SECURITIES CONTRACTS (REGULATION) (STOCK EXCHANGES AND CLEARING CORPORATIONS) REGULATIONS, 2018

Amended Upto November 22, 2025

No. SEBI/LAD-NRO/GN/2018/41.- In exercise of the powers conferred by sections 4, 8A and 31 of the Securities Contracts (Regulation) Act, 1956, read with sections 11 and 30 of the Securities and Exchange Board of India Act, 1992, the Securities and Exchange Board of India hereby makes the following regulations to regulate recognition, ownership and governance in stock exchanges and clearing corporations and matters connected therewith or incidental thereto, namely:—

CHAPTER I

PRELIMINARY

Short title and commencement

1. (1) These regulations may be called the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018.

(2) They shall come into force on the date of their notification in the Gazette of India.

Definitions

2. (1) In these regulations, unless the context otherwise requires, the terms defined herein shall bear the meanings assigned to them below, and their cognate expressions shall be construed accordingly,-

(a) "Act" means the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

(b) "associate" in relation to a person shall include another person:

(i) who, directly or indirectly, by himself, 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) who is a relative of the first person;

(v) who is a member of a Hindu Undivided Family wherein the first person is also a member;

(vi) such other cases where the Board 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;

(c) "Board" means the Securities and Exchange Board of India established under the provisions of section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(d) [1]["clearing corporation" means an entity that is established to undertake the activity of clearing and settlement of trades in securities or other instruments or products that are dealt with or traded on a recognized stock exchange and includes a clearing house and a limited purpose clearing corporation specified under Chapter IV-A;]

(e) "clearing member" means a person having clearing rights in any recognized clearing corporation and includes a clearing member as defined in clause (ae) of sub-regulation (1) of Regulation 2 of the Securities and Exchange Board of India (Stock Brokers and Sub- Brokers) Regulations, 1992

(f) "company" shall mean a company as defined in section 3 of the Companies Act, 2013;

[2](***)

(h) "control" shall have the same meaning as assigned to it under clause (e) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or any modification thereof;

[3][(ha) "debt securities" means corporate bonds, debentures or any other debt instruments as may be specified by the Board;]

[4][(hb) "financial year" means the period of twelve months commencing on the first day of April every year;]

(i) "governing board" means the board of directors of a recognised stock exchange or a recognised clearing corporation;

[5][(j) "key management personnel" shall include:

[1] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020, w.e.f. 08-10-2020. Prior to its substitution, it read as "(d) "clearing corporation" means an entity that is established to undertake the activity of clearing and settlement of trades in securities or other instruments or products that are dealt with or traded on a recognized stock exchange and includes a clearing house;"

[2] Clause (g) omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 03-10-2018. Prior to its omission, it read as "(g) "commodity derivatives exchange" means a recognized stock exchange which assists, regulates or controls the business of buying, selling or dealing in commodity derivatives and option in securities with the prior approval of the Board."

[3] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020, w.e.f. 08-10-2020.

[4] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2021, w.e.f. 23-03-2021.

5 Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its substitution, it read as under:

"(j)"key management personnel" includes a person serving as head of any department or in such senior executive position that stands higher in hierarchy to the head(s) of the department(s) in the recognised stock exchange or the recognised clearing corporation, or any person who directly reports to chief executive officer or to the director on the

(i) any person appointed as the managing director or executive director; or
(ii) a person serving as the head of a department or vertical and directly reporting to the managing director or to the directors on the governing board of the recognised stock exchange or recognised clearing corporation; or
(iii) a person serving as the head of a core function as specified under Part–C of Schedule–II of these regulations.; or
(iv) a person who stands higher in hierarchy to the head of any department(s) handling core function(s) in the recognised stock exchange or recognised clearing corporation; or
(v) reporting officials of key management personnel; or
(vi) any person defined as a "key managerial personnel" under the Companies Act, 2013; or
(vii) any other person who is a key decision making authority at the level of the recognised stock exchange or recognised clearing corporation or its direct or indirect material subsidiaries, as identified by the managing director or its Nomination and Remuneration Committee:

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

[6][(ja) "limited purpose clearing corporation" means an entity that is established to undertake the activity of clearing and settlement of repo transactions;]

(k) "netting" means the determination by clearing corporation of net payment or delivery obligations of the clearing members of a recognised clearing corporation by setting off or adjustment of the inter- se obligations or claims arising out of buying and selling of securities, including the claims and obligations arising out of the determination by the clearing corporation or stock exchange, on the insolvency, winding-up, liquidation or resolution of any clearing member or trading member or client or such other circumstances as the clearing corporation may specify in its bye-laws, of the transactions admitted for settlement at a future date, so that only a net claim be demanded, or a net obligation be owed;

(l) "novation" means the act of one or more recognised clearing corporations interposing between the parties of every trade, so as to be a legal counterparty;

[7] [(ka) "non-independent director" means a director elected or nominated by the shareholders who are neither trading members nor clearing members, as the case may be, or their associates and agents;]

governing board of the recognised stock exchange or recognised clearing corporation, or any person upto two levels below the chief executive officer or managing director, or any other person as may be identified by its Nomination and Remuneration Committee;

6 Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020, w.e.f. 08-10-2020.

[7] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

(m) "persons acting in concert" in the context of acquisition or holding of shares or voting rights or control shall *mutatis mutandis* have the same meaning as assigned to it in clause (q) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or any amendments thereof;

(n) "public" includes any member or section of the public but does not include any trading member or clearing member or their associates and agents;

(o) "public interest director" means an independent director representing the interests of investors in securities market and who is not having any association, directly or indirectly, which in the opinion of the Board, is in conflict with his role;

[8][(oa) "quarter" means the period of three months commencing on the first day of April, July, October and January of each financial year;]

(p) "recognised clearing corporation" means a clearing corporation which is recognised by the Board under section 4 read with section 8A of the Act;

(q) "recognised stock exchange" means a stock exchange which is recognized by the Board under section 4 of the Act.

(r) "regulatory department" means a department of a recognised stock exchange or a recognised clearing corporation which is entrusted with regulatory powers and duties and includes such department as may be specified by the Board;

[9][(ra) "regulatory fee" means fees levied by the Board under these regulations for carrying out the functions under the Act and the Securities and Exchange Board of India Act, 1992 (15 of 1992);]

[10][[11][(rb)] "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;

[12][(rc)] "repo transaction" means a transaction in repo and reverse repo in the debt securities that are dealt with or traded on a recognised stock exchange;

[8] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2021, w.e.f. 23-03-2021.
[9] *Ibid.*
[10] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020, w.e.f. 08-10-2020.
[11] Substituted for "(ra)" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2021, w.e.f. 23-03-2021.
[12] Substituted for "(rb)" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2021, w.e.f. 23-03-2021.

[13][(rd)] “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;]

(s) "rules" means the Securities Contracts (Regulations) Rules, 1957;

[14][***]

(u) "trading member" means a person having trading rights in any recognized stock exchange and includes a stock broker.

(2) Words and expressions used and not defined in these regulations but defined in the Act, the Companies Act, 2013, the Securities and Exchange Board of India Act, 1992, the Depositories Act, 1996 or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be.

CHAPTER II

RECOGNITION OF STOCK EXCHANGES AND CLEARING CORPORATIONS

Obligation to seek recognition

3. No person shall conduct, organise or assist in organising any stock exchange or clearing corporation unless he has obtained recognition from the Board in accordance with the Act, rules and these regulations:

Application for recognition

4. Subject to compliance with the provisions of Act, rules and these regulations, an application for recognition as a stock exchange shall be submitted to the Board in Form A as prescribed under rule 3 of the rules and an application for recognition as a clearing corporation shall be submitted to Board in Form A as specified in Schedule - I of these regulations.

[13] Substituted for “(rc)” by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2021, w.e.f. 23-03-2021.

[14] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its omission, the it read as under-

(t) "shareholder director" means a director who represents the interest of shareholders, and elected or nominated by such shareholders who are not trading members or clearing members, as the case may be, or their associates and agents;

Fee for application

5. An applicant seeking recognition as a stock exchange shall pay the application fee in terms of rule 4 of the rules and an applicant seeking recognition as a clearing corporation shall also pay the application fee as payable by a stock exchange.

Documents and particulars for application

6. An application for recognition as a stock exchange or a clearing corporation, as the case may be, shall be accompanied by the copy of the memorandum of association, articles of association, bye-laws and other documents as provided in sections 3 and 4 of the Act, rule 5 of the rules and these regulations.

Consideration of grant of recognition

7. (1) The application under regulation 4 shall be governed by the provisions of the Act, rules and these regulations.

(2) An applicant seeking recognition as a stock exchange or clearing corporation shall comply with the following conditions, namely :—

(a) the applicant is a company limited by shares;

(b) the applicant is demutualised;

(c) the applicant, its directors and its shareholders who hold or intend to hold shares, are fit and proper persons as specified in regulation 20;

(d) the applicant satisfies the requirements relating to the ownership and governance structure specified in these regulations;

(e) the applicant satisfies the networth requirements specified in these regulations;

(f) the applicant satisfies the requisite capability including its financial capacity, functional expertise and infrastructure.

Explanation.—For the purposes of this sub-regulation, the term "demutualised" means that the ownership and management of the applicant is segregated from the trading rights or clearing rights, as the case may be, in terms of these regulations.

(3) An applicant seeking recognition as a stock exchange shall, in addition to the conditions as specified in sub-regulations (1) and (2), comply with the following conditions, namely:—

(a) the applicant has the necessary infrastructure for the orderly execution of trades;

(b) the applicant has an online screen-based trading system;

(c) the applicant has an online surveillance capability which monitors positions, prices and volumes in real time so as to ensure market integrity;

(d) the applicant has adequate infrastructure to list securities for trading on its platform, wherever applicable;

(e) the applicant has necessary capability to have a nationwide network of trading members and has adequate facility to admit and regulate its members;

(f) the applicant has made necessary arrangements to establish connectivity with its trading members and clearing corporation;

(g) the applicant has adequate Investor Protection Fund and Investor Services Fund;

(h) the applicant has adequate investor grievances redressal mechanism and arbitration mechanism to resolve disputes arising out of trades and its settlement;

(i) the applicant has the facility to disseminate information about trades, quantities and quotes in real time to at least two information vending networks which are accessible to investors in the country;

(j) the applicant has adequate systems' capacity supported by a business continuity plan including a disaster recovery site;

(k) the applicant has in its employment, sufficient number of persons having adequate professional and other relevant experience;

(l) the business feasibility plan has been appraised by a reputed agency having expertise in securities market; and

(m) any other conditions as may be specified by the Board.

(4) An applicant seeking recognition as a clearing corporation shall, in addition to the conditions as specified in sub-regulations (1) and (2), comply with the following conditions, namely:—

(a) the applicant has necessary infrastructure to ensure timely clearing and settlement of trades:

[15][Provided that where the applicant is a limited purpose clearing corporation specified under Chapter IV-A, compliance with the requirement under this clause may be demonstrated by way of outsourcing arrangement(s) with a recognized clearing corporation(s), subject to such conditions as may be specified by the Board from time to time;]

(b) the applicant has adequate risk management mechanism;

(c) the applicant has a settlement procedure including netting, novation and guarantee for settlement of trades in place, which is in accordance with the manner specified by the Board;

[15] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020, w.e.f. 08-10-2020.

(d) the applicant has the capacity to establish a fund to guarantee settlement of trades;

(e) the applicant has necessary capability to have a wide network of clearing members and has adequate facility to admit and regulate its members;

(f) the applicant has established connectivity with the depositories, clearing banks, stock exchange and clearing members;

(g) the applicant has adequate systems' capacity for on-line/real time risk management of trades cleared and settled and is supported by a suitable business continuity plan including a disaster recovery site:

[16][Provided that where the applicant is a limited purpose clearing corporation specified under Chapter IV-A, compliance with the requirement under this clause may be demonstrated by way of outsourcing arrangement(s) with a recognized clearing corporation(s), subject to such conditions as may be specified by the Board from time to time;]

(h) the applicant has in its employment, sufficient number of persons having adequate professional and other relevant experience to the satisfaction of the Board;

(i) the applicant has the necessary arrangements in place for resolving disputes and redressal of grievances arising out of clearing and settlement of trades;

(j) the applicant has an agreement with a depository and with a recognised stock exchange in respect of clearing and settlement of the trades;

(k) the business feasibility plan has been appraised by a reputed agency having expertise in securities market; and

(l) any other conditions as may be specified by the Board.

(5) The Board may, on being satisfied with the capability of the applicant to comply with the conditions laid down in this regulation, grant in-principle approval to the applicant which shall be valid for a period of one year.

Provided that the Board may, upon sufficient cause shown by the applicant, extend the validity of in-principle approval for a further period not exceeding six months or any other period as specified by the Board.

(6) An application for recognition shall be made in the manner as specified under PART –D of Schedule – II of these regulations.

[16] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020, w.e.f. 08-10-2020.

Power to make inquiries and call for information

8. The Board may, before granting recognition to a stock exchange or clearing corporation, make inquiries and require such further information or document to be furnished, as it may deem necessary.

Grant of recognition

9. (1) The Board may, after considering the application under regulation 4 and on being satisfied that the applicant has complied with the conditions laid down in regulation 7 and is eligible to act as a recognised stock exchange or a recognised clearing corporation, as the case may be, grant recognition to the applicant in terms of section 4 of the Act, in the interest of the securities market.

(2) The recognition granted to a stock exchange under sub-regulation (1) shall be in Form B of the rules.

(3) The recognition granted to a clearing corporation shall be in Form B of Schedule-I of these regulations.

(4) The recognised stock exchange and the recognised clearing corporation shall comply with such other conditions, including those with regard to the nature of securities to be dealt with, as may be imposed by the Board from time to time.

Period of recognition

10. (1) The period of recognition granted to a stock exchange shall be as per rule 6 of the rules.

(2) The recognition granted to a clearing corporation, unless granted on a permanent basis, shall be for such period not less than one year as may be specified by the Board.

[17][Code of conduct for recognised stock exchanges and recognised clearing corporations

[17] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f 28-08-2023.

10A. Every recognised stock exchange and recognised clearing corporation shall abide by the Code of Conduct as specified under Part-A of Schedule-II of these regulations.]

Regulatory fee

11. [18][(1) Every recognised stock exchange shall be charged, a regulatory fee payable to the Board, at such rates and within such time as is mentioned in sub-regulation (2) and sub-regulation (3).]

[19][(2) A recognised stock exchange shall pay to the Board, within fifteen days from the end of each month, the amount provided in Part–A of Schedule-III to these regulations on its annual turnover for the financial year till the end of that month, after adjusting any regulatory fee already paid in that financial year:

Explanation: For the purpose of this sub-regulation, the expression "annual turnover" shall mean the aggregate value of the transactions, excluding turnover on agricultural commodity derivatives, which took place on the recognised stock exchange during the relevant financial year:

Provided that the recognized stock exchanges shall also pay, within fifteen days from the end of the financial year, a flat regulatory fee of one lakh rupees on the aggregate value of the transactions on agricultural commodity derivatives.]

(3) A recognised stock exchange shall also pay to the Board, within fifteen days form the end of each [20][month], an amount equal to ten per cent of the aggregate of listing fees collected from the issuers whose securities are listed on it, during that [21][month]:

[18] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2021, w.e.f. 23-03-2021. Prior to its substitution, it reads as –
"(1) Every recognised stock exchange shall pay the regulatory fee in terms of Securities and Exchange Board of India (Regulatory Fee on Stock Exchanges) Regulations, 2006."

[19] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2024, w.e.f. 10-05-2024. Prior to its substitution, it read as under:

"(2) A recognised stock exchange shall pay to the Board, based on its annual turnover, an amount specified under Part –A of Schedule -III of these regulations within thirty days of the conclusion of the relevant financial year:

Explanation: For the purposes of this sub-regulation, the expression "annual turnover" shall mean the aggregate value of the transactions, excluding turnover on agricultural commodity derivatives, which took place on the recognised stock exchange during the relevant financial year:

Provided that the recognized stock exchanges shall pay a flat regulatory fee of one lakh rupees on aggregate value of the transactions on agricultural commodity derivatives.

[20] Substituted for the words *"quarter of a financial year"* by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2024, w.e.f. 10-05-2024.

[21] Substituted for the word *"quarter"* by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2024, w.e.f. 10-05-2024.

[22][***]

Explanation: For the purposes of this sub-regulation, the expression "listing fees" shall mean all fees collected by a recognised stock exchange from any company or other entity whose securities are listed thereon, towards listing of such securities."

(4) [23][The fee mentioned in sub-regulation (2) and sub-regulation (3) shall be paid by a recognised stock exchange by way of direct credit into the bank account through NEFT/RTGS/IMPS or online payment using the SEBI Payment Gateway or any other mode as may be specified by the Board from time to time, and the intimation of remittance shall be forwarded along with the statement of computation of the fee.]

(5) The statement of computation of fees mentioned in sub-regulation (4) shall be certified to be correct by a chartered accountant.

(6) Every recognised stock exchange shall maintain such registers and furnish such returns or information to the Board in respect of its annual turnover, the listing fees collected by it and the fee paid or payable under these regulations, as may be specified by the Board.

(7) Without prejudice to sub-regulation (6), a recognised stock exchange shall also be liable to furnish such information or explanations to the Board as may be required in respect of the regulated functions and the fee paid or payable under this regulation.

(8) Where due to the default of the recognised stock exchange, any fee which was liable to be paid under sub-regulation (2) and sub-regulation (3) remains unpaid or is paid belatedly or is short-paid, it shall, without prejudice to any other action that may be taken under the Act, rules or regulations, pay an interest of fifteen per cent per annum on the amount remaining unpaid or belatedly paid or short-paid, for every month of delay or part thereof to the Board.]

[24][(9)] Every recognised clearing corporation shall pay the regulatory fee as the Board may specify.

Renewal of recognition

[22] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2024, w.e.f. 10-05-2024. Prior to omission, it read as under:

"Provided that the fees due under sub-regulation (3) in respect of the last quarter of a financial year may be paid within thirty days of conclusion of the quarter, together with the fees due under sub-regulation (2)."

[23] Substituted by the Securities and Exchange Board of India (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2023 w.e.f 01-04-2023. Prior to its substitution, clause (4) read as under-

"(4)The fee mentioned in sub-regulation (2) and sub-regulation (3) shall be paid by a recognised stock exchange by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by RBI or by means of a demand draft drawn in favour of "Securities and Exchange Board of India", payable at Mumbai and the intimation of remittance or the demand draft, as applicable, shall be forwarded along with the statement of computation of the fee."

[24] Substituted for "(2)" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2021, w.e.f. 23-03-2021.

12. (1) The provisions of these regulations, as applicable to the grant of recognition to a stock exchange, shall in addition to rule 7 of the rules also apply in relation to an application for renewal of recognition of a recognised stock exchange.

(2) A recognised clearing corporation desirous of renewal of recognition shall make an application to the Board in Form A of Schedule-I of these regulations and such application shall reach the Board atleast three months prior to the date of expiry of the recognition.

(3) The provisions of these regulations, as applicable to the grant of recognition to a clearing corporation, shall also apply in relation to an application for renewal of recognition of a recognised clearing corporation.

(4) An applicant seeking renewal of recognition as a stock exchange shall pay fee in terms of rule 7 of the rules, and an applicant seeking renewal of recognition as a clearing corporation shall also pay fee as payable by a stock exchange.

(5) The recognised stock exchange and recognised clearing corporation shall comply with the applicable conditions specified in sub-regulation (3) and sub-regulation (4) of regulation 7, as the case may be, on a continuous basis.

Withdrawal of recognition

13. The recognition granted to a stock exchange or a clearing corporation may be withdrawn in the manner provided under section 5 of the Act.

CHAPTER III

NETWORTH OF STOCK EXCHANGE AND CLEARING CORPORATION

Net worth requirements

14. (1) Every recognised stock exchange shall have a minimum networth of one hundred crore rupees at all times:

(2) Every applicant seeking recognition as a clearing corporation under regulation 4 shall have a minimum networth of one hundred crore rupees:

(3) (a) Every recognized clearing corporation, on commencement of operations, shall, on an ongoing basis, maintain capital including retained earnings and reserves, as may be specified by the Board from time to time, to adequately cover counterparty credit risk, business risk, legal and operational risk.

(b) Every recognized clearing corporation shall hold additional capital to cover costs required for orderly wind-down or recovery of operations.

(c) Every recognized clearing corporation shall maintain, at all times, a minimum net worth of one hundred crore rupees or capital as determined under regulation 14(3)(a) and 14(3)(b), whichever is higher.

(4) A recognised stock exchange or a recognised clearing corporation shall not distribute profits in any manner to its shareholders until the networth specified under sub-regulations (1), (2) and (3), as the case may be, is achieved.

(5) Every recognised stock exchange or recognised clearing corporation shall submit an audited networth certificate from the statutory auditor on a yearly basis by the thirtieth day of September of every year for the preceding financial year.

Explanation I.—For the purposes of this regulation, 'networth of a stock exchange' means the aggregate value of paid up equity share capital plus free reserves (excluding statutory funds, benefit funds and reserves created out of revaluation) reduced by the investments in businesses, whether related or unrelated, aggregate value of accumulated losses and deferred expenditure not written off, including miscellaneous expenses not written off.

Explanation II.—For the purposes of this regulation, 'networth of a clearing corporation' means the aggregate value of its liquid assets calculated in the manner as specified by the Board from time to time.

CHAPTER IV

OWNERSHIP OF STOCK EXCHANGES AND CLEARING CORPORATIONS

Definitions

15. For the purposes of this Chapter:

(1) "banking company" shall have the same meaning as assigned to it in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);

(2) "insurance company" shall have the same meaning as assigned to it in sub-section (8) of section 2 of the Insurance Act, 1938 (4 of 1938);

(3) "person resident in India" shall have the same meaning as assigned to it in clause (v) of section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999);

(4) "person resident outside India" shall have the same meaning as assigned to it in clause (w) of section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999).

(5) “public financial institution” shall have the same meaning as assigned to it in sub-section (72) of section 2 of the Companies Act, 2013

General conditions

16. (1) Save as otherwise provided in these regulations, the shareholding or voting rights of any person in a recognised stock exchange or a recognised clearing corporation shall not exceed the limits specified in this Chapter at any point of time.

(2) The shareholding as specified in this Chapter shall include any instrument owned or controlled, directly or indirectly, that provides for entitlement to equity or rights over equity at any future date.

Shareholding in a recognised stock exchange

17. (1) The public holding in a recognised stock exchange shall not be less than fifty one per cent of the paid up equity share capital of that recognised stock exchange.

(2) No person resident in India shall at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five per cent of the paid up equity share capital in a recognised stock exchange:

Provided that,—
(a) a stock exchange;
(b) a depository;
(c) a banking company;
(d) an insurance company; and
(e) a public financial institution,
may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen per cent of the paid up equity share capital of a recognised stock exchange.

(3) No person resident outside India, directly or indirectly, either individually or together with persons acting in concert, shall acquire or hold more than five per cent of the paid up equity share capital in a recognised stock exchange

Provided that,-
(a) a foreign stock exchange;
(b) a foreign depository;
(c) a foreign banking company;
(d) a foreign insurance company;
(e) a foreign commodity derivatives exchange; and
(f) a bilateral or multilateral financial institution approved by the Central Government,

may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen per cent of the paid up equity share capital of a recognised stock exchange.

Explanation.—For the purposes of this proviso, the persons referred to in clauses (a) to (f) shall mean persons recognised/ incorporated outside India.

(4) Subject to the limits as otherwise prescribed by the Central Government from time to time, the combined holding of all persons resident outside India in the paid up equity share capital of a recognised stock exchange shall not exceed, at any time, forty-nine per cent of its total paid up equity share capital

(5) No clearing corporation shall hold any right, stake or interest, of whatsoever nature, in any recognised stock exchange.

Shareholding in a recognised clearing corporation

18. (1) The capital structure in a recognized clearing corporation shall be such that atleast fifty one percent of its paid up equity share capital shall always be held by one or more recognized stock exchange(s):

Provided that no recognised stock exchange shall, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than fifteen per cent of the paid up equity share capital in more than one recognised clearing corporation.

(2) No person resident in India, except a recognised stock exchange as permitted in sub-regulation (1), shall at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five per cent. of the paid up equity share capital in a recognised clearing corporation:

Provided that,—

(a) a depository;
(b) a banking company;
(c) an insurance company; and
(d) a public financial institution,

may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen per cent of the paid up equity share capital of a recognised clearing corporation.

(3) No person resident outside India shall, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five per cent of the paid up equity share capital in a recognised clearing corporation.

Provided that,-

(a) a foreign stock exchange;
(b) a foreign depository;
(c) a foreign banking company;
(d) a foreign insurance company;
(e) a foreign commodity derivatives exchange; and
(f) a bilateral or multilateral financial institution approved by the Central Government,

may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen per cent of the paid up equity share capital of a recognized clearing corporation.

Explanation.—For the purposes of this proviso, the persons referred to in clauses (a) to (f) shall mean persons recognised/ incorporated outside India.

(4) Subject to the limits as otherwise prescribed by the Central Government from time to time, the combined holding of all persons resident outside India in the paid up equity share capital of a recognised clearing corporation shall not exceed, at any time, forty-nine per cent of its total paid up equity share capital.

Eligibility for acquiring or holding shares

19. (1) No person shall, directly or indirectly, acquire or hold any equity shares or voting rights of a recognised stock exchange or recognized clearing corporation unless he is a fit and proper person:

Provided that the onus shall be on the recognised stock exchange/ recognised clearing corporation to ensure that all its shareholders are fit and proper persons:

Provided further that such a requirement to ensure that all its shareholders are fit and proper persons shall not be applicable to a [25][***] recognized stock exchange for shareholding of a person who directly or indirectly, acquires or holds less than two percent equity shares or voting rights of such [26][***] recognized stock exchange.

(2) [27][***]

(3) A person eligible to acquire or hold more than five per cent of the paid up equity share capital under sub-regulation (2) and (3) of regulation 17 and sub-regulation (2) and (3) of regulation 18 may acquire or hold more than five per cent of the paid up equity share capital of a recognised stock exchange or a recognised clearing corporation only if he has obtained prior approval of the Board.

(4) The application for seeking approval in terms of [28][***] sub-regulation (3) of this regulation shall be made to the Board in the manner specified at PART –F of Schedule – II of these regulations through the concerned stock exchange / clearing corporation.

(5) The stock exchange / clearing corporation shall verify the declarations/ undertakings given by the shareholders under sub-regulation (4) and forward the application along with its recommendation for approval to the Board.

(6) [29][***]

(7) Any person holding two per cent. or more of the paid up equity share capital in a recognised stock exchange or a recognised clearing corporation, as the case may be, shall file a declaration within fifteen days from the end of every financial year to the recognised stock exchange or recognised clearing corporation, as the case may be, that he complies with the fit and proper criteria provided in these regulations.

Monitoring of shareholding limits

19A. The recognised stock exchange / recognised clearing corporation shall put in place a monitoring mechanism as specified in Part G of Schedule – II of these regulations to ensure compliance with the shareholding conditions specified in these regulations at all times.

[25] The word *"listed"* omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2021 w.e.f. 13.08.2021.

[26] *Ibid.*

[27] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2021 w.e.f. 13.08.2021. Prior to its omission, it reads as –
"(2) Any person who acquires equity shares or voting rights, in a recognised stock exchange or recognized clearing corporation, directly or indirectly, either individually or together with persons acting in concert, that entitles the person(s) so acquiring to exercise any voting rights in the range of two percent to five per cent, shall seek approval of the Board within fifteen days of such acquisition."

[28] The words *"sub-regulation (2) or"* omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2021 w.e.f. 13.08.2021.

[29] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2021 w.e.f. 13.08.2021. Prior to its omission, it reads as –
"(6) If approval under sub-regulation (2) is not granted by the Board to any person, such person shall forthwith divest his entire shareholding in the recognised stock exchange / recognised clearing corporation."

[30][Requirement and criteria of fit and proper

20(1) (a) The 'fit and proper person' criteria shall apply to the applicant, recognised stock exchange, recognised clearing corporation, its shareholders, directors and key management personnel at all times.

(b) The recognised stock exchange or recognised clearing corporation shall ensure that all its shareholders, directors and key management personnel are fit and proper persons at all times.

(2) For the purpose of these regulations, an applicant, a recognised stock exchange or a recognised clearing corporation shall be deemed to be a fit and proper person, if -

(a) such a person has a general reputation and record of fairness and integrity, including but not limited to -

(i) financial integrity;

(ii) good reputation and character; and

(iii) honesty;

(b) such a person has not incurred any of the following disqualifications —

(i) conviction of the person by a court for any economic offence or an offence of the securities laws;

(ii) an Order for winding up has been passed against the person;

(iii) the person has been declared insolvent and has not been discharged;

[30] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2023 w.e.f 23-08-2023. Prior to its substitution, regulation 20 read as under:

"Requirement and criteria of fit and proper

20. (1) The recognised stock exchange/ recognised clearing corporation shall ensure that all its directors and key management personnel are fit and proper persons at all times.

(2) For the purposes of these regulations, a person shall be deemed to be a fit and proper person if—

(a) such person has a general reputation and record of fairness and integrity, including but not limited to—

(i) financial integrity;

(ii) good reputation and character; and

(iii) honesty;

(b) such person has not incurred any of the following disqualifications—

(i) the person or any of its whole time directors or managing partners, has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against the securities laws;

(ii) an order for winding up has been passed against the person;

(iii) the person, or any of its whole time directors or managing partners, has been declared insolvent and has not been discharged;

(iv) an order, restraining, prohibiting or debarring the person or any of its whole time directors or managing partners, from dealing in securities or from accessing the securities market, has been passed by the Board or any other regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed;

(v) any other order against the person, or any of its whole time directors or managing partners, which has a bearing on the securities market, has been passed by the Board or any other regulatory authority, and a period of three years from the date of the order has not elapsed;

(vi) the Board has initiated recovery proceedings under the SEBI Act, 1992 and are pending;

(vii) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;

(viii) the person is financially not sound or has been categorized as a willful defaulter; and

(ix) any other disqualification as specified by the Board.

(3) If any question arises on the decision of a recognised stock exchange or recognized clearing corporation as to whether a person is a fit and proper person, the Board's decision on such question shall be final."

(iv) an Order; restraining, prohibiting or debarring the person, from dealing in securities or from accessing the securities market, has been passed by the Board and a period of three years from the date of the expiry of the period specified in the Order has not elapsed;

(v) any other Order against the person which has a bearing on the securities market, has been passed by the Board and a period of three years from the date of the Order has not elapsed:

Provided that for the purpose of sub-clauses (iv) and (v), any Order passed by the Board, against a recognised stock exchange or recognised clearing corporation shall not affect the operation of such recognised stock exchange or recognised clearing corporation unless expressly mentioned in the Order.

(vi) the Board has initiated recovery proceedings under the Act or the Securities and Exchange Board of India Act, 1992 (15 of 1992) that are pending;

(vii) the person is not financially sound or has been categorized as a wilful defaulter; and

(viii) any other disqualification as may be specified by the Board from time to time.

(3) For the purpose of these regulations, the shareholders, directors or key management personnel of the recognised stock exchange or recognised clearing corporation, shall be deemed to be fit and proper if, -

(a) they fulfil the criteria specified under sub-regulation (2) of this regulation; and

(b) they have not been found to be of unsound mind by a court of competent jurisdiction and have not been declared a fugitive economic offender; and

(c) they have not been convicted of an offence involving moral turpitude.

(4) If any director or key management personnel of a recognised stock exchange or recognised clearing corporation is not deemed to be fit and proper under sub-regulation (3), the recognised stock exchange or recognised clearing corporation shall replace such a person within thirty days from the date of such disqualification, failing which the fit and proper person criteria may be invoked against the recognised stock exchange or recognised clearing corporation.

(5) Any disqualification of the recognised stock exchange or recognised clearing corporation under sub-regulation (2) shall not have any bearing on the fit and proper status of the directors or key management personnel unless the directors or key management personnel are also found to incur the same disqualification in the said matter.

(6) An order passed against the person by any other regulatory authority may be taken into account by the Board while determining the fit and proper person criteria.

(7) If any question arises on the decision of a recognised stock exchange or recognized clearing corporation as to whether a person is a fit and proper person, the decision of the Board on such question shall be final.]

Disclosure of shareholding

21. [31][(1) Without prejudice to the provisions of the Act, rules and these regulations, the recognised stock exchange(s) and the recognised clearing corporation(s) shall disclose

[31] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2024 w.e.f. 30-07-2024. Prior to its substitution, it read as:

their shareholding pattern on their respective websites on a quarterly basis as per the requirements and format specified for listed companies in terms of the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.]

(2) A recognised stock exchange and a recognised clearing corporation shall monitor and ensure compliance with this Chapter at all times.

Record keeping

22. In addition to the requirements under other laws in force, a recognised stock exchange and recognised clearing corporation shall maintain and preserve all the books, registers, other documents and records relating to the issue or transfer of its securities for a period of not less than eight years.

[32][CHAPTER IV - A
LIMITED PURPOSE CLEARING CORPORATION

Applicability

22A. (1) The provisions of this Chapter shall only apply to the recognized limited purpose clearing corporations.

(2) All provisions under these regulations, except regulation 18, regulation 31 and regulation 38, shall apply to the recognized limited purpose clearing corporation.

Shareholding in a recognised limited purpose clearing corporation

22B. (1) No person resident in India shall at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five per cent. of the paid-up equity share capital in a limited purpose clearing corporation:

Provided that, —
(a) a depository;
(b) a banking company;
(c) an insurance company;
(d) a recognised stock exchange;
(e) a recognised clearing corporation;

"(1) Without prejudice to the provisions of the Act, rules and these regulations, the recognised stock exchange(s) and the recognised clearing corporation(s) shall disclose to the Board, in the format specified by the Board, their shareholding pattern on a quarterly basis within fifteen days from the end of each quarter, including therein the following: —
(a) the names of the ten largest shareholders along with the number and percentage of shares held by them;
(b) the names of the shareholders falling under regulations 17 and 18 who had acquired shares in that quarter."

[32] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020, w.e.f. 08-10-2020.

(f) a public financial institution;
(g) an asset management company of a mutual fund registered with the Board; and
(h) an asset management company of a pension fund registered with the Pension Fund Regulatory and Development Authority;

may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, up to fifteen per cent of the paid- up equity share capital of a recognised clearing corporation.

(2) No person resident outside India shall, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five per cent of the paid-up equity share capital in a recognised clearing corporation.

Provided that, —
(a) a foreign stock exchange;
(b) a foreign depository;
(c) a foreign banking company;
(d) a foreign insurance company;
(e) a foreign commodity derivatives exchange; and
(f) a bilateral or multilateral financial institution approved by the Central Government,

may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, up to fifteen per cent of the paid-up equity share capital of a recognized clearing corporation.

Explanation. — For the purpose of this proviso, the persons referred to in clauses (a) to (f) shall mean persons recognised/incorporated outside India.

(3) Subject to the limits as otherwise prescribed by the Central Government from time to time, the combined holding of all persons resident outside India in the paid-up equity share capital of a recognised clearing corporation shall not exceed, at any time, forty-nine per cent of its total paid up equity share capital.

(4) The shareholding of persons setting up the limited purpose clearing corporation shall be locked-in for a period of five years from the date of grant of recognition by the Board.

Composition of the governing board of recognised limited purpose clearing corporation

[33] **[22C**. (1) The governing board of a recognized limited purpose clearing corporation shall include:

[33] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022 w.e.f. 12.08.2022. Prior to its substitution, it read as:
*["The representative of the issuers of debt securities may be appointed on the governing board of the recognized limited purpose clearing corporation on a rotational basis and such a director shall be deemed to be a shareholder director.
Explanation. — For the purpose of this sub-regulation, representative of issuers of debt securities during a financial year shall be one amongst the top three issuers, which are public sector undertakings, based on their issue size in the preceding financial year".]
*Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020, w.e.f. 08-10-2020.

(a) nominee directors;
(b) independent directors;
(c) managing director; and
(d) such other directors as may be specified by the Reserve Bank of India or the Board from time to time.

(2) The representative of the issuers of debt securities may be appointed on the governing board of the recognized limited purpose clearing corporation on a rotational basis and such a director shall be deemed to be a nominee director.]

Explanation. —For the purpose of sub-regulation (2), the representative of the issuers of debt securities during a financial year shall be one of the top three issuers, which are public sector undertakings, based on their issue size in the preceding financial year.]

Contribution to the Settlement Guarantee Fund

22D. (1) The contribution to the Fund as specified in regulation 37 shall be made by the recognized limited purpose clearing corporation, the clearing members [34][, participants] and issuers of the debt securities, in the manner as may be specified by the Board from time to time.

(2) Any shortfall in the Fund, shall be replenished by the recognized limited purpose clearing corporation to the threshold level as may be specified by the Board from time to time.

Utilization of profits and investments

22E. (1) The utilization of profits and investments by recognized limited purpose clearing corporations shall be in accordance with the norms specified by the Board:

Provided that for the first five years from the date of grant of recognition by the board, there shall be no distribution of dividend to the shareholders and the profits of recognized limited purpose clearing corporation shall be transferred to the Fund specified in regulation 37.

(2) The limited purpose clearing corporation shall not carry on any activity whether involving deployment of funds or otherwise without the prior approval of the Board:

Provided that the prior approval of the Board shall not be required in case of treasury investments if such investments are as per the investment policy approved by the governing board of limited purpose clearing corporation.

[35][Dispute resolution Mechanism

[34] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2023, w.e.f. 24.07.2023.

[35] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022 w.e.f. 12.08.2022. Prior to its substitution, it read as:

***[Arbitration Mechanism**

22F. The recognized limited purpose clearing corporation shall have arbitration mechanism for settlement of disputes or claims arising out of transactions cleared and settled by it.]

* Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020, w.e.f. 08-10-2020.

22F. The recognized limited purpose clearing corporation shall put in place a dispute resolution mechanism, for settlement of disputes or claims arising out of transactions cleared and settled by it, in the manner as specified by the Board in consultation with the Reserve Bank of India.]

[36][General Provisions

22G. (1) The limited purpose clearing corporation shall ensure compliance with the provisions of these regulations as well as directions issued by the Reserve Bank of India.

(2) In cases of different compliance requirements as specified under the provisions of these regulations and the directions issued by the Reserve Bank of India, the compliance requirements shall be made applicable to the limited purpose clearing corporation after consultation with the Reserve Bank of India.]

22H. In case the limited purpose clearing corporation is required to obtain the prior approval of the Board and the Reserve Bank of India, the limited purpose clearing corporation shall obtain the prior approval of the Board before seeking approval from the Reserve Bank of India.]

CHAPTER V

GOVERNANCE OF STOCK EXCHANGES AND CLEARING CORPORATIONS

Composition of the governing board

23. (1) The governing board of every recognised stock exchange and recognised clearing corporation shall include:

(a) [37][non-independent directors];
(b) public interest directors; [38][***]

[36] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022 w.e.f. 12.08.2022.

[37] Substituted for the words "shareholder directors" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[38] The word and symbol *"and,"* omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2025 w.e.f. 22.12.2025.

(c) managing director[39][40][;and,]]
(d)[41][executive directors:]

[42][Provided that for the purpose of limited purpose clearing corporation, the nominee director shall be treated as a [43][non-independent director] and the independent director shall be treated as a public interest director.]

(2) Subject to the prior approval of the Board, the chairperson shall be elected by the governing board from amongst the public interest directors.

(3) The number of public interest directors shall not be less than the number of [44][non-independent directors] on the governing board of a recognised stock exchange and recognized Clearing Corporation.

(4) The managing director [45][and executive directors] shall be included in the category of [46][non-independent directors] [47][:]

[48][Provided that in case of a limited purpose clearing corporation, the managing director [49][and executive directors] shall not be included in the category of [50][non-independent directors].]

(5) Any employee of a recognised stock exchange or recognised clearing corporation may be appointed on the governing board in addition to the managing director and such director shall be deemed to be a [51][non-independent director].

[39] Substituted for the symbol "." by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022 w.e.f. 12.08.2022.

[40] Substituted for the symbol ":" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2025 w.e.f. 22.12.2025.

[41] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2025 w.e.f. 22.12.2025.

[42] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022 w.e.f. 12.08.2022.

[43] Substituted for the words "shareholder directors" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[44] Ibid.

[45] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2025 w.e.f. 22.12.2025.

[46] Substituted for the words "shareholder directors" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[47] Substituted for the symbol "." by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022 w.e.f. 12.08.2022.

[48] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022 w.e.f. 12.08.2022.

[49] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2025 w.e.f. 22.12.2025.

[50] Substituted for the words "shareholder directors" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[51] Ibid.

(6) No trading member or clearing member or their associates and agents, irrespective of the [52][recognised stock exchange or recognised clearing corporation] of which they are members, shall be on the governing board of any recognised stock exchange or recognised clearing corporation.

(7) For the purposes of sub-regulation (6) above, a person who is a director in an entity, that itself is a trading member or clearing member or has associate(s) as trading member(s) or clearing member(s) shall be deemed to be a clearing member or trading member:

Provided a person shall not be deemed to be clearing member and / or trading member or their associate for the purpose of sub-regulation (6), if he/she is on the board of a public financial institution or bank which is in public sector, or which either has no identifiable ultimate promoter, or the ultimate promoter is in public sector or has well diversified shareholding , and such Public Financial Institution or Bank or its associate is a clearing member and / or trading member:

Provided further that the independent directors of the associates of Public Financial Institution or Bank in public sector, who are clearing member and/or trading member and where the majority shareholding is that of such public Financial institution or bank in the public sector, shall not be deemed to be a clearing member and / or trading member for the purpose of sub-regulation (6).

(8) The appointment of director shall be subject to the fulfillment of other requirements and satisfaction of the Board.

(9) A recognised stock exchange and recognised clearing corporation, shall monitor and ensure the compliance of sub-regulation (6) on continuous basis, to ensure that directors appointed, on their governing board, do not get associated with trading member or clearing member after approval of appointment.

(10) The number of public interest directors shall not be less than the number of [53][non-independent directors] to constitute the quorum for the meeting of the governing board.

(11) The voting on a resolution in the meeting of the governing board shall be valid only when the number of public interest directors that have cast their vote on such resolution is equal to more than the number of [54][non-independent directors] who have cast their vote on such resolution.

(12) The casting vote in the meetings of the governing board of a recognised stock exchange or a recognised clearing corporation shall be with the chairperson of the governing board.

[52] Substituted for the words and symbol "stock exchange / clearing corporation" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[53] Substituted for the words "shareholder directors" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[54] Ibid.

(13) No foreign portfolio investor shall have any representation in the governing board of a recognised stock exchange or a recognised clearing corporation.

[55][(14) (a) The governing board of the recognised stock exchange and the recognised clearing corporation shall [56] [consist of] directors having the requisite qualifications and experience in the areas of capital markets, finance and accountancy, legal and regulatory practice, technology, risk management and management or administration:

Provided that the governing board of the recognised stock exchange and recognised clearing corporation shall [57][consist of] at least one public interest director having the requisite qualification and experience in each of the areas of capital markets, finance and accountancy, legal and regulatory practice, and technology.

(b) The recognised stock exchange and recognised clearing corporation may also appoint directors having qualification and experience in other areas which may be specific to them:

Provided that the recognised stock exchange and recognised clearing corporation shall ensure that the governing board collectively [58][consists of] directors with qualifications and experience as specified at clause (a) above.

Nominees of the Board on the governing board of a recognised stock exchange and recognised clearing corporation.

23A. The Board may appoint one or more persons not exceeding three in number, as director(s) on the governing board of any recognised stock exchange or recognised clearing corporation and such director(s) shall enjoy the same status and power as the other directors of the governing board.]

[55] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[56] Substituted for the words "comprise of" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2023 w.e.f 23-08-2023.

[57] Ibid

[58] Substituted for the words "comprises of" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2023 w.e.f 23-08-2023.

Conditions of appointment of directors

24. (1) The appointment and re-appointment of all [59][non-independent directors] on the governing board of every recognised stock exchange or recognised clearing corporation shall be with the prior approval of the Board[60][:]

[61][Provided that the non-independent director on the governing board of a recognized stock exchange or a recognized clearing corporation may be appointed in another recognized stock exchange or a recognized clearing corporation or a depository with the prior approval of the Board, only after a cooling-off period as may be specified by the governing board of such recognized stock exchange or recognized clearing corporation.]

(2) The public interest directors on the governing board of the recognised stock exchange(s) and the recognised clearing corporation(s) shall be [62][appointed with the prior approval of] the Board.

(3) Public interest directors shall be [63][appointed] for a term of three years, extendable by another term of three years, subject to performance review in the manner as may be specified by the Board:

[64][Provided that upon the expiry of the term(s) at the recognized stock exchange or the recognized clearing corporation, a public interest director may be appointed with the prior approval of the Board for a further term of three years in another recognized stock exchange or a recognized clearing corporation or a depository, only after a cooling-off period as may be specified by the governing board of such recognized stock exchange or recognized clearing corporation:

Provided further that the cooling-off period would be applicable only in case of appointment as a public interest director in a competing recognized stock exchange or a recognized clearing corporation:]

[59] Substituted for the words "shareholder directors" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[60] Substituted for the symbol "." by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2025, w.e.f. 30-07-2025.

[61] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2025, w.e.f 30-07-2025.

[62] Substituted for the words "nominated by" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[63] Substituted for the words "nominated" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[64] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2025, w.e.f 30-07-2025. Prior to its substitution, the proviso read as under:
"Provided that post the expiry of term(s) at the recognized stock exchange or the recognized clearing corporation, a public interest director may be appointed with the prior approval of for a further term of three years in other recognized clearing corporation or recognized stock exchange, or a depository, only after a cooling-off period of one year:

Provided further that a person may be [65][appointed] as a public interest director for a maximum of three terms across recognized stock exchanges [66][or] recognized clearing corporations / depositories, subject to a maximum age limit of seventy five years[67][:]

[68] [Provided further that in case of a limited purpose clearing corporation, the maximum age limit shall be seventy years or as may be specified by the Reserve Bank of India or the Board from time to time.]

[69][Explanation 1: For the purpose of this sub-regulation, the expression "competing recognised stock exchange or recognised clearing corporation" shall be applicable in case of appointment of a public interest director from one recognised stock exchange to another recognised stock exchange or one recognised clearing corporation to another recognised clearing corporation.

Explanation 2: For the purpose of this sub-regulation, where the recognised clearing corporation is a subsidiary of a recognised stock exchange, both the entities shall be treated as a single entity.]

(4) A public interest directors on the board of a recognized stock exchange or a recognized clearing corporation shall not act simultaneously as director on the board of its subsidiary or on the board of any other recognized stock exchange or recognized clearing corporation or depository or on the board of subsidiary of such other recognized stock exchange or recognized clearing corporation or depository.

(5) A public interest director on the board of a recognized stock exchange or a recognized clearing corporation shall keep its governing board apprised of any conflict of interest, which may arise as a result of the public interest director providing services, either directly or indirectly, to any company listed or traded on that recognized stock exchange, to any trading member or clearing member or their associates and agents

(6) No public interest director shall become a [70][non-independent directors] unless there is a cooling-off period of three years after ceasing to be a public interest director.

[65] Substituted for the words "nominated" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[66] Substituted for the symbol "/" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[67] Substituted for the symbol "." by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022 w.e.f. 12.08.2022.

[68] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022 w.e.f. 12.08.2022.

[69] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2025, w.e.f 30-07-2025.

[70] Substituted for the words "shareholder directors" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

(7) No public interest director on the board of a recognized stock exchange or a recognized clearing corporation, shall become a director on the board of subsidiary of that recognized stock exchange or recognized clearing corporation, as the case may be, unless there is a cooling-off period of three years after ceasing to be a public interest director.

(8) A public interest director on the board of a recognized stock exchange or a recognized clearing corporation shall not act simultaneously as a member on more than five committees of that recognized stock exchange or a recognized clearing corporation.

(9) Public interest directors shall be remunerated only by way of sitting fees as admissible to independent directors in the Companies Act, 2013.

(10) If any issue arises as to whether an assignment or position of a public interest director is in conflict with his role, the Board's decision shall be final.

(11) The application for appointment of Directors shall be made in the manner as specified under PART –H of Schedule – II of these regulations.

Appointment [71][,role and responsibilities] of managing director

25. (1) The appointment, renewal of appointment and termination of service of the managing director of a recognised stock exchange or a recognised clearing corporation shall be subject to the prior approval of the Board.

(2) Every recognised stock exchange or recognised clearing corporation shall, subject to the guidelines issued by the Board from time to time, determine the qualification, manner of appointment, terms and conditions of appointment and other procedural formalities associated with the selection/ appointment of the managing director.

(3) The appointment of the managing director shall be for a term not exceeding five years:

Provided that post the completion of the first term, the recognized stock exchange or the recognized clearing corporation shall conduct the appointment process for appointment of the Managing Director afresh:

Provided further that a person may be appointed as the Managing Director by the recognized stock exchange or recognized clearing corporation for a maximum [72][period of ten years], subject to a maximum age limit of sixty five years.

(4) The Managing director of a recognised stock exchange or a recognised clearing corporation shall not—

[71] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2025 w.e.f. 22.12.2025.

[72] Substituted for the words “of two terms not exceeding five years each” by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

(a) be a shareholder or an associate of a shareholder of a recognised stock exchange or recognised clearing corporation or shareholder of an associate of a recognised stock exchange or recognised clearing corporation, as the case may be;

(b) be a trading member or a clearing member or his associate and agent or shareholder of a trading member or clearing member or shareholder of an associate and agent of a trading member or a clearing member; or

(c) hold any position concurrently in the subsidiary of a recognised stock exchange or a recognised clearing corporation or in any other entity associated with a recognised stock exchange or a recognised clearing corporation:

Provided that the Managing Director of a recognised stock exchange may be appointed on the governing board, but not as managing director, of the subsidiary of a recognised stock exchange or a recognised clearing corporation.

[73][Provided further that the managing director may, with the prior approval of the governing board of the recognised stock exchange or the recognised clearing corporation, be appointed as:

a) non-executive director on the board of a company registered under Section 8 of the Companies Act, 2013;

b) non-executive director on the board of an unlisted government company not engaged in any commercial activity;

c) chairperson or member (non-executive capacity) of the governing board of an educational institution established by the Central Government, the State Government, a government company, or a statutory body, or

d) chairperson or member (non-executive capacity) of the governing board of a university established or incorporated by or under a Central Act or a State Act.]

(5) The Managing Director shall be liable for removal or termination of services by the governing board of the recognised stock exchange or recognised clearing corporation with the prior approval of the Board for failure to give effect to the directions, guidelines and other orders issued by the Board or the rules, the articles of association, bye-laws and regulations of the recognised stock exchange or the recognised clearing corporation.

(6) The Board may *suo motu* remove or terminate the appointment of the managing director if deemed fit in the interest of securities market:

Provided that no managing director shall be removed unless he has been given a reasonable opportunity of being heard.

[73] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2025 w.e.f. 22.12.2025.

(7) The conditions specified under this regulation for appointment of directors shall be applicable to a person holding position as managing director in a stock exchange or a clearing corporation on the date of commencement of these regulations.

Explanation: For the purpose of sub-regulation (7), the applicability shall be determined post the completion of the existing term and the prior term(s) completed by a managing director on the governing board of a recognized stock exchange or a recognized clearing corporation shall also be considered while determining the eligibility.

(8) [74][The roles and responsibilities of the managing director shall include the following:

a) management of the whole of the affairs of the recognised stock exchange or the recognised clearing corporation;

b) ensure that the recognised stock exchange or the recognised clearing corporation complies with the provisions of all applicable acts, rules and regulations, circulars, guidelines or directions issued thereunder from time to time;

c) ensure that the functions under Vertical 1 and Vertical 2 of the recognised stock exchange or the recognised clearing corporation, as provided in Part C of Schedule II of these regulations, are performed in the interest of the securities market and are guided by public interest, without having any revenue-oriented objectives.

d) be responsible for the overall risk management of the recognised stock exchange or the recognised clearing corporation; and

e) ensure that the recognised stock exchange or the recognised clearing corporation has adequate infrastructure and systems in place for its efficient functioning at all points of time.]

[75][Appointment of executive director

25A. (1) Every recognised stock exchange and recognised clearing corporation shall appoint two executive directors as key management personnel who shall head Vertical 1 and Vertical 2 respectively and the recognised stock exchange or recognised clearing corporation may, at its discretion appoint an executive director to head Vertical 3, as referred to in Part C of Schedule II of these regulations.

(2) The stature of executive directors shall be similar to that of the managing director.

(3) The process of appointment, renewal of appointment and termination of services of the executive directors shall be similar to that of the managing director as referred to in sub-regulations (1), (2), clauses (a) and (b) of (4), (5) and (6) of Regulation 25 of these regulations and subject to prior approval of the Board.

[74] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2025 w.e.f. 22.12.2025.

[75] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2025 w.e.f. 22.12.2025.

(4) The tenure and maximum age limit of the executive directors shall be similar to that of the managing director as referred to in sub-regulation (3) of Regulation 25 of these regulations.

(5) The executive director of a recognised stock exchange or a recognised clearing corporation shall not serve on the board of any other company:

Provided that the executive director of a recognised stock exchange or a recognised clearing corporation may, with the prior approval of the governing board of the recognised stock exchange or the recognised clearing corporation, be appointed on the board of a subsidiary of a recognised stock exchange or a recognised clearing corporation.

(6) The roles and responsibilities of executive directors of Vertical 1 and Vertical 2 shall include the following:

a) management of whole of the affairs of their respective verticals;

b) ensure that the functions under their respective verticals of the recognised stock exchange or the recognised clearing corporation are operating in the interest of the securities market and are guided by public interest, without having any revenue oriented objectives;

c) the executive director of Vertical 1 shall be responsible to ensure that adequate infrastructure and systems are in place for efficient functioning of the recognised stock exchange or the recognised clearing corporation; and

d) the executive director of Vertical 2 shall be responsible for the overall risk management of the recognised stock exchange or the recognised clearing corporation.]

[76] [Code of Conduct for the governing board, directors, committee members and key management personnel]

26. [77][(1) The governing board, directors, committee members and key management personnel of a recognised stock exchange and recognised clearing corporation shall abide by the Code of Conduct specified under Part-B of Schedule-II of these regulations.]

[76] Substituted for the words "Code of Conduct for directors and key management personnel" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[77] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f 28-08-2023. Prior to its substitution, sub-regulation (1) read as under –

"(1) Every director of a recognised stock exchange and a recognised clearing corporation shall abide by the Code of Conduct specified under Part- A of Schedule- II of these regulations."

[78][***]

(3) Every director and key management personnel of a recognised stock exchange and a recognised clearing corporation shall be a fit and proper person as described in regulation 20.

[79][***]

Compensation and tenure of key management personnel

27. (1) A recognised stock exchange or a recognised clearing corporation shall constitute a Nomination and Remuneration Committee comprising a majority of public interest directors and chaired by a public interest director.

(2) The Nomination and Remuneration Committee shall determine the compensation of key management personnel in terms of a compensation policy.

(3) The compensation policy shall be in accordance with the norms for compensation policy specified under PART – I of Schedule – II of these regulations.

(4) The compensation payable to the managing director shall be as approved by the Board and the terms and conditions of the compensation of the managing director shall not be changed without prior approval of the Board.

(5) The compensation given to the key management personnel shall be disclosed in the report of the recognised stock exchange or recognised clearing corporation under section 134 of the Companies Act, 2013.

(6) The report under sub-regulation (5) shall 80[consist of] ratio of compensation paid to each key management personnel, vis-a-vis. median of compensation paid to all employees of the recognized stock exchange or recognized clearing corporation.

(7) The tenure of a key management personnel, other than a director, shall be for a fixed period, as may be decided by the Nomination and Remuneration Committee.

[78] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its omission, sub-regulation (2) read as under-
"(2) Every director and key management personnel of a recognised stock exchange and a recognised clearing corporation shall abide by the Code of Ethics specified under Part- B of Schedule- II of these regulations."
[79] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its omission, sub-regulation (4) read as under-
"(4) The Board may, for any failure by the directors to abide by these regulations or the Code of Conduct or Code of Ethics or in case of any conflict of interest, either upon a reference from the recognised stock exchange or the recognised clearing corporation or *suo motu,* take appropriate action including removal or termination of the appointment of any director, after providing him a reasonable opportunity of being heard."

[80] Substituted for the words "comprise of" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022 w.e.f. 12.08.2022.

Explanation: For the purpose of sub-regulation (7), the tenure refers to the period of posting as key management personnel in a regulatory department, which shall be for a fixed period

[81][Segregation of functions

28. (1) Every recognised stock exchange and recognised clearing corporation shall identify its functions and segregate them into the following verticals:

(a) Critical Operations;

(b) Regulatory, Compliance, Risk Management and Investor Grievances; and

(c) Other functions including business development.

(2) The functions of the verticals under sub-regulation (1) above are provided at Part C of Schedule II of these regulations.

(3) The functions under the verticals as provided at clause (a) and (b) of sub-regulation (1) shall be given higher priority in terms of resource allocation by the recognised stock exchange and recognised clearing corporation over the functions under the vertical as provided at clause (c) of sub-regulation (1).

(4) Every recognised stock exchange and recognised clearing corporation shall periodically and objectively assess the adequacy of resources allocated to the first two verticals as specified in sub-regulation (1).

(5) Every recognised stock exchange and recognised clearing corporation shall adopt a "Chinese Wall" policy which separates the functions under vertical as provided at clause (b) of sub-regulation (1) from the functions of other verticals.

(6) The employees referred to in sub-regulation (5) shall not communicate any information concerning their activity to any one in other verticals and may be physically segregated from employees in other verticals including with respect to access controls:

Provided that in exceptional circumstances, employees from other verticals may be given confidential information on "need to know" basis, under intimation to the compliance officer.]

[81] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f 28-08-2023. Prior to its substitution regulation 28 read as under-

"Segregation of regulatory departments

28. The recognised stock exchange and recognised clearing corporation shall segregate its regulatory departments from other departments in the manner specified in Part - C of Schedule - II of these regulations.

Statutory committees

29 (1) Every recognised stock exchange / recognized clearing corporation shall constitute the committees as per sub-regulation (2) [82][,] sub-regulation (3) [83][and sub-regulation 3A].

(2)Functional committee, comprising [84][]:

(a)[85][Member [86]**[***]** committee [87][and];]

(b)[88][[89][*]]

(c)Nomination and remuneration committee.

(3)Oversight committees, comprising [90][]:

(a) Standing committee on technology;

(b) [91][***]

(c) Regulatory oversight committee; and

(d) Risk management committee.

[92][(3A) Investment Committee.]

[82] Substituted for the words "and" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f 28-08-2023.

[83] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[84] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022, w.e.f. 12-08-2022. Prior to its omission, it read as "of".

[85] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019. Prior to its substitution, it read as "(a) Member selection committee;"

[86] The words "and Core Settlement Guarantee Fund" omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2024 w.e.f. 30-07-2024.

[87] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[88] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its submission, clause(b) read as under-

*[Grievance redressal committee]

* The word "investor" omitted by the by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019.

[89] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019. Prior to its omission, it read as "Investor".

[90] Omitted the word "of "by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022, w.e.f. 12-08-2022..

[91] Omitted fby the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its omission clause (b) read as under-

"(b) Advisory committee;"

[92] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[93][(4) The composition, quorum and functions of the committees under sub-regulation (2), (3) and sub-regulation (3A) shall be in the manner as specified by the Board from time to time.]

[94][**Grievance Redressal Panel**

29A. Every recognised stock exchange and recognised clearing corporation shall have Grievance Redressal Panel(s) to resolve investor grievances which shall function in the manner as may be specified by the Board.]

Appointment of compliance officer

30. (1) Every recognised stock exchange and recognised clearing corporation shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, the Securities and Exchange Board of India Act, 1992, rules, regulations, or directions issued thereunder and for the redressal of investors' grievances.

(2) The compliance officer shall immediately and independently, report to the Board any non- compliance of any provision stated in sub-regulation (1) observed by him.

[95][(3) The compliance officer shall submit a report of any non-compliance of the Act, the Securities and Exchange Board of India Act, 1992, rules, regulations, circulars or directions issued thereunder and for the redressal of investors' grievances, to the Board on a quarterly basis in the manner as may be specified by the Board.

Appointment of the chief risk officer

30A. (1) Every recognised stock exchange or recognised clearing corporation shall appoint a chief risk officer to identify, monitor and initiate necessary steps to mitigate the risk associated with the functioning of a recognised stock exchange or recognised clearing corporation.

(2) The chief risk officer shall be responsible for the overall risk management of the recognised stock exchange or recognised clearing corporation and submit a report to the Board on a half-yearly basis.]

[96][Appointment, role and responsibilities of chief technology officer

93 Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its substitution, sub-regulation (4) read as under –
"(4) The composition, quorum and functions of the committees under sub-regulation (2) and sub-regulation (3) shall be in the manner as specified by the Board from time to time."

94 Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

95 Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

96 Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2025 w.e.f. 22.12.2025.

30B. (1) Every recognised stock exchange or recognised clearing corporation shall appoint a chief technology officer to oversee and manage technology-related system design, infrastructure, and operations.

(2) The role and responsibilities of the chief technology officer shall include the following:

(a) manage risks in all information technology related functions;
(b) formulate the information technology policy and the information technology risk management framework; and
(c) resolution and mitigation of observations arising from technology audits.

Appointment, role and responsibilities of chief information security officer

30C. (1) Every recognised stock exchange or recognised clearing corporation shall appoint a chief information security officer to assess, identify, and mitigate cybersecurity risks associated with the functioning of recognised stock exchange or the recognised clearing corporation and respond to cybersecurity incidents.

(2) The role and responsibilities of the chief information security officer shall include the following:

(a) establish appropriate standards and controls;
(b) direct the establishment and implementation of processes and procedures as per the cybersecurity and cyber resilience policy approved by the governing board of the recognised stock exchange or the recognised clearing corporation; and
(c) cyber security initiatives including planning, developing, maintaining, reviewing and implementation of Information Security Policies.]

Contribution to the Settlement Guarantee Fund

31. (1) The contribution to the Fund as specified in regulation 37 shall be made by the recognised stock exchange, the recognised clearing corporation and the clearing members, in the manner as may be specified by the Board from time to time.

(2) In case of shortfall in the Fund, the recognised clearing corporation and the recognised stock exchange shall replenish the Fund to the threshold level as may be specified by the Board from time to time.

Transfer of penalties

32. Penalties levied by recognised stock exchange or recognised clearing corporation shall be credited to its Investor Protection Fund or the Fund as specified in regulation 37, as the case may be.

Disclosure and corporate governance norms

33. (1) The disclosure requirements and corporate governance norms as specified for listed companies shall *mutatis mutandis* apply to a recognised stock exchange and a recognised clearing corporation.

(2) The governing board of a recognised stock exchange or a recognised clearing corporation shall confirm compliance of sub-regulation (1) in writing on half yearly basis.

(3) Recognised stock exchange and a recognised clearing corporation shall disclose resources committed towards strengthening regulatory functions and towards ensuring compliance with regulatory requirements applicable to the recognised stock exchange or recognised clearing corporation, as the case may be, backed by an activity based accounting in the report under section 134 of the Companies Act, 2013.

(4) The fees and charges levied by a recognised stock exchange or a recognised clearing corporation shall be placed for review before the Oversight Committee of such recognised stock exchange or recognised clearing corporation.

[97][(5) Every recognised stock exchange and recognised clearing corporation shall internally conduct annual evaluation of its performance and the performance of its statutory committees in such a manner as may be specified by the Board.

(6) Every recognised stock exchange and recognised clearing corporation shall also appoint an independent external agency to evaluate its performance and the performance of its statutory committees within such periodicity and in such a manner as may be specified by the Board.

(7) Every recognised stock exchange and recognised clearing corporation shall disclose, on their website, the agenda and minutes of its governing board meetings pertaining to regulatory, compliance, risk management and investor grievance areas, after approval of such minutes.

(8) If any director or key management personnel is or becomes aware of any act of wrongdoing at the recognised stock exchange or recognised clearing corporation and fails to report about it to its governing board or to the Board, such a person may be liable for action under these regulations, after providing him a reasonable opportunity of being heard.]

[97] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

CHAPTER VI

GENERAL OBLIGATIONS

Clearing and settlement of trades

34. Every recognised stock exchange shall, with effect from the date specified by the Board in this behalf, use the services of recognised clearing corporation(s) for clearing and settlement of its trades.

Agreement between stock exchange and clearing corporation

35. (1) Subject to provisions of sub-regulation (2), a recognised stock exchange shall avail the service of a recognised clearing corporation pursuant to an agreement in writing between them stipulating their rights and obligations, the conditions for admission of securities for clearing and settlement, risk management measures, charges for clearing and settlement and other incidental and consequential matters.

[98][Provided that in case a recognised stock exchange enters into an arrangement with more than one recognised clearing corporation, it shall enter into a multipartite agreement in writing with such recognised clearing corporations to ensure interoperability among the clearing corporations.]

(2) The recognised stock exchange shall extend its arbitration mechanism for settlement of disputes or claims arising out of clearing and settlement of trades executed on such stock exchange.

Admission of securities for clearing and settlement

36. (1) A recognised clearing corporation shall seek approval of the Board before extending its services to any segment of a recognised stock exchange and before admitting any securities for clearing and settlement.

(2) A recognized stock exchange shall not introduce any new segment without the prior approval of the Board.

Fund to guarantee settlement of trades

37. (1) Every recognised clearing corporation shall establish and maintain a Fund by whatever name called, for each segment, to guarantee the settlement of trades executed in respective segment of a recognised stock exchange:

[99][***]

[98] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019.

[99] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019. Prior to its omission, the proviso read as:

(2) In the event of a clearing member [100][or a participant] failing to honour his settlement obligations, the Fund shall be utilized to complete the settlement.

(3) The corpus of the Fund shall be adequate to meet the settlement obligations arising on account of failure of clearing member(s) [101][or participant(s)].

(4) The sufficiency of the corpus of the Fund shall be tested by way of periodic stress tests, in the manner specified by the Board.

(5) The utilization of the Fund shall be in accordance with the norms specified by the Board.

Utilization of profits and investments

38. (1)The utilization of profits and investments by recognised clearing corporations shall be in accordance with the norms specified by the Board.

(2) The recognized stock exchange or recognized clearing corporation shall not carry on any activity whether involving deployment of funds or otherwise without prior approval of the Board:

Provided that prior approval of the Board shall not be required in case of treasury investments if such investments are as per the investment policy approved by the governing board of recognized stock exchange or recognized clearing corporation;

Provided further, that the recognised stock exchange and recognised clearing corporation may engage in activities whether involving deployment of funds or otherwise that are unrelated or not incidental to its activity as a stock exchange or clearing corporation, as the case may be, [102][*] through a separate legal entity and subject to approval of the Board.

[103][(3) An employee of a recognised stock exchange or recognised clearing corporation shall not simultaneously be an employee of any other company where the recognised stock exchange or recognised clearing corporation has invested.

(4) A director, committee member or employee of a recognised stock exchange or a recognised clearing corporation shall not receive any compensation or any other financial benefit from the companies where the recognised stock exchange or recognised clearing corporation has invested, other than fees and expenses related to the governing board and committee meetings.]

"Provided that in case a recognised stock exchange enters into an arrangement with more than one recognised clearing corporation, it shall enter into a multipartite agreement in writing with such recognised clearing corporations to ensure interoperability among the clearing corporations."

[100] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2023, w.e.f. 24.07.2023.

[101] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2023, w.e.f. 24.07.2023.

[102] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019. Prior to its omission, it read as "except".

[103] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[104][Administration of specified intermediaries

38A. Notwithstanding anything contained in these regulations, with the approval of the Board, the activities of administration and supervision over specified intermediaries may be carried out by recognised stock exchange on such terms and conditions and to such an extent as may be specified.]

[105][Verification of risk-return metrics

38B. Notwithstanding anything contained in these regulations, the activity of a Past Risk and Return Verification Agency Data Centre as referred to in sub-regulation (2) of Regulation 12A of the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999, may be carried out by a recognised stock exchange, with the approval of the Board, on such terms and conditions as may be specified by the Board.]

Equal, fair and transparent access

39. (1) The recognised clearing corporation shall lay down a policy framework for ensuring that there is no discrimination while rendering clearing and settlement services in settlement of trades executed on shareholder stock exchange(s) and executed on non-shareholder stock exchange(s).

(2)The framework under sub-regulation (1) shall be made available on the website of the clearing corporation and shall provide the basis on which access to clearing and settlement services of the clearing corporation has been provided to a shareholder stock exchange(s) along-with the manner in which the said requirements should be complied by a non-shareholder stock exchange(s) to obtain access to clearing and settlement services.

(3)The recognised clearing corporation and recognised stock exchange shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities.

(4)If any issue arises in rendering non-discriminatory access to services of a recognized clearing corporation, the Board's decision shall be final.

[106][Information and Data Sharing Policy

39A. (1) Every recognised stock exchange and recognised clearing corporation and the company where the recognised stock exchange or recognised clearing corporation has

[104] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2024, w.e.f. 26-04-2024.

[105] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2025, w.e.f. 21-03-2025.

[106] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

invested shall lay down a framework for sharing and monitoring of data, including confidential and sensitive data.

(2) The policy framework shall contain: -

(a) means and manner of data sharing;

(b) types of data that can be shared;

(c) escalation matrix for data sharing;

(d) provisions to have a digital database for recording details of information shared along with recipients and reasons for sharing, etc.;

(e) mechanism to monitor the data shared, through use of technology, including periodic audits to ensure compliance with the policy framework; and

(f) accountability mechanism including fixing individual accountabilities for any breach of data sharing policy.]

[107][Responsibility for the use of artificial intelligence

39B. A recognized stock exchange and a recognized clearing corporation which uses artificial intelligence and machine learning tools and techniques, either designed by it or procured from third-party technology service providers, irrespective of the scale and scenario of adoption of such tools for conducting its business and servicing its clients or constituents, shall be solely responsible–

a) for the privacy, security and integrity of investors' and stakeholders' data including data maintained by it in a fiduciary capacity throughout the processes involved;

b) for the output arising from the usage of such tools and techniques it relies upon or deals with, and

c) for the compliance with applicable laws in force.

Explanation: For the purpose of this regulation, the expression "artificial intelligence and machine learning tools and techniques" may include any application or software program or executable system or a combination thereof, offered by a recognized stock exchange or a recognized clearing corporation to investors/stakeholders or used internally by it to facilitate trading and settlement or to carry out its activities including compliance requirements and the same are portrayed as part of the products offered to the public or under usage for compliance or management or other business purposes.]

[107] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2025, w.e.f. 10-02-2025.

Maintenance of books of accounts and records

40. [108][(1) Every recognised stock exchange shall maintain and preserve the following books of account and documents for a minimum period of eight years, namely: -

(a) Minute books of the meetings of—
  (i) members;
  (ii) governing body;
  (iii) any standing committee or committees of the governing body or of the general body of members.

(b) Register of members showing their full names and addresses and where any member of the stock exchange is a firm, full names and addresses of all partners.

(c) Register of authorised clerks.

(d) Register of remisiers of authorised assistants.

(e) Record of security deposits.

(f) Margin deposits book.

(g) Ledgers.

(h) Journals.

(i) Cash book.

(j) Bank pass-book.

(k) Such other books of accounts and documents as may be specified by the Board from time to time.]

(2) Subject to the provisions of any other law for the time being in force, every recognised clearing corporation shall maintain and preserve the following books of account and documents for a minimum period of eight years, namely:-

(a) Minute books of the meetings of:
  (i) governing board;
  (ii) any committees of the governing board;

(b) Record of clearing members showing their full names, addresses and details of bank and depository accounts for settlement purposes;

(c) Transaction records;

(d) Record of security deposits;

(e) Margin deposits book;

(f) Client margin collection details;

(g) Ledgers;

(h) Journals;

(i) Cash book;

(j) Bank account statement;

[108] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its submission, sub-regulation (1) read as under –
"(1)Every recognised stock exchange shall maintain and preserve the books of account and documents as per rule 14 of the rules."

(k) Such other books of accounts and documents as may be specified by the Board from time to time.

Submission of annual financial statements and returns

41. (1) Every recognised stock exchange and recognised clearing corporation shall furnish to the Board its annual financial statements and returns as per rule 17 and 17A of the rules.

(2) The records as per sub-regulation (1) with respect to the preceding financial year shall be furnished to the Board by the thirtieth of September of every year.

Bye-laws and rules of stock exchanges and clearing corporation

42. (1) A recognised stock exchange and recognised clearing corporation shall, with the prior approval of the Board, make bye-laws for the regulation of contracts and clearing and settlement, as the case may be, as per section 9 of the Act and these regulations.

(2) No memorandum of association, articles of association or any other constitution document, in so far as they relate to matters specified in section 3 of the Act or under these regulations and bye- laws of a recognised stock exchange or a recognised clearing corporation, shall be amended except with prior approval of the Board.

(3) The Bye-laws of the clearing corporation and procedure for submitting amendments to Articles/Rules/Bye-laws [*][109], etc., of a recognised stock exchange/ recognized clearing corporation for approval of the Board shall be made in the manner as specified under PART – E of Schedule – II of these regulations.

Settlement and netting

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

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

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

[109] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019. Prior to its omission, it read as "/Regulations"

other liability of or claim against the said trading member, clearing member or client, as the case may be.

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

[110][Obligation of Clearing Corporation in Commodity Derivatives

43A. Every recognized Clearing Corporation providing clearing and settlement services for commodity derivatives shall ensure guarantee for settlement of trades including good delivery.

Explanation: For the purpose of this regulation, "good delivery" shall mean the delivery of goods that is in proper form to transfer title and is of the quality and quantity as per contract specifications of the concerned exchange.]

Right of Clearing Corporation

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

[111][Orderly Winding Down

44A (1) Every clearing corporation shall devise and maintain a framework for orderly winding down of its critical operations and services covering both voluntary and involuntary scenarios.

(2) Every clearing corporation shall ensure that the framework provides for:-

a. the timely and orderly settlement or cessation or transfer of position(s), and/ or;
b. the transfer of the collateral(s) or deposit(s) or margin(s) or any other asset(s) of the members to another recognized clearing corporation that would take over the operations of the clearing corporation, and/or;
c. such other related matter.

(3) The framework referred to in sub-regulation (1) above, shall be in accordance with the guidelines specified by the Board in this regard from time to time.]

[112][CHAPTER VIA

[110] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.r.e.f. 03-10-2018.

[111] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2022, w.e.f. 15-11-2022.

[112] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2024, w.e.f. 29-08-2024.

RESTRICTION IN DEALING WITH UNREGULATED ENTITIES

Restriction in having association with certain persons

44B. (1) No recognized stock exchange or recognized clearing corporation or their agent, shall have any direct or indirect association, with another person who-

(i) provides advice or any recommendation, directly or indirectly, in respect of or related to a security or securities, unless the person is registered with or otherwise permitted by the Board to provide such advice or recommendation; or

(ii) makes any claim, of returns or performance expressly or impliedly, in respect of or related to a security or securities, unless the person has been permitted by the Board to make such a claim:

Provided that the provisions of this sub-regulation shall not apply in respect of an association through a specified digital platform.

(2) The recognized stock exchange or recognized clearing corporation shall ensure that any person associated with them or their agent does not engage in the activities mentioned in clauses (i) or (ii) of sub-regulation (1) without the necessary permission.

Explanation 1. – For the purposes of this regulation, the expression "association" shall mean-

(a) a transaction involving money or money's worth;

(b) referral of a client;

(c) interaction of information technology systems;

(d) any other association of a similar nature or character.

Explanation 2. – For the purposes of this regulation, the expression "specified digital platform" shall mean a digital platform as specified by the Board, which has a mechanism in place to take preventive as well as curative action, to the satisfaction of the Board, to ensure that such a platform is not used for indulging in any activity as referred to in clause (i) or (ii) of sub-regulation (1).

Explanation 3. – For the removal of doubts, it is clarified that the term "another person" in this regulation shall not include a person who is engaged in investor education, provided that such a person does not, directly or indirectly, indulge in any activity as referred to in clause (i) or (ii) of sub-regulation (1) without the necessary permission.

44C. The Board may, in case of violation of any of the provisions of regulation 44B, take such action as it may deem fit including action as provided under regulation 49.]

CHAPTER VII

LISTING OF SECURITIES

Listing

45. (1) Subject to the provisions of the applicable laws in force, a recognised stock exchange may apply for listing of its securities on any recognised stock exchange, other than itself and its associated stock exchange, if,—

(a) it is compliant with the provisions of these regulations particularly those relating to ownership and governance;

(b) it has completed three years of continuous trading operations immediately preceding the date of application of listing; and

(c) it has obtained approval of the Board:

Provided the Board may specify such conditions as it may deem fit in the interest of the securities market including those in relation to transfer of shares held by any person.

(2) A recognised stock exchange shall not list any securities of its associates.

(3) The securities of a recognised clearing corporation shall not be listed on any stock exchange.

Dematerialization

46. Securities of a recognised stock exchange and a recognised clearing corporation shall be in dematerialised form.

CHAPTER VIII

INSPECTION, ENQUIRIES AND ENFORCEMENT

Power to call for information

47. The Board may from time to time call for any information, documents or records from the recognised stock exchange or the recognised clearing corporation, or their governing board or any shareholder thereof.

Power of inspection

48. (1) The Board may at any time undertake inspection, conduct inquiries and audit of any recognised stock exchange or recognised clearing corporation, any associate of such

exchange or clearing corporation, any shareholder of such stock exchange or clearing corporation or any associate and agent of such shareholder.

(2) Where an inspection under sub-regulation (1) is undertaken by the Board, such recognised stock exchange or recognised clearing corporation or shareholder or associate and every manager, director, managing director, chairperson or officer and other employee of such recognised stock exchange, recognised clearing corporation, shareholder or associate shall cooperate with the Board.

[113][Power to issue directions and levy penalty]

49. (1)Without prejudice to the exercise of its powers under the provisions of the Act or the Securities and Exchange Board of India Act, 1992 and rules and regulations made thereunder, the Board may, either *suo motu* or on receipt of any information or during pendency of any inspection, inquiry or investigation or on completion thereof, in the interest of public or trade or investors or the securities market, issue such directions as it deems fit, including but not limited to any or all of the following:—

(a) directing a person holding equity shares or rights over equity shares in a recognised stock exchange or recognised clearing corporation in contravention of these regulations to divest his holding, in such manner as may be provided in the direction;

(b) directing transfer of any proceeds or securities to the Investor Protection Fund of a recognised stock exchange or Settlement Guarantee Fund of a recognised clearing corporation;

(c) debarring any recognised stock exchange or recognised clearing corporation, any shareholder of such recognised stock exchange or recognised clearing corporation, or any associate and agent of such shareholder, or any transferee of shares from such shareholder, directors and key management personnel of recognised stock exchange and recognised clearing corporation from accessing the securities market or dealing in securities for such period as may be determined by the Board.]

[114][(2) The Board may take action against a recognised stock exchange or recognised clearing corporation, director, committee member, key management personnel, employee or any other person associated with the recognised stock exchange or recognised clearing corporation, for any contravention or abetting the contravention of these regulations, including the Code of Conduct specified under these regulations, the provisions of the Act, the Securities and Exchange Board of India Act, 1992, any rules or regulations framed thereunder and any circulars or directions issued by the Board, either upon a reference or suo motu, as it deems fit, including but not limited to any or all of the following:—

(a) debarring a recognised stock exchange or recognised clearing corporation from introducing new products and services and restricting its existing activities, products and services.

[113] Substituted for the heading "Directions by the Board" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[114] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

(b) imposing such monetary penalty as may be determined by the Board, on the recognised stock exchange or recognised clearing corporation, directors, committee members, key management personnel, employees or any other person associated with the recognised stock exchange or recognised clearing corporation.

(c) restricting any such person to attend meetings or otherwise participate or involve themselves in the functioning of the recognised stock exchange and recognised clearing corporation.

Explanation– For the removal of any doubt, it is clarified that the power of the Board to take appropriate action under sub-regulation (2) is without prejudice to the exercise of its powers under the provisions of the Act, or the Securities and Exchange Board of India Act, 1992 and the rules and regulations made thereunder:

Provided that the Board while taking action under clauses (a) and (b) above shall have due regard to the factors, including but not limited to any or all of the following:—

(i) a mala fide intent; or
(ii) an act of commission or an act of omission; or
(iii) negligence, or
(iv) repeated instances of genuine decision making that went wrong.

(3) While adjudging the quantum of monetary penalty under the Act, or the Securities and Exchange Board of India Act, 1992, the Board shall have due regard to the factors, including but not limited to any or all of the following:—

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
(b) the amount of loss caused to the recognised stock exchange or recognised clearing corporation or the securities market as a result of the default; and
(c) the repetitive nature of the default.]

[115][CHAPTER VIII-A
POWER TO RELAX STRICT ENFORCEMENT OF THE REGULATIONS

Exemption from enforcement of the regulations in special cases.

49A. (1) The Board may, exempt any person or class of persons from the operation of all or any of the provisions of these regulations for a period as may be specified but not exceeding twelve months, for furthering innovation [116][***] relating to testing new products, processes, services, business models, etc. in live environment of regulatory sandbox in the securities markets.

[115] Inserted by the SEBI (Regulatory Sandbox) (Amendment) Regulations, 2020, w.e.f. 17-04-2020.

[116] The words "in technological aspects" omitted by the Securities and Exchange Board of India (Regulatory Sandbox) (Amendment) Regulations, 2021, w.e.f. 03-08-2021.

(2) Any exemption granted by the Board under sub-regulation (1) shall be subject to the applicant satisfying such conditions as may be specified by the Board including conditions to be complied with on a continuous basis.

Explanation. — For the purposes of these regulations, "regulatory sandbox" means a live testing environment where new products, processes, services, business models, etc. may be deployed on a limited set of eligible customers for a specified period of time, for furthering innovation in the securities market, subject to such conditions as may be specified by the Board.]

CHAPTER IX
MISCELLANEOUS

Power to remove difficulties

50. In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Board shall have the power to issue directions through guidance notes or circulars.

[117][Power to relax the strict enforcement of the regulations.

50A (1) The Board may suo motu or upon an application made by a recognised stock exchange or recognised clearing corporation, for reasons recorded in writing, grant relaxation from the strict compliance of any of the provisions of these regulations subject to such conditions as the Board deems fit to impose in the interests of investors in securities and the securities market, if the Board is satisfied that:

(a) the non-compliance is caused due to factors beyond the control of the entity; or

(b) the requirement is procedural or technical in nature.

(2) The recognised stock exchange or recognised clearing corporation making an application referred to under sub-regulation (1) shall pay a non-refundable fee of rupees one lakh payable by way of direct credit in the bank account through NEFT/ RTGS/ IMPS or online payment using the SEBI payment gateway or any other mode as may be specified by the Board from time to time.]

Power to specify procedures and issue clarifications

51. For the purposes of implementation of these regulations and matters incidental thereto, the Board may specify norms, procedures, processes, manners or guidelines as specified in these regulations, by way of circulars to recognised stock exchange(s) and recognised clearing corporation(s).

[117] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

Repeal and savings

52. (1) On and from the commencement of these regulations, the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 and the following circulars, shall stand rescinded:

(a) Circular No. CIR/MRD/DSA/33/2012, dated December 13, 2012 - Procedural norms on Recognitions, Ownership and Governance for Stock Exchanges and Clearing Corporations;
(b) Circular No. SEBI/HO/MRD/DSA/CIR/P/2016/30 dated January 22, 2016 - Amendment to SEBI Circular CIR/MRD/DSA/33/2012 dated December 13, 2012 pursuant to amendment in Regulation 2(1)(b) of SECC Regulations, 2012.

(2) Notwithstanding such repeal, anything done or any action taken or purported to have been taken or contemplated under the repealed regulations and circulars [118][referred to in sub-regulation (1)] before the commencement of these regulations shall be deemed to have been done or taken or commenced or contemplated under the corresponding provisions of these regulations.

(3) After the repeal of the regulations and circulars referred to in sub-regulation (1), any reference thereto in any regulation, guideline, circular or direction issued by the Board shall be deemed to be a reference to the relevant provisions of these regulations.

[119][(4) On and from the commencement of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2021, the Securities and Exchange Board of India (Regulatory Fee on Stock Exchanges) Regulations, 2006, shall stand repealed.

(5) On and from the date of repeal of Securities and Exchange Board of India (Regulatory Fee on Stock Exchanges) Regulations, 2006, anything done or any action taken or purported to have been taken or contemplated under the said regulations and circulars before the commencement of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2021 shall be deemed to have been done or taken or commenced or contemplated under the corresponding provisions of these regulations.]

SCHEDULE -I

FORM A

[*See* regulations 4 and 12]

[118] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2021, w.e.f. 23-03-2021.

[119] *Ibid.*

Application for recognition of clearing corporation under regulation 4/ Application for renewal of recognition of clearing corporation under regulation 12 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018

To
…….
…….

Subject: Application for recognition or renewal of recognition of a clearing corporation under regulation 4/regulation 12 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018.

Sir,

1. We/I on behalf of..... (name and address of clearing corporation) being a clearing corporation hereby apply for recognition/renewal of recognition for the purposes of the said Act in respect of clearing and settlement of contracts in securities.

2. Two copies of the rules, memorandum and articles of association relating in general to the constitution and management of the clearing corporation and two copies of the bye-laws for the clearing and settlement of contracts in securities are enclosed.

3. All the necessary information required in the Annexure to this Form is enclosed. Any additional information will be furnished as and when called for by the Board.

4. [120][We/I, on behalf of the said clearing corporation, hereby undertake to comply with the requirements of section 4 of the said Act and such other conditions and terms as may be contained in the certificate of recognition or be provided or imposed subsequently.

Proof of payment by way of direct credit into the bank account through NEFT/RTGS/IMPS or online payment using the SEBI Payment Gateway or any other mode as may be specified by the Board from time to time, towards payment of fees as specified in regulation 5/ regulation 12 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, is attached.]

[120] Substituted by the Securities and Exchange Board of India (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2023 w.e.f 01-04-2023. Prior to its substitution, clause (4) read as under -

"4. We/I, on behalf of the said clearing corporation, hereby undertake to comply with the requirements of section 4 of the said Act and such other conditions and terms as may be contained in the certificate of recognition or be provided or imposed subsequently.

Proof of payment by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other electronic mode permitted by RBI or through Demand Draft Nodated drawn in favour of Securities and Exchange Board of India towards payment of fees as specified in regulation 5/ regulation 12 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018,is attached."

Yours faithfully,
Authorised signatory

ANNEXURE TO FORM 'A'

Part I — General

1. Name of the applicant clearing corporation.
2. Address.
3. Date of establishment or incorporation of a clearing corporation.
4. Is your clearing corporation a joint stock company (state whether public or private) registered under the Companies Act?
5. Give details of your capital structure and attach three copies of the audited balance sheets and profit and loss account of the clearing corporation for the preceding three years.
6. Give details of shareholding pattern of the clearing corporation.
7. Has your business viability plan been appraised by a reputed agency having expertise in securities market for its viability? Give a copy of the appraisal report.
8. Have you entered into an agreement with recognised stock exchange(s) for clearing and settling its trades? Give the name of such stock exchange(s) and details of its organisation and management.

Part II — Clearing membership of clearing corporation.

9. State the number of clearing members at the time of application. Also specify how many are inactive.
10. State whether there is any provision, resolution or convention for limiting the number of clearing members and whether in pursuance thereof you have fixed a ceiling on the number of clearing members that you would admit.
11. Do you insist on any minimum qualifications and experience before enrolling new clearing members? If so, give details.
12. State the different classes of clearing members, if any, the number thereof and the privileges enjoyed by each class. What is the procedure followed by your clearing corporation for the admission of different classes of new clearing members?
13. What are the rates of your annual subscription in respect of the different classes of clearing members?
14. Do you collect any security deposit from your clearing members? If so, give details and also state the manner in which such deposits are utilised and the rate of interest allowed, if any.
15. Do you collect any admission or entrance fees from your clearing members? If so, how much?
16. Do you insist on your clearing members divesting themselves of other activities either as principal or as employee?
17. Give details of the scale of brokerage and other charges, if any, specified by your clearing corporation.
18. Do you prescribe standard form of agreement to be entered with the trading member for engaging the services of your clearing member? Attach two copies of such agreement.

19. What are the measures adopted by you to regulate or prohibit advertising or issuing circulars by your clearing members?
20. Do you require clearing members to supply such information or explanation and to produce such books relating to their business as your governing board may require?
21. Do you undertake periodic inspection of your clearing members? Give details including the number of annual inspections and manpower available for conducting inspection.

Part III — Governing Board

22. What is the present strength of your governing board? Give details of the constitution, powers of management, election and tenure of office of members of the governing board, and the manner in which its business is transacted.
23. Are any trade or commercial interest represented on your governing board? If so, give details of interests represented.
24. Do you associate members of investors associations with the management of your clearing corporation? If so, state the manner in which it is done.
25. Are there any Government or the Board representatives on your governing board? If so, furnish their names.
26. How many public interest directors are there on the governing board? Furnish their names, qualifications and experience.

[121][***]

28. Do you have any provision for the appointment of standing or ad hoc subcommittees of the governing board? If so, furnish details of their composition, appointment, term of office, powers and functions.
29. Give the designations, powers and duties of key management personnel of your clearing corporation. Give details as to the mode of their appointment, tenure of office and remuneration.
30. What are the disciplinary powers with the governing board to enforce due compliance by clearing members of the rules and bye-laws of the clearing corporation and generally to ensure proper standard of business conduct?
31. What provisions have you made for the levy and recovery of fees, fines and penalties?

Part IV — Clearing and Settlement

32. Describe the clearing and settlement system of the clearing corporation.
33. State the different kinds of products being cleared and settled or proposed to be cleared and settled in your clearing corporation (e.g., equity, equity derivative, currency derivatives, interest rate derivatives, debt instruments, etc.). State the period of delivery, payment and the settlement mechanism in each case.
34. What are the conditions subject to which trades are settled and cleared on your clearing corporation?

[121] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2024 w.e.f. 30-07-2024. Prior to omission, it read as:

"27. Do your rules provide for the direct election by clearing members on the Advisory Committee of the governing board? If so, give details of its constitution, tenure, powers and functions."

35. What are your requirements for admitting derivative transactions for clearing and settlement?
36. Do you have the right to prohibit, withdraw or suspend clearing and settlement of dealings admitted for clearing and settlement? If so, under what circumstances is this right exercised?
37. Give details of the clearing and settlement charges and other charges, if any, levied by your clearing corporation.
38. What provisions have you made for periodical settlement of contracts and differences thereunder, the delivery of, and payment for securities and the passing of delivery orders?

(a) How do you fix, alter or postpone the dates of settlement?

(b) Do you provide any safeguards for the prevention of market manipulation, especially in the case of physical delivery of shares in the derivative markets and for meeting emergencies in settlement? Give details.

(c) Provide a detailed assessment of the measures adopted to address the various risks faced by the clearing corporation in terms of the BIS-IOSCO paper on 'Principles for Financial Market Infrastructures.'

(d) Do you publish any statistics in regard to business done on the clearing corporation including the value of Settlement Guarantee Fund and transactions settled through the clearing corporation, if maintained? In particular, have you evolved any machinery for computing the gross and net exposure of the clearing corporation and the value of clearing and settling of different kinds of contracts permitted on your clearing corporation? Give details.

(e) (a) Do you have any bye-laws, contravention of which makes a contract void?
(2) Do you have necessary infrastructure, margin mechanism and adequate risk management mechanism to ensure market safety and integrity? Give Details
(3) Do you undertake any other activity other than clearing and settling? Give Details.
(4) What is your net worth? Give Details.
(5) Give details of business hours?
(6) What are the conditions subject to which dealings are admitted for clearing and settlement?

(f) Do you maintain Settlement Guarantee Fund? Give details of the corpus of the settlement guarantee fund, its contribution, circumstances for utilisation, priority of utilisation, etc

(g) How do you ensure the adequacy of the Settlement Guarantee Fund? Do you perform stress tests on a periodic basis. Give details and results of the latest stress test.

(h) What is the netting procedure adopted by the clearing corporation for determining the obligations of the clearing member?

(i) What is your policy in respect of settling trades of shareholder stock exchange and non-shareholder stock exchange?

(j) Do you have any provisions for regulating the volume of business and exposure taken by any individual clearing member other than through a system of margins? If so, give details.

(k) What provisions have you made for regulating— (a) the entering into contracts, their performance and rescission (b) the consequences of breach, default or insolvency on the part of trading or clearing members whether acting as buyers, sellers or intermediaries?

Part V — Infrastructure

(l) Do you have any machinery for arbitration of disputes between clearing members and/or between clearing members and their constituents and trading member and clearing member? Give details.

(m) Have you established connectivity with the depositories, clearing banks, stock exchange and clearing members? Give details.

(n) What is the average load that is being handled by your systems? What is the peak load that can be handled and the extent of scalability of the systems in times of stress?

(o) What is your business continuity plan? Give details including details of the disaster recovery site.
(p) What are the names, qualifications and expertise of your key management personnel?

FORM B

[*See* regulation 9 and 12]

The Securities and Exchange Board of India

No.....The Securities and Exchange Board of India, having considered the application for grant of recognition/renewal of recognition under regulation 4/regulation 12 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 by.....(name and address of clearing corporation) and being satisfied that it would be in the interest of the trade, in the interest of securities market and also in the public interest so to do, hereby grants, in exercise of the powers conferred by section 4 read with sub-section (4) of section 8A of the Securities Contracts (Regulation) Act, 1956, recognition to the said clearing corporation for.....year/years ending.....20 .....subject to the conditions stated herein below or as may be prescribed or imposed hereafter.

Seal of the Board
Date:
Place: Mumbai

Signature of Officer

SCHEDULE - II

[122][Part-A

[See regulation 10A]

[122] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its substitution, it read as under -

Code of conduct for the directors on the governing board

1. Meetings and minutes.

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

(a) not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting;

(b) not encourage the circulation of agenda papers during the meeting, unless circumstances so require;

(c) offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;

(d) insist on the minutes of the previous meeting being placed for approval in subsequent meeting;

(e) endeavour to have the date of next meeting fixed at each governing board meeting in consultation with other members of the governing board;

(f) endeavour to ensure that in case all the items of the agenda of a meeting were not covered for want of time, the next meeting is held within fifteen days for considering the remaining items.

2. Code of Conduct for the public interest directors.

(a) In addition to the conditions stated in Para (i) above, public interest directors of the recognised stock exchange or recognised clearing corporation shall, endeavour to attend all the governing board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the governing board or do not attend seventy five per cent. of the total meetings of the governing board in a calendar year.

(b) Public interest directors shall meet separately, at least once in six months to exchange views on critical issues.

(c) The public interest directors shall identify important issues which may involve conflict of interest for the stock exchange/ clearing corporation, or may have significant impact on the functioning of recognised stock exchange or recognised clearing corporation, or may not be in the interest of securities market. The same shall be reported to the Board.

3. Strategic planning.

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

(a) participate in the formulation and execution of strategies in the best interest of the recognised stock exchange or recognised clearing corporation and contribute towards pro-active decision making at the governing board level;

(b) give benefit of their experience and expertise to the recognised stock exchange or recognised clearing corporation and provide assistance in strategic planning and execution of decisions.

4. Regulatory compliances.

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

(a) ensure that the recognised stock exchange or recognised clearing corporation abides by all the applicable provisions of the Securities and Exchange Board of India Act, 1992, Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, rules and regulations framed thereunder and the circulars, directions issued by the Board from time to time;

(b) ensure compliance at all levels so that the regulatory system does not suffer any breaches;

(c) ensure that the recognised stock exchange or recognised clearing corporation takes steps commensurate to honour the time limit stipulated by Board for corrective action;

(d) not support any decision in the meeting of the governing board which may adversely affect the interest of investors and shall report forthwith any such decision to the Board.

5. General responsibility.

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

(a) place priority for redressing investor grievances and encouraging fair trade practice so that the recognised stock exchange or recognised clearing corporation becomes an engine for the growth of the securities market;

(b) endeavour to analyse and administer the recognised stock exchange or recognised clearing corporation issues with professional competence, fairness, impartiality, efficiency and effectiveness;

(c) submit the necessary disclosures/statement of holdings/dealings in securities as required by the recognised stock exchange or recognised clearing corporation from time to time as per their Rules or Articles of Association;

(d) unless otherwise required by law, maintain confidentiality and shall not divulge/disclose any information obtained in the discharge of their duty and no such information shall be used for personal gains;

(e) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and shall not engage in acts discreditable to their responsibilities;

(f) perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;

(g) perform their duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion;

(h) not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the recognised stock exchange or recognised clearing corporation.

PART - B

[*See* regulation 26(2)]

Code of Ethics for directors and key management personnel of stock exchanges or clearing corporations

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

1. **Objectives and underlying principles.**

The Code of Ethics for directors and key management personnel of the recognised stock exchange or recognised clearing corporation seeks to establish a minimum level of business/ professional ethics to be followed by these directors and key management personnel, towards establishing a fair and transparent marketplace. The Code of Ethics is based on the following fundamental principles:

(a) Fairness and transparency in dealing with matters relating to the stock exchange or clearing corporation and the investors.

(b) Compliance with all laws/ rules/ regulations laid down by regulatory agencies/ recognised stock exchange/ recognised clearing corporation.

(c) Exercising due diligence in the performance of duties.

(d) Avoidance of conflict of interest between self interest of directors/ key management personnel and interests of recognised stock exchange or recognised clearing corporation and investors.

2. **Regulatory oversight committee.**

For overseeing implementation of this Code, a regulatory oversight committee shall be constituted by every recognised stock exchange and recognised clearing corporation under the respective governing board.

3. **General standards.**

(a) Directors and key management personnel shall endeavour to promote greater awareness and understanding of ethical responsibilities.

(b) Directors and key management personnel, in the conduct of their business shall observe high standards of commercial honour and just and equitable principles of trade.

(c) The conduct of directors and key management personnel in business life should be exemplary which will set a standard for other members of the recognised stock exchange or recognised clearing corporation.

(d) Directors and key management personnel shall not use their position to give/get favours to/from the executive or administrative staff of the stock exchange or clearing corporation, technology or service providers and vendors of the recognised recognised stock exchange or recognized clearing corporation, or any listed company at the recognised stock exchange.

(e) Directors and key management personnel shall not commit any act which will put the reputation of the recognised stock exchange or recognised clearing corporation, in jeopardy.

(f) Directors, committee members and key management personnel of the recognised stock exchange or recognised clearing corporation, should comply with the provisions of all applicable law to the securities market.

4. Disclosure of dealings in securities by key management personnel of the stock exchange or clearing corporation.

(a) Key management personnel of the recognised stock exchange or recognised clearing corporation shall disclose on a periodic basis as determined by the recognized stock exchange or recognised clearing corporation (which could be monthly), all their dealings in securities, directly or indirectly, to the governing board/ regulatory oversight committee/ Compliance Officer.

(b) The dealings in securities shall also be subject to trading restrictions for securities about which key management personnel in the recognised stock exchange or recognised clearing corporation may have unpublished price sensitive information. Requirement laid down under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 shall be referred in this regard.

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

Explanation.—"securities" for the purposes of this Code shall not include mutual fund units.

5. Disclosure of dealings in securities by directors of the stock exchange or clearing corporation.

(a) All transactions / dealings in securities by the directors and their relatives shall be disclosed to the governing board of the recognised stock exchange or recognised clearing corporation.

(b) All directors shall also disclose the trading conducted by firms/corporate entities in which they hold twenty per cent. or more beneficial interest or hold a controlling interest, to the stock exchange/clearing corporation.

(c) The details including time period for disclosure under clause 5 (a) and 5 (b) above shall be prescribed by the stock exchange/clearing corporation, provided that the time period for disclosure shall not be later than fifteen days of the transaction / dealing.

(d) Directors who are Govt. of India nominees or nominees of Govt. of India statutory bodies or Public Financial Institutions and are governed by their own codes shall be exempt from this requirement.

6. Avoidance of conflict of interest.

a) No director of the governing board or member of any committee of the recognised stock exchange or recognised clearing corporation shall participate in any decisionmaking/adjudication in respect of any person /matter in which he is in any way, directly or indirectly, concerned or interested.

b) Whether there is any conflict of interest or not in a matter, shall be decided by the governing board.

7. Disclosures of beneficial interest.

All directors and key management personnel shall disclose to the governing board, upon assuming office and during their tenure in office, whenever the following arises:—

(a) any fiduciary relationship of self and family members and directorship/partnership of self and family members in any trading member or clearing member;

(b) shareholding, in cases where the shareholding of the director/key management personnel, directly or through his family exceeds 5 per cent. in any listed company or in other entities related to the securities markets;

(c) any other business interests.

8. Role of the Chairperson and directors in the day to day functioning of the stock exchange or clearing corporation.

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

(b) The Chairperson and directors shall abstain from influencing the employees of the recognised stock exchange or recognised clearing corporation in conducting their day to day activities.

(c) The Chairperson and directors shall not be directly involved in the function of appointment and promotion of employees unless specifically so decided by the governing board.

9. Access to information.

(a) Directors shall call for information only as part of specific committees or as may be authorised by the governing board.

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

(c) All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration/ gain.

(d) Any information relating to the business/operations of the recognised stock exchange or recognised clearing corporation, which may come to the knowledge of directors/ key management personnel during performance of their duties shall be held in strict confidence, shall not be divulged to any third party and shall not be used in any manner except for the performance of their duties.

10. Misuse of position.

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

11. Regulatory Oversight committee to lay down procedures.

(a) The regulatory oversight committee shall lay down procedures for the implementation of the code and prescribe reporting formats for the disclosures required under the code.

(b) The Compliance Officer shall execute the requirements laid down by the regulatory oversight committee.

While the objective of this Code is to enhance the level of market integrity and investor confidence, it is emphasized that a written code of ethics may not completely guarantee adherence to high ethical standards. This can be accomplished only if directors and key management personnel of the recognised stock exchange or recognised clearing corporation commit themselves to the task of enhancing the fairness and integrity of the system in letter and spirit.

PART – C

[See regulation 28]

Measures to ensure segregation of regulatory departments

(1) In order to ensure the segregation of regulatory departments, every recognised stock exchange and recognised clearing corporation shall adopt a "Chinese Wall" policy which separates the regulatory departments of the recognised stock exchange or recognised clearing corporation from the other departments. The employees in the regulatory departments shall not communicate any information concerning regulatory activity to any one in other departments. The employees in regulatory areas may be physically segregated from employees in other departments including with respect to access controls. In exceptional circumstances employees from other departments may be given confidential information on "need to know" basis, under intimation to the Compliance Officer.

(2) Regulation 28 of these Regulations mandate segregation of regulatory departments from other departments. For this purpose, an indicative list of regulatory departments is given below. The governing board of the stock exchange/ clearing corporation may specify any other department having a regulatory function in addition to the list given below as a regulatory department.

(3) Departments handling the following functions shall be considered as regulatory departments in a Stock Exchange:-

(a) surveillance,
(b) listing,
(c) member registration,
(d) compliance,
(e) inspection,
(f) enforcement,

Code of Conduct for Stock Exchanges and Clearing Corporations

A recognised stock exchange and a recognised clearing corporation shall:

(a) always abide by the provisions of the Act, Securities and Exchange Board of India Act, 1992, any Rules or Regulations framed thereunder, circulars, guidelines and any other directions issued by the Board from time to time.
(b) adopt appropriate due diligence measures.
(c) take effective measures to ensure implementation of risk management framework and good governance practices.
(d) take appropriate measures towards investor protection and education of investors.
(e) treat all its applicants or members in a fair and transparent manner.
(f) promptly inform the Board of violations of the provisions of the Act, Securities and Exchange Board of India Act, 1992, rules, regulations, circulars, guidelines or any other directions by any of its members or issuer.
(g) take a proactive and responsible attitude towards safeguarding the interests of investors, integrity of stock exchange's or clearing corporation's systems and the securities market.
(h) endeavor for introduction of best business practices amongst itself and its members.

(g) arbitration,
(h) default,
(i) investor protection,
(j) investor services,

(4) Departments handling the following functions shall be considered as regulatory departments in a Clearing Corporation:-
(a) Risk management,
(b) member registration,
(c) compliance,
(d) inspection,
(e) enforcement,
(f) default,
(g) investor protection,
(h) investor services,

(5) The recognized stock exchange / recognized clearing corporation shall ensure that the regulatory departments viz., surveillance, inspection, risk management, default, investor protection, investor services etc, are sufficiently staffed with adequate number of persons having professional and relevant experience at all times.

(i) act in utmost good faith and shall avoid conflict of interest in the conduct of its functions.

(j) not indulge in unfair competition, which is likely to harm the interests of any other stock exchange or clearing corporation, their members or investors or is likely to place them in a disadvantageous position while competing for or executing any assignment.

(k) Segregate roles and responsibilities of key management personnel within the stock exchange and clearing corporation including
   i. Clearly mapping legal and regulatory duties to the concerned position
   ii. Defining delegation of powers to each position
   iii. Assigning regulatory, risk management and compliance aspects to business and support teams

(l) be responsible for the acts or omissions of its employees in respect of the conduct of its business.

(m) monitor the compliance of the rules and regulations by the members and shall further ensure that their conduct is in a manner that will safeguard the interest of investors and the securities market.

Part-B
[See regulation 26(1)]

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

I. Governing Board

The governing board of the recognised stock exchange and recognised clearing corporation shall-

a) evaluate profitability margins of the stock exchanges or clearing corporations.
b) ensure adequacy of resource allocation (both financial and human) towards regulatory compliances.
c) focus on strategy, policy level issues and important matters and may review the day-to-day operational matters only in exceptional cases.
d) oversee the critical operations including technology as well as the regulatory, risk management, compliance and investor grievance redressal functions of the stock exchange or clearing corporation.
e) take the lead in succession planning for the managing director and other key positions.
f) play an active role in defining, establishing and documenting risk management framework, covering risk appetite or risk tolerance policy of the stock exchange or clearing corporation and ensure that the policy contains the following:-

i. role of risk appetite in key processes
ii. clear quantitative metrics and thresholds to monitor performance of the stock exchange's or clearing corporation's risk appetite
iii. acceptability of breaches and trigger response(s), if any.
iv. zero tolerance for areas such as cyber security, system stability, surveillance, fair access, fraud or corruption, compliance, etc.

g) make key stakeholders (executive and non-executive) aware of the use and value of risk appetite across the organization (including implications of breaches) and review and approve risk appetite metrics and thresholds periodically.
h) ensure adequate independence of key functions such as regulatory and control functions (risk management, compliance and audit functions) such that;

i. regulatory and control functions have sufficient stature to perform their tasks effectively.
ii. regulatory and control functions operate independently and have appropriate direct access to the governing board of the stock exchange and clearing corporation and senior management.
iii. control functions are proactively involved in all relevant decisions and activities.

i) Provide for three lines of defense construct where:

i. the first line of defense incorporates business units and support functions as it has the responsibility to own and manage risks associated with day to day operational activities.
ii. the second line of defense [123][consists of] various oversight functions i.e., regulatory, risk management, compliance teams, and
iii. the third line of defense comprises the internal audit function.

j) ensure that the roles and responsibilities of management in relation to three lines of defense are clearly specified and understood and that all employees are responsible for the regulatory, risk management and compliance outcomes.
k) ensure a culture of effective communication and challenge (i.e., encourage alternate views or questions from individuals and groups) and value and respect it.
l) ensure that any new product, service, revenue stream is examined by the concerned department of the stock exchange or clearing corporation from the compliance and risk management perspectives in addition to normal viability issues before approving the same.
m) review periodically all existing products, services and revenue streams.

[123] Substituted for the words "comprises of" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2023 w.e.f 23-08-2023.

n) shall meet, without the presence of the managing director and any other executive director, the chief regulatory officer or compliance officer, the chief risk officer, the chief information security officer, the statutory auditor of the stock exchange and clearing corporation and any other person as determined by the public interest directors and non-independent directors to discuss important issues concerning the stock exchange and clearing corporation, on a periodic basis as specified by the Board.

o) periodically review the frequency of meetings and agenda items of the governing board and statutory committees to ensure that the number of meetings is rationalized and all important issues are discussed.

p) ensure that the agenda papers are approved by the Chairman of the governing board.

q) ensure that members of the governing board can place agenda item during their meeting.

r) be responsible for monitoring compliance with the code of conduct by the directors of the stock exchange and clearing corporation.

s) uphold a strong culture in the stock exchange or clearing corporation and promote target culture from the top through behaviour, actions and effective communication.

t) communicate the guiding principles for institution's target regulatory, compliance, risk and conduct culture.

u) endeavor that the stock exchange and clearing corporation put in place key elements related to culture such as:

    i. adequate training programs to help employees better understand expectations of behavior (for example, trainings on dilemmas);
    ii. mechanisms to measure and track indicators related to culture at regular intervals;
    iii. accountability mechanisms; and
    iv. performance management mechanisms which take into account adherence to culture, conduct and behavior related dimensions.]

II. Code of Conduct for directors, committee members and key management personnel

A. Applicable to directors, committee members and key management personnel of stock exchange and clearing corporation:

1. General Responsibility.

Every director, committee members and key management personnel of the recognised stock exchanges or recognised clearing corporations shall—

(a) analyse and administer the stock exchanges' and clearing corporations' issues with professional competence, fairness, impartiality, efficiency and effectiveness;
(b) submit the necessary disclosures, statement of holdings, dealings in securities as required by the stock exchanges and clearing corporations from time to time as per their rules, bye-laws or articles of association;
(c) unless otherwise required by law, maintain confidentiality and not divulge or disclose any information obtained in the discharge of their duty and no such information is used for personal gains;
(d) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and not engage in acts discreditable to their responsibilities;
(e) perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;
(f) perform their duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion;
(g) not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the stock exchanges and clearing corporations;
(h) promote greater awareness and understanding of ethical responsibilities;
(i) in the conduct of their business, observe high standards of commercial honour and; just and equitable principles of trade;
(j) be exemplary in their conduct in business life which may set a standard for others;
(k) not use their position to give or receive favours to or from the executive or administrative staff of the stock exchange or clearing corporation, technology or service providers and vendors or suppliers of the stock exchange and clearing corporation, or any listed company at the stock exchange or any issuer company admitted by the stock exchanges and clearing corporations;
(l) not commit any act which will put the reputation of the stock exchanges or clearing corporations in jeopardy;
(m) comply with the provisions of all applicable laws pertaining to the securities market;
(n) directors and key management personnel shall at all point of time comply with all the internal policies of the stock exchange and clearing corporation including their code of conduct. If there is a conflict between the code of conduct policy of the stock exchange or clearing corporation with those provided by the Board, then the policy issued by the Board shall prevail.

2. Regulatory Compliances.

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

(a) ensure that the stock exchange or clearing corporation abides by all the applicable provisions of the Act, the Securities and Exchange Board of India Act, 1992, rules and regulations framed thereunder and the circulars, directions or any other instructions issued by the Board from time to time;

(b) ensure compliance at all levels so that the regulatory system does not suffer any breaches;

(c) ensure that the stock exchange or clearing corporation takes steps commensurate to honour the time limit stipulated by Board for corrective action.

3. Disclosures of Beneficial Interest.

All directors, committee members and key management personnel shall disclose to the governing board of recognised stock exchange or recognised clearing corporation, upon assuming office and during their tenure in office, whenever the following arises:—

(a) any fiduciary relationship of self and family members and directorship or partnership of self and family members in any trading member or clearing member or depository participant or registrar and transfer agent;

(b) shareholding, in cases where the shareholding of the director or key management personnel, directly or through his family exceeds 5 percent in any listed company or in other entities related to the securities markets;

(c) any other business interests.

4. **Access to Information.**

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

(b) All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration or gain.

(c) Any information relating to the business or operations of the stock exchange or clearing corporation, which may come to the knowledge of directors or committee members or key management personnel during performance of their duties shall be held in strict confidence, shall not be divulged to any third party and shall not be used in any manner except for the performance of their duties.

(d) Directors shall call for information only as part of specific committees or as may be authorised by the governing board of stock exchange or clearing corporation.

5. Misuse of Position.

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

B. Applicable to the Directors and Committee Members

1. **Meetings and Minutes.**

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

(a) not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise and in such cases the same shall be disclosed and recorded in the minutes of the meeting;

(b) not encourage the circulation of agenda papers during the meeting, unless circumstances so require;

(c) ensure that minutes are recorded to capture all points of opinion comprehensively;

(d) offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;

(e) insist on the minutes of the previous meeting being placed for approval in subsequent meeting;

(f) endeavor to have the date of next meeting fixed at each governing board meeting and committee meetings respectively in consultation with other respective members of the governing board and committees;

(g) ensure that all important agendas placed before the governing board of stock exchange and clearing corporation and committees are deliberated in a timely manner;

(h) not support any decision in the meeting of the governing board of stock exchange and clearing corporation and the committees respectively which may adversely affect the interest of investors and shall report forthwith any such decision to the Board.

2. **Role of the directors and committee members in the day to day functioning of the recognised stock exchange and recognised clearing corporation.**

(a) The directors and committee members shall not interfere in the day to day functioning of the stock exchange or clearing corporations and shall limit their role to decision making on policy issues and to issues as the governing board of stock exchange and clearing corporation may decide.

(b) The directors and committee members shall abstain from influencing the employees of the stock exchange and clearing corporations in conducting their day to day activities.

(c) The directors and committee members shall not be directly involved in the function of appointment and promotion of employees unless specifically so decided by the governing board of stock exchange and clearing corporation.

3. **Avoidance of Conflict of Interest.**

(a) No director or committee member of the stock exchange or clearing corporation shall participate in any decision making or adjudication in respect of any person

or matter in which he or she is in any way, directly or indirectly, concerned or interested.

(b) Conflict of interest in a matter, if any, shall be decided by the governing board of the stock exchange and clearing corporation.

4. Strategic Planning.

Every director and committee member of the recognised stock exchange and recognised clearing corporation shall—

(a) participate in the formulation and execution of strategies in the best interest of the stock exchange and clearing corporation and contribute towards pro-active decision making at the governing board level;

(b) give benefit of their experience and expertise to the stock exchange and clearing corporation and provide assistance in strategic planning and execution of decisions;

(c) place priority for redressing investor grievances and encouraging fair trade practice so that the stock exchange and clearing corporation becomes an engine for the growth of the securities market.

5. Disclosure of dealings in securities by Directors of the recognised stock exchange and recognised clearing corporations.

(a) All transactions or dealings in securities by the directors and their immediate relatives (as defined in the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015) shall be disclosed to the governing board of the stock exchange or clearing corporation.

(b) All directors shall also disclose the trading conducted by firms or corporate entities in which they hold twenty percent or more beneficial interest or hold a controlling interest, to the stock exchange or clearing corporation.

(c) The details including time period for disclosures stated above shall be provided by the stock exchange and clearing corporation, provided that the time period for disclosure shall not be later than fifteen days of the transaction/ dealing.

(d) Directors who are nominees of Government of India, its statutory bodies or Public Financial Institutions and are governed by their own codes shall be exempt from this requirement.

C. Applicable to Public Interest Directors

(a) Public Interest Directors of the stock exchange and clearing corporations shall endeavor to attend all the governing board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the governing board or do not attend seventy-five percent of the total meetings of the governing board in a calendar year.

(b) Public interest directors shall meet separately, at least once in six months to exchange views on critical issues. Public interest directors shall submit a report of such meeting to the Board and to the governing board of the recognised stock

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

(c) Public interest directors shall identify important issues which may involve conflict of interest for the stock exchange and clearing corporation or may have significant impact on the functioning of the stock exchange and clearing corporation or may not be in the interest of securities market. The same shall be reported to the Board in a time bound manner.

(d) Public interest directors shall have regular oversight on observations of Board's inspection particularly on issues of governance standards, technology and cyber security and system audit and cyber security audit observations.

(e) Public interest directors should be proactive in identifying any issues concerning functioning of stock exchange or clearing corporations and report the same to the Board. Public interest directors should ensure all regulatory communication/letter from the Board are placed before the governing board with comments/report of managing director.

(f) Public interest directors shall put in place an evaluation mechanism to assess the performance of managing directors on a continuing basis in line with evaluation guidelines for public interest directors.

(g) Public interest directors to ensure that appointments of managing director be held within specified timelines. Identification of key management personnel be closely scrutinized as per the laid down procedure and exceptions should be brought to the notice of the Board.

(h) Public interest directors should take proactive part in the deliberations of different committees and steer their functioning.

(i) Ensure adequacy of resource allocations (both financial & human) towards regulatory compliances to be ensured.

D. Applicable to Independent External Professionals

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

E. Applicable to key management personnel:

(a) Managing director of the stock exchange or clearing corporation shall meet employees without the presence of other key management personnel (the heads of departments) to discuss important issues pertaining to stock exchange or clearing corporation.

(b) Key management personnel of the stock exchange and clearing corporation shall disclose on a periodic basis as determined by the stock exchange and clearing corporation (which could be monthly), all their dealings in securities, directly or indirectly, to the governing board or regulatory oversight committee or compliance officer of stock exchange and clearing corporation.

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

Explanation. - "securities" for the purpose of this code shall not include mutual fund units.

PART C

[See Regulation 28(2)]

Core functions of recognised stock exchange and recognised clearing corporation

1. For recognised stock exchanges the core and critical functions shall include but not limited to:

    a. Vertical 1: Critical operations
        i. Provision and operation of trading facilities;
        ii. Record keeping and disclosure of trade related information;
        iii. IT infrastructure for core and critical functions;
        iv. Business continuity plan and disaster recovery operations;
        v. Cyber security and cyber resilience framework.

    b. Vertical 2: Regulatory, compliance, risk management and investor grievances
        i. Risk management;
        ii. Surveillance and investigation;
        iii. Listing;
        iv. Member registration;
        v. Compliance;
        vi. Inspection;
        vii. Enforcement;
        viii. Arbitration and grievance redressal mechanism;
        ix. Member default;
        x. Investor protection and services.

    c. Vertical 3: Other functions including business development
        i. Sales;
        ii. Marketing;
        iii. Product development;
        iv. Finance;

2. For recognised clearing corporation the core and critical functions shall include but not limited to:

    a. Vertical 1: Critical operations
        i. Provision for clearing and settlement;
        ii. Record keeping of information related to clearing and settlement of trades;

iii. IT infrastructure for core and critical functions;
iv. Business continuity plan and disaster recovery operations;
v. Cyber security and cyber resilience framework.

b. Vertical 2: Regulatory, compliance, Risk Management and investor grievance
i. Risk management;
ii. Member registration;
iii. Compliance;
iv. Inspection;
v. Enforcement;
vi. Member default;
vii. Investor protection and services.

c. Vertical 3: Other functions including business development
i. Sales;
ii. Marketing;
iii. Product development;
iv. Finance.]

PART - D

Application for seeking recognition as a Stock Exchange/ Clearing Corporation

[See regulation 4, 6 and 7]

(1) An applicant seeking recognition as a stock exchange/ clearing corporation shall substantiate its capability to fulfill all the requirements laid down under SCRA, SCRR and regulation 7 of these Regulations at the time of making the application.

(2) For the purpose of grant of in-principle approval under regulation 7(5) of these Regulations, the Board may take into account the factors which it may deem fit in the interest of the securities market. For this purpose, the Board may consider the information and documents including but not limited to the following:-

(a) Business feasibility plan for the next five years,
(b) Net worth certificate/ financial books and bank account details,
(c) Detailed write-up on each of its functions,
(d) Details of authorised officials along with specimen signatures of the authorized signatories,
(e) Proposed organisational structure,
(f) Necessary undertakings,
(g) Manpower planning,
(h) Background and necessary information (as specified herein) to establish that its shareholders/promoters are fit and proper persons, Information regarding its Office set-up, appointment of Managing Director after following due process.

(3) Before grant of final approval, in addition to the above, the applicant shall satisfy the Board with regard to compliance of the following:

(a) Appointment of heads of key departments such as legal, listing, member registration, trading and surveillance in case of a stock exchange, and
(b) Appointment of heads of key departments such as risk, legal, clearing and settlement, in case of a clearing corporation.
(c) Satisfactory compliance with observations of the Board during inquiry/ inspection by the Board.
(d) Any other requirement as the Board may deem necessary for disposal of the application.

PART - E

Bye-laws of Clearing Corporation, and procedure for submitting amendments to Articles/Rules/Bye- laws [*][124], etc., of a recognised stock exchange / recognized clearing corporation for approval of the Board

[See regulation 42]

(1) A clearing corporation shall in terms of applicable provisions of section 9 of the SCRA and regulation 42 of these Regulations make bye-laws, providing *inter alia* for the following:-

(a) the timings for pay-in and pay-out of funds and securities;
(b) rules for clearing and settlement;
(c) risk management mechanism;
(d) process of netting, novation and guarantee for settlement of trades;
(e) norms for contribution into and utilisation of the Fund in terms of regulation 39 of these Regulations ;
(f) rights and obligations of the clearing members vis-a-vis the clearing corporation, other clearing members, the trading members and clients of such trading members;
(g) criteria for admission and regulation of clearing members;
(h) default handling mechanism;
(i) Committees.
(j) any other matter as may be specified by the Board.

(2) **Procedure for submitting amendments to Articles/Rules/Bye- laws [*][125], etc., for approval of the Board:-** The amendments to the Memorandum, Articles of Association, Rules, bye-laws [*] [126] (as may be applicable) etc., of the stock exchange/clearing corporation, in terms of the Securities Contracts (Regulation) Act, 1956, the Securities Contracts (Regulation) Rules, 1957, other applicable provisions in this regard, shall be submitted for approval of the Board, subsequent to the following.

[124] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019. Prior to its omission, it read as "/Regulations".

[125] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019. Prior to its omission, it read as "/Regulations".

[126] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019. Prior to its omission, it read as ", Regulations".

a. The proposed amendment/s shall first be approved by the governing board of the stock exchange/clearing corporation, followed by shareholders approval (wherever applicable), then shall be submitted to the Board for approval and then published in the Gazette of India (wherever applicable) and the respective State.

b. The proposal shall be accompanied by the minutes of the governing board, the shareholder's resolution and public criticism. However, in case the amendments are pursuant to Regulations, circular etc, issued by the Board, the same shall not be subject to shareholder's approval.

PART - F

Application for grant of approval for holding equity shares in a recognized stock exchange or recognized clearing corporation.

[See regulation 19 (4)]

(1) A shareholder seeking approval of the Board for holding equity shares in a recognised stock exchange or recognised clearing corporation shall submit the following particulars:

(a) Name

(b) Address

(c) Details of employment/ business, if any:

(d) SEBI registration number, if any.

(e) Details of registration with other statutory authorities,.

(f) Declaration regarding the fulfillment of requirements of regulation 20 of these Regulations.

(g) Details of action /penalties taken/imposed against/upon him/it by any statutory authority in India or abroad.

(h) Details of activities that may, in the opinion of the shareholder, lead to his/its disqualification.

(i) Association with trading members/clearing members of stock exchanges/clearing corporations.

(j) Cases pending before any Court, Tribunal or any other statutory authority in India or abroad, if any.

(k) Prior approvals from the Board as fit and proper, if any.

PART G

Monitoring of shareholding limits

[See regulation 19A]

(1) [127][The] stock exchange/clearing corporation shall put in place a monitoring mechanism to ensure compliance with the shareholding conditions specified in these Regulations at all times. Stock exchange/clearing corporation shall:-

(a) Check the shareholding data on a periodic basis to ensure that the shareholding restrictions specified under Chapter IV of [128][***] these Regulations are complied with at all times.
(b) Upon breach of shareholding limits, they shall intimate the same to the Board within 7 days.
(c) In case of listed stock exchanges, they would be guided by the [129][guidelines as specified by the Board from time to time].
(d) Disseminate on its website, the number of shares available in the non-public, FII and FDI category. The information shall also be disseminated by the stock exchange on which the shares may be listed.

PART – H

Appointment of Directors

[See regulation 24 and 25]

[130][(I)] Procedure for appointment:-

(1) All directors while seeking approval shall submit to the stock exchange/clearing corporation the following details:-

(a) Name
(b) Address
(c) Educational qualification
(d) Details of employment/ Occupation, past and present
(e) Details of other directorships
(f) DIN No.
(g) Declaration regarding the fulfillment of requirements specified under regulation 20 of these Regulations.

[127] The words, figures and symbol "In terms of sub-regulation 10 of regulation 19, the" substituted by the word "The" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2024 w.e.f. 30-07-2024.

[128] The word "the" omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2024 w.e.f. 30-07-2024.

[129] The words, figures and symbol "Board circular dated January 01, 2016" substituted by the words "guidelines as specified by the Board from time to time" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2024 w.e.f. 30-07-2024.

[130] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019.

(h) Declaration confirming compliance of Regulation 23 (6) read with Regulation 2 (1) (b) of these Regulations, in respect of non-association with trading member or clearing member.
(i) Details of regulatory action taken against by any statutory authority in India.
(j) Details of activities that may in the opinion of the director, lead to his disqualification.
(k) Association with trading members/clearing members of stock exchanges/clearing corporations.
(l) Disclosure of the names of his dependents associated with the securities market as member, sub-broker, authorized person or holding any SEBI registration.
(m) An undertaking that he shall abide by the code of conduct and code of ethics prescribed in Part A and Part B of Schedule II to these Regulations.
(n) In the case of public interest directors, consent letters for acting as a public interest director.
(o) Pending / completed criminal cases pending before any authority in India or abroad, if any.

[131][(2) The recognised stock exchange or recognised clearing corporation shall forward the above details to the Board while recommending their names along with the minutes of the governing board meeting where their name(s) was approved, copy of the shareholders' resolution (wherever applicable) and a confirmation by the recognised stock exchange or recognised clearing corporation that they are fit and proper persons in terms of the fit and proper criteria, are not associated with any trading member or clearing member in terms of regulation 23 (6) read with regulation 2 (1) (b) of these regulations and compliance with the requirements specified in regulation 23 (14).]

[132][(II)] Managing Director / Executive Director:-

(1) The Nomination and Remuneration Committee of the recognized stock exchange/ recognized clearing corporation shall be responsible for selection of CEO /Managing Director / Executive Director, as the case may be. The managing director shall be selected through open advertisement in all editions of atleast one national daily from amongst persons qualified in the fields of capital market/ finance/ management and possessing sufficient experience. [133][The stock exchange/ clearing corporation shall forward the new

[131] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f 28-08-2023 Prior to its substitution sub-clause (2) read as under-
"(2)The stock exchange/ clearing corporation shall forward the above details to the Board while recommending their names along with the minutes of the governing board meeting where their name/s was approved, copy of the shareholder's resolution (wherever applicable), a confirmation by the stock exchange/ clearing corporation that they are fit and proper persons in terms of their fit and proper criteria and are not associated with any trading member or clearing member in terms of regulation 23 (6) read with regulation 2 (1) (b) of these Regulations."

[132] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019.

[133] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019. Prior to its substitution, it read as "In case of re-appointment, or extension of appointment, the stock exchange/ clearing corporation shall apply to the Board two months before the last working day of such Managing Director".

names to the Board before two months from the last working day of the existing Managing Director].

(2) In case a vacancy of managing director arises due to unforeseen reasons, the stock exchange/ clearing corporation shall forward the new names to the Board within 60 days from the date of submission of resignation or such vacation of office.

[134][(III)] Public Interest Directors:-

(1) [135][The names of the public interest directors shall be forwarded to the Board after the approval of the governing board of the recognised stock exchange or recognised clearing corporation. The shareholders' approval shall not be necessary. A minimum of two names shall be submitted to the Board for each vacancy of public interest directors, two months before such vacancy.]

(2) The stock exchange/ clearing corporation shall ensure that public interest directors are selected from diverse field of work. While deciding to propose a particular person as a public interest director, the stock exchange/ clearing corporation shall also take into account the following factors:

(a) [136][Qualifications as specified in sub-regulation (14) of regulation 23.]
[137][***]

(c) Atleast one person shall be inducted having experience and background in finance / accounts who may preferably be inducted in the audit committee.

(d) Persons currently holding positions of trust and responsibility in reputed organisations or person who have retired from such positions.

(e) Persons who are likely to have interested positions in commercial contracts and financial affairs of stock exchanges, may preferably be excluded. Persons who are regular traders/ speculators in the market or are director in the board of the promoter entity of the Stock Exchange or Clearing Corporation, shall be excluded.

[134] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019.

[135] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its substitution sub-clause (1) read as under-

(1) [The names of public interest directors shall be forwarded to the Board after the approval of the Board of the stock exchange/clearing corporation. The shareholders approval shall not be necessary. A minimum of two names shall be submitted to the Board for each vacancy of public interest directors.]

[136]Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023 Prior to its substitution item (a) read as under-

"(a)Qualification in the area of law, finance, accounting, economics, management, administration or any other area relevant to the financial markets."

[137] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

(3) [138][Public interest directors shall peruse the relevant laws, code of conduct, etc. and submit an undertaking to the recognised stock exchange or recognised clearing corporation that they are aware of their role, responsibilities and obligations.]

(4) [139][In case of reappointment of the public interest director, the recognised stock exchange or recognised clearing corporation shall apply to the Board four months before the expiry of the term. In addition to the other requirements specified herein, the application for reappointment of the public interest director shall be accompanied with, their attendance details on meetings of various mandatory committees and on the governing board of the recognised stock exchange or recognised clearing corporation, performance review and the reasons for extension of term.]

(5) [140][The existing public interest director, may continue holding the post for a maximum period of three months from the date of expiry of their term or till a new public interest director is appointed, whichever is earlier, only if the governing board does not meet the mandatory regulatory requirements on its composition.]

[138] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its substitution sub-clause (3) read as under-

"[(3) Public interest directors shall peruse the relevant laws, code of conduct, code of ethics, etc and submit an undertaking to the stock exchange/clearing corporation that they are aware of their role, responsibilities and obligations. The stock exchange/clearing corporation shall provide at least seven days of training to every public interest director each year. "]

[139] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its substitution sub-clause (4) read as under-

"[(4)In case of extension of the term of the public interest director or appointment of a new public interest director, the stock exchange/ clearing corporation shall apply to the Board two months before the expiry of the term. In addition to the other requirements prescribed herein, the application for extension of term of the public interest director shall be accompanied with, his attendance details on meetings of various mandatory committees and on the governing board of the stock exchange / clearing corporation, performance review and the reasons for extension of term."]

[140] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its substitution sub-clause (5) read as under-

"[(5)The existing public interest director shall continue holding the post, till a new public interest director is appointed in his place."]

[141][(IV)][142][Non-independent directors]

(1) The names of persons to be appointed as [143][non-independent directors] shall first be approved by the governing board of the stock exchange/ clearing corporation, followed by shareholders' approval before submitting the same to the Board for approval.

[144] [The manner of election, appointment, tenure, resignation, vacation, etc. of non-independent directors shall be governed by the provisions applicable to shareholder directors under the Companies Act, 2013 save as otherwise specifically provided under these Regulations or in accordance with the Act and circulars issued thereunder.]

[145][***]

[146][(VI)] General conditions on appointment of directors:-

(1) The stock exchange/ clearing corporation shall complete the appointment process within 30 days from nomination/approval for directors by the Board and submit a compliance report within one week from the date of appointment.

[147][(1A) The limited purpose clearing corporation shall complete the appointment process for the managing directors within thirty days from the date of approval of the Reserve Bank of India and submit a compliance report within one week from the date of appointment.]

[141] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019.

[142] Substituted for the words "shareholder directors" by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023

[143] Ibid.

[144] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its substitution sub-clause (2) read as under-

"(2) The manner of election, appointment, tenure, resignation, vacation, etc. of shareholder directors shall be governed by the Companies Act, 2013 save as otherwise specifically provided under the these Regulations or in accordance with the Securities Contracts (Regulation) Act, 1956, circulars issued thereunder."

[145] Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2024 w.e.f. 30-07-2024. Prior to omission, it read as under:

"(V) Selection of trading members/clearing members on the Advisory Committee to the governing board:-

(1) Prior to the appointment to the advisory committee, the governing board of the stock exchange/ clearing corporation shall satisfy itself that the trading members/ clearing members are fit and proper persons in terms of regulation 20 of the these Regulations. The governing board shall frame the eligibility norms, term of office, cooling off period etc., of members of the advisory committee in consultation with the trading members/clearing members of the stock exchange/ clearing corporation."

[146] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019, w.e.f. 04-06-2019.

[147] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022 w.e.f. 12.08.2022.

(2) In case any other official of the stock exchange/ clearing corporation is appointed on the governing board in addition to the Managing Director, the same shall be subject to the approval of shareholders and the Board, in that order.

[148][(VII) The recognised stock exchange and recognised clearing corporation shall provide at least seven days of training to all directors each year.]

PART - I

Norms for compensation policy

[See regulation 27 (3)]

(1) [149][Regulation 27 of these regulations mandates that the compensation policy for key management personnel of recognised stock exchange or recognised clearing corporation shall be in accordance with the norms specified by the Board. The compensation norms, in this regard, shall be as follows:-

(a) The variable pay component shall be within a range of 25% to 50% of total pay.

(b) 50% of the variable pay shall be paid on a deferred basis after a minimum period of three years.

(c) ESOPs and other equity linked instruments in the stock exchange/ clearing corporation shall not be offered or provided as part of the compensation for the key management personnel.

(d) The compensation policy shall have malus and clawback arrangements.]

(2) Apart from the above, the compensation policy of the stock exchange/ clearing corporation shall take into consideration the following:

(a) financial condition / health of the stock exchange/ clearing corporation,

(b) average levels of compensation payable to employees in similar ranks,

(c) shall not contain any provisions regarding incentives to take excessive risks over the short term,

(d) revenues, net profit of the stock exchange/ clearing corporation,

(e) comparable to the industry standards,

(f) role and responsibilities of the key management personnel,

[148] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023.

[149] Substituted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, w.e.f. 28-08-2023. Prior to its substitution clause (1) read as under-

"(1)Regulation 27 of the these Regulations mandates that the compensation policy for key management personnel of stock exchange/ clearing corporation shall be in accordance with the norms specified by the Board. The compensation norms, in this regard, shall be as follows:-

(a) The variable pay component shall not exceed one-third of total pay.

(b) 50% of the variable pay shall be paid on a deferred basis after three years.

(c) ESOPs and other equity linked instruments in the stock exchange/ clearing corporation shall not be offered or provided as part of the compensation for the key management personnel.

(d) The compensation policy shall have malus and clawback arrangements."

(g) periodic review

(3) At the time of seeking approval of the Board for the appointment of the managing director, the stock exchange/ clearing corporation shall seek approval for the compensation of the managing director from the Board. The compensation of the Managing Director of a stock exchange/clearing corporation already appointed with the approval of the Board shall be in accordance with the compensation policy as mentioned above. The same shall be submitted to the Board for approval within three months from the date of issue of these regulations.

PART - J
MISCELLANEOUS

(1) **Internal manual for conflict resolution:** The stock exchange/clearing corporation shall have an internal manual covering the management of conflicts between commercial and regulatory functions of the stock exchange/clearing corporation. The stock exchange/ clearing corporation shall put in place a policy for comprehensive training and awareness of its employees on the various conflicts of interests involved in the functioning of its regulatory departments. Further, the entire conflict management framework shall periodically be reviewed and be strengthened based on the observations of such review.

[150][SCHEDULE – III
PART – A
[See regulation 11(1)]

Rate of Regulatory Fee:

Sr. No. **(1)**	**Annual Turnover (Rupees in crores)** **(2)**	**Amount of fee (Rs.)** **(3)**

[150] Inserted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2021, w.e.f. 23-03-2021.

1	Less than or equal to 10,000	1,00,000/-
2	More than 10,000 but less than or equal to 1,00,000	10,00,000/-
3	More than 1,00,000 but less than or equal to 5,00,000	50,00,000/-
4	More than 5,00,000 but less than or equal to 10,00,000	1,00,00,000/-
5	More than 10,00,000	1,00,00,000 plus 0.000012 per cent of the annual turnover in excess of 10,00,000 crores.]

Sd/-
AJAY TYAGI
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA

Footnote:

1. The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 were published in the Gazette of India on 3rd October 2018 vide No. SEBI/LAD-NRO/GN/2018/41.

2. The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 were subsequently amended on-

   (a) 4th June, 2019, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019 vide No. SEBI/LAD-NRO/GN/2019/21.

   (b) 17th April, 2020, by the Securities and Exchange Board of India (Regulatory Sandbox) (Amendment) Regulations, 2020vide No. SEBI/LAD-NRO/GN/2020/10.

   (c) 8th October, 2020, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020 vide No. SEBI/LAD-NRO/GN/2020/32.

   (d) 23rd March, 2021, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2021 vide No. SEBI/LAD-NRO/GN/2021/12.

   (e) 13th August, 2021, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2021 vide No. SEBI/LAD-NRO/GN/2021/44.

(f) 12th August 2022, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022 vide No. SEBI/LAD-NRO/GN/2022/93.

(g) 15th November, 2022, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2022 vide No. SEBI/LAD-NRO/GN/2022/104.

(h) 28th February, 2023, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023 vide No. SEBI/LAD-NRO/GN/2023/124.

(i) 24th July, 2023, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2023 vide No. SEBI/LAD-NRO/GN/2023/139.

(j) 22nd August, 2023, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2023 vide No. SEBI/LAD-NRO/GN/2023/148.

(k) 26th April, 2024, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2024 vide No. SEBI/LAD-NRO/GN/2024/171.

(1) 10th May, 2024, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2024 vide No. SEBI/LAD-NRO/GN/2024/174.

(m) 29th July, 2024, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2024 vide No. SEBI/LAD-NRO/GN/2024/196.

(n) 29th August, 2024, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2024 vide No. SEBI/LAD-NRO/GN/2024/202.

(o) 10th February, 2025, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2025 vide No. SEBI/LAD-NRO/GN/2025/227.

(p) 21st March, 2025, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2025 vide No. SEBI/LAD-NRO/GN/2025/238.

(q) 30th April, 2025, by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Third Amendment) Regulations, 2025 vide No. SEBI/LAD-NRO/GN/2025/246.

(r) 22nd November, 2025 by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2025 vide No. SEBI/LAD-NRO/GN/2025/276.