



CIRCULAR

SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/13

January 10, 2019

To

All Stock Exchanges, Clearing Corporations and Depositories.

Sir/ Madam,

Subject: Committees at Market Infrastructure Institutions (MIIs)

1. The erstwhile Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 [SECC Regulations, 2012] and SEBI (Depositories and Participants) Regulations, 1996 [SEBI (D&P) Regulations, 1996], read-with circulars issued thereunder, prescribed Stock Exchanges, Clearing Corporations and Depositories (herein after referred as Market Infrastructure Institutions or MIIs) to constitute various committees in order to ensure effective oversight on the functioning of MIIs.
2. Based on decisions taken by SEBI Board in its meeting dated June 21, 2018, *inter alia* related to rationalization of statutory committees at MIIs, Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 [SECC Regulations, 2018] and SEBI (Depositories and Participants) Regulations, 2018 [SEBI (D&P) Regulations, 2018], were notified on October 3, 2018 and the SECC Regulations, 2012 and SEBI (D&P) Regulations, 1996 were repealed.
3. Given that the scope of work of some of the committees at MIIs were inter-related and overlapping, SEBI Board, in its meeting dated June 21, 2018, *inter alia* decided to rationalize the constitution of existing regulatory committees at MIIs.
4. Accordingly, in respect of statutory committees at MIIs, the Regulation 29 of SECC Regulations, 2018 & Regulation 30 of SEBI (D&P) Regulations, 2018, reads as under:
 - (1) Every recognised stock exchange / recognized clearing corporation or depositories [as applicable], shall constitute the committees as per sub-regulation (2) and sub-regulation (3).
 - (2) Functional committee, comprising:
 - a. Member selection committee;
 - b. Investor grievance redressal committee; and
 - c. Nomination and remuneration committee.
 - (3) Oversight committees, comprising:
 - a. Standing committee on technology;
 - b. Advisory committee;
 - c. Regulatory oversight committee; and
 - d. Risk management committee.
 - (4) The composition, quorum and functions of the committees under sub-regulation (2) and sub-regulation (3) of these regulations shall be in the manner as specified by the Board from time to time.



5. Considering that the committees at MIIIs have been rationalised into aforementioned seven committees, based on consultation with MIIIs, it has been decided that the functions of these seven committees, along-with the detailed composition of each committee shall be as provided at [Annexure A](#).
6. Further, while the aforementioned annexure provides for the composition that is specific to each statutory committee at MII, the overarching principles for composition and quorum of the statutory committee at MIIIs shall be as under, which shall be applicable to all committees with an exception for Investor Grievance Redressal Committee (IGRC):
- On each committees at MIIIs, except IGRC, the number of Public Interest Directors (PIDs) shall not be less than the total of number of shareholder directors, Key Management Personnel (KMPs), independent external persons, etc. put together, wherever shareholder directors, KMPs, independent external persons, etc. are part of the concerned committee.
 - PID shall be chairperson of each committee at MII.
 - To constitute the quorum for the meeting of the MII committee, the number of PIDs on each of the committees at MIIIs shall not be less than total number of other members (shareholder directors, KMPs, independent external persons, etc. as applicable) put together.
 - The voting on a resolution in the meeting of the committees at MIIIs shall be valid only when the number of PIDs that have cast their vote on such resolution is equal to or more than the total number of other members (shareholder directors, KMPs, independent external persons, etc., as applicable) put together who have cast their vote on such resolution.
 - The casting vote in the meetings of the committees shall be with the chairperson of the committee.
 - Apart from that specifically provided in the Annexure, whenever required, a committee may invite Managing Director, other relevant KMPs and employees of the MII. However such invitee shall not have any voting rights.

As regards the composition and quorum of IGRC, the same shall be as prescribed in the enclosed Annexure A.

7. Further, MIIIs are directed to adhere to the following:
- Over and above the statutory committees mentioned at point 4 above, the committees that are mandated by relevant law for listed companies shall apply *mutatis mutandis* to MIIIs.
 - MIIIs shall lay down policy for the frequency of meetings, etc., for the statutory committees.
 - PIDs in Committees at MIIIs:
 - SECC Regulations 2018 and SEBI (D&P) Regulations 2018 prescribe that a PID on the board of a MII shall not act simultaneously as a member on more than five committees of that MII.
 - It is clarified that the above limitation on maximum number of committees that a PID can be member of, shall be applicable only to statutory committees prescribed by SEBI under SECC Regulations 2018 and SEBI (D&P) Regulations, 2018, and circulars issued thereunder. The said requirement shall not be applicable to



committees constituted under Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements), 2015, amongst others.

- iii. In case of non-availability of adequate number of PIDs in a MII, the relevant MII shall take steps to induct more PIDs in order to fulfil the requirement of composition of committees within a MII.
- d. Meeting of PIDs:
 - i. As per code of conduct for PIDs provided in SECC Regulations 2018 & SEBI (D&P) Regulations 2018, the PIDs shall be required to meet separately every six months. It is added that all the PIDs shall necessarily attend all such meetings of PIDs
 - ii. The objective of such meetings, shall include *inter alia* reviewing the status of compliance with SEBI letters/ circulars, reviewing the functioning of regulatory departments including the adequacy of resources dedicated to regulatory functions, etc. PIDs shall also prepare a report on the working of the committees of which they are member and circulate the same to other PIDs. The consolidated report in this regard shall be submitted to the governing board of the MIIs. Further, PIDs shall identify the important issues which may involve conflict of interest for the MII or may have significant impact on the market and report the same to SEBI, from time to time.
- e. **Independent external persons in committees at MIIs:**
 - i. The independent external persons forming a part of committees shall be from amongst the persons of integrity, having a sound reputation and not having any conflict of interest. They shall be specialists in the field of work assigned to the committee; however they shall not be associated in any manner with the relevant MII and its members.
 - ii. MIIs shall frame the guidelines for appointment, tenure, code of conduct, etc., of independent external persons. Extension of the tenure may be granted to independent external persons at the expiry of the tenure, subject to performance review in the manner prescribed by SEBI for PIDs. Further, the maximum tenure limit of Independent external persons in a committee of MII shall be at par with that of PIDs, as prescribed under Regulation 24(3) of the SECC regulations 2018.
8. On the aspect related to commencement of operations by a newly recognised Stock exchange/ Clearing Corporation, it has been decided that the recognised stock exchange after grant of recognition can commence trading operations with a minimum of 25 trading members, in place of earlier requirement of minimum of 50 trading members. Similarly, a newly recognised clearing corporation can now commence clearing and settlement operations with a minimum of 10 clearing members, in place of earlier requirement of minimum of 25 clearing members.
9. As stated in Regulation 52 (1) of SECC Regulations, 2018, SEBI circular no. CIR/MRD/DSA/33/2012 dated December 13, 2012 and circular no. SEBI/HO/MRD/DSA/CIR/P/2016/30 dated January 22, 2016 stand repealed with the issuance of this circular. Further, following circulars stand partially amended as under:
 - a. Clause 2 & 3 of SEBI circular no. CIR/MRD/DMS/ 03 /2014 dated January 21, 2014 on functions and composition of IT strategy committee of depositories, stands rescinded.



- b. Clause 3 of SEBI circular no. SEBI/HO/DMS/CIR/P/2017/15 dated February 23, 2017 and Clause no. 2 (B) of SEBI circular no. CIR/CDMRD/DEICE/CIR/P/2017/77 dated July 11, 2017 providing for composition and functions of former committees of MIIs, stands rescinded.
- c. Clause 5 of SEBI circular no. CIR/MRD/DP/ 1 /2015 dated January 12, 2015 on Risk management policy at depositories may be read as under:
“*The Depositories shall put in place mechanism to implement the Risk Management Framework through a Risk Management Committee which shall be headed by a Public Interest Director (PID).*”
Further, the responsibilities of the committee and other requirements of the circular, as provided in the said circular shall continue to be applicable to depositories.
- d. In SEBI circular no. SEBI/HO/CDMRD/DMP/CIR/P/2016/103 dated September 27, 2016, references to ‘Risk management committee’ shall be replaced with ‘Membership selection committee’.
10. The MIIs shall submit a confirmation report to SEBI with regard to the formation and composition of the Committees listed out in the Annexure A and compliance with other norms prescribed in the circular, at the earliest but not later than three months from the date of this circular.
11. MIIs are directed to:
- take necessary steps to put in place systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations;
 - bring the provisions of this circular to the notice of their members and also disseminate the same on their websites; and
 - communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly Development Report.
12. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 and Section 19 of the Depositories Act, 1996, to protect the interests of investors in securities market and to promote the development of, and to regulate the securities market.
13. This circular is available on SEBI website at www.sebi.gov.in at “Legal Framework→Circulars”.

Yours faithfully

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Annexure A

A. Mandatory Committees for Stock Exchanges:

| Sr no. | Name of Committee | Brief terms of reference | Composition |
|-----------------------------------|-----------------------------------|---|---|
| (I) Functional Committees: | | | |
| 1. | Member Selection Committee | <ul style="list-style-type: none"> • To scrutinize, evaluate, accept or reject applications for admission of members and transfer of membership and approve voluntary withdrawal of membership. • Formulate the policy for regulatory actions including warning, monetary fine, suspension, withdrawal of trading, declaring a member as defaulter, expulsion, to be taken for various violations by the members of the exchange. • Based on the laid down policy, consider the cases of violations observed during inspection, etc. and impose appropriate regulatory measures on the members of the exchange. • While imposing the regulatory measure, the Committee shall adopt a laid down process, based on the 'Principles of natural justice'. • Realize all the assets / deposits of the defaulter/expelled member and appropriate the same amongst various dues and claims against the defaulter/ expelled member in accordance with the Rules, Byelaws and Regulations of the Exchange. • In the event both the clearing member and the | <ul style="list-style-type: none"> • A maximum of two Key Management Personnel (KMPs) of the exchange can be on the committee one of which shall necessarily be the Managing Director of the stock exchange. • The committee may also include independent external persons. • SEBI may nominate members in the Committee, if felt necessary in the interest of securities market. • The number of PIDs shall not be less than the total of number of shareholder directors, KMPs and independent external persons put together. |



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|--------|--|---|--|
| | | <p>constituent trading member are declared defaulter, then the membership selection committee of the stock exchange and that of the clearing corporation shall work together to realise the assets of both the clearing member and the trading member.</p> <ul style="list-style-type: none">• Admission or rejection of claims of client/trading members/clearing members over the assets of the defaulter/expelled member.• Recommendation in respect of the claims to the Trustees of the IPF on whether the claim is to be paid out of IPF or otherwise.• To oversee contribution towards Core Settlement Guarantee Fund (SGF) of the Clearing Corporation. | |
| 2. | Investor Grievance Redressal Committee (IGRC) | <ul style="list-style-type: none">• Dealing with the complaints referred to it by the stock exchange, hear the parties and resolve their complaints. | <ul style="list-style-type: none">• The IGRC shall comprise of a single person for claims up to Rs. 25 Lakh, whereas, for claims above Rs. 25 Lakh, the IGRC shall comprise of three persons.• The IGRC shall comprise of independent external persons with qualifications in the area of law, finance, accounts, economics, management or administration and experience in financial services, including securities market.• Further, the three member Committee shall comprise of at least one technical expert for handling complaints related to technology issues (such as internet based trading, algorithmic trading, etc.).• The members of IGRC shall not be associated with a |



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|--------|--|--|---|
| | | | <p>trading member in any manner.</p> <ul style="list-style-type: none">• The disclosures and code of conduct prescribed under para 3.4 and 4 of SEBI circular Ref. No. CIR/MRD/DSA/24/2010 dated August 11, 2010, shall be applicable, as far as may be, to members of IGRC also. |
| 3. | Nomination & Remuneration Committee | <ul style="list-style-type: none">• Identifying a Key management personnel, other than personnel as specifically provided in its definition under SECC Regulations, 2018.• Laying down the policy for compensation of key management personnel in terms of the compensation norms prescribed by SEBI.• Determining the compensation of KMPs in terms of the compensation policy.• Determining the tenure of a key management personnel, other than a director, to be posted in a regulatory department.• Selecting the Managing Director.• Framing & reviewing the performance review policy to carry out evaluation of every director's performance, including that of Public Interest Director (PID).• Recommending whether to extend the term of appointment of the PID.• Besides the above, it will also discharge the function as Nomination & Remuneration Committee under the Companies Act, 2013 and SEBI (LODR) regulations, 2015 as amended | <ul style="list-style-type: none">• The Committee shall include only public interest directors.• However, independent external persons may be part of the committee for the limited purpose of recommendation relating to selection of Managing Director; wherein the number of PIDs shall not be less than the independent external persons. |



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| | | from time to time. | |
| (II) Oversight Committees | | | |
| 4. | Standing Committee on Technology | <ul style="list-style-type: none">• Monitor whether the technology used remains up to date and meets the growing demands of the markets.• Monitor the adequacy of systems capacity and efficiency.• To look into the changes being suggested by the exchange to the existing software/ hardware.• Investigate into problems of computerized trading system, such as hanging/ slowdown/ breakdown.• Ensure that transparency is maintained in disseminating information regarding slowdown/ breakdown in Online Trading System.• Submit a report to the Governing Board, who shall deliberate on the report and take suitable action/ remedial measure.• Explain any stoppage beyond five minutes and report to the Board. The Exchange shall also issue a press release specifying the reasons for the breakdown.• Review the implementation of board approved cyber security and resilience policy and its framework.• Such other matters as may be referred by the Governing Board of exchange and/or SEBI. | <ul style="list-style-type: none">• The Committee shall include at least two independent external persons proficient in technology.• The number of PIDs shall not be less than the total of number of shareholder directors and independent external persons put together. |



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|--------|---------------------------------------|---|--|
| 5. | Advisory Committee | <ul style="list-style-type: none">Advise the governing board on non-regulatory and operational matters including product design, technology, charges and levies. | <ul style="list-style-type: none">The number of PIDs shall not be less than the total of number of shareholder directors and trading members put together.The Committee shall include trading members of the stock exchange.The chairperson of the governing board shall be the head of the advisory committee.The managing director shall be a permanent invitee to every meeting of the advisory committee. |
| 6. | Regulatory Oversight Committee | <ul style="list-style-type: none">Oversee matters related to member regulation such as admission of members, inspection, disciplinary action, etc.Oversee SEBI inspection observations on membership related issues.Estimate the adequacy of resources dedicated to member regulation.Oversee matters related to listing of securities such as admission of securities for trading, suspension/revocation, etc.Oversee SEBI inspection observations on listing related issues.Estimate the adequacy of resources dedicated to listing related function.Oversee trading and surveillance related functions such as monitoring of market through order and trade level alerts, security level alerts, processing of alerts, price band changes, | <ul style="list-style-type: none">The committee shall comprise of public interest director and independent external persons.The number of PIDs shall not be less than the total of number of independent external persons put together.Also shareholder director and key management personnel may be invitee to the committee. |



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|--------|-------------------|---|-------------|
| | | <p>rumour verifications, shifting of securities to trade for trade segment, action against listed companies as a part of Surveillance Action, detailed investigations undertaken, disciplinary actions, etc., as may be applicable to the relevant segments of the exchange.</p> <ul style="list-style-type: none">• Oversee SEBI inspection observations on surveillance related issues and also decisions taken in the periodic surveillance meeting at SEBI.• Estimate the adequacy of resources dedicated to trading and surveillance function.• Oversee matters related to product design and review the design of the already approved and running contracts.• Oversee SEBI inspection observation on Product Design related issues.• Estimate the adequacy of resources dedicated to Product design related function.• Review the actions taken to implement the suggestions of SEBI's Inspection Reports, place the same before the Governing Board of the stock exchange.• To follow up, ensure compliance/implementation of the inspection observations.• Supervising the functioning of Investors Services Cell of the exchange, which includes | |



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|--------|-------------------|--|-------------|
| | | <p>review of complaint resolution process, review of complaints remaining unresolved over long period of time, estimate the adequacy of resources dedicated to investor services, etc.</p> <ul style="list-style-type: none">• Supervise Investor Service Fund, including its utilization.• Annual review of arbitrators and arbitration awards (both quantum and quality of the awards).• Lay down procedures for the implementation of the Ethics Code.• Prescribe reporting formats for the disclosures required under the Ethics Code.• Oversee the implementation of the code of ethics.• Periodically monitor the dealings in securities of the Key Management Personnel.• Periodically monitor the trading conducted by firms/corporate entities in which the directors hold twenty percent or more beneficial interest or hold a controlling interest.• Monitor implementation of SECC Regulations and other applicable rules and regulations along-with SEBI Circulars and other directions issued thereunder.• Review the fees and charges levied by the exchange. | |



| Sr no. | Name of Committee | Brief terms of reference | Composition |
|--------|----------------------------------|--|--|
| | | <ul style="list-style-type: none">The head(s) of department(s) handling above matters shall report directly to the committee and also to the managing director. Any action against the head(s) of dept. shall be subject to an appeal to the committee, within such period as may be determined by the governing board. | |
| 7. | Risk Management Committee | <ul style="list-style-type: none">To formulate a detailed risk management policy which shall be approved by the governing board.To review the Risk Management Framework & risk mitigation measures from time to time.To monitor and review enterprise-wide risk management plan and lay down procedures to inform Board members about the risk assessment and minimization procedures.The head of the risk management department shall report to the risk management committee and to the managing director of the exchange.The risk management committee shall monitor implementation of the risk management policy and keep the Board and the governing board informed about its implementation and deviation, if any. | <ul style="list-style-type: none">The risk management committee shall comprise only of the public interest directors and independent external persons, and shall report to the Governing Board.The number of PIDs shall not be less than the total of number of independent external persons. |



B. Mandatory Committees for Clearing Corporations:

| Sr no. | Name of Committee | Brief terms of reference | Composition |
|-----------------------------------|---------------------------------------|---|--|
| (I) Functional Committees: | | | |
| 1. | Membership Selection Committee | <ul style="list-style-type: none"> • To scrutinize, evaluate, accept or reject applications for admission of members and transfer of membership and approve voluntary withdrawal of membership. • Also in case of clearing corporations with commodity segment, the committee shall also look into: <ul style="list-style-type: none"> ○ Approving enplanement & cancellation of Warehouse Service Providers/Vault Service Providers /Assayers, accreditation of warehouse, etc. ○ Reviewing the continuous functioning, monitoring, and compliance of norms by Warehouse Service Providers, Vault Service Providers and assayers. • Formulate policy for regulatory actions, including warning, monetary fine, suspension, deactivation of terminal, declaring a member as defaulter , expulsion, to be taken for various violations by the members of the clearing corporation. • Based on the laid down policy, the Committee shall consider the cases of violations observed during inspection, etc. and impose appropriate regulatory measure on the members of the | <ul style="list-style-type: none"> • A maximum of two key management personnel of the clearing corporation shall be on the committee one of which shall necessarily be the Managing Director of the clearing corporation. • The committee may also include independent external persons. • SEBI may nominate members in the Committee, if felt necessary in the interest of securities market. • The number of PIDs shall not be less than the total of number of shareholder directors, KMPs and independent external persons put together. |



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| | | <p>clearing corporation.</p> <ul style="list-style-type: none">• While imposing the regulatory measure, the Committee shall adopt a laid down process, based on the 'Principles of natural justice'.• Realize the assets / deposits of defaulter/expelled member and appropriate amongst various dues and claims against the defaulter/ expelled member in accordance with the Rules, Byelaws and Regulations of the Clearing corporation.• Admission /rejection of claims against such members over the assets of the defaulter/expelled member.• To manage the Core Settlement Guarantee Fund (Core SGF) of the clearing corporation, including its investments as per norms laid down and ensure proper utilization of Core SGF. | |
| 2. | Investor Grievance Redressal Committee (IGRC) | <ul style="list-style-type: none">• To deal with the complaints referred to it by the Clearing Corporation, hear the parties and resolve their complaints / disputes. | <ul style="list-style-type: none">• The IGRC shall comprise of a single person for claims up to Rs. 25 Lakh, whereas, for claims above Rs. 25 Lakh, the IGRC shall comprise of three persons.• The IGRC shall comprise of independent external persons with qualifications in the area of law, finance, accounts, economics, management or administration and experience in financial services, including securities market. |



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|--------|--|--|--|
| | | | <ul style="list-style-type: none">The members of IGRC shall not be associated with a clearing member in any manner.The disclosures and code of conduct prescribed under para 3.4 and 4 of SEBI circular Ref. No. CIR/MRD/DSA/24/2010 dated August 11, 2010, shall be applicable, as far as may be, to members of IGRC also. |
| 3. | Nomination and Remuneration Committee | <ul style="list-style-type: none">Identifying a Key management personnel, other than personnel as specifically provided in its definition under SECC Regulations, 2018.Lay down the policy for compensation of key management personnel in terms of the compensation norms prescribed by SEBI.Determining the compensation of KMPs in terms of the compensation policy.Determining the tenure of a key management personnel, other than a director, to be posted in a regulatory department.Selecting the Managing Director.Framing & reviewing the performance review policy to carry out evaluation of every director's performance, including that of Public Interest Director (PID).Recommending whether to extend the term of appointment of the PID.Besides the above, it will also discharge the function as Nomination & Remuneration | <ul style="list-style-type: none">The Committee shall include only public interest directors.However, independent external persons may be part of the committee for the limited purpose of recommendation relating to selection of Managing Director; wherein the number of PIDs shall not be less than the independent external persons. |



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| | | Committee under the Companies Act, 2013 and SEBI (LODR) regulations, 2015 as amended from time to time. | |
| (II) Oversight Committees | | | |
| 4. | Standing Committee on Technology | <ul style="list-style-type: none"> • Monitor whether the technology used by the clearing corporation remains up to date and meets the growing demands. • Monitor the adequacy of system capacity and efficiency. • Look into the changes being suggested to the existing software/hardware. • Investigate into the problems computerised risk management / clearing & settlement system, such as hanging/ slowdown/ breakdown. • Ensure that transparency is maintained in disseminating information regarding slowdown/break down risk management / clearing & settlement system. • The Committee shall submit a report to the Governing Board of the clearing corporation. The Board will deliberate on the report and suitable action/ remedial measure will be taken. • Any stoppage beyond five minutes will be explained and reported to the Board. The Clearing Corporation shall issue a press release specifying the reasons for the breakdown. | <ul style="list-style-type: none"> • The Committee shall include at least two independent external persons proficient in technology. • The number of PIDs shall not be less than the total of number of shareholder directors and independent external persons put together. |



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| | | <ul style="list-style-type: none">Review the implementation of board approved cyber security and resilience policy and its framework.Such other matters in the scope as may be referred by the Governing Board of the Clearing Corporation and/or SEBI. | |
| 5. | Advisory Committee | <ul style="list-style-type: none">Advise the governing board on non-regulatory and operational matters including product design, technology, charges and levies. | <ul style="list-style-type: none">The Committee shall comprise of clearing members of the clearing corporation.The chairperson of the governing board shall be the head of the advisory committee.The managing director shall be a permanent invitee to every meeting of the advisory committee.The number of PIDs shall not be less than the total of number of shareholder directors, and clearing members put together. |
| 6. | Regulatory Oversight Committee | <ul style="list-style-type: none">Oversee matters related to member regulation such as admission of members, inspection, disciplinary action, etc.Oversee SEBI inspection observations on membership related issues.Estimate adequacy of resources dedicated to member regulation.Monitor the disclosures made under Reg.33 of SECC Regulations, 2018.Review the actions taken to implement the suggestions of SEBI's Inspection Reports and place it before the Board of Clearing | <ul style="list-style-type: none">The committee shall comprise of public interest director and independent external persons.The number of PIDs shall not be less than the number independent external persons.Also shareholder director and key management personnel may be invitee to the committee. |



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| | | <p>Corporation.</p> <ul style="list-style-type: none">• To follow up and ensure compliance/ implementation of the inspection observations.• Supervising the functioning of Investors' Services Cell of the Clearing Corporation which includes review of complaint resolution process, review of complaints unresolved over long period of time, estimate the adequacy of resources dedicated to investor services, etc.• Lay down procedures for the implementation of the Code.• Prescribe reporting formats for the disclosures required under the Code.• Oversee the implementation of the code of ethics.• To periodically monitor the dealings in securities of the Key Management Personnel• To periodically monitor the trading conducted by firms/corporate entities in which the directors hold twenty percent or more beneficial interest or hold a controlling interest.• Reviewing the fees and charges levied by a Clearing Corporation.• Monitoring implementation of SECC Regulations and other applicable rules and regulations along-with SEBI Circulars and other directions issued thereunder. | |



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|--------|----------------------------------|--|---|
| | | <ul style="list-style-type: none">The head(s) of department(s) handling the above matters shall report directly to the committee and also to the managing director.Any action of a recognized clearing corporation against the aforesaid head(s) shall be subject to an appeal to the committee, within such period as may be determined by the governing board. | |
| 7. | Risk Management Committee | <ul style="list-style-type: none">To formulate a detailed risk management policy which shall be approved by the governing board.To review the Risk Management Framework & risk mitigation measures from time to time.To monitor and review enterprise-wide risk management plan and lay down procedures to inform Board members about the risk assessment and minimisation procedures.The head of the risk management department shall report to the risk management committee and to the managing director of the Clearing Corporation.The risk management committee shall monitor implementation of the risk management policy and keep the Board and the governing board informed about its implementation and deviation, if any. | <ul style="list-style-type: none">The risk management committee shall comprise of the public interest directors and independent external persons, and shall report to the Governing Board.The number of PIDs shall not be less than the number independent external persons. |



C. Mandatory Committees for Depositories:

| Sr no. | Name of Committee | Brief terms of reference | Composition |
|---|---------------------------|---|--|
| (I) <u>FUNCTIONAL COMMITTEES :</u> | | | |
| 1 | Member Selection | <ul style="list-style-type: none"> To scrutinize, evaluate, accept or reject applications for admission of members, transfer of membership as well as approve voluntary withdrawal of membership. Formulate policy to deal with any disciplinary matters relating to the Participants, Clients, Issuer or its Registrar and Transfer Agent, Clearing Members, Clearing Corporations and other users. This shall include termination / disciplinary action against participants, suspending, expelling or imposing penalty on the participant, freezing the account of the participant, among others. Based on the laid down policy, consider the cases of violations observed during inspection, etc. and impose appropriate regulatory measure on the members of the depositories. While imposing the regulatory measure, the Committee shall adopt a laid down process, based on the 'Principles of natural justice'. | <ul style="list-style-type: none"> A maximum of two key management personnel of the depositories can be on the committee one of which shall necessarily be the Managing Director of the depositories. The committee may also include independent external persons. SEBI may nominate members in the Committee, if felt necessary in the interest of securities market. The number of PIDs shall not be less than the total of number of shareholder directors, KMPs and independent external persons put together. |
| 2 | Investor Grievance | <ul style="list-style-type: none"> Deal with the complaints referred to it by the depositories, hear the parties and resolve their | <ul style="list-style-type: none"> The IGRC shall comprise of a single person for claims up to Rs. 25 Lakh, whereas, for claims above Rs. 25 Lakh, |



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| | Redressal Committee | complaints. | <p>the IGRC shall comprise of three persons.</p> <ul style="list-style-type: none">• The IGRC shall comprise of independent external persons with qualifications in the area of law, finance, accounts, economics, management or administration and experience in financial services, including securities market.• The members of IGRC shall not be associated with a depository participant in any manner.• The disclosures and code of conduct prescribed under para 3.4 and 4 of SEBI circular Ref. No. CIR/MRD/DSA/24/2010 dated August 11, 2010, shall be applicable, as far as may be, to members of IGRC also. |
| 3 | Nomination and Remuneration Committee | <ul style="list-style-type: none">• Identifying a Key management personnel, other than personnel as specifically provided in its definition under SEBI (D&P) Regulations, 2018.• Lay down the policy for compensation of key management personnel in terms of the compensation norms prescribed by SEBI.• Determining the compensation of KMPs in terms of the compensation policy.• Determining the tenure of a key management personnel, other than a director, to be posted in a regulatory department.• Selecting the Managing Director.• Framing & reviewing the performance review policy to carry out evaluation of every | <ul style="list-style-type: none">• The Committee shall include only public interest directors.• However, independent external persons may be part of the committee for the limited purpose of recommendation relating to selection of Managing Director; wherein the number of PIDs shall not be less than the independent external persons. |



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| | | <p>director's performance, including that of Public Interest Director (PID).</p> <ul style="list-style-type: none">• Recommending whether to extend the term of appointment of the PID.• Besides the above, it will also discharge the function as Nomination & Remuneration Committee under the Companies Act, 2013 and SEBI (LODR) regulations, 2015 as amended from time to time. | |
| (II) OVERSIGHT COMMITTEES : | | | |
| 4 | Standing Committee on Technology | <ul style="list-style-type: none">• Monitor whether the technology used by the depository remains up to date and meets the growing demands.• Monitor the adequacy of system capacity and efficiency.• Look into the changes being suggested to the existing software/hardware.• Investigate into the problems computerised depository system, such as hanging/ slowdown/ breakdown.• Ensure that transparency is maintained in disseminating information regarding slowdown/break down in the depository system.• The Committee shall submit a report to the Governing Board of the depository. The Board will deliberate on the report and suitable action/ | <ul style="list-style-type: none">• The Committee shall include at least two independent external persons proficient in technology.• The number of PIDs shall not be less than the total of number of shareholder directors and independent external persons put together. |



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| | | <p>remedial measure will be taken.</p> <ul style="list-style-type: none">• Explain any system outage related incidents to the governing board.• Review the implementation of board approved cyber security and resilience policy and its framework.• Such other matters in the scope as may be referred by the Governing Board of the depository and/or SEBI. | |
| 5 | Advisory Committee | <ul style="list-style-type: none">• To advise the Depository on non-regulatory and operational matters including technology, charges and levies, amongst others. | <ul style="list-style-type: none">• The number of PIDs shall not be less than the total of number of shareholder directors and depository participants put together.• The Committee shall comprise of depository participants of the depository.• The chairperson of the governing board shall be the head of the advisory committee.• The managing director shall be a permanent invitee to every meeting of the advisory committee. |
| 6. | Regulatory Oversight Committee | <ul style="list-style-type: none">• To lay down procedures for the implementation of the Code of Ethics and prescribe the reporting formats for the disclosure required under the Code of Ethics.• To oversee the implementation of the Code of Ethics.• To periodically monitor the dealings in securities of the Key Management Personnel.• To periodically monitor the trading conducted by | <ul style="list-style-type: none">• The committee shall comprise of public interest director and independent external persons.• The number of PIDs shall not be less than the total of number of independent external persons put together.• Also shareholder director and key management personnel may be invitee to the committee. |



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| | | <p>firms/corporate entities in which the directors hold twenty percent or more beneficial interest or hold a controlling interest.</p> <ul style="list-style-type: none">• To consider and decide on the criteria for admission, withdrawal of securities and continuous compliance requirements.• To declare any security admitted into Depository as ineligible.• To review complaint resolution process and status of redressal of grievances of demat account holders, depository participants, Issuers / RTAs with respect to depository operations. This shall include review of complaints remaining unresolved over long period of time, estimate the adequacy of resources, amongst others.• Annual review of arbitrators and arbitration awards (both quantum and quality of the awards).• To monitor compliance with SEBI (Depositories and Participants) Regulations, 2018 as amended from time to time and other applicable rules and regulations along-with SEBI Circulars and other directions issued thereunder.• To review the fees and charges levied by the Depository.• Review the actions taken to implement the | |



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| | | <p>suggestions of SEBI's Inspection Reports, place the same before the Governing Board of the depository.</p> <ul style="list-style-type: none">To follow up and ensure compliance/implementation of the inspection observations. | |
| 7 | Risk Management Committee | <ul style="list-style-type: none">To formulate a detailed risk management policy which shall be approved by the governing board.To review the Risk Management Framework & risk mitigation measures from time to time.To monitor and review enterprise-wide risk management plan and lay down procedures to inform Board members about the risk assessment and minimisation procedures.The head of the risk management department shall report to the risk management committee and to the managing director of the depository.The risk management committee shall monitor implementation of the risk management policy and keep the Board and the governing board informed about its implementation and deviation, if any.Responsibilities and other requirements provided in SEBI circular Jan. 12, 2015. | <ul style="list-style-type: none">The risk management committee shall comprise only of the public interest directors and independent external persons, and shall report to the Governing Board.The number of PIDs shall not be less than the total of number of independent external persons. |