents as security to cover any potential losses arising out of Deals admitted by Clearing Corporation for guaranteed settlement in terms of Bye-Laws, Rules and Regulations;

1.19 Novation

“Novation” means the act of a Clearing Corporation interposing itself between both parties of every Deal, being the legal counterparty to both for the purpose of Clearing and Settlement.

1.20 Receiving Member/Buying Member

“Receiving Member/Buying Member” shall mean a Clearing Member who ought to or has taken delivery in fulfillment of contracts to which these Rules, Bye-Laws and Regulations apply.

1.21 PSS Act

“PSS Act” means Payment and Settlement Systems Act, 2007 as amended from time to time.

1.22 Regulations

“Regulations” shall have the same meaning as assigned to it in the Rules, Bye-Laws and Regulations of the Clearing Corporation.

1.23 Regulator

“Regulator” means SEBI and Reserve Bank of India established under the Reserve Bank of India Act, 1934, as the case may be.

1.24 Relevant Authority

“Relevant Authority” means the Board of ARCL, or such other authority as specified by the Board of ARCL from time to time as relevant for a specified purpose.

1.25 Relevant Committee

“Relevant Committee” shall mean the Member and Core Settlement Guarantee Fund Committee or such other committee as stipulated by the Regulator from time to time.

1.26 Repo

“Repo” means an instrument for borrowing by selling debt securities with an agreement to repurchase the debt securities on an agreed future date at an agreed price which includes interest on funds borrowed and includes Tri-party Repo.

1.27 Repo Transaction

“Repo Transaction” means a transaction in Repo and Reverse Repo in the debt securities that are dealt with or traded on an Exchange.

1.28 Repo Segment

“Repo Segment” is a segment on which Repo Transactions including Tri-party Repo, are traded on Exchange are admitted for Clearing and Settlement.

1.29 Reverse Repo

“Reverse Repo” means an instrument for lending by purchasing debt securities with an agreement to resell the debt securities on an agreed future date at an agreed price which includes interest on funds lent.

1.30 Rules

“Rules” shall have the same meaning as assigned to it under the Rules of the Clearing Corporation.

1.31 SCRA

“SCRA” means Securities Contracts (Regulation) Act, 1956 and any modification thereof.

1.32 SEBI

“SEBI” means Securities and Exchange Board of India established under Section 3 of Securities and Exchange Board of India Act, 1992.

1.33 Securities

“Securities” shall have the meaning assigned to it in the SCRA and any modification thereof and shall also include such other class of instruments or products, monetary or non-monetary, scrip-less or otherwise, as may be admitted to be cleared and settled through the Clearing Corporation.

1.34 Securities Laws

“Securities Laws” includes the SCRA, SEBI Act, Depositories Act, 1996, the relevant provisions of the Companies Act, 2013 and the Rules and Regulations framed thereunder and any statutory modification or re-enactment thereto, the circulars, notifications, directives, guidelines made or issued thereunder by Central Government or SEBI from time to time.

1.35 Trading Member

“Trading Member” or “trading member” means a trading member of any segment of any Exchange.

1.36 Tri-party Repo

“Tri-party repo” is a type of Repo contract where a third entity (apart from the borrower and lender), called a tri-party agent, acts as an intermediary between the two parties to the Repo to facilitate services like collateral selection, payment and settlement, custody and management during the life of the transaction.

1.37 Winding Down or Wind Down

“Winding Down” or “Wind Down” means the procedure adopted by the Clearing Corporation for the termination of Critical Operations and Services of the Clearing Corporation on voluntary basis or involuntary basis as prescribed by Bye-Laws of the Clearing Corporation.

Note: Unless the context otherwise requires, the terms used but not defined in these Bye-Laws shall have the meaning assigned to such terms under the Rules or Regulations of the Clearing Corporation.

All other words and expressions used but not defined in these Bye-Laws but defined in Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 and the PSS Act shall have the same meaning assigned to them in the said regulations.

CHAPTER – II

CLEARING SEGMENTS

- 2.1 The Clearing Corporation may establish Repo Segment.
- 2.2 The Clearing Corporation may establish more than one Clearing Segment as may be determined by the Relevant Authority from time to time in addition to the Repo Segment subject to the prior permission of the Regulator.
- 2.3 The Relevant Authority may determine as to which Deals may be admitted to a Clearing Segment for the purpose of clearing and settlement.

CHAPTER – III

COMMITTEE(S)

- 3.1 The Board of ARCL/the Relevant Authority may appoint various committee(s) in such manner as may be prescribed by the Regulator from time to time. Without prejudice to the generality of the foregoing, the Board may appoint committees as it may deem fit for any purpose identified by it.
- 3.2 Such committee(s) shall function and shall have such powers/responsibilities as may be laid down in the Rules or as may be specified by the Regulator/Board of ARCL/Relevant Authority.

CHAPTER – IV REGULATIONS

- 4.1 The Board of ARCL may prescribe regulations from time to time for the functioning and operations of the Clearing Corporation and to regulate the functioning and operations of the Clearing Members of the Clearing Corporation.
- 4.2 Without prejudice to the generality of the above, the Board of ARCL may prescribe regulations from time to time, inter alia, with respect to:
- (a) Norms, procedures, terms and conditions for the admission of Clearing Member/Clearing Banks;
 - (b) Norms, procedures, terms and conditions for the registration of Participants;
 - (c) Norms, procedures, terms and conditions to be complied with for admission of Deals for Clearing and Settlement by the Clearing Corporation;
 - (d) Norms, procedures, terms and conditions for clearing and settlement of Deals for different Clearing Segments and different securities and instruments;
 - (e) Norms, procedures, terms and conditions for accepting Collateral from the Constituents of a Clearing Member;
 - (f) Forms and conditions of Deals to be entered into, and the time, mode and manner for the performance of Deals between Clearing Members inter-se or between Clearing Members and their Constituents, Participants inter-se or between Participants and Clearing Members;
 - (g) Norms, procedures, terms and conditions for guaranteed settlement by the Clearing Corporation;
 - (h) Prescription from time to time and administration of penalties fines and other consequences including suspension/expulsion of Clearing Members from the Clearing Corporation for defaults;
 - (i) Prescription from time to time and administration of penalties fines and other consequences including suspension/de-registration of Participants from the Clearing Corporation for defaults;
 - (j) Norms, procedures, terms and conditions, forms position and administration of different types of Margins and other charges and restrictions that may be imposed by the Clearing Corporation from time to time;
 - (k) Determination, from time to time, of fees, system usage, charges, deposits, Margins, Collateral and other monies payable to the Clearing Corporation by Clearing Members and/or Participants and the scale of clearing and other charges that may be collected by Clearing Members;
 - (l) Supervision of the clearing operations and promulgation of such Business Rules

and Codes of Conduct as it may deem fit;

- (m) Inspection and audit of records and books of accounts;
- (n) Settlement of disputes, complaints, claims arising between Clearing Members inter-se as well as between Clearing Members and the Constituents relating to any Dealing securities cleared and settled through the Clearing Corporation including settlement by arbitration, Norms, procedures, terms and conditions for arbitration;
- (o) Administration, maintenance and investment of the corpus of the Core Settlement Guarantee Fund/Fund(s) set up by the Clearing Corporation;
- (p) Establishment, norms, terms and conditions, functioning and procedures of Clearing Corporation, clearing through depository or other arrangements including custodial services for clearing and settlement;
- (q) Norms, procedures, terms and conditions irrespective, incidental to or consequential to closing out of Deals;
- (r) Dissemination of information and announcements;
- (s) Any other matter as may be decided by the Board of ARCL.

CHAPTER – V

CLEARING MEMBERS

- 5.1 The Relevant Authority is empowered to admit Clearing Members in accordance with Rules, Bye-Laws and Regulations of the Clearing Corporation. The Clearing Member shall pay such fees, security deposits and other monies as may be specified by the Relevant Authority from time to time, on the admission of the Clearing Member and for continued admission. The fees, security deposits, other monies including Margin money or Collateral and any additional deposits paid, whether in the form of cash, bank guarantee, securities or otherwise, with the Clearing Corporation, by the Clearing 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 Clearing Member for fulfillment of engagements, obligations and liabilities of Clearing Members arising out of or incidental to any Dealing made subject to the Bye-Laws, Rules and Regulations of the Clearing Corporation. The Clearing Corporation shall be entitled to adjust or appropriate such fees, deposits and other monies including Margin money or Collateral for such dues and claims, to the exclusion of the other claims against the Clearing Member, without any reference to the Clearing Member. The proceeds arising out of invocation of the bank guarantees furnished by the Clearing Member in lieu of security deposits or additional deposits, on being invoked by the Clearing Corporation, shall not be reckoned as part of the Clearing Member's deposits for the purpose of exposure, etc., unless the Clearing Member complies with the conditions imposed by the Relevant Authority from time to time. The proceeds from invoking the bank guarantees shall be dealt with by the Clearing Corporation as it may deem fit.
- 5.2 Clearing Member of any Clearing Segment may clear and settle Deals through the Clearing Corporation pertinent to that segment in such manner and mode and subject to such terms and conditions and procedures as may be prescribed for the Clearing Member in that segment.
- 5.3 Clearing Members may clear and settle Deals either on their proprietary 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.
- 5.4 On cessation of clearing membership right of a Clearing Member, all security deposits and monies not applied under the Rules, Bye-Laws and Regulations of the Clearing

Corporation, shall at the cost of the Clearing Member be returned and/or transferred either to it or it shall direct in absence of such direction to its legal representatives/successors/assignees. For the purpose of ascertaining legal representatives/successors/assignees, the Relevant Authority may prescribe such course of action to be taken by the concerned person(s) as it may in its absolute discretion and in the interest of the Clearing Corporation, deem fit and proper.

CHAPTER – VI

CLEARING AND SETTLEMENT OF DEALS

6.1 Clearing and Settlement of Deals

6.1.1 The Clearing Corporation shall clear and settle the Deals as provided in the Bye-Laws and Regulations and save as so provided, no other deals shall be cleared and settled.

6.2 Admission of Deals

6.2.1 Clearing and settlement shall be permitted on the Clearing Corporation of the Deals which are from time to time admitted on the Clearing Segment by the Relevant Authority in accordance with the provisions of the Bye-Laws and Regulations.

6.2.2 The Relevant Authority may specify dealings in securities from time to time, which may be admitted in accordance with the provisions of the Bye-Laws and Regulations in that regard.

6.2.3 The Relevant Authority may specify Exchanges, dealings on which may be admitted for clearing and settlement by the Clearing Corporation in accordance with the provisions of the Bye-Laws and Regulations of the Clearing Corporation.

6.3 Conditions and Requirements of Clearing and Settlement

The Relevant Authority may grant admission of deals dealt on the Exchange(s) provided all the conditions and requirements including the conditions and requirements prescribed by the Relevant Authority are duly fulfilled by the parties concerned.

6.4 Refusal of Admission of Deals

The Relevant Authority may, in its sole 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.

6.5 Specific Deals

The Relevant Authority may, in appropriate cases solely at its discretion from time to time decide specific deals to be cleared and settled through the Clearing Corporation in case of securities which are not admitted for clearing on the Clearing Corporation or are for the time being prohibited or suspended.

6.6 Suspension of Admission of Deals

The Relevant Authority may suspend at any time admission of deals on clearing segment for such period as it may determine and reinstate such deals subject to such conditions as it may deem fit.

6.7 Withdrawal of Admission of Deals

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

6.8 Readmission of Deals

The Relevant Authority in its discretion may readmit deals of any Exchange which have been previously withdrawn.

6.9 Clearing and Settlement

Settlement shall be effected by the Clearing Members or Participants, as the case may be, in the manner and the procedure as may be specified by the Relevant Authority from time to time.

6.10 Settlement Finality

6.10.1 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 in the circulars issued from time to time.

6.10.2 Payment and settlement in respect of a deal shall be final, irrevocable and binding on the Clearing Members and the Constituents.

6.10.3 Without prejudice to Bye-Law 5.1 and 8.13, 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 Clearing Member or Constituent, as the case may be, towards its settlement or other obligations in accordance with these Bye-Laws shall take priority over any other liability of or claim against the said Clearing Member or Constituent, as the case may be.

6.10.4 For removal of doubts, it is hereby declared that the settlement, whether gross or net, referred to in Bye-Law 6.10.1 above is final and irrevocable as soon as the money or

securities payable as a result of such settlement is determined, whether or not such money or securities is actually paid.

6.10.5 For the purpose of Bye-Law 6.10.1 above, "netting" means the determination by Clearing Corporation of net payment or delivery obligations of the Clearing Members or Participants by setting off or adjustment of the inter se obligations or claims arising out of buying and selling of securities including the claims and obligations arising out of the termination by the Clearing Corporation, in such circumstances as the Clearing Corporation may specify in Bye-Laws, of the deals admitted for settlement at a future date, so that only a net claim be demanded, or a net obligation be owed.

6.10.6 For removal of doubts, it is hereby declared that claims and obligations arising out of the termination by the Clearing Corporation referred to in Bye-Law 6.10.5 above shall also mean claims and obligations arising out of deals closed out in accordance with these Bye-Laws.

6.10.7 For the purpose of Bye-Law 6.10.2 and 6.10.3, the term 'Constituent' includes Participant.

6.11 Right of Clearing Corporation

The right of Clearing Corporation to recover the dues from its Clearing Members and/or Participants, as the case may be, arising from the discharge of their clearing and settlement functions, from the Collaterals, deposits and the assets of the Clearing Members and/or Participants, as the case may be, shall have priority over any other liability of or claim against the Clearing Members and/or Participants, as the case may be.

6.12 Privity of Contract

6.12.1 Except as provided herein, the Clearing Members and/or Participants, as the case may be, giving and receiving delivery and/or payment 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 or lenders and borrowers as the case may be.

6.12.2 In cases where the Clearing Corporation may specify either generally or specifically, Clearing Members and/or Participants, as the case may be, 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 through full Novation as sellers and buyers or as borrowers and lenders, as the case maybe, and between themselves as delivering and receiving members for the purpose of Clearing and Settlement; provided further however that in such event the rights and liabilities of delivering and receiving member shall not be deemed to be affected thereby and the Clearing Corporation shall not be responsible in respect of the title, ownership, genuineness, regularity and validity in respect of the documents delivered or received and in the event of any loss and/or damages arising to the delivering and receiving members therefrom, shall be dealt with in accordance with the provisions of Bye-Laws and Regulations thereof.

6.13 Arrangement for Clearing and Settlement

6.13.1 Clearing and settlement of deals shall be affected by Clearing Members and/or Participants, as the case may be, 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 above, the Relevant Authority may prescribe or specify from time to time such custodial, depository and other services for adoption and use by Clearing Members and their Constituents and/or Participants, as the case may be, to facilitate smooth operation of the Clearing and Settlement arrangement or system.

6.13.2 Save otherwise provided, the Clearing and Settlement function may be performed by the Clearing Corporation, or it may take assistance of any agency such as recognized clearing corporation identified by the Relevant Authority for the purpose of outsourcing such functions.

6.13.3 Save as otherwise expressly provided in the Bye-Laws and Regulations, when funds and securities are cleared and/or settled under prescribed arrangement, the settlement responsibility shall rest solely upon the counterparties to the contract and/or the concerned Clearing Members and/or Participants, as the case maybe, and the Clearing Corporation shall act as the common agent of the Clearing Members and/or Participants, as the case may be, for receiving or giving delivery of securities and for receiving and paying funds, without incurring any liability or obligation as a principal.

6.14 Operational Parameters for Clearing

6.14.1 The Relevant Authority may determine and announce from time-to-time operational parameters regarding clearing of deals through the Clearing Corporation which the

Clearing Members and/or Participants, as the case may be, shall adhere to.

6.14.2 The operational parameters may, inter alia, include:

- (a) Clearing limits allowed which may include clearing limits with reference to net worth and capital adequacy norms;
- (b) Clearing volumes and limits at which it will be incumbent for Clearing Members and/or Participants, as the case may be, to intimate the Clearing Corporation;
- (c) Fixation of lots for different settlement types;
- (d) Other matters which may affect smooth operation of clearing of deals keeping in view larger interest of the Clearing Members and public;
- (e) Determining types of deals permitted for a particular kind of Clearing Member and/or Participants, as the case may be, and for a transaction in security;
- (f) Determining functional details of the Clearing and Settlement system including the system design, user infrastructure and system operation.

6.15 **Clearing Hours**

6.15.1 The hours for clearing and settlement of deals in different Clearing Segments of the Clearing Corporation shall be such as may be decided by the Relevant Authority from time to time. The Relevant Authority may, from time to time, specify clearing hours for different types of deals in one Clearing Segment and/or in different Clearing Segments.

6.15.2 The Relevant Authority may decide such number of days as holidays in a calendar year and declare list of such holidays to the Clearing Members and/or Participants, as the case may be. The Relevant Authority may, from time to time, alter or cancel any of the holidays so fixed. The Relevant Authority may suspend Clearing and Settlement operations on days other than or in addition to holidays.

6.16 **Delivery of Securities and Funds**

6.16.1 Delivery and settlement of all securities and payment in respect of all Deals shall be in such manner and at such place(s) as may be prescribed by the Relevant Authority from time to time.

6.16.2 The norms and procedures for delivery of securities etc., shall be as prescribed by the Relevant Authority from time to time.

6.16.3 The requirements and procedures for determining disputed deliveries and measures, procedures and system of resolving the dispute or defect in deliveries or of

consequences of such deliveries or their resolution shall, subject to these Bye-Laws and Regulations, be as prescribed by the Relevant Authority from time to time.

6.17 Closing Out

6.17.1 A deal admitted for Clearing and Settlement maybe closed out on failure of a Clearing Member and/or Participants, as the case may be, to comply with any of the provisions relating to delivery, payment and settlement of deals or on any failure to fulfill the terms and conditions subject to which the deal has been made, or such other circumstances as the Relevant Authority 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 Relevant Authority may prescribe from time to time.

Without prejudice to the generality of the foregoing, the Relevant Authority may closeout deals, inter alia, by buying in or selling out against a Clearing Member or Participants, as the case may be, who fail to meet their clearing and settlement obligations on the due date or any other obligations, and any loss, damage or shortfall sustained or suffered as result of such closing out shall be payable by such Clearing Members or Participants, as the case may be.

6.18 Borrowing of Securities

6.18.1 Notwithstanding anything contained in Bye-Law 6.17 hereinabove, in the event of failure of the Delivering Clearing Member /Participant to complete delivery of specified securities on the due date, if required, the Clearing Corporation may borrow the securities specified by it on behalf of such Delivering Clearing Member /Participant in such manner, within such time frame and subject to such conditions and procedures as the Relevant Authority may prescribe from time to time, and deliver them to the Receiving Member(s) /Participant(s) to complete the delivery. Such Delivering Member/Participant shall return the specified Securities within the time stipulated by the Relevant Authority together with such fees and charges as may be prescribed by the Relevant Authority.

6.18.2 In the event of failure of the Delivering Member /Participant to return the Securities borrowed by the Clearing Corporation on its behalf within the stipulated time, the Clearing Corporation shall buy the Securities on behalf of the Delivering Member /Participant in the manner and method prescribed by the Relevant Authority and may recover the amount thereof from such Delivering Member/Participant together with such other fees and charges as maybe prescribed by the Relevant Authority.

6.18.3 In the event the Clearing Corporation fails to buy-in the Securities to be returned on behalf of such borrowing Delivering Member/Participant, the Clearing Corporation may effect close out in respect of the Securities, to the extent that it could not be bought in, in the manner prescribed by the Relevant Authority and recover the amount of such close out and fees from such Delivering Member/Participant.

6.19 Failure to Meet Obligations

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

CHAPTER – VII

DEALINGS BY CLEARING MEMBERS

7.1 Jurisdiction

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 unless provided otherwise expressly by the Relevant Authority.

7.2 Record for Evidence

The record of the Clearing Corporation as maintained by a central processing unit or a cluster of processing units or computer processing units or in any other manner shall constitute the agreed and authentic record in relation to any Deals cleared and settled through the Clearing Corporation. In the event of any dispute or claim between the Constituents and the Clearing Member of the Clearing Corporation or between the Clearing Members inter-se of the Clearing Corporation or between the Clearing Members and the Clearing Corporation or between Clearing Member and Participant or Participants inter-se or between the Participant and the Clearing Corporation regarding Clearing and Settlement of Deals, the records maintained by the Clearing Corporation shall constitute valid and final evidence.

7.3 Clearing Member Only Parties to Deals

Unless otherwise provided by the Clearing Corporation, the Clearing Corporation does not recognise as parties to deals any person other than its own Clearing Members. Every Clearing Member is liable for due fulfillment of the Deal and to the Clearing Corporation as may be specified by the Relevant Authority, whether such deal is on account of the Clearing Member effecting it or on account of a Constituent.

7.4 All Deals Subject to Rules, Bye-Laws and Regulations

All Deals shall be made subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation and such Rules, Regulations and Bye-Laws shall form a part of the terms and conditions of all such Deals. The deals shall be subject to the exercise by the Relevant Authority of the powers with respect thereto vested in it by the Rules, Bye-Laws and Regulations of the Clearing Corporation.

7.5 Inviolability of Admitted Deals

- 1) All the transactions in repo made subject to the Bye-laws, Rules and Regulations of the Clearing Corporation shall be inviolable and shall be cleared and settled in accordance with the Bye-laws, Rules and Regulations of the Clearing Corporation.
- 2) Notwithstanding anything contained in clause (1) above, the Clearing Corporation may, to protect the interest of Members/ Clients in this market and for proper regulation of the market, suo motu annul deal(s) on account of sudden events OR 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 manipulation or price manipulation and the like.
- 3) Any annulment made pursuant to clauses (1) and (2) above, shall be final and binding upon the parties to deal(s).

7.6 Deals by Representative Clearing Members

The Clearing Member may authorize another Clearing Member to act as its representative for a specified period with the prior permission of the Relevant Authority.

7.7 Indemnity

The Clearing Corporation shall not be liable for any activity of the Clearing Member or any person acting in the name of the Clearing Member whether authorised or not or for any activity of the Participant, including in respect of Deals cleared and settled through the Clearing Corporation save and except and to the extent provided for in the Bye-Laws and Regulations.

CHAPTER – VIII

MARGINS AND COLATERALS

8.1 **Margin Requirements**

8.1.1 The Relevant Authority may from time to time prescribe requirements of Margins including mode of collection of Margins (including VaR Margins) on an upfront basis for Deals cleared and settled through the Clearing Corporation and the Clearing Member and/or Participant, as the case may be, shall furnish such Margins as a condition precedent from such date as may be specified by the Clearing Corporation.

8.1.2 Every Clearing Member and/or Participant, as the case may be, has continuing obligation to maintain Margins at such levels and during such periods as may be stipulated by the Clearing Corporation from time to time. Out of the Margins so required to be deposited and maintained by a Clearing Member and/or Participant, as the case may be, margins deposited by Clearing Members on their own account and on behalf of their Constituents or Participants, as the case may be, or the Trading Members of an Exchange, shall be segregated by the Clearing Corporation in such manner as it may deem fit.

8.2 **Form of Margin**

The Margins to be provided by the Clearing Member and/or Participant, as the case may be, under the Bye-Laws and Regulations shall be in cash. The Relevant Authority may at its discretion and on such terms and conditions as it may deem fit to impose accept deposit receipts, guarantee of bank(s) or such, securities as maybe approved by it, as Margin. Any such substitute of cash like deposit receipts, bank guarantee/s, securities approved by it shall be deemed to have been pledged and/ or hypothecated as the case may be in favour of the Clearing Corporation.

8.3 **Quantum of Margin**

The Clearing Member and/or Participant, as the case may be, depositing Margins, in the form of Securities shall always maintain the value thereof so that the same does not go below the quantum of Margin required to be deposited by such Clearing Member and/or Participant, as the case may be. In the event of the value of such securities going below the level of Margin, then such Clearing Member and/or Participant, as the case may be, shall provide further security to the satisfaction of the Relevant Authority. The Relevant Authority alone shall be entitled to determine the value of the additional Security provided by such Clearing Member and/or Participant.

8.4 **Margin to Be Held by the Clearing Corporation**

The Margins shall be held by the Clearing Corporation and when such Margin is in the form of bank deposit receipts and/or securities, such deposit receipts and/or Securities may be transferred to such person/s and/or to the custodian and/or to such other entity approved by the Clearing Corporation. All Margin deposits shall be held either by the Clearing Corporation, the approved persons and/or the Custodian, as the case maybe, for and on account of the Clearing Corporation without any right whatsoever of the Clearing Member or Participant, as the case may be, depositing such Margin or such authorized persons/custodian to call in question the exercise of such discretion by the Clearing Corporation.

8.5 **Collateral**

8.5.1 The Relevant Authority may from time to time prescribe requirements for deposit of Collaterals by the Clearing Members or Participants with Clearing Corporation to secure borrowing obligations of their own/their Constituents or Participants under Bye-Laws and Regulations against such Collateral.

8.5.2 The Clearing Corporation may from time to time specify Eligible Securities that Clearing Members or Participants, as the case may be, can provide as Collateral.

8.5.3 The Clearing Corporation may carry out valuation of such Collateral deposited by Clearing Members or Participants and after application of Haircut shall arrive at the value up to which Clearing Members or Participants can have exposure in Repo Transactions. The Clearing Corporation may carry out mark-to-market valuation of Collateral intra-day, as and when required, and at the end of day regularly to ensure the sufficiency of Collateral value to support outstanding positions of Clearing Members and/or their Constituents or the Participants, as the case may be.

8.5.4 The Clearing Corporation may permit Clearing Members or Participants, by giving advance notice to Clearing Corporation, to withdraw or substitute Securities with other Eligible Securities provided that the value of such Eligible Securities subject to condition that the remaining Collateral after such withdrawal or substitution is sufficient to cover the outstanding positions of Clearing Members and/or their or Constituents or the Participants, as the case may be.

8.5.5 The Clearing Corporation may make the payment of the coupons and/or redemption of principal of the Eligible Securities to concerned Clearing Members or the Participants, as the case may be, as and when received by Clearing Corporation

provided the value of remaining Eligible Securities shall be equal to or greater than the value of outstanding positions of the concerned Clearing Members or the Participants, as the case may be.

8.6 Lien on Margins

The cash or substitute thereof, paid or deposited by the Clearing Member or the Participant, as the case may be, as Margin shall be subject to first and paramount lien for all sums due to the Clearing Corporation. Margin shall be available in preference to all other claims against the Clearing Member or the Participant, as the case may be, for due fulfillment of its obligations and liabilities arising out of or incidental to any Deals made subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation or anything done in pursuance thereof.

8.7 Lien on Collateral

The Eligible Securities deposited by the Clearing Member or the Participant, as the case may be, as Collateral shall be subject to first and paramount lien for all sums due to the Clearing Corporation from Clearing Member or the Participant, as the case may be. Collateral shall be available in preference to all other claims against the Clearing Member or the Participant, as the case may be, for due fulfillment of its obligations and liabilities arising out of or incidental to any Deals made subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation or anything done in pursuance thereof.

8.8 Utilisation For Failure to Meet Obligations

In the event of the Clearing Member or the Participant failing to meet its obligations to the Clearing Corporation arising out of Clearing and Settlement operations of such Deals as provided in these Bye-Laws and Regulations, the Relevant Authority shall be entitled to utilize any amount paid by the Clearing Member or the Participant, as the case may be, to the Clearing Corporation either in the form of Margin, deposit, Security or Collateral or in any other form or any other payment retained by the Clearing Corporation for the purpose of Clearing and Settlement of the Deals of such Clearing Member subject to Bye-Law 9.11.

8.9 Evasion of Margin Requirements Forbidden

The Clearing Member shall not directly or indirectly enter into any agreement/ arrangement or adopt any method for the purpose of evading or assisting in the evasion of the Margin requirements prescribed under the Bye-Laws and Regulations.

8.10 Suspension on Failure to Pay Margin

If the Clearing Member or the Participant, as the case may be, fails to pay Margin as required in the Bye-Laws and Regulations, the Relevant Authority may take such action as it may deem fit against such Clearing Member or the Participant including suspension of such Clearing Member or the Participants, as the case may be.

8.11 Interest, Dividend and Calls

8.11.1 The Receiving Member/Participant shall be entitled to receive all, coupons, cash bonus, or any privilege which may relate to Securities bought, cum coupons, etc. The Delivering Member/Participant shall be required to provide all such coupons and other privileges which may relate to Securities sold, ex-coupons, etc.

8.11.2 The manner, mode, information requirements, alterations, date and timing etc., of adjustment with respect to coupons and other privileges between the Clearing Members or the Participants shall be as prescribed by the Relevant Authority from time to time. Save as otherwise provided in the Bye-Laws and Regulations, the Clearing Members shall be responsible between themselves and to their constituents for effecting such adjustments.

8.11.3 In respect of a Deal in Securities which shall become or are exchangeable for new or other securities under a scheme of reconstruction or re-organisation, the Delivering Member/Participant shall deliver to the Receiving Member/Participant, as the Relevant Authority directs, either the Securities contracted for or the equivalent in Securities and/or cash and/or other property receivable under such scheme of reconstruction or re-organisation.

8.12 Clearing Fees

The Relevant Authority may from time to time prescribe fees, charges and recoveries to be levied on the Clearing Members or the Participants in respect of Clearing and Settlement of Deals and in respect of any dues payable by such Clearing Member or the Participant to the Clearing Corporation.

8.13 Margins and Collateral from Clients

Notwithstanding, anything contained in this Chapter VIII, the Clearing Corporation may accept Margins and Collateral from the Constituents of the Clearing Members directly. In the event of deposit of Margins and Collateral by the Constituents directly with the Clearing Corporation, the provisions of this Chapter VIII including prescription, deposit of Margins and Collaterals, utilization and withdrawal of Margins and Collateral shall be applicable to such Constituents as if they were Clearing Members for the purpose of this Chapter VIII. Provided however,

notwithstanding the foregoing, the Clearing Member shall be primarily responsible for Clearing and Settlement of Deals of the Constituent and shall be liable to the Clearing Corporation for any obligations of the Constituents. However, if there are any monies or obligations due from Constituent to the Clearing Member in the course of Clearing and Settlement of its Repo Transactions, the Clearing Corporation shall be entitled to utilise the Margins or Collateral deposited by the Constituent directly with Clearing Corporation for payment to such Clearing Member towards such monies or obligations due from the Constituent subject to such requirements as may be prescribed by the Clearing Corporation.

CHAPTER – IX
RIGHTS, DUTIES AND LIABILITIES OF THE CLEARING MEMBERS AND CONSTITUENTS

9.1 Margin from Constituents

A Clearing Member shall have the right to demand from its Constituent the Margin it has to provide under the Rules, Bye-Laws and Regulations in respect of the business done by it for such Constituent. The Clearing Member shall also have the right to demand an initial Margin in cash or the substitute for cash from its Constituents before undertaking to clear its obligations and to stipulate that the Constituent shall pay Margin or furnish additional Margin as specified by the Clearing Corporation. The Constituent shall pay Margin or furnish additional Margin to the Clearing Member, when called upon to do so by the Clearing Member as required under the Rules, Bye-Laws and Regulations.

9.2 Constituent in Default

9.2.1 A Clearing Member shall not transact business directly or indirectly for a Constituent who to its knowledge is in default to another Clearing Member unless such Constituent shall have made an arrangement satisfactory to the Clearing Member proposing to act for such Constituent that such Constituent has or shall settle the claim of the Clearing Member who is its creditor.

9.2.2 On the application of a creditor Clearing Member who refers or has referred to arbitration its claim against the defaulting Constituent as provided in the Rules, Bye-Laws and Regulations, the Relevant Authority shall issue orders against any Clearing Member/s restraining them from paying or delivering to the defaulting Constituent any monies or Securities up to an amount or value not exceeding the creditor Clearing Member's claim payable or deliverable to the defaulting Constituent in respect of Deals subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation, which moneys and Securities shall be deposited with the Clearing Corporation. The moneys and Securities so deposited shall be disposed of in terms of the award in arbitration and pending decree shall be deposited with the concerned court where the proceedings for challenging such award have been instituted unless the creditor Clearing Member and the defaulting Constituent mutually agree otherwise.

9.3 Clearing Member Right to Collect Stamp Duty

The stamp duty, the transfer fees and other charges payable for the Repo Transactions incurred by the Clearing Member shall be borne by the Constituent.

9.4 Complaint by Constituent

When a complaint has been lodged by a Constituent with the Relevant Authority that any Clearing Member has failed to perform as per its instructions, the Relevant Authority shall investigate the complaint and if it is satisfied that the complaint is justified it may take such disciplinary action as it deems fit against the Clearing Member.

9.5 Relationship Between the Clearing Member and Constituent

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 Clearing Members and their Constituents shall be such as may described the Relevant Authority and/or the Regulator from time to time.

9.6 Redressal of Complaint

When a complaint has been lodged by a Constituent, or on its behalf by the relevant authority, against a Clearing Member that such Clearing Member has failed to satisfactorily perform in its dealings or for meeting its obligations, then such complaint shall be taken up with the Clearing Member and upon the complaint remaining unresolved within 7 days or within such time as specified by the Regulator from time to time, the complaint 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 Regulator from time to time;

Explanation:

For the purpose of this Bye-Law, the term “Constituent” shall also mean a Trading Member on whose instructions and/or on whose account the Clearing Member clears and settles Deals.

9.7 Closing-out in the event of default/ bankruptcy/insolvency/dissolution

A Clearing Member may request Clearing Corporation to close-out all open transactions on account of a Constituent or a Trading Member when it commits a default or it becomes bankrupt or insolvent or makes or attempts to make a composition with its creditors or with any of them or who shall have given any admission or intimation or indication of the fact that it will be unable to fulfill its obligations or who in case of a firm undergoes dissolution.

9.8 Release of funds and securities by Clearing Members

A Clearing Member shall make payout of funds and Securities in such manner so as to ensure full and timely compliance of all relevant requirements in this regard as maybe prescribed by the Regulator/Clearing Corporation.

9.9 Confidentiality to be maintained

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

9.10 Transfer of some positions by Clearing Member

The Clearing Corporation may *suo moto* or on the application of a Constituent of a suspended, expelled or defaulter Clearing Member or and, on such terms, and conditions as the Clearing Corporation deems fit to impose, permit all or any open positions of the Clearing Member (whether on its own account or on account of its Constituent) or Constituent to be transferred to another Clearing Member who agrees to accept such open positions.

9.11 Segregation of Dues

The accounts of the Constituent of the Clearing Member, the Trading Members of an Exchange for whom the Clearing Member is acting as a Clearing Member and the Clients of such Trading Members of an Exchange, shall be segregated from each other and the amounts and assets standing to the debit and credit of a Clearing Member or a Constituent shall not be adjusted against the credit or debit of another Constituent or Clearing Member and one Client's or Clearing Member's funds or assets shall not be utilised for payment of another Constituent's or Clearing Member's dues. Obligations payable by a Clearing Member on its own account shall not be paid or met out of money/assets of a Constituent or Trading Members of an Exchange. However amounts or assets payable/deliverable to a Clearing Member (on its own account) by the Clearing Corporation maybe applied for paying amounts/assets payable/deliverable by the Clearing Member or by any Constituent of the Clearing Member or any Trading Member of an Exchange (whose transactions the Clearing Member had agreed to clear) or any Client of such Trading Members of an Exchange, the Clearing Corporation or any Member or any Constituent of the Clearing Member or of any Trading Members of an Exchange (whose transactions the Clearing Member had agreed to clear).

CHAPTER – X

DISPUTE RESOLUTION

- 10.1 All claims, differences or disputes between the Clearing Members inter-se arising out of or in relation to operation of Clearing Corporation including in relation to dealings, contracts or transactions executed or reported as specified by Clearing Corporation and made subject to the Bye-Laws, Rules and Regulations or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of as to such dealings, transactions and contracts have been entered into or not shall be submitted to dispute resolution in accordance with the provisions of these Bye-Laws and Regulations.
- 10.2 Clearing Corporation shall not be responsible for any dispute between the Clearing Member and its Constituent(s). Provided however that, any dispute between the Clearing Member and Constituent shall be settled through a dispute resolution mechanism as may be provided under Bye-Law 10.6 of this Chapter X.
- 10.3 All claims, differences or disputes between the Clearing Member(s) on one hand and the Clearing Corporation on the other hand arising out of or in relation to settlement of dealings, contracts or transactions executed or reported as specified by Clearing Corporation or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into or not shall be referred to and resolved by dispute resolution mechanism prescribed by SEBI and adopted by the Clearing Corporation in the Regulations.

Explanation:

For the purpose of this Bye-Law, the claims, differences or disputes between the Clearing Member(s) on one hand and the Clearing Corporation on the other hand includes the claims, differences or disputes between the Participant(s) on one hand and the Clearing Corporation on the other hand and in the event of dispute between the Participant and the Clearing Corporation, the Participant shall raise such claims, differences or disputes through its Clearing Member and for the purpose of the same, the provisions relating to dispute resolution between the Clearing Member and the Clearing Corporation shall mutatis mutandis apply.

- 10.4 In the event of any claims, differences or disputes between the Clearing Members to dispute resolution as set out in Bye-Law 10.1 above of this Chapter, such claim, difference or dispute shall be referred to the panel for resolution of disputes (“**Panel**”) consisting of not less than three Clearing Members other than the Clearing Members who are parties to the dispute. The decision of the Panel shall be final and binding on the parties to the dispute. A Member, if not satisfied with the decision of the Panel may avail the remedy as may be provided under the PSS Act.
- 10.5 Clearing Corporation may, subject to the dispute resolution mechanism prescribed by SEBI, from time to time prescribe Regulations for the matters which in the opinion of Clearing Corporation are required to be dealt with in the Regulations to facilitate dispute resolution between the Clearing Members of the Clearing Corporation including but not limited to the procedure to be followed by the parties in dispute, the procedure to be followed by the Panel in conducting the dispute resolution proceedings. Clearing Corporation from time to time may amend, modify, alter, repeal, or add to the provisions of the Regulations.
- 10.6 Clearing Corporation may, subject to the dispute resolution mechanism prescribed by SEBI, from time to time prescribe Regulations for the matters which in the opinion of Clearing Corporation are required to be dealt with in the Regulations to facilitate dispute resolution between the Clearing Members and the Constituents including, but not limited to, the constitution of panel of arbitrators, the procedure to be followed by the parties in dispute, the procedure to be followed by the arbitrators in conducting the dispute resolution proceedings. Clearing Corporation from time to time may amend, modify, alter, repeal, or add to the provisions of the Regulations.
- 10.7 **Disclosure By Persons to be Appointed as Panel**
Every Clearing Member who is approached in connection with its possible appointment as a member on the Panel shall disclose to Clearing Corporation in writing any circumstances likely to give rise to justifiable doubts as to its independence and impartiality more particularly when a dispute is referred to the Panel. If the person discloses any circumstances which in the opinion of Clearing Corporation are likely to give rise to justifiable doubts as to its independence and impartiality, then it shall not be a member of PRD in respect of such dispute.
- 10.8 **Disclosure by Persons Appointed as Members of Panel**
A Clearing Member, from the time of its appointment on the Panel and throughout the dispute resolution proceedings, shall, without delay, disclose to the parties and

Clearing Corporation in writing any circumstances referred to in Bye-Law 10.7 above which have come to its knowledge after its appointment as a member to the Panel.

10.9 Termination of Tenure of the Member on the Panel

The tenure of member on the Panel shall terminate:

- (a) if such Clearing Member withdraws from office of the Panel for any reason; or
- (b) where such Clearing Member is unable to perform in accordance with the Bye-Laws and Rules; or
- (c) on completion of one year from the date of appointment; or
- (d) such Clearing Member discloses any circumstances referred to in Bye-Laws 10.8 or 10.9 above;

10.10 Disclosure by Persons to be Appointed as Arbitrators

Every person on the panel of arbitrators who is approached in connection with its possible appointment as an arbitrator in the matter of dispute resolution between Clearing Member and Constituent, or if appointed during such dispute resolution proceedings, shall disclose to Clearing Corporation in writing any circumstances likely to give rise to justifiable doubts as to its independence and impartiality more particularly when a dispute is referred to arbitrator. If the person discloses any circumstances which in the opinion of Clearing Corporation are likely to give rise to justifiable doubts as to its independence and impartiality, then it shall not be appointed or act as arbitrator in respect of such dispute.

10.11 Administrative Assistance

To facilitate smooth conduct of the dispute resolution proceedings, the Clearing Corporation shall provide such administrative assistance as may be necessary for proper conduct of dispute resolution with respect to all claims, differences or disputes which are submitted to Panel of arbitrators, as the case may be, as per the provisions of these Bye-Laws and Regulations.

10.12 Venue of Dispute Resolution

All the proceedings in relation to dispute resolutions shall be conducted in Mumbai, unless otherwise specified by Clearing Corporation after consultation in this regard with the Panel or arbitrators, as the case may be.

10.13 Directions of Regulator

Notwithstanding anything contained herein, any Direction or Circular or Rule or Guideline issued by SEBI in consultation with the Reserve Bank of India in respect of Dispute Resolution Mechanism shall be deemed to be part of this Chapter and in the

event of any inconsistency with the provisions of this Chapter, such Direction or Circular or Rule or Guideline shall prevail over the other provisions set out in this Chapter X.

All parties to a reference under these Bye-Laws shall be deemed to have submitted to the exclusive jurisdiction of the courts in Mumbai for the purpose of giving effect to the provisions of these Bye-Laws and Regulations.

CHAPTER – XI

DEFAULT

11.1 Declaration of Default

The Clearing Member may be declared a defaulter by direction/circular/notification of the Relevant Authority if:

- 11.1.1 it is unable to fulfill its clearing or settlement obligations; or
- 11.1.2 it admits or discloses its inability to fulfill or discharge its duties, obligations and liabilities; or
- 11.1.3 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 and Regulations; or
- 11.1.4 it fails to pay any sum payable by it to the Core Settlement Guarantee fund as the Relevant Authority may from time to time prescribe; or
- 11.1.5 it fails to pay or deliver all monies, securities and other assets due to the Clearing Member who has been declared a defaulter within such time of declaration of default of such Clearing Member in such manner and to such person as the Relevant Authority may direct; or
- 11.1.6 it fails to abide by the arbitration award as laid down under the Rules, Bye-Laws and Regulations; or
- 11.1.7 a Clearing Member in respect of whom a moratorium is imposed under applicable laws;
- 11.1.8 a Clearing Member who has been adjudicated an insolvent or opts for voluntary winding up, as the case maybe, under applicable laws, it shall ipso facto be declared a defaulter though it may not have defaulted on any of its obligations on the Clearing Corporation.
- 11.1.9 under any other circumstances as may be decided by the Relevant Authority from time to time.

11.1.10 without prejudice to the foregoing provisions contained in Bye-Law 11.1, where the Clearing Member, who is also a trading member of any Exchange is declared a defaulter by such Exchange, the said Clearing Member shall ipso facto stand declared a defaulter by the Relevant Authority.

11.2 The Clearing Member's Duty to Inform

The Clearing Member shall be bound to notify the Clearing Corporation immediately on the occurrence of any event set out in Bye-Law 11.1 or if there be a failure by any Clearing Member to discharge its liabilities in full.

11.3 Compromise Forbidden

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

11.4 Notice of Declaration of Default

On the Clearing Member being declared a defaulter, a notice shall be forthwith issued by the Relevant Authority to all the other Clearing Members of the Clearing Corporation.

11.5 Notice to the Exchange

On the Clearing Member being declared a defaulter, a notice shall be forthwith issued by the Relevant Authority to the Exchange(s) if the defaulter is a trading member of such Exchange(s).

11.6 Defaulter's Books and Documents

When the Clearing Member has been declared a defaulter, the Relevant Authority shall be entitled to take charge of all its books of accounts, documents, papers and vouchers to ascertain the status of its affairs and the defaulter shall handover such books, documents, papers and vouchers to the Relevant Authority.

11.7 List of Debtors and Creditors

The defaulter shall file with the Relevant Authority within such time of it being declared a defaulter as the Relevant Authority may direct, a written statement containing the complete list of its debtors and creditors and the sum owed by the defaulter Clearing Member to each of them.

11.8 Defaulter to Give Information

The defaulter shall submit to the 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.

11.9 Inquiry

The Relevant Authority shall conduct an inquiry into the accounts and dealings of the defaulter in the market including inquiry with regard to anything improper, un-business like or unbecoming of a Clearing Member which may come to its knowledge.

11.10 Defaulter's Assets

The Relevant Authority shall call in and realise the security deposits in any form, margin money, other amounts lying to the credit of and securities deposited by the defaulter and recover all moneys, securities and other assets due, payable or deliverable to the defaulter by any other Clearing Member in respect of any Deal or dealing made subject to the Bye-Laws, Rules and Regulations of the Clearing Corporation and such assets shall vest ipso facto, on declaration of any Clearing Member as a defaulter, in the Clearing Corporation for the benefit of and on account of the Clearing Corporation, the Regulator, other Clearing Members, Constituents of the defaulter, approved banks and any other persons as may be approved by the Relevant Authority and other Stock Exchanges/Clearing Corporation.

11.11 Payment to Relevant Authority

- (a) All monies, securities and other assets due, payable or deliverable to the defaulter must be paid or delivered to the Relevant Authority within such time of the Clearing Member being declared a defaulter as the Relevant Authority may direct. A Clearing Member violating this provision may be declared a defaulter.
- (b) The Clearing 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 Clearing Member from whom it 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 Clearing Member who shall have paid or given such difference or consideration to any other Clearing Member prior to such settlement days 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.

- (c) The Clearing Member who receives from another Clearing Member during any clearing a claim note or credit note representing a sum other than difference due to it or due to its Constituent which amount is to be received by it on behalf and for the account of that Constituent shall refund such sum if such other Clearing Member be declared a defaulter within such number of days as prescribed by the Relevant Authority after the settling 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 and Regulations.

11.12 **Distribution**

The Relevant Authority shall at the risk and cost of the creditor members pay all assets received in the course of realization into such bank and/or keep them with the Clearing Corporation in such names as the Relevant Authority may from time to time direct and shall distribute the same in accordance with the Rules, Bye-Laws and Regulations.

11.13 **Closing-Out**

- (a) The Clearing Members having open deals with the defaulter shall close out such deals after such defaulter member being declared a defaulter. Such closing out shall be in such manner as may be prescribed by the Relevant Authority from time to time. Subject to the Bye-Laws and Regulations in this regard prescribed by the Relevant Authority, when in the opinion of the Relevant Authority, circumstances so warrant, such closing out shall be deemed to have taken place in such manner as may be determined by the Relevant Authority.
- (b) Differences arising from the above adjustments of closing out shall be claimed from the defaulter or paid to the Relevant Authority for the benefit of creditor Clearing Members of the defaulter.

11.14 **Claims Against Defaulter**

Within such time of the defaulter being declared as such the Relevant Authority may direct every Clearing Member carrying on business on the Clearing Corporation either to compare with the Relevant Authority his accounts with the defaulter duly adjusted and made up as provided in the Rules, Bye- Laws and Regulations or furnish a statement of such accounts with the defaulter in such form or forms as the Relevant Authority may prescribe or render a certificate that he has no such account.

11.15 Delay in Comparison or Submission of Accounts

Any Clearing Member failing to compare his accounts or send a statement or certificate relating to a defaulter within the time prescribed shall be called upon to compare his accounts or send such statement or certificate within such further time as may be specified by the Relevant Authority from time to time.

11.16 Penalty for Failure to Compare or Submit Accounts

The Relevant Authority may take such action as it may deem fit including levying offline and suspension on any Clearing Member who fails to compare his accounts or submit a statement of its account with the defaulter or a certificate that he has no such account within the prescribed time.

11.17 Misleading Statement

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

11.18 Accounts of Relevant Authority

The Relevant Authority shall keep a separate account in respect of all monies, securities and other assets payable to a defaulter 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 either in connection with the default/s committed by the defaulter Member or against such defaulter Member.

11.19 Application of Assets

(1) The Relevant Authority shall realise and apply all the money, rights and assets of the defaulter which have vested in or which have been received by the Relevant Authority and all other assets and money of the defaulter in the Clearing Corporation including the money and securities receivable by it from any other Clearing Member, money and securities of the defaulter lying with the Clearing Corporation or credit balances lying in the Clearing Corporation, security deposits, any bank guarantees furnished on behalf of the defaulter, fixed deposit receipts discharged or assigned to or in favour of the Clearing Corporation, Clearing Member's contribution deposited with the Clearing Corporation by the defaulter, any security created or agreed to be created by the defaulter or any other person in favour of the Clearing Corporation or the Relevant Authority for the obligations of the defaulter to the following purposes and in the following order of priority, viz.:

- (a) First—to make any payments made from the Core Settlement Guarantee Fund in the order of priority as may be specified by the Relevant Authority;
 - (b) Second—the payment of such subscriptions, debts, fines, fees, charges and other money as shall have been determined by the Relevant Authority to be due to the Clearing Corporation or to the Regulator in the order of priority as mentioned here in above;
 - (c) Third - subject to the Rules, Bye-Laws and Regulation of the Clearing Corporation, the balance, if any, shall be applied by the Relevant Authority for the payment of such unpaid debts, liabilities, obligations and claims to or of the defaulter's constituents arising out of any contracts made by such defaulter subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation as shall have been admitted by the Relevant Authority; provided that if the amount available be insufficient to pay and satisfy all such debts, liabilities, obligations and claims in full they shall be paid and satisfied pro rata;
 - (d) Fourth- the surplus, if any, shall be paid to the defaulter.
- (2) Any amounts determined and payable on a pro-rata basis to the persons referred to under Bye-Law 11.19 (1) (c) hereinabove, shall be distributed/ paid either by crediting its account with the Clearing Corporation or in such other manner as the Relevant Authority directs. If any such amounts which have been determined on a pro-rata basis referred to in Bye-Law 11.19 (1)(c) here in above remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the Relevant Authority as it deems fit.

11.20 Certain Claims Not to Be Entertained

The Relevant Authority shall not entertain any claim against a defaulter:

- 11.20.1 which arises out of a contract in securities, dealings in which are not permitted or which are not made subject to Bye-Laws, Rules and Regulations of the Clearing Corporation or in which the claimant has either not paid itself or colluded with the defaulter in evasion of margin payable on bargains in any security;
- 11.20.2 which arises out of a contract in respect of which comparison of accounts has not been made in the manner prescribed in the Rules, Bye-Laws and Regulations or when there has been no such comparison, a contract note in respect of such deals not having been rendered as provided in the Rules, Bye-Laws and Regulations;

11.20.3 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;

11.20.4 which arises from any outstanding balance or any outstanding difference upon previous transactions which has not been claimed at the proper time and in the manner prescribed in these Bye-Laws and Regulations;

11.20.5 which is/are in respect of a loan/s with or without security;

11.20.6 which is not filed with the Relevant Authority within such time of date of the defaulter being declared as such as may be prescribed by the Relevant Authority.

11.21 Assignment of Claims on Defaulter's Estate

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

11.22 Proceedings in The Name of Or Against Defaulter

The Relevant Authority 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 from 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 defaulters result of deals cleared and settled subject to Bye-Laws, Rules and Regulations of the Clearing Corporation) of the defaulter against the defaulter for the purpose of recovering any amounts due from the defaulter. The defaulter as well as the creditors of the defaulter shall be deemed to have appointed the Relevant Authority, Clearing Corporation as their constituted attorney for the purpose of taking such proceedings.

11.23 Payment of Relevant Authority

If any Clearing Member takes any proceedings in a court of law against a defaulter whether during the period of its default or subsequent to its re-admission to enforce any claim against the defaulter's estate arising out of any admitted deals in the market made subject to the Bye-Laws, Rules and Regulations of the Clearing Corporation before such a Member 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 maybe fixed by the Relevant Authority for the benefit and on account of the creditor members having claims against such defaulter.

- 11.24 The provisions of this Chapter XI shall be applicable to the Participants as if they were the Clearing Members, if so, notified by the Clearing Corporations.

CHAPTER – XII

CORE SETTLEMENT GUARANTEE FUND AND DEFAULTS SUBSEQUENT TO
COMMENCEMENT OF OPERATION OF CORE SETTLEMENT GUARANTEE FUND

12.1 Definitions

12.1.1 In Bye-Laws 12.1 to 12.17 unless there is anything repugnant in the subject or context:

- (a) **“Associate”** in relation to a person shall include another person:
 - (i) who, directly or indirectly, by itself, or in combination with other persons, exercises control over the first person;
 - (ii) who holds control of atleast twenty percent of the total voting power of the first person;
 - (iii) who is a holding company or a subsidiary company of the first person;
 - (iv) such other cases where the Regulator is of the view that a person shall be considered as an associate based on the facts and factors including the extent of control, independence, conflict of interest;”
- (b) **“Business Day”** shall have the same meaning as is assigned thereto in Bye-Law 1.3
- (c) **“Core SGF”** shall mean the Core Settlement Guarantee Fund;
- (d) **“Settlement”** shall include an auction settlement.
- (e) **“Settlement in which a Clearing Member or a defaulter has been declared a Defaulter”** shall have the following meaning:
Where a Clearing Member has been declared a defaulter for non-payment of any amount payable by it into the Clearing Corporation in respect of any Settlement Period then the Settlement Period in respect of the non-payment of which the Clearing Member is declared a defaulter shall be the “Settlement” in which the Clearing Member or the defaulter is or has been declared defaulter”; and where the Clearing Member has failed to pay any amount payable by it into the Clearing Corporation in respect of more than one settlement period then the “Settlement in which the Clearing Member or the defaulter is or has been declared a defaulter” shall be the settlement so specified by the Relevant Authority which has declared it as a defaulter.
- (f) Default Waterfall defines the overall loss absorption capacity of the Clearing Corporation and lays down in order, the hierarchy in which the losses arising out of counterparties’ defaults will be absorbed across the various capital layers, which may inter-alia include the defaulting members’ assets, insurance cover, the Core SGF, the net worth (or part of) of the Clearing Corporation, additional capped contribution from on-defaulting members and variation margin haircutting.”

12.1.2 In the Rules, Bye-Laws and Regulations, unless there is anything repugnant in the subject or context:

“Date on which the Core Settlement Guarantee Fund becomes operational” means the date specified by the Relevant Authority as the date on which the Core Settlement Guarantee Fund shall become operational”.

- 12.1.3 (a) The Clearing Corporation shall establish a fund for the segment which shall be known as the “Core Settlement Guarantee fund” or by such nomenclature as Clearing Corporation may specify, in such manner as maybe prescribed by the Regulator from time to time.
- (b) The corpus of the Core SGF shall consist of such amounts as provided in Bye-Law 12.3.
- (c) To guarantee the settlement of trades admitted for clearing and settlement in respect of the segment. In the event of a clearing 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.

The Relevant Authority shall be entitled to make such regulations as it thinks fit and proper in connection with the manner, norms and procedures of the Core SGF and defaults declared subsequent to the commencement of the operation of the Core SGF.

12.2 **Management of the Core SGF**

- 12.2.1 (a) The Relevant Committee of the Clearing Corporation shall manage the Core SGF.
- (b) Subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation the Relevant Authority shall have complete control over the management and administration of the Core SGF. In addition to the powers conferred by the other provisions of the Rules, Bye-Laws and Regulations of the Clearing Corporation, the Relevant Authority shall be vested with all powers, authorities and discretions necessary or expedient for or incidental to the management and administration of the Core SGF or for achieving the object and purpose of the Core SGF.

12.3 **Composition of Core SGF**

1. At any point of time, the contributions of various contributors to Core SGF of the segment shall be as per the guidelines issued by SEBI from time to time. The Core SGF shall consist of:
 - (a) Issuer contribution: Contribution of Issuers of Debt securities to Core SGF shall be equivalent to 0.5 basis points of the issuance value of debt

securities per annum based on the maturity of debt securities, to be collected upfront, in the manner specified by SEBI;

(b) Clearing Member primary contribution:

Clearing Members contribution to Core SGF shall be risk based and equivalent to deficit in MRC post contribution by Issuers. The said contribution by Clearing Members shall be subject to the following conditions:

Provided that (i) no exposure shall be available on Core SGF contribution of any Clearing Member (exposure-free collateral of Clearing Member available with Clearing Corporation can be considered towards Core SGF contribution of Clearing Member), and (ii) required contributions of individual Clearing Members shall be pro-rata based on the risk they bring to the system.

The Clearing Corporation shall have the flexibility to collect Clearing Members primary contribution, including flexibility to either collect the Clearing Member primary contribution upfront or staggered over a period of time. In case the Clearing Corporation does not seek contribution from Clearing Members or seeks staggered contribution, the remaining balance shall be met by the Clearing Corporation to ensure adequacy of total Core SGF corpus at all times. Such Clearing Corporation contribution shall be available to Clearing Corporation for withdrawal as and when further contributions from Clearing Members are collected/received.

(c) Clearing Corporation contribution: Clearing Corporation shall transfer profit for a period of 5 (five) years from the date of grant of recognition by SEBI, to the Core SGF within 30 (thirty) days of adoption of financial statements by the shareholders in the Annual General Meeting. Clearing Corporation may make additional contribution to Core SGF from its own funds. Clearing Corporation's contribution to Core SGF shall be considered as part of its net worth and also as capital requirements towards credit risk.

The above prescribed limits of contribution are subject to review by SEBI from time to time, considering the prevailing market conditions.

2. Any penalties levied by Clearing Corporation (as per Regulation 34 of SECC Regulations) shall be credited to Core SGF corpus.

3. Interest on cash contribution to Core SGF shall also accrue to the Core SGF and pro-rata attributed to the contributors in proportion to their cash contribution.
4. Clearing Corporation shall ordinarily accept cash collateral for Core SGF contribution. However, Clearing Corporation may accept Clearing Member contribution in the form of Central Government Securities and Bank Fixed Deposits too. Clearing Corporation shall adhere to specific guidance which may be issued by SEBI from time to time in this regard.

12.4 Further contribution to/Recoupment of Core SGF

Requisite contributions to Core SGF by various contributors, except upfront contribution by Issuers and annual contribution of profits by Clearing Corporation, for any month shall be made by the contributors before start of the month. In the event of usage of Core SGF during a calendar month, contributors shall, as per usage of their individual contribution, immediately replenish the Core SGF to 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. The period of 30 calendar days shall commence from the date of notice of default by Clearing Corporation to market participants.

In case there is failure on part of some contributor(s) to replenish its (their) contribution, same shall be immediately met, on a temporary basis during the month, by Clearing Corporation.

12.5 Liability of Clearing Member Unaffected by Cessation of Membership

Any unsatisfied obligation of a Clearing Member to the Core SGF shall not be discharged or otherwise prejudicially affected by the cessation of its membership.

12.6 Action for Failure to pay to Core SGF

The Relevant Authority may take such action as it thinks fit and proper against a Clearing Member who fails to pay any amount to the Core SGF including action by way of suspension of the business or membership right of the Clearing Member, fine, and/or expulsion from the membership of the Clearing Corporation.

12.7 Replacement of Contribution

Unless otherwise provided by the Rules, Bye-Laws and Regulations of the Clearing Corporation, the Relevant Authority may permit a Clearing Member to withdraw a

contribution after it has furnished to the Core SGF other contribution of the same or greater value and of a nature acceptable to the Relevant Authority.

12.8 **Investment of Core SGF**

- (a) The Relevant Authority may:
 - (i) open, maintain, operate and close one or more bank accounts; and
 - (ii) invest the money of the Core SGF in such investments as permitted by SEBI and sell, transfer, vary, transpose and otherwise deal with such investments;
- (b) All investments of the Core SGF may be held in the name(s) of, and all bank accounts of the Core SGF or may be held in the name(s) of and operated by, the Relevant Authority;
- (c) The Relevant Authority shall be entitled to utilise the money of the Core SGF only for the purposes of the Core SGF.

12.9 **Utilisation for Failure to Meet Obligations**

- (a) The terms and conditions specified by the Relevant Authority may include, inter alia, terms and conditions as to interest, repayment, suspension of membership rights and reduction of exposure limits of the concerned Clearing Member.
- (b) The concerned Clearing Member shall be obliged to repay the amount so utilised from the Core SGF within such period as the Relevant Authority may specify together with interest thereon at the rate specified by the Relevant Authority. If a Clearing Member fails to repay the amount so utilized from the Core SGF or a part thereof or any interest thereon within the period specified by the Relevant Authority, the Clearing Member, may be declared a defaulter.

12.10 **Utilisation Of Money and Property for Payment and Order of Priority**

The default waterfall of Clearing Corporation for the segment shall generally follow the following order –

- (i) monies of defaulting member (including defaulting member's primary contribution to Core SGF(s).
- (ii) Insurance, if any.
- (iii) Issuers contribution to Core SGF.
- (iv) Clearing Corporation resources (equal to 5% of the segment MRC).
- (v) Core SGF of the segment in the following order:
 - (a) Penalties
 - (b) Previous financial years profit of Clearing Corporation transferred to Core SGF

- (c) Remaining Core SGF: Clearing Corporation contribution, contribution and non-defaulting members' primary contribution to Core SGF on pro-rata basis
- (d) Remaining profit of Clearing Corporation transferred to Core SGF
- (vi) Remaining Clearing Corporation resources (excluding higher of INR 100 Crore or capital requirement towards orderly Winding Down of Critical Operations and Services) *
- (vii) Remaining Clearing Corporation resources to that extent as approved by SEBI.
- (viii) Capped additional contribution by non-defaulting members. **
- (ix) Any remaining loss to be covered by way of pro-rata haircut to pay outs.***

* higher of INR 100 Crore or capital requirement towards orderly Winding Down of Critical Operations and Services to be excluded only when remaining Clearing Corporation resources are more than INR 100 Crore.

- ** (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 Corporation shall have relevant regulations/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.
- (ii) 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 on the date of default.
- (iii) In case of shortfall in recovery of assessed amounts from non-defaulting members, further loss can be allocated to layer (g) with approval of SEBI.

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

12.11 Repayment and Payment of Interest by Defaulter

If on account of the default of a Clearing Member any amount is paid by the Relevant Authority out of the money or property referred to a Bye-Law 12.10 then the defaulter shall be liable to forth with repay the same to the Clearing Corporation or to the Relevant Authority to the credit of the Core SGF together with such interest

as may be determined by the Relevant Authority from time to time commencing on the date of payment by the Relevant Authority and ending on the date of repayment; and, for the purposes of the Rules, Bye-Laws and Regulations of the Clearing Corporation, such interest shall be deemed to be an amount paid out of/due to the Core SGF.

12.12 Proceedings by Relevant Authority

Upon payment being made from the Core SGF by the Relevant Authority for and on account of the defaulting Member, the Clearing Corporation shall have the first charge on all assets and property of the defaulting member wheresoever situated and of whatsoever nature as security for the repayment of such money and the payment of interest there on subject only to any and all charges, mortgages and other encumbrances created thereon by the defaulting member bona fide for valuable consideration prior to the day such payment was made by the Relevant Authority

12.13 Meetings of Relevant Authority

The Relevant Authority shall meet for such number of times during every calendar year as it may decide from time to time.

12.14 Meetings How Convened

The Relevant Authority shall convene its meetings in accordance with the procedure that it may decide from time to time.

12.15 Confidentiality

All minutes and proceedings of all the meetings of the Relevant Authority, Clearing Corporation and the Relevant Authority shall be deemed confidential.

12.16 Correspondence

The Relevant Authority shall not be obliged to recognise or act upon any communication unless it is in writing, discloses the identity and address of the person addressing the communication and is signed by the person addressing the communication.

12.17 The provisions of this Chapter XII shall be applicable to the Participants as if they were the Clearing Members, if so notified by the Clearing Corporation.

CHAPTER – XIII
MISCELLANEOUS

- 13.1 The Clearing Corporation may outsource its clearing and settlement activities, other than functions related to the Core SGF and risk management, to a recognized clearing corporation which such clearing corporation may carry out in accordance with the arrangement agreed between the Clearing Corporation and such recognized clearing corporation. It is clarified that only clearing and settlement activities that are permitted by SEBI, from time to time, may be outsourced by the Clearing Corporation to a recognized clearing corporation subject to condition that such outsourcing activities shall be carried out in the manner and procedure prescribed by the Clearing Corporation and subject to the supervision of the Clearing Corporation and all other activities including, *inter alia*, such as admission of Members, inspection, compliance functions, shall be undertaken by the Clearing Corporation. Provided further that the parameters and procedure for risk management shall be prescribed by the Clearing Corporation and the implementation of the same may be outsourced by the Clearing Corporation to the recognized clearing corporations selected by it.
- 13.2 The Clearing Corporation may facilitate the Clearing Members to trade in Repo Transactions on the platform provided or arranged by the Clearing Corporation in the form and manner as prescribed by the Clearing Corporation subject to the approval of SEBI and/or any other regulatory authority. The Clearing Corporation may have an arrangement with any Exchange, which may allow trading in Repo Transactions on its trading platform. The Clearing Corporation may prescribe Regulations regarding the above facility and the Clearing Members shall transact in Repo Transactions subject to the Bye-Laws and Regulations as prescribed by the Relevant Authority. Save as otherwise specifically provided in the Bye-Laws and Regulations, the Clearing Corporation should not be deemed to have incurred any liability, and accordingly no claim or recourse in respect of or in relation to any dealing in securities or any matter connected therewith in respect of the foregoing activity shall lie against the Clearing Corporation or any authorised person(s) acting for the Clearing Corporation.
- 13.3 Save as otherwise specifically provided in the Bye-Laws and Regulations prescribed by the Relevant Authority regarding Clearing and Settlement arrangement, in promoting, facilitating, assisting, regulating, managing and operating the Clearing Corporation, the Clearing Corporation should not be deemed to have incurred any

liability, and accordingly no claim or recourse in respect of or in relation to any dealing in securities or any matter connected therewith shall lie against the Clearing Corporation or any recognized clearing corporation engaged by it for outsourcing its Clearing and Settlement activities or any authorised person(s) acting for the Clearing Corporation.

- 13.4 No claim, suit, prosecution or other legal proceeding shall lie against the Clearing Corporation or any recognized clearing corporation engaged by it for outsourcing its Clearing and Settlement activities or any authorised person(s) acting for 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.

CHAPTER – XIV

PARTICIPANTS

14.1 **Registration of Participants on application**

The Relevant Authority may register as a "Participant", those from amongst the Constituents as are desirous of registering themselves as such, in accordance with these Bye-Laws and Regulations framed from time to time, for directly clearing and settling such Repo Transactions and subject to such terms and conditions as may be prescribed by the Relevant Authority including consent of its concerned Clearing Member.

14.2 **Rights and Liabilities of Participants**

14.2.1 Notwithstanding any provisions to the contrary as may be contained in any other part of the Bye-Laws, the Clearing Corporation may recognise a Participant as a party to the Deal for such purposes (including for Clearing and Settlement) subject to such terms, conditions and requirements and in such circumstances as may be prescribed by the Relevant Authority from time to time.

14.2.2 Without prejudice to any other provisions under Chapter II of the Bye-Laws, the Relevant Authority may prescribe from time to time such guidelines governing the functioning and operation of the Participants in relation to Repo Transactions including Clearing and Settlement of such transactions on the Clearing Corporation and conditions for continuance of their registration or recognition as Participants. Without prejudice to the generality of the foregoing, such norms, requirements and conditions may include prescription of, inter alia, deposits, Margins, Collaterals, fees, system usage charges, system maintenance/propriety, etc.

14.2.3 Rights and liabilities of the Participants shall be subject to these Bye-Laws, Regulations and guidelines as maybe prescribed by the Relevant Authority from time to time.

14.2.4 Subject to the regulations and guidelines prescribed from time to time, the Relevant Authority shall at any time be entitled to suspend or cancel the registration of a Participant, if it is found guilty of contravention, non-compliance, disobedience, disregard or evasion of any of the Rules, Bye-Laws and Regulations of the Clearing Corporation or circulars, orders, notices, directions, decisions or rulings of the Relevant Authority or the Clearing Corporation or of any conduct, proceeding or method of business which the Clearing Corporation in its absolute discretion deems

dishonourable, disgraceful of a Participant of the Clearing Corporation or inconsistent with just and equitable principles of trade or detrimental to the interests, good name or welfare of the Clearing Corporation or prejudicial or subversive to its objects and purposes after giving such Participant an opportunity of hearing. Save as otherwise expressly provided in the regulation or guidelines or in the decision of the Relevant Authority, all rights and privileges available to the Participant shall accordingly stand terminated on such cancellation. . Without prejudice to the foregoing, the Relevant Authority may temporarily suspend the registration of a Participant for not complying with the Bye-Laws, Rules, Regulations, guidelines, directions, circulars, etc. and may give post decisional opportunity of hearing.

- 14.2.5 At the discretion of the Clearing Corporation, and subject to such regulations or guidelines as may be prescribed or other terms and conditions as may be stipulated by the Relevant Authority, the Participant may be permitted access to the clearing system as may be decided by the Relevant Authority from time to time for the purpose of Clearing and Settlement of Repo transactions of such Participant.

14.3 Clearing and Settlement Procedure

The Participants shall be bound by and comply with the Bye-Laws and Regulations relating to procedure of Clearing and Settlement of Repo Transactions as if they were the Clearing Members and accordingly, unless the context otherwise requires, it shall be deemed that the word Clearing Member in such Bye-Laws and Regulations includes Participants.

CHAPTER – XV

WINDING DOWN OF CLEARING CORPORATION

15.1 Definitions:

15.1.1 For the purpose of this Chapter XV, unless there is anything repugnant in the subject or context:

“Termination Date” shall mean the date, as may be determined and announced by the Clearing Corporation with the prior approval of SEBI, on which all outstanding positions shall expire at the daily settlement prices, and a single claim will be arrived at for each Clearing Member.

15.2 Scenarios for Winding Down

The Clearing Corporation may Wind Down its Critical Operations and Services voluntarily or involuntarily in the following scenarios:

15.2.1 Voluntary Winding Down of the Clearing Corporation

The Clearing Corporation is solvent and meeting all its obligations to both Clearing Members as well as other creditors but chooses to Wind Down and exit as a strategic or business decision.

15.2.2 Involuntary Winding Down

The Clearing Corporation may Wind Down its Critical Operations and Services on involuntary basis due to various factors including but not limited to the following:

(i) Winding Down due to default losses

The Clearing Corporation may Wind Down default management resources maintained by the Clearing Corporation are exhausted due to default by Clearing Member(s), and consequently if the Clearing Corporation fails to fulfil its obligations towards Clearing Members and/or its Constituents.

(ii) Winding Down due to non-default losses

The Clearing Corporation may Wind Down even in absence of Clearing Member defaults, if its solvency gets adversely affected as a result of, including but not limited to large operational expenses, legal expenses, business or investment losses rendering the Clearing Corporation unable to fulfil its obligations to Clearing Member(s), its Constituents and/or other creditors.

(iii) Winding Down consequent to regulatory actions

The Clearing Corporation may Wind Down its Critical Operations and Services on the directions of SEBI or any other statutory authority under Applicable Laws.

15.3 Winding Down procedure

15.3.1 Voluntary Winding Down:

- (i) Voluntary Winding Down of a Clearing Corporation shall be approved by the Board of Directors, shareholders of the Clearing Corporation and SEBI.
- (ii) after receiving the prior approval of SEBI, inform the Clearing Members regarding its decision to Wind Down voluntarily and shall also mention a sufficient notice period of six months for Winding Down so as not to have a significant impact in the financial system.
- (iii) Since the Clearing Corporation is solvent, it will have the choice of continuing full range of operations or perform only Critical Operations and Services during the Winding Down period.

15.3.2 The procedure for voluntary Winding Down shall be as follows:

- (i) Clearing Members of the Clearing Corporation will have to become members of the designated clearing corporation before the end of the notice period to enable the transfer of any open positions of the Clearing Members and/or its Constituents to the new designated clearing corporation.
- (ii) Clearing Members who have open positions may change their designated clearing corporation or close out their open positions. The Clearing Corporation will transfer any open positions at the Clearing Corporation to the new designated clearing corporation at the end of notice period. Any open positions that could not be transferred to the new designated clearing corporation within notice period will be closed out at the daily settlement price of the Termination Date and in terms of the provisions of the Rules, Bye-laws and Regulations of the Clearing Corporation.
- (iii) Return of assets
Subject to the guidelines issued by SEBI or any other directions issued by SEBI or any other statutory authority, the Clearing Corporation may return the Collateral and membership deposits of non-defaulting Clearing Members, Participants or Constituents and the unutilized Core SGF contributions of Clearing Members and Participants. The return of deposits, Collateral or any other money to the Clearing Member shall be subject to the dues of the

Clearing Member to Clearing Corporation/Exchange/SEBI/and other statutory dues, if any.

- (iv) The Clearing Corporation may deal or use the penalties collected from the Clearing Members, issuers contribution and interest on these components forming part of Core SGF in a manner specified by SEBI from time to time.

15.3.3 Winding Down due to default losses

The Clearing Corporation may Wind Down under a scenario in case of one or multiple large defaults leading to all of its own resources in the default waterfall being exhausted, and all recovery measures having failed.

15.3.4 Winding Down due to non-default losses

The Clearing Corporation may Wind Down due to large operational/non-operational expenses and/or business/investment losses leading to Clearing Corporation being unable to make payments to other creditors and erosion of Clearing Corporation net-worth.

The procedure for Winding Down in case of the above scenarios under 15.3.3 and 15.3.4 shall be as follows:

- (i) The Clearing Corporation shall announce a Termination Date, with the approval of Authority.
- (ii) All open positions shall expire at the daily settlement prices of the Termination Date, and a single claim will be arrived at for each Clearing Member.
- (iii) The close out transaction or claim amount shall be settled by payment to the Clearing Member, in case of member's gain, or by receipt from the member, in case of member's loss.
- (iv) The close out transaction or claim amount shall be settled following the Termination Date but not later than two Days following the Termination Date.
- (v) Before paying out any amount under the above sub-clause, Clearing Corporation shall have the right to recover therefrom any amount payable by the member to Clearing Corporation.
- (vi) The operations of the Clearing Corporation will be halted from next day after the Termination Date.
- (vii) The close-out transactions shall be final and binding upon the Clearing Member.