BYE-LAWS OF MULTI COMMODITY EXCHANGE CLEARING CORPORATION LIMITED
(Effective from September 13, 2025)

TABLE OF CONTENTS

Sr. No.	Contents	Page No.
1.	Preamble	2
2.	Definitions and Interpretation	3
3.	Application of Bye-laws	11
4.	Clearing Segments, Sub-Segments and Products	12
5.	General	13
6.	Arbitration between Clearing Members of the Clearing Corporation, Other Intermediaries and Clients	18
7.	Membership of Clearing Corporation	20
8.	Clearing and Settlement	22
9.	Dealings by Clearing Members	31
10.	Margins	32
11.	Rights, Duties and Liabilities of the Clearing Members and Constituents	34
12.	Declaration of Default	37
13.	Core Settlement Guarantee Fund	43
14.	Miscellaneous Provisions	47

Confidential

MULTI COMMODITY EXCHANGE CLEARING CORPORATION LIMITED
Mumbai

The Securities and Exchange Board of India (SEBI), in exercise of its powers under Section 9 of the Securities Contracts (Regulation) Act, 1956, has vide its letter no. SEBI/HO/CDMRD/DEA/OW/P/2017/021860/1 dated September 12, 2017, approved the Bye-laws of Multi Commodity Exchange Clearing Corporation Limited (MCXCCL Bye-laws) as proposed by the Multi Commodity Exchange Clearing Corporation (hereinafter referred to as "the Clearing Corporation" or "MCXCCL") vide its letter no. MCXCCL/2017/NA/SEBI-02/001 dated May 25, 2017. The Bye-laws of the Clearing Corporation as approved by SEBI are as under and these Bye-laws are effective from August 01, 2018.

BYE-LAWS OF THE MULTI COMMODITY EXCHANGE CLEARING CORPORATION LIMITED

In exercise of the powers conferred under Section 9 of the Securities Contracts (Regulation) Act, 1956 and with the previous approval of the Securities and Exchange Board of India, the Multi Commodity Exchange Clearing Corporation Limited makes the following Bye laws:

1. PREAMBLE

1.1 These Bye-Laws shall be known as "The Bye-Laws of Multi Commodity Exchange Clearing Corporation Limited" and shall herein after be referred to as "these Bye-Laws" or "the Bye-Laws of the Clearing Corporation."

1.2 These Bye-laws shall come into force with effect from such date as the Securities and Exchange Board of India (hereinafter referred to as "SEBI") established under Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act") or the Board of Multi Commodity Exchange Clearing Corporation Ltd, (hereinafter referred to as "the Clearing Corporation") may notify in that behalf.

1.3 Other Laws Applicable

These Bye-Laws shall be in addition to the provisions of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as "the SCRA") as may be amended from time to time and Rules and Regulations made thereunder and SEBI Act and Rules and Regulations made thereunder. These Bye-laws shall at all times be read subject to the provisions of the SCRA and Rules and Regulations made thereunder and SEBI Act and Rules and Regulations made thereunder, as amended from time to time and the directives, orders, guidelines, norms and circulars issued by the Government of India and/or SEBI from time to time.

1.4 Order of Precedence:

In case of difference or any interpretational issues between the provisions of these Bye laws, Rules and Regulations of the Clearing Corporation and the provisions of the SCRA and Rules and Regulations made thereunder or the SEBI Act and Rules and Regulations made thereunder, the provisions of:

a. SCRA and Rules and Regulations made thereunder; and/or
b. SEBI Act and Rules and Regulations made thereunder; shall prevail.

Confidential

2. DEFINITIONS and INTERPRETATION

2.1 Definition

2.1.1 **"Applicant Clearing Member"** means an entity or a person as may be permitted under these Bye-Laws who is seeking to be admitted as a Clearing Member of the Clearing Corporation.

2.1.2 **"Arbitration"** as a form of alternative dispute resolution (ADR), is a technique for the resolution of disputes outside the courts and the process as codified in these Bye-laws and the Regulations are mandated to be utilised for appropriate and swift resolution of disputes arising between Clearing Members inter-se and Clearing Members and their Clients/ Constituents.

2.1.3 **"Articles"** means the Articles of Association of Multi Commodity Exchange Clearing Corporation Limited and includes any modification or alteration thereof for the time being in force.

2.1.4 **"Authorised User"** means suitable person(s) appointed by Clearing Members who may or may not be registered with the Clearing Corporation to operate the Clearing and Settlement systems and procedures allocated to such Members by the Clearing Corporation.

2.1.5 **"Board"** means the Board of Directors of Multi-Commodity Exchange Clearing Corporation Ltd.

2.1.6 "**Business Day**" means a day of the week on which the Clearing Corporation is open for business.
Explanation: The Clearing Corporation shall be open on all days except such days which are declared in advance by the Relevant Authority as Settlement holiday.

2.1.7 **"Buying Clearing Member"** means a Clearing Member handling the Clearing and Settlement functions of a Client or a Constituent who or whose client has purchased a Security on the Trading floor of the Concerned Exchange pursuant to which it is obligated to honour the purchase obligation by following all the prescribed procedures.

2.1.8 **"Circular** or **Notice"** means informational notifications or a binding communication issued from time to time by the Clearing Corporation to its Member(s) and the Market in general and transmitted by fax, e-mail or any other mode and manner which the Clearing Corporation may deem appropriate, including publication through the website and titled "Circular" or "Notice" accordingly.

2.1.9 **"Clearing"** means and includes the process of determining rights and obligations towards settling claims of one Clearing Member against the claims of another through the processes of the Clearing Corporation. The process of clearing is similar to bookkeeping, where the Clearing Corporation updates the relevant and respective databases by matching the buyer and seller of the Deal/transaction thereby confirming the obligations of one of the parties and the rights of the other.

2.1.10 **"Clearing Agreement"** means a binding agreement entered into between a Clearing Member and it's Constituent to handle and carry out all the Clearing and Settlement functions relating to Securities traded by the said Constituent on the Trading Platform of the said Exchange.

2.1.11 **"Clearing and Settlement Account"** means a bank account maintained by the Clearing Member with one of the designated or approved Clearing Banks and accordingly notified to the Clearing Corporation, from which all fund obligations owed to the Clearing Corporation by a Member or due to a Member by the Clearing Corporation with respect to the Deals of

Confidential

the Member or its Clients or Constituents on the trading floor of the Concerned Exchange, will be made or received.

2.1.12 **"Clearing Bank(s)"** are such bank(s) as the Clearing Corporation may appoint to act as a funds settling agency, for the collection of margin money for all deals cleared through the Clearing Corporation and any other funds movement between Clearing Members and the Clearing Corporation and between Clearing Members inter-se as may be directed by the Clearing Corporation from time to time.

2.1.13 **"Clearing Corporation"** means the Multi-Commodity Exchange Clearing Corporation Ltd.

2.1.14 **"Clearing Member"** means a Clearing Member as defined under section 2 (ae) of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.

2.1.15 **"Clearing Segments"** means and includes the different categories of Securities, within a Market Segment type, that the Concerned Exchanges make available to their respective Trading Members for Dealing on their Trading Platforms and has been agreed to by the Clearing Corporation for being admitted to its Clearing and Settlement mechanisms in terms of these Bye-Laws and categorized appropriately.

2.1.16 **"Clearing Sub-Segments"** means and includes those categories of Securities falling under a broad head of Clearing Segment but differentiated either on the basis of market acceptability and practice or the product or Security profile and attributes.

2.1.17 **"Client** or **Constituent" means** a person, on whose instructions and on whose account the Clearing Member clears and settles deals. For this purpose, the term client shall include all registered constituents of trading members of Concerned Exchange.

Explanation 1: The terms 'Constituent' and 'Client' are interchangeably used in the Bye-Laws, Rules & Regulations and shall have the same meaning as assigned herein.

Explanation 2: Where the context requires, the term 'Constituent' in relation to trades shall also include a Trading Member where such trades including proprietary trades, done on the Concerned Exchange, are cleared and settled on his behalf by the Clearing Member.

2.1.18 **"Close-out** or **Closing out** or **Square off"** means the cancellation of an outstanding open position in one direction with an equal and opposite position.

2.1.19 **"Collateral"** means and includes cash or financial instruments (including but not limited to Fixed Deposit Receipts, bank guarantees, government securities and units of the schemes of liquid mutual funds or government securities, receipts of accredited warehousing Corporations) and/or Commodities as approved by the Relevant Authority from time to time through Notifications and/or Circulars for the provision of Initial Margin or other deposits and Margins in accordance with these Bye-Laws, the Rules and the Regulations made under these Bye-Laws.

2.1.20 **"Committee"** means a group or body of persons appointed by the Board or the Relevant Authority to undertake tasks or responsibilities specified by the Board and/or mandated under these Bye-Laws.

Confidential

2.1.21 **"Concerned Exchange"** means any Stock Exchange including commodity and/or currency derivatives exchanges duly recognized under SCRA which has entered into an arrangement with the Clearing Corporation for carrying out all operational procedures and regulatory functions in the matter of Clearing and Settlement of the Deals executed on its trading platform between its Trading members so as to complete the fulfilment of the funds pay-in, Securities delivery and the related pay-out obligations concerning such Deals.

2.1.22 **"Contract" means** a contract for or relating to the purchase or sale of Securities;

2.1.23 **"Contract Month** or **Delivery Month"** means that month in which contractual obligations in respect of a Derivatives Contract is due for final fulfilment by the parties to the Contract.

2.1.24 **"Contract Specification"** means the standardised commercial and technical terms of a Security admitted for trading on a Concerned Exchange which may include the size of the Contract, Contract Month, trading hours, Underlying, minimum price fluctuations, Last Trading Day, settlement basis and such other details as may be set out by such Exchange and accepted by the Clearing Corporation to complete the Clearing and Settlement process.

2.1.25 **"Corporate Action"** means any event that brings material change to a company and affects its stakeholders, including shareholders, both common and preferred, as well as bondholders. These events are approved by the company's board of directors; shareholders may be permitted to vote on some events as well. and generally include dividend, bonus, rights shares, issue of shares as a result of stock split, stock consolidations, schemes of mergers/demergers, spin-offs, amalgamations, capital restructuring and such other privileges or events of a similar nature which may be specified by the Concerned Exchange from time to time, under intimation to the Clearing Corporation.

2.1.26 **"Custodial Participant"** means an entity registered with the Clearing Corporation to enable the Clearing and Settlement of their Deals on the Concerned Exchange through a Clearing member.

2.1.27 **"Custodian"** means a Custodian as defined under section 2(d) of Securities and Exchange Board of India (Custodian of Securities) Regulations, 1996

2.1.28 **"Daily Settlement Price"** means the official daily price for each Security as determined by the Exchange and/or the Clearing Corporation as per prescribed methodology.

2.1.29 **"Days of Tender** or **Tender Days"** mean the days on which relevant delivery documents and certified warehouse receipts are permitted to be presented to the Clearing Corporation.

2.1.30 **"Deal** or a **Trade"** means an electronic transaction that arises pursuant to a buy order and sell orders placed at identical prices and specific and acceptable quantities by the Trading Members of the Exchange in respect of an approved Security or Contract and matching on the trading platform of an Exchange that gives rise to obligations to the buyer and seller in terms of the Byelaws, Rules and Regulations of the Concerned Exchange these Bye-laws, the Rules and Regulations of the Clearing Corporation.

2.1.31 **"Declaration of default"** means notification of a clearing member as a defaulter by the relevant authority.

2.1.32 **"Default"** has the same meaning as the term "Event of Default" defined in these Bye-Laws.

2.1.33 **"Defaulter "** means a Clearing Member who has been declared to be a Defaulter in accordance with these Bye-Laws and the Rules of the Clearing Corporation.

Confidential

2.1.34 **"Delivery"** means the tender and receipt of warehouse receipts/ or any other document of title to goods by issue of delivery order in settlement of a contract.

2.1.35 **"Delivery centers"** are those places or locations where the Underlying of the Securities/ Commodities permitted for trading on the Concerned Exchange can be delivered by the seller.

2.1.36 **"Delivery Day"** means the day on which Delivery shall occur towards a Settlement obligation in respect of a Security or Contract.

2.1.37 **"Delivery Order"** means an order / intention issued by a Selling Member in the prescribed form to the Clearing Corporation, in terms of the instructions received from its Client or Constituent offering delivery of goods at one or more permitted delivery centers in fulfillment of its obligation against an expiring contract.

2.1.38 **"Delivery Period"** means the period during which the commodities are tendered in terms of the contracts in fulfillment of the transactions executed under these Byelaws, and the Rules and Regulations of the Clearing Corporation, or under the orders issued in exercise of the powers vested by any of them, and includes tender days as prescribed by the Exchange / Clearing Corporation for different contract months.

2.1.39 **"Delivery Settlement"** is a process where the buying Clearing Member will complete his side of the transaction by making the necessary payments to the selling Clearing Member and the selling Clearing Member will in turn transfer the Securities or deliver the Underlying to the buying Clearing Member. Settlement will be completed when the Clearing Corporation or its agencies transfers ownership of the Securities or the Underlying to the buyer and the funds are transferred to the seller.

2.1.40 **"Depository"** means a company formed and registered under the Companies Act, 1956 (1 of 1956), and which has been granted a certificate of registration under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992).

2.1.41 **"Derivative"** includes—

- **a.** a security derived from a debt instrument, share, loan, whether secured or unsecured, risk instrument or contract for differences or any other form of security;
- **b.** a contract which derives its value from the prices, or index of prices, of underlying securities;
- **c.** commodity derivatives; and
- **d.** such other instruments as may be declared by the Central Government to be derivatives;

2.1.42 **"Derivatives Contract"** is a legally binding agreement made on the trading platform of Exchange between its Members, to buy or sell a particular Security or Contract at a predetermined price as on the Expiry Date

2.1.43 Deleted][5]

2.1.44 **"Due Date/Contract Expiry Day/Contract Maturity Day"** means the maturity date (last day) on which a specific contract in a specific commodity derivative or any other Security expires and is not available for trading thereafter.

2.1.45 **"Due Date Rate"** means the settlement price fixed for settling of all the outstanding contracts in a Contract Month on the due date, by way of delivery or otherwise in accordance with the method prescribed by the Concerned Exchange/ Clearing Corporation.

[5] Approved by SEBI vide its letter No. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23, 2019

Confidential

2.1.46 **"Event of Default"** means any event that may lead to clearing member being declared defaulter by the relevant authority.

2.1.47 **"Exchange"** means a stock exchange which is for the time being recognised by the Central Government/ SEBI under section 4 of SCRA.

2.1.48 **"Exchange Member** or **Trading Member"** means an entity admitted as to the Membership of the Concerned Exchange for trading of Securities or contracts that are permitted to be dealt on the Exchange and shall not mean and include a shareholder of the said Stock Exchange Company unless expressly stated. Membership of the Exchange in this context shall not mean or require or entitle shareholding in the Stock Exchange Company.

2.1.49 **"Exchange Rules** or **Rules of the Exchange"** means the Rules of the Concerned Exchange by whatever name it may be titled which is in force and as may be amended from time to time and include the Bye-Laws and Regulations/ Business Rules of such Exchange.

2.1.50 **"Exercise"** means the invocation of a right in an option contract, in accordance with and subject to these Bye-laws, Rules and Regulations of Exchange or Clearing Corporation, by the right holder.

2.1.51 **"Expiry Date** or **Expiration Date"** means date on which the contract will expire and in the case of an Options Contract, it is the date on or up to which the holder of an Option may elect to exercise the Option or allow it to expire worthless.

2.1.52 **"Expiration time"** is the close of business hours on the expiration day of the Futures or Option contract or such other time as may be specified by the Relevant Authority from time to time.

2.1.53 **"Final Settlement Price"** in respect of a contract means Due Date Rate (DDR) determined by the Clearing Corporation for settling that contract in accordance with the method specified in the Contract Specification or such other method as may be notified by the Relevant Authority.

2.1.54 **"Margin"** means a deposit or payment of Collateral(s) to establish or maintain a position in a Security and includes among others Initial Margin, Additional Margin, Variation Margin, Tender Period Margin, Special Margin, Delivery Margin, Extreme loss margin or any other type of Margin as may be applicable and determined by Exchange and /or the Clearing Corporation from time to time.

2.1.55 **"Market Order"** means an order for a specified quantity of a Security or Contract to be bought or sold at the best available order price or quote prevailing on the trading platform of the Exchange at the time of entry of the opposite kind of order on the trading platform of the Exchange.

2.1.56 **"Market Segment"** means the category of Securities or Contracts made available by the Concerned Exchange on its trading platform for trading by its Members.

2.1.57 **"Mark to Market Settlement"** means settlement of all open positions of clients or Constituents done on a daily basis and includes those positions Closed Out intra-day.

2.1.58 **"Month"** means a month reckoned according to the English calendar unless otherwise specified.

2.1.59 **"Novation"** means the act of a clearing corporation interposing itself between both parties of

every trade, being the legal counterparty to both.

2.1.60 "Open Position" means any Security which has not been liquidated by an offsetting transaction or Delivery or cash settlement or as specified in the Contract Specification.

2.1.61 "Options Contract" is an agreement between a buyer and seller that gives the purchaser of the option the right but not the obligation to buy or sell a particular underlying at a later date at an agreed upon price. It has the meaning ascribed to the term "options contract" under the Relevant Acts.

2.1.62 "Order" means an offer to buy or sell any contract through the trading platform permitted by the Concerned Exchange for specific Securities or Contracts.

2.1.63 "Outstanding Obligation" means the obligation which has neither been closed out nor been settled.

2.1.64 "Participant" means and refers to an entity accredited or permitted by the Clearing Corporation through an arrangement or agreement to participate in one or more of the processes of the Clearing and Settlement mechanism towards facilitating the completing of the said processes in accordance with these Bye-Laws, the Rules and Regulations framed from time to time for such purpose and subject to such terms and conditions, as may be prescribed by the Relevant Authority.

2.1.65 "Pay-in" in respect of deals or transactions done on the Exchange, means making available funds / Securities/ Underlying or such other assets by the respective Clearing Members to the Clearing Corporation or its accredited or recognized agencies in accordance with the applicable settlement schedule notified by the Clearing Corporation separately for each Security or Contract.

2.1.66 "Pay-in Date" means the date and time prescribed by the Clearing Corporation for each settlement by which date and time, the Clearing Members are required to perform their obligations by way of remittance of funds / Securities or delivery of the Underlying as applicable, to the Clearing Corporation.

2.1.67 "Pay-out" in respect of Deals or transactions done on the Concerned Exchange means the release of funds /Securities by the Clearing Corporation to the Clearing Members who become entitled to receive them to the extent of and upon their fulfilling their respective pay-in obligations into the Clearing Corporation, in accordance with the applicable settlement schedule notified by the Clearing Corporation separately for each Security or Contract.

2.1.68 "Pay-out Date" means the date and time prescribed by the Clearing Corporation for each Settlement on which date and time, the Clearing Corporation shall be required to release funds / Securities or the Underlying to the respective accounts of the Clearing Members and/or their clients.

2.1.69 "Position limit" means any limit on Open Positions held or controlled by a person (whether directly or indirectly, and whether individually by such person or by such person acting in concert with any person or persons) or a Trading member of the Concerned Exchange, that the Exchange and/or the Clearing Corporation may from time to time impose in respect of any Security.

2.1.70 "Proprietary Account" means an account in the books of the Trading Member of the Exchange to which the proprietary positions of the Trading Member are designated.

2.1.71 "Regulations" mean and include all the operational principles, and parameters designed to

Confidential

govern and control the Clearing and Settlement processes and the management and conduct of the Clearing Corporation that are to be followed by management of the Clearing Corporation, all the participants and the Clearing Members.

2.1.72 **"Relevant Authority"** means the Board or such other authority as specified by the Board from time to time as relevant for a specified purpose.

2.1.73 **"Rules"** mean unless the context indicates otherwise, 'Rules' means the Rules of Clearing Corporation for the time being in force.

2.1.74 **"SCRA"** is the abbreviation for Securities Contracts (Regulation) Act 1956.

2.1.75 **"SCRR"** is the abbreviation for Securities Contracts (Regulation) Rules 1957.

2.1.76 **"SEBI"** is the abbreviation for Securities and Exchange Board of India.

2.1.77 **"SECC"** is the abbreviation for [Securities Contracts (Regulation) (Stock Exchange and Clearing Corporations) Regulations, 2018][6].

2.1.78 **"Security** or **Securities"** means 'securities' as defined under section 2(h) of SCRA.

2.1.79 **"Seller"** means a seller of any Security.

2.1.80 **"Selling Clearing Member"** means a Clearing Member handling the Clearing and Settlement functions of a Client or a Constituent who or whose client has sold a Security on the Trading floor of the Concerned Exchange pursuant to which it is obligated to honour the sale obligation by following all the prescribed procedures.

2.1.81 **"Settlement"** includes Delivery Settlement and/or Mark to Market Settlement.

2.1.82 **"Settlement Day"** means the day fixed by the Clearing Corporation for Members to settle their Securities transactions obligations in terms of these Bye-Laws, the Rules and/or the Regulations and as prescribed or instructed by the Relevant Authority.

2.1.83 **"Settlement Guarantee Fund"** means a fund established and maintained by the Clearing Corporation in accordance with these Bye-Laws.

2.1.84 **"Strike Price** or **Exercise Price"** means the price at which the Underlying to an Options Contract can be purchased or sold or the price at which an Options Contract may be exercised.

2.1.85 **"Transactions** or **Deal** or **Trading** and to **Trade"** and such similar expressions for the purposes of these Bye-Laws shall mean Deals as defined in these Bye-Laws and also refer to Securities transactions that are to be Cleared and Settled through the Clearing Corporation.

2.1.86 **"Underlying"** refers to an asset on which the price of the Derivative contract is based.

2.1.87 **"Warehouse"** means and includes any place of storage, godown, tank, silos, store house, vault etc. where the commodities are capable of being received and stored.

2.1.88 **"Warehouse / Vault Receipt"** means a document, whether in physical or electronic form evidencing a commodity being held in an approved or accredited warehouse.

[6] Approved by SEBI vide its letter No. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23, 2019

Confidential

2.1.89 "Warehouse Service Provider (WSP)" means an agency approved and accredited by the Clearing Corporation for the storage and preservation of any Underlying.

2.2 Interpretation

2.2.1 Unless the contrary intention is provided for:

(a) a reference to any gender includes the other.
(b) words in these Bye-Laws in the singular include the plural and words in the plural include the singular.
(c) a reference to a 'time' is reference to a time as in India unless specified otherwise.
(d) where a reference is made in these Bye-Laws to any provisions of SCRA or SCRR or the SEBI Act or any other provisions in Law or statute, it is a reference to the said provision as amended from time to time.
(e) where a reference is made in these Bye-Laws to a statutory provision, it refers to the laws of India.
(f) a reference to any legislation or law or to any provision thereof shall include references to any such law as it may, after the date hereof, from time to time, be amended, supplemented or re-enacted and any reference to any enactment shall include any subordinate legislation made thereunder from time to time.

2.2.2 Headings are for convenience only and shall not affect the interpretation of these Bye-Laws.

2.2.3 Subject to these Bye-Laws, the decision of the Clearing Corporation shall be final in relation to the interpretation of these Bye-Laws against a Clearing Member, any of their affiliated clients (who are Members of the Concerned Exchanges), Clearing Banks, Warehousing entities, Warehouse Service Providers, depositories, vaults or any third party involved in rendering relevant services and the Concerned Exchanges.

2.2.4 In these Bye-Laws, reference to knowledge of a Clearing Member shall include reference to the knowledge of a Director, Controller, shareholder, officer, employee or representative or agent of that Clearing Member or entity or agency referred to in 2.2.3 above as the case may be.

2.2.5 The words and terms defined above shall mean the same when used in lower case in these Bye-Laws, unless the context indicates otherwise.

2.2.6 Words and expressions used in these Bye-Laws but not defined herein shall have the same meaning assigned to them under the relevant Acts and Rules or Regulations made thereunder as the case may be.

2.2.7 These Bye-Laws shall be interpreted in a harmonious manner with a view to complying with the requirements of the Relevant Acts and Rules & Regulations made thereunder, to effectuate the purposes and businesses of the Clearing Corporation and to ensure that all practices in connection with the business of the Clearing Corporation as well as the functions of Clearing and Settlement process of Deals executed on the Concerned Exchanges are conducted in a fair, just, reasonable manner in order to maintain the integrity of the markets, protect the investors trading on the Concerned Exchanges, the Clearing Members of the Clearing Corporation as well as the Concerned Exchange on whose behalf the Clearing and Settlement functions are being carried out.

Confidential

3. APPLICATION OF BYE-LAWS

3.1 These Bye-Laws shall govern the Clearing, Settlement of Deal / Contract and delivery of the Securities traded on the Concerned Exchange(s) that mandate the Clearing Corporation to extend its Clearing and Settlement infrastructure and facilities for clearing and settlement of the Deal / Contracts that are executed on the trading platform of such exchanges.

3.2 These Bye-Laws shall also apply to all types of Market Segments of the Concerned Exchange(s) unless the context requires otherwise or unless otherwise specified by the Concerned Exchanges or the Clearing Corporation from time to time.

3.3 These Bye-Laws shall also apply to:

a. all Clearing Members of the Clearing Corporation and their Authorised Users where applicable;

b. the Clearing Members of the Clearing Corporation inter-se;

c. the Members of the Concerned Exchange who arrange to get themselves affiliated to the Clearing Members of the Clearing Corporation where such exchange has entered into a binding arrangement with the Clearing Corporation to Clear and Settle the Deals that are executed by such Members on the trading platform of such exchange;

d. the Concerned Exchanges that enter into a binding arrangement or agreement with the Clearing Corporation for facilitating the Clearing and Settlement functions along with all associated and related functions in relation with the Deals / contracts executed on the trading platform of such exchanges;

e. such other persons or entities including among others one or more Warehouse Service Providers, warehousing entities, depositories and/ or secured vaults, Clearing Banks, Custodians and such other agencies who render appropriate services of the Clearing Corporation and fulfilment of the settlement of the Deals executed on the trading platform of the Concerned Exchanges by its members; and

f. any other entity or agency as the Relevant Authority may specify or notify from time to time.

3.4 Unless specifically exempted, these Bye-Laws shall apply to all or any of the clearing segments that are operative on or handled by the Clearing Corporation and as may be specified by the Clearing Corporation from time to time.

3.5 Unless otherwise provided under these Bye-Laws, a third party has no rights to enforce any provisions of these Bye-Laws or any Regulations framed thereunder.

Confidential

4. CLEARING SEGMENTS, SUB-SEGMENTS AND PRODUCTS

4.1 The Relevant Authority shall have the powers to establish:

4.1.1 exchange wise Clearing Segments;
4.1.2 Clearing Sub-Segment for Clearing and Settlement of Deals with respect to each such exchange as in 4.1.1 above;
4.1.3 Clearing and/or Settlement mechanisms in respect of each Clearing Segment and/ or Sub-segment of the Concerned Exchange(s).

4.2 The Relevant Authority may agree to carry out the Clearing and Settlement functions for the Contracts or Securities under such Clearing Segments as are eligible under the SCRA.

4.3 The Relevant Authority shall:

4.3.1 determine, alter, change or modify the profile or characteristic of each Clearing Segment, Clearing Sub-segment and/or product on the basis of its own evaluation of the functioning of the product in the market and re-designate or classify the products or Securities for smooth clearing and settlement processes;
4.3.2 withdraw or suspend Clearing and /or Settlement functions for any particular Clearing Segment, Sub-segment or Contracts or Security as it may deem fit.

4.4 The Relevant Authority may constitute different divisions for each exchange and/ or Clearing Segments or Sub-Segments, groups of agricultural commodities, metals and other commodities or Securities;

4.5 Subject to the provisions of these Bye-laws, the Relevant Authority shall have powers to frame Regulations in respect of each Clearing segment and/or Sub-segment:

4.5.1 for their efficient functioning and operations;

4.5.2 to regulate the functioning and activities of the Clearing Members of the Clearing Corporation, their authorized representatives or persons, approved users;

4.5.3 to determine settlement and delivery specifications for contracts within each Clearing segment or Sub-segment that is made available for trading on the Concerned Exchange;

4.5.4 to facilitate, in respect of all the obligations that crystallise in respect of Deals on the Clearing Corporation, smooth pay-in and pay-out processes through designated agencies including among others Clearing Banks and Warehouse Service Providers that the Clearing Corporation may appoint, and

4.5.5 to formalize the functioning of all other persons, entities or agencies operating under or through the Clearing Corporation or Clearing Banks or dealings with them inter-se.

Confidential

5. GENERAL

5.1 Additional Powers:

5.1.1 The powers of the Board under these Bye-Laws are in addition to the provisions contained in Articles of Association of Clearing Corporation and the relevant statutes.

5.1.2 The Board may conduct, organise, maintain, regulate, control and facilitate the operations of the Clearing Corporation and of all transactions on the Clearing Corporation and towards this it shall grant powers and extend delegated authority to the Relevant Authority.

5.1.3 The Relevant Authority is accordingly empowered to conduct the business of the Clearing Corporation. Without limitation, the Relevant Authority is entitled, pursuant to various provisions in these Bye-Laws or in terms of the provisions of the SCRA and/or SCRR, to:

a. enter into arrangement with one or more exchanges for clearing and settling Deals/trades done on those exchanges in respect of any or all of the Market Segments that such exchanges may introduce for trading;
b. specify norms, procedures, terms and conditions for admission to Clearing Membership of the Clearing Corporation;
c. specify norms for the conduct of Clearing Members with regard to the business of the Clearing Corporation;
d. decide on the framework for levy of charges on Clearing Members for business transacted through the Clearing Corporation;
e. specify norms, procedures, terms and conditions for admission of transactions for Clearing and settlement by the Clearing Corporation;
f. specify norms, procedures, terms and conditions for Clearing and settlement of transactions for different Clearing Segments and for different Securities and Contracts based on the different Clearing Segments of the Concerned Exchanges;
g. specify terms and conditions of deals to be entered into, and the time, mode and manner for clearing and settlement of securities transactions between Clearing Members or between Clearing Members and their Clients;
h. specify norms, procedures, terms and conditions for guaranteeing financial settlement by the Clearing Corporation;
i. prescribe and administer penalties, fines and other consequences, including suspension or expulsion of Clearing Members from the Clearing Corporation for Defaults;
j. specify norms, procedures, terms and conditions for imposition and administration of different types of margins that may be imposed by the Clearing Corporation from time to time;
k. decide on the framework to levy fees, system usage charges, deposits and other monies payable to the Clearing Corporation by Clearing Members and the scale of Clearing and other charges that may be collected by the Clearing Members from their Clients
l. specify norms for supervision of clearing operations and specify Codes of Conduct for Clearing Members
m. determine norms for administration, maintenance and investment of funds of the Clearing Corporation including corpus of Settlement Guarantee Fund and other funds;
n. specify norms, terms and conditions, functioning and procedures for clearing and settlement through depository(ies) or other arrangements including custodial services for Clearing and settlement;
o. determine the manner of empanelment, operations and interfacing with exchanges, Warehouse Service Providers, Warehousing entities, custodians, Depository(ies) and Clearing bank(s);
p. determine norms and procedures for availing services from Warehouses and Warehouse service providers for physical delivery of the Underlying commodities and from surveyors, assaying agencies, quality testing and certification laboratories/agencies and

Confidential

other appropriate authorities and agencies;

q. conduct inspection and audit of records and books of accounts of the Clearing Members;

r. investigate the financial condition, business conduct and dealings of the Clearing Members;

s. specify terms for appointment and dissolution of different Committee(s) of the Clearing Corporation;

t. carry out settlement of disputes, complaints, claims arising between Clearing Members inter-se as well as between Clearing Members and persons who are not Clearing Members relating to any deal in securities cleared and settled through the Clearing Corporation including settlement by arbitration;

u. specify norms, procedures, terms and conditions for arbitration;

v. decide on the framework to impose penalties for non-compliance with or contravention of these Bye-Laws, the Rules, Regulations and Circulars of the Clearing Corporation or that of SEBI;

w. specify norms, procedures, terms and conditions in respect of, incidental to or consequential to close out of deals

x. specify the processes for expulsion or suspension of the Clearing Members;

y. declare any Clearing Member as a defaulter or impose suspension or terminate from Clearing Membership of the Clearing Corporation

z. exercise its powers in such other matters in relation to the Clearing Corporation as may be specified under the provisions of the Memorandum and/or Articles of Association or these Bye-Laws or as may be necessary or expedient for the maintenance, control, management, regulation and facilitation of the operations of the Clearing Corporation.

aa. disseminate information and make announcements;

bb. any other matter as may be decided by the Board.

cc. specify prudential norms for exposure of Clearing Corporation from time to time[27]

5.2 Powers to amend Bye-Laws

Subject to the requirements set out under the Relevant Acts or as approved by SEBI, the Clearing Corporation may from time to time amend all or any part of these Bye-Laws as may be deemed necessary or appropriate.

5.3 Power to issue Notices and Circulars / Power to Prescribe Enabling Provisions

5.3.1 The Relevant Authority may, from time to time, issue clarifications / directives /Notices and/or Circulars, as may be required from time to time, to remove any difficulties or ambiguity in implementing the provisions of any of the Bye- Laws of the Clearing Corporation and Regulations framed thereunder, which shall have the same effect as these Bye-Laws and the Regulations.

5.3.2 Any non-compliance or violation of such clarifications/ directives/Notices and/or Circulars shall be deemed to be a contravention of these Bye-Laws.

5.4 Board's power to delegate

5.4.1 Board

5.4.1.1 The Board is responsible for the governance of the Clearing Corporation pursuant to these Bye-Laws.

5.4.1.2 The Board may delegate such of its powers, authorities and functions to such

[27] Approved by SEBI vide its letter No. SEBI/HO/MRD/MRD-RAC-1/P/OW/2025/0000021667/1 dated August 12, 2025

Confidential

directors, officers, employees, persons and to such Committees as it may authorise from time to time.

5.4.1.3 The Board may delegate one or more of the functions in provision 5.1.3 to the Relevant Authority of the Clearing Corporation for effective and timely decision making and implementation.

5.4.2 Committees

The Board or the Relevant Authority may appoint such Committees, as it may deem fit, to advise it on matters in relation to the operations and Regulatory affairs of the Clearing Corporation as per the provisions of SCRR.

5.4.3 Powers of Committees

Each Committee shall have such powers as may be delegated by the Board or delegated to it under these Bye-Laws or the Rules of the Clearing Corporation.

5.5 Jurisdiction and governing law

5.5.1 These Bye-Laws shall be governed by and construed in accordance with the laws of India. Save as provided under these Bye-Laws and irrespective of the location of a Clearing Member of the Clearing Corporation or any of the entities rendering any service to the Clearing Corporation and its Clearing Members towards completing the Clearing and Settlement functions as referred to in 2.1 above, the courts in Mumbai shall have the exclusive jurisdiction to determine any dispute with the Clearing Corporation in relation to or arising from these Bye-Laws.

5.5.2 All Deals admitted by the Clearing Corporation for Clearing and Settlement shall be deemed to have been entered into exclusively in the city of Mumbai and courts in Mumbai shall have exclusive jurisdiction with regard to such deals, admitted on the Clearing Corporation.

5.5.3 Clearing Members are liable for due fulfilment of their obligations to the Clearing Corporation as may be specified by the Relevant Authority, whether such obligation be for account of the Clearing Member or on account of a Constituent.

5.5.4 The Clearing Corporation shall be entitled to bring an action in any court of competent jurisdiction against a Clearing Member to enforce the obligations of a Clearing Member which may arise under or in connection with these Bye-Laws, a judgment, an award or an order.

5.5.5 Any dispute between a Clearing Member of the Clearing Corporation and its constituents may be referred to any court in India depending on the location of the said Client provided the Clearing Corporation is not being made a party to the dispute.

5.6 Governing language

All Rules, Notices, writings, Circulars, instructions and documents issued by the Clearing Corporation under these Bye-Laws in relation to the operation and functions of the Clearing Corporation shall be in the English language. For the convenience of Clearing Members, the Clearing Corporation may publish Notices and/or Circulars in any other language in addition to English. In case of any discrepancy between the different versions of any Notice and/or Circular, the English version shall prevail.

5.7 Records for evidence

Confidential

The records of the Clearing Corporation as maintained by:
- a central processing unit or a cluster of processing units or,
- computer processing units or,
- any other system of the Clearing Corporation, or,
- in any register, magnetic storage units, electronic storage units, optical storage units, or,
- in any other manner, or,
- on any other accepted media and

transmitted to it by the Concerned Exchange in respect of trades executed on the trading platform of the said exchange and requiring the facilities of the Clearing Corporation, shall constitute the agreed and authenticated record for computing the rights and obligations of its Clearing Members inter-se towards completing the process of clearing and settlement.

5.8 Limitation of liability

5.8.1 The Clearing Corporation shall have no liability, obligation or duty to any Clearing Member, any of their clients or any third party, including but not limited to, as a result of:

a. any force majeure event which is beyond the reasonable control of the Clearing Corporation;
b. any losses or damages, including consequential losses and damages incurred or which may arise directly or indirectly with respect to the activities and functions of the Clearing Corporation;
c. any failure, omission or error on the part of the Clearing Corporation including any losses or damages with respect to Clearing and Settlement through the infrastructure of the Clearing Corporation or suspension, interruption, cancellation or closure of the Clearing Corporation or any inoperability or malfunction of any equipment, software, computer system or any other product operated, supplied or used by the Clearing Corporation;
d. any decision of the [Relevant Authority or the Committee][7] exercising their powers or the Clearing Corporation accepting a Clearing Member's resignation or the Clearing Corporation's decision to suspend or terminate the membership of any Clearing Member or declare any Clearing Member to be a Defaulter Member;
e. the exercise or failure to exercise any discretion or rights under these Bye-Laws by the Clearing Corporation.

5.8.2 Without prejudice to any other limitation or exclusion of liability:

5.8.2.1 in the event of a Declared Default, the liability of the Clearing Corporation shall be limited to net losses suffered by any Clearing Member not in default resulting from the substitution of the Clearing Corporation by way of Novation in respect of the transactions between Clearing Members; and

5.8.2.2 except as expressly provided in 5.8.2.1, the Clearing Corporation shall not have any liability or obligation to any Client of a Clearing Member or any person that such Client may be liable to or has any obligation to, nor shall the Clearing Corporation be liable for any obligations or liabilities of a Clearing Member to any person (including any non-Clearing Members of the Clearing Corporation), or any obligations of a Clearing Member to any other Clearing Member other than liabilities of the Clearing Corporation as a central counterparty.

5.8.3 Immunity and Protection for acts done in good faith

[7] Approved by SEBI vide its letter No. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23, 2019

Confidential

No claim, suit, prosecution or any other legal proceedings shall lie against the Clearing Corporation or any of its directors, officers, employees or any other duly authorised persons acting for and on behalf of the Clearing Corporation, in respect of anything which is done or intended to be done or omitted in good faith in exercise of any power under these Bye-Laws or Regulations made thereunder, Rules, Circulars and/or Notices or in pursuance of any order or any other kind of communication received by the Clearing Corporation in writing from any court, tribunal, Government, SEBI, or any other competent regulatory or revenue authority empowered under any law or delegated legislation.

5.8.4 Indemnity

5.8.4.1 Every Clearing Member shall indemnify and keep indemnified the Clearing Corporation against all losses, costs, expenses, damages, injuries and liabilities whatsoever incurred by the Clearing Corporation where such losses, costs, expenses, damages, injuries and liabilities arose out of or in connection with any violation by the Clearing Member (including its present and past directors, officers, employees, agents, clients) of its obligations under these Bye-Laws or the Regulations made thereunder or the Rules or violation of any applicable law or any unlawful, wilful, reckless or negligent act or omission of the Clearing Member (including its present and past directors, officers, employees, agents and Clients).

5.8.4.2 Each Clearing Member shall indemnify and hold the Clearing Corporation harmless for the full amount awarded under any judgment, settled or paid by the Clearing Corporation in respect of any legal or administrative proceeding brought against the Clearing Corporation as a result of an alleged violation of any applicable law or these Bye-Laws by such Clearing Member or as a result of an alleged failure of the Clearing Corporation to detect, prevent or otherwise act against such alleged violation.

5.8.4.3 Each exemption from liability, defence or immunity to the Clearing Corporation or to which the Clearing Corporation is entitled under these Bye-Laws shall also be available and shall extend to protect directors, officers, employees or agents of the Clearing Corporation.

5.8.5 Confidentiality

Confidential information that is received and obtained under these Bye-Laws or the Regulations made thereunder shall not be disclosed by the Clearing Corporation or by any of its directors, officers, employees or agents or by a person coming into possession of the information. The Clearing Corporation shall take all necessary steps to preserve and protect the confidential information. The Clearing Corporation shall however, be entitled to disclose confidential information in all or any of the following circumstances:

a. for the purpose of compliance with any applicable law, Rule or regulation;
b. for the purpose of the Clearing Corporation to institute, carry on or defend any proceedings including any court proceedings; or
c. in relation to the enforcement of that Clearing Member's obligations under these Bye-Laws or the Regulations made thereunder and the Rules of the Clearing Corporation.

5.8.6 Force Majeure

5.8.6.1 The Clearing Corporation shall not be liable for any harm, loss, damage or injury caused by it to any person if such harm, loss, damage or injury is caused by conditions beyond its control. Such events or causes include war, riots, acts of God, civil

Confidential

disturbances, terrorism, acts of a civil or military authority, embargoes, fires, labour disputes, natural calamities like floods, cyclones, tsunami, explosions, accidents, mechanical breakdowns, computer or system failures or other failures of equipment, any failure or interruption of any network, telecommunication equipment or online system, any failure or interruption of power supply, any failure in the utility of service provider, any failure of or defect in computer or software systems, change of law, interruption or suspension or insolvency or bankruptcy of any bank, financial institution, depository or custodian, market emergency, closure of any market or cessation of trading by any of the Concerned Exchanges including any clearing segments or sub-segments handled by the Clearing Corporation on behalf of the Concerned Exchanges.

5.8.6.2 Notwithstanding anything contained in sub clause 5.8.10.1 above, any failure on the part of the Clearing Corporation which is caused by conditions beyond its control shall not in any way reduce, alter, limit or affect the liability of a Clearing Member in respect of any transaction entered into or executed through the systems of the Clearing Corporation by such Clearing Member.

5.8.6.3 Notwithstanding the above, the Clearing Corporation shall, on its own or in consultation with the Concerned Exchange be entitled to require any Clearing Member to take such actions, including but not limited to closing out of all or any of the Security transactions attributable to a Clearing Member or the Clients affiliated to the said Clearing Member as the Clearing Corporation may direct in respect of the Security transactions affected by the force majeure event.

5.8.7 Severability

In the event of any provision of these Bye-Laws being rendered void or unenforceable by reason of any statutory amendment, re- enactment, notification or judicial decision or pronouncement by any competent court, tribunal, regulatory authority or SEBI, such provision shall to the extent required, be severed and rendered ineffective without in any way affecting the validity or enforceability of the rest of the provisions of these Bye-Laws which shall continue to apply with full force and effect, provided further that the action already taken earlier under such provision(s) shall remain unaffected.

6. ARBITRATION BETWEEN CLEARING MEMBERS OF THE CLEARING CORPORATION, OTHER INTERMEDIARIES AND CLIENTS

All claims, differences or disputes between the Clearing Members inter-se and between the Clearing Members and their Clients or Constituents arising out of or in relation to any of the processes and procedures adopted and implemented by the Clearing Corporation in accordance with these Bye-Laws, the Rules and/or the Regulations made under these Bye-Laws or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfilment or the rights, obligations and liabilities of the parties thereto and including any question of whether any transactions and contracts have been entered into, shall be submitted to arbitration in accordance with the provisions of these Byelaws, and Regulations made thereunder and the Rules of the Clearing Corporation. The Clearing Corporation shall be entitled to facilitate arbitration processes for such disputes between the parties as mentioned in provision 3.3 of these Byelaws, by adopting such procedures as prescribed in these Bye-laws, the Rules and/or the Regulations made under these Bye-Laws or Notices and Circulars issued by it. For that purpose, the Relevant Authority or a Committee constituted by the Clearing Corporation may provide for:

Confidential

a. norms, procedures, forms, jurisdiction, terms, conditions and scale or slabs of arbitration fees and other charges for reference to arbitration, places where arbitration proceedings may be facilitated;
b. deciding on the eligibility criteria for persons to be appointed as Arbitrators;
c. constituting a panel of Arbitrators;
d. determining a suitable and effective Code of Conduct for all members of the Arbitration panel.
e. fixing the size of the Arbitral bench visa vis the quantum or magnitude of the dispute so referred to;
f. appointment of arbitrators, substitute arbitrators and umpires as the case may be;
g. determining the limitation period for referring matters to the arbitration mechanism of the Clearing Corporation;
h. determining the procedure for serving notice of hearing and adjournment of hearings and communications to the parties and witnesses;
i. procedure for appearance, hearing, filing of information and counter claims and taking witnesses and evidence of assessors and experts;
j. procedure for issue of arbitration awards;
k. procedure for implementing the award of the Arbitration proceedings;
l. procedure for preferring an appeal against Arbitration proceedings or an award;
m. procedures and manner for preservation of documents and records;
n. manner and periodicity of publishing the data related to arbitration on the web site of the Clearing Corporation;
o. manner of publishing the arbitral Awards on the web site of the Clearing Corporation;
p. any other matter incidental or that may be necessary to effectually govern the requirements of Arbitration mechanism.

The Relevant Authority shall be guided by the prescriptions of SEBI in the manner of conducting the Arbitration procedures.

Confidential

7. MEMBERSHIP OF CLEARING CORPORATION

7.1 Membership Eligibility

7.1.1 The Clearing Corporation may classify its Clearing Members on the basis of the functional aspects of a particular type of Clearing Member which may include those who would clear and settle deals/ trades transacted or dealt:

a. on the Concerned Exchange by the said Member in its capacity as a Trading Member in a particular Market Segment of a Concerned Exchange; and
b. on the Concerned Exchange by the said Member in its capacity as a Trading Member in a particular Market Segment of a Concerned Exchange and/or by the Affiliated Trading Members;
c. on the Concerned Exchange by the Affiliated Trading Members who are referred to as Constituents of the Clearing Member.

7.1.2 The Relevant Authority shall, from time to time, prescribe or lay out the eligibility criterion for admission to the Clearing Membership of the specific Clearing Segments of the Clearing Corporation.

7.1.3 Subject to these Bye-Laws and the relevant Regulations made thereunder and the Rules of the Clearing Corporation, the Clearing Membership to the different Clearing Segments shall entitle a Clearing Member to exercise such rights and privileges attached to such Clearing Membership category and/or Clearing Segment, subject to the Clearing Member meeting and/or remitting all the required fees, contributions, charges, deposits or other deposits, funds or monies as may be prescribed from time to time by the Clearing Corporation.

7.1.4 Clearing Membership status and rights are not transferable without the prior written approval of the Clearing Corporation.

7.2 Transfer, Transmission, Surrender, Resignation of Membership of the Clearing Corporation

Subject to these Bye-Laws, the requirements of SEBI, the Relevant Authority may from time to time, prescribe terms and conditions in respect of matters concerning the Transfer or the Transmission of Clearing Membership of the Clearing Corporation, or the decision of a Clearing Member to surrender or withdraw / resign from the Clearing Membership of the Clearing Corporation;

7.3 Suspension and / or Termination of Clearing Membership of the Clearing Corporation

Without prejudice to the rights of the Clearing Corporation or the Disciplinary Action Committee under these Bye-Laws, the Rules and the Regulations made there under a Clearing Member's rights and privileges may be suspended either in whole or in part or terminated where the Clearing Member has breached, failed to meet or violated certain requirements that may be prescribed by the Relevant Authority from time to time and the consequence of such breach, failure or violation is suspension or termination of the Clearing Membership.

7.4 Fees and Security Deposits and other Payments

7.4.1 Upon admission of a Clearing Member to the Clearing Corporation and towards the continued Membership, the Clearing Member shall pay such fees, security deposits and other monies as may be specified by the Relevant Authority from time to time.

7.4.2 The fees, security deposits, other monies and any additional deposits as may be paid by the Clearing Member to the Clearing Corporation from time to time, whether in the form of

Confidential

cash, bank guarantee, commodity, securities or otherwise, shall be subject to a first and paramount lien towards any sum due to the Clearing Corporation and all other claims against the Clearing Member for fulfillment of obligations and liabilities of the said Clearing Member arising out of or incidental to any transaction made or attributable to the said Clearing Member subject to the Bye-Laws, Rules and Regulations of the Clearing Corporation.

7.4.3 The Clearing Corporation shall be entitled to adjust or appropriate such fees, deposits and other monies for such dues and claims, to the exclusion of the other claims against the said Clearing Member, without any reference to the Clearing Member. The proceeds arising out of invocation of the bank guarantees furnished by the Clearing Member in lieu of security deposits or additional deposits, on being invoked by the Clearing Corporation, shall not be reckoned as part of the Clearing Member's deposits for the purpose of exposure, etc., unless the Clearing Member complies with the conditions imposed by the Relevant Authority from time to time.

7.4.4 [The Clearing Corporation shall instruct the concerned Bank (s) to freeze the bank accounts maintained by the member, for all debit/withdrawal by the member in the event of potential default by the member in meeting its obligations to the Clearing Corporation and/or repayment of securities/funds to his/its clients. For this purpose, the members of the Clearing Corporation will submit an undertaking to the Clearing Corporation, as per prescribed format, for authorizing the Clearing Corporation to instruct the concerned bank to freeze the bank account for all debit /withdrawal from such accounts][17].

7.5 General and prudential requirements

7.5.1 An Applicant Clearing Member shall not be entitled to exercise any of the rights or privileges of Clearing Membership unless it:

7.5.1.1 has paid in full the non-refundable Clearing Membership fees, annual fees and any other charges, deposits or fees as may be specified by the Clearing Corporation,

7.5.1.2 meets the applicable minimum capital and financial requirements specified in the Rules and /or Circulars issued by the Relevant Authority and/or

7.5.1.3 has obtained permission or is exempted under the Relevant statutes from holding licence / authorization / recognition.

7.5.2 A Clearing Member of any Clearing Segment shall clear and settle Deals/transactions made on a Concerned Exchange and attributable to it as a Clearing Member pertinent to a particular Clearing Segment:

a. on its own account or
b. on behalf of its Clients and/or
c. on behalf of its affiliated Constituents

in terms of its scope as a Clearing Member in such manner and mode and subject to such terms and conditions and procedures as may be prescribed for the Clearing Member for the respective Clearing Segments.

[17] Approved by SEBI vide its email dated November 26, 2020

Confidential

8. CLEARING AND SETTLEMENT

8.1 Admission of Deals

8.1.1 The Clearing Corporation shall clear and settle deals in Securities that are admitted under a particular Market segment for trading on the Concerned Exchanges provided the said Securities are accepted by Clearing Corporation to be cleared and settled.

8.1.2 Notwithstanding the above provision 8.1.1, the Clearing Corporation may, at any time decline to accept a Security for clearing and settlement, or may impose conditions on the acceptance of the Security, after recording the reasons thereof, and shall notify any such decision to its Clearing Members and the Concerned Exchanges.

8.1.3 Unless otherwise provided in these Bye-Laws, a Clearing Member shall accept and clear all deals in Securities of each of its Clients.

8.1.4 The Relevant Authority shall have the powers to suspend at any time the admission of a Clearing Segment or any Securities within a Clearing Segment for Clearing and Settlement for such period as it may determine and reinstate such Clearing Segments or Securities subject to such conditions as it may deem fit.

8.1.5 The Relevant Authority may where it deems necessary withdraw the admission of a Clearing Segment or any Securities of the Exchange for Clearing and Settlement either for breach or non-compliance with any of the conditions or requirements of the Clearing Corporation.

8.1.6 The Clearing Corporation may reinstate a Clearing Segment or readmit Securities of the Exchange for Clearing and Settlement subject to such conditions as it may specify.

8.1.7 The Clearing Corporation may permit in appropriate cases from time to time specific transactions to be cleared and settled through the Clearing Corporation in case of Securities which are not admitted or are for the time being prohibited or suspended as it deems fit.

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

8.2 Arrangement for Clearing and Settlement

8.2.1 Clearing and settlement of deals in respect of each Market Segment or Securities of the Concerned Exchange admitted for Clearing and Settlement shall be effected by the concerned Clearing Members by adopting and using such arrangements, systems, or procedures and through such agencies as may be prescribed or specified by the Relevant Authority from time to time. Without prejudice to the generality of the above, the Relevant Authority may prescribe or specify from time to time such custodial, depository, Clearing Bank, warehousing and other services for adoption and use by Clearing Members and their constituents to facilitate smooth operation of the clearing and settlement arrangement or system.

8.2.2 The Clearing and Settlement function may be performed by the Clearing Corporation on its own or it may take assistance of any agency identified by the Relevant Authority for any purpose to facilitate completion of all processes.

Confidential

8.2.3 Save as otherwise expressly provided in these Bye-Laws, Rules and Regulations, when funds and Securities are Cleared and/or Settled under a prescribed arrangement:

8.2.3.1 the Settlement responsibility shall rest solely upon the counter parties to the contract and/or the concerned Clearing Members as the case may be, and

8.2.3.2 the Clearing Corporation shall act as the common facilitator or agent, as may be applicable, of the Clearing Members for receiving or giving delivery of Securities and where applicable the Underlying in respective of delivery obligations under Derivatives Contracts and for receiving and paying funds.

8.2.4 The Clearing Corporation shall undertake to guarantee the financial settlement of all Deals duly executed on the Trading Platform of the Concerned Exchange irrespective of the failure on the part of or default by or insolvency of the corresponding Clearing Member; Provided however, that the settlement guarantee by the Clearing Corporation shall extend only:

i. to its own Members, and

ii. to those transactions that have been executed, registered, and accepted for Clearing and Settlement by the Clearing Corporation after having been transmitted to it by the Concerned Exchange, and

iii. to those Members who are not in default in their financial obligations to the Clearing Corporation or the Concerned Exchange;

Provided further that:

a. the Clearing Corporation shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any Security including any Underlying or any document passing through the [Clearing Corporation][1] as performance of delivery obligation, the object of maintaining the [Clearing Corporation][2] being to facilitate the smooth and swift delivery and payment in respect of the funds and Securities or documents between its Members.

b. [the nature of the guarantee by the Clearing Corporation is strictly financial, that is, in case of buyer default or seller default, the Clearing Corporation shall guarantee financial compensation to make good any monetary loss to non-defaulting party.][3]

8.3 Operational Parameters for Clearing

8.3.1 The Clearing Corporation may specify and announce from time to time operational parameters relating to Clearing and settlement of Securities through the Clearing Corporation which the Clearing Members shall adhere to. The operational parameters may, inter- alia, include:

---

[1] Substituted for the words "Clearing House" by MCXCCL Bye-Laws amendments approved by SEBI vide its letter dated 25.05.2018.

[2] Ibid.

[3] Substituted by MCXCCL Bye-Laws amendments approved by SEBI vide its letter dated 25.05.2018. Prior to its substitution, it read as under:

" the nature of the guarantee by the Clearing House is strictly financial, that is:

i. the Selling Clearing Member will be assured by the Relevant Authority of the payment of the settlement price fixed on the delivery/expiry date after the Clearing Corporation is satisfied that the delivery has been completed; and

ii.the Buying Clearing Member will be assured of either a delivery of the relevant Securities/ underlying or upon failure of the Selling Clearing Member to give delivery of the Securities/ underlying, the price difference and the applicable share of monetary penalty as specified in the Circulars issued by the Clearing Corporation from time to time."

Confidential

a. clearing limits allowed, which may include clearing limits with reference to Net-worth and/or capital adequacy norms;
b. clearing volumes and limits at which it will be incumbent for Clearing Members to intimate the Clearing Corporation;
c. fixation of delivery lots for different settlement types;
d. other matters which may affect smooth operation of Clearing and Settlement of Securities keeping in view larger interest of the investors;
e. types of transactions permitted for a Clearing Member;
f. determining functional details of the clearing and settlement system including the system design, user infrastructure and system operation;
g. Collection of margins from Clients and reporting collection of the same [specify the norms for collection of margins as also the norms to enable verification of margins from clients][18]

8.3.2 In the matter of a deliverable Commodity Derivatives Contracts, the Clearing Corporation shall ensure that all parameters that the have been stipulated by the Concerned Exchanges in the attributes of an Underlying, including among others the determination of 'basis' variety and deliverable varieties for different commodities, "on" and "off" allowances for tendering varieties other than the basis, contract (delivery) months, delivery periods, delivery centres, tender days shall be met by the Delivering Clearing Member. The Relevant Authority shall, through the Regulations and the Circulars and Notifications issued from time to time lay out all:

- requirements that a Delivering Clearing Member will need to fulfil in this regard including the applicable allowances if any;
- procedure for settlement of disputes relating to quality, price and delivery.

8.4 Clearing Banks

8.4.1 Appointment of Clearing Bank(s)

8.4.1.1 The Clearing Corporation shall appoint Clearing Bank(s) from time to time for the purpose of daily and final Settlement, for the collection of deposits, Margins, and other amounts for all transactions entered into through the Clearing Corporation and any other funds movement between Clearing Members and the Clearing Corporation.

8.4.1.2 The Relevant Authority shall specify from time to time the processes, account types, procedures and operations that every Clearing Member shall be required to follow for the purpose of funds settlement through their accounts maintained with the Clearing Bank(s). The Clearing Corporation shall have the power to enter into necessary arrangement with financial institutions or entities such as banks for conducting clearing and settlement operations.

8.5 Novation

8.5.1 Upon a deal relating to a Security transacted on the Concerned Exchange being reported to the Clearing Corporation for Clearing and Settlement, the relevant Deal shall be passed on to the Clearing Corporation. The Clearing Corporation shall then become the Central Counterparty for each such Deal.

[18]Approved by SEBI vide its letter SEBI/HO/MRD/RAC-1/P/OW/2023/42743/1 dated 18.10.2023

Confidential

8.5.2 Novation shall result in two contracts, one between the Selling Clearing Member and the Clearing Corporation, and the other between the Clearing Corporation and the Buying Clearing Member. Each separate contract resulting from such Novation shall be identical to the original contract except that the Clearing Corporation shall be substituted as and shall assume the position, and accordingly the rights and liabilities, of Selling Clearing Member to the Buying Clearing Member and conversely, the position, and accordingly the rights and liabilities, of Buying Clearing Member to the Selling Clearing Member. [However, the responsibility of Clearing Corporation under novation shall be for guarantee of funds pay-out till marking of delivery and for guarantee of financial compensation (to make good losses of non-defaulting party) in case of default (in goods or funds pay-in) after marking of delivery. In case of disputes pertaining to quality or quantity / any damages arising after the delivery shall be addressed through the complaint redressal mechanism, including arbitration mechanism of the Clearing Corporation and can be settled in terms of financial compensation.][4]

8.5.3 The Clearing Corporation shall be entitled to rely conclusively on the accuracy and authenticity of any and/or all information and data regarding any Deal or transaction submitted to the Clearing Corporation by or on behalf of the Concerned Exchange or any Clearing Member, whether or not a Clearing Member has in fact authorised the submission of such information or data so submitted.

8.5.4 Each Open Position (whether designated to a proprietary position or a Client position of a Clearing Member) when accepted by the Clearing Corporation for Clearing and Settlement shall be between the Clearing Corporation and a Clearing Member as principal to principal.

8.5.5 No other person or any third party, including any Exchange Member who is a Client of the Clearing Member, or otherwise, shall have any rights under any Open Position between the Clearing Member and the Clearing Corporation.

8.5.6 Nothing in these Bye-Laws shall be regarded, treated or otherwise interpreted as:

a. imiting, diminishing, modifying or otherwise affecting the relationship between the Clearing Corporation and a Clearing Member.
b. obliging or requiring the Clearing Corporation to recognize any right or entitlement of any third party.

8.5.7 Transactions where the Clearing Corporation shall not act as a Legal Counter Party:

8.5.7.1 If on an investigation, the Concerned Exchange concludes that either all the transactions or part thereof in any Contract executed on its trading platform or any of its other trading systems, have been executed in a fraudulent manner and/ or are placed as financial transactions or structured deals and/or with a design to defraud the Settlement Guarantee Fund operated by the Clearing Corporation, the Relevant Authority of the Clearing Corporation, upon receiving a report from the Concerned Exchange, shall have absolute authority and discretion to withdraw itself as a legal Counter Party to such Deal / transaction or set of transactions:

8.5.7.2 Provided that where the Relevant Authority decides to exercise its discretion to withdraw itself as a legal Counter Party to any such transaction, either in full or

---

[4]Inserted by MCXCCL Bye-Laws amendments approved by SEBI vide its letter dated 25.05.2018.

Confidential

in part, and /or either from both sides or single side of the transaction, it shall afford an opportunity of being heard to all the parties affected or likely to be affected by such decision. The decision taken by the Relevant Authority thereafter shall come into force forthwith and shall be final and binding on all the parties concerned.

8.6 Delivery of Securities and/or Underlying

8.6.1 Clearing, settlement and delivery of Securities that is traded on the Concerned Exchanges shall be made through the Clearing Corporation. Any Underlying bought or sold under any Security that is traded on the Concerned Exchanges shall be delivered or settled, in accordance with the Bye-Laws, Rules and Regulations, notifications and Circulars of the Concerned Exchanges and the provisions of these Bye-Laws, Rules, Regulations and circulars made thereunder.

8.6.2 The Deals/transactions may be categorized by the Clearing Segments, kinds of trades, basis, mode and manner of settlement into different settlement types and cycles by the Clearing Corporation and notified through Circulars from time to time.

8.6.3 The obligations of Clearing Members arising therefrom for effecting delivery of Securities and / or Underlying and payment of funds shall constitute the settlement obligations of the Clearing Member.

8.6.4 Where applicable, Delivery of Securities or the respective underlying in respect of settlement obligation of Deals/ transactions shall be through the Depository or Warehouses/vaults or through such other mechanism as the case may be and in such manner and at such place(s) as prescribed by the Relevant Authority from time to time.

8.6.5 The Relevant Authority shall specify from time to time, the securities, documents and papers which, when delivered in prescribed manner, shall constitute good delivery. Where circumstances so warrant, the Relevant Authority may determine, for reasons to be recorded, whether or not a delivery constitutes a good delivery, and such findings shall be binding on parties concerned. Where the Relevant Authority determines that a delivery does not constitute a good delivery, the delivering party shall be required to substitute such delivery with the good delivery acceptable to the Relevant Authority within such time as may be specified.

8.6.6 Delivery under these Bye-Laws may, subject to the relevant Contract Specifications, include the tender and receipt of any Underlying or approved warehouse/ vault receipts or any other documents as set out in the Contract Specifications.

8.6.7 Notwithstanding anything in these Bye-Laws, failure to make or take delivery in accordance with the Contract specifications will be deemed as a breach of these provisions or the Rules framed by the Clearing Corporation with regard to the relevant Clearing Segment and may subject the Clearing Member in default to disciplinary proceedings.

8.6.8 The norms and procedures for delivery with respect to market lot, odd lot, minimum lot, part delivery, delivery of partly paid securities etc., shall be as prescribed by the Relevant Authority from time to time.

8.6.9 The requirements and procedures for determining disputed deliveries or defective deliveries, and measures, procedures and system of resolving the dispute or defect in deliveries or of consequences of such deliveries or their resolution shall, subject to these

Confidential

Bye-Laws and Regulations, be as prescribed by the Relevant Authority from time to time.

8.6.10 The payment of funds in respect of settlement obligations of Deals/ transactions for the Clearing Member shall be through the Clearing Bank(s).

8.7 Clearing Days, Clearing Hours and Scheduled Times

8.7.1 Clearing Days and Scheduled Times
The Clearing Corporation shall from time to time fix the various Clearing days including the pay-in and pay-out days and the time schedule to be observed in connection with the Clearing and Settlement operations. The Clearing Corporation may, from time to time, specify different time schedules for different Exchanges or Market/ Clearing Segments or Securities.

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

8.7.3 Changes to Clearing Days and Time Schedules:

8.7.3.1 The Relevant Authority may at any time pre-pone, extend, alter or postpone from time to time the clearing days and time schedules for different Exchanges, Market/ Clearing Segment or Securities.

8.7.3.2 Notwithstanding anything to the contrary contained in these Bye-Laws, the Clearing Corporation may for reasons to be recorded;

a. extend or postpone the time for Clearing and/or Settlement performance of Securities in any deals wherever in its opinion such action is called for in public interest or by just and equitable principles of trade or when circumstances beyond the control of either or both of the contracting parties make such action desirable.
b. extend or postpone in any particular case, the time for the settlement performance of a Security from any one Clearing schedule to the ensuing Clearing schedule.
c. In the event of multiple settlements on a single day because of intervening holidays or otherwise, the transactions shall be cleared and settled on a sequential basis or any other basis as may be specified by the Clearing Corporation.

8.7.3.3 The Clearing Corporation may declare a list of holidays in a calendar year. The Clearing Corporation may from time to time alter or cancel any of the holidays fixed in accordance with these provisions. It may, for reasons to be recorded, suspend Clearing and Settlement operations in any Clearing Segment on days other than or in addition to holidays.

Confidential

8.8 Clearing and Settlement:

8.8.1 Clearing and Settlement of deals on the Concerned Exchanges for each Clearing Segment may be on netted basis or gross basis or trade-for-trade basis or any other basis as may be specified by the Relevant Authority from time to time.

8.8.2 "Netting" means the determination by Clearing Corporation of net payment or delivery obligations of each Clearing Member by setting off or adjustment of the inter-se obligations or claims arising out of buying and selling of Securities including the claims and obligations arising out of the termination by the Clearing Corporation or Stock Exchange of the transactions admitted for settlement at a future date, in such circumstances as the Clearing Corporation may specify in bye-laws, so that only a net claim be demanded, or a net obligation be owed.

8.8.3 Settlement and Netting

8.8.3.1 The payment and settlement in respect of a Deal or transaction on the trading platform of the Concerned Exchange shall be determined in accordance with the netting or gross procedure as specified in the respective bye-laws of the Concerned Exchange and the Clearing Corporation, with the prior approval of SEBI.

8.8.3.2 Payment and settlement in respect of a transaction between parties referred above shall be final, irrevocable and binding on such parties.

8.8.3.3 When a settlement has become final and irrevocable, the right of the Concerned Exchange or the Clearing Corporation, as the case may be, to appropriate any collaterals or deposits or margins contributed by the affiliated constituent / Trading Member, Clearing Member or client towards its settlement or other obligations in accordance with the bye-laws of the Concerned Exchange or Clearing Corporation shall take priority over any other liability of or claim against the said affiliated constituent/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 bye-law 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 the relevant underlying are actually paid or delivered.

8.8.4 The Clearing Corporation shall have the right to recover the dues of any of its Clearing Members in one or more Clearing Segments from the collaterals, deposits and the assets of such Clearing Member available with the Clearing Corporation across Clearing Segments and such right shall have priority over any other liability of or claim against the said Clearing Member. [Since such collaterals, deposits and assets are earmarked for settlement of dues of the Clearing member by the Clearing Corporation, no freezing or attachment due to orders / letters by other statutory authorities, on such collaterals, deposits, and assets are allowed.][25]

8.8.5 Final Settlement of Contract

8.8.5.1 The funds relating to the Final Settlement in respect of Contracts as decided by the Clearing Corporation are debited by the Clearing Bank from the Clearing and Settlement account of the Clearing Member concerned in fulfilment of the complete

[25] Approved by SEBI vide its letter SEBI/HO/MRD/RAC-1/P/OW/2024/32262/1 dated 14.10.2024

Confidential

pay-in obligations of the Clearing Member.

8.8.5.2 Settlement of Deliverable Futures Contract is considered to be completed when the Clearing Corporation shall direct, and the Selling Clearing Member and the Buying Clearing Member shall respectively make and take delivery of the Underlying, in relation to Open Contracts which are Deliverable Contracts pursuant to the Exchange Rules, the Contract Specifications that are applicable to such Underlying or Contract.

8.8.6 Daily Settlement Price

8.8.6.1 The Relevant Authority of the Clearing Corporation in or without consultation of the Concerned Exchange shall, at the close of trading hours, determine the Daily Settlement Price for each Security.

8.8.6.2 The Daily Settlement Price so determined by the Clearing Corporation shall be binding on all Clearing Members.

8.8.6.3 Notwithstanding anything in these Bye-Laws, the Relevant Authority reserves the right to amend daily, the settlement prices of any Security where it deems fit.

8.8.7 Inability to declare Daily Settlement Price

If in the opinion of the Relevant Authority a situation or practice may prevent or has prevented the determination of the Daily Settlement Price for a Security or a group of Securities in accordance with the relevant Contract Specifications, the Relevant Authority may take any steps it deems necessary in the circumstances to correct such situation so as to enable the Daily Settlement Price to be determined and declared and may give directions to Clearing Members accordingly.

8.8.8 Final Settlement Price

The Final Settlement Price shall be such price as may be specified by the Relevant Authority.

8.8.9 Closing Out

8.8.9.1 A Deal on the Concerned Exchange admitted by the Clearing Corporation for clearing and settlement may be Closed Out on failure of a Clearing Member to comply with any of the provisions relating to delivery, payment and settlement of deals or on any failure to fulfill the terms and conditions subject to which the deal has been made, or such other circumstances as the Relevant Authority may specify from time to time.

8.8.9.2 The said Deal may be Closed Out by the Clearing Corporation in such manner, within such time frame and subject to such conditions and procedures as the Relevant Authority may prescribe from time to time.

8.8.9.3 Without prejudice to the generality of the foregoing, the Relevant Authority may Close Out deals, inter alia, by buying in or selling out against a Clearing Member as follows:

a. in case of the selling Clearing Members, on failure to complete delivery on the due date;

Confidential

b. in case of the buying Clearing Members, on failure to pay the amount due on the due date; and
c. any loss, damage or shortfall sustained or suffered as result of such Closing Out shall be payable by the Clearing Members who failed to give due delivery or to pay amount due.

8.8.10 Transfer of Open Positions

8.8.10.1 The Clearing Corporation may:
a. upon the request of a Clearing Member,
b. where provided in Rules and/or Regulations of the Concerned Exchanges, at the direction of the said Exchange, or
c. pursuant to the disciplinary provisions contained in these Bye-Laws,
Transfer an Open Position held in the name of a Clearing Member (the "Transferor Clearing Member") to another Clearing Member (the "Transferee Clearing Member").

8.8.10.2 Notwithstanding provision 8.8.10.1, the Relevant Authority may decline to effect the transfer of a position without providing any reason. A transfer may be made subject to the Transferor Clearing Member and Transferee Clearing Member complying with any conditions imposed by the Clearing Corporation, including the deposit of Margin, or Collateral by either or both of the Transferor Clearing Member and the Transferee Clearing Member, or any other party.

8.8.10.3 The transfer shall be effected in such manner and at such time as the Clearing Corporation determines, subject to the acceptance by the Transferee Clearing Member. Upon the Transferee Clearing Member accepting the transfer in the manner specified by the Clearing Corporation, the Open Position between the Transferor Clearing Member and the Clearing Corporation shall be cancelled and a new Open Position will come into existence between the Clearing Corporation and the Transferee Clearing Member on the same terms as the cancelled Open Position.

8.8.11 Open Positions

8.8.11.1 All positions shall remain open and in force and shall continue to be binding upon the Clearing Members until liquidated by offsetting positions in accordance with these Bye-Laws, or upon delivery or cash settlement, provided however that all Open Positions shall cease to exist on the dates such Contracts are stated to expire.

8.8.11.2 The Relevant Authority may from time to time specify the provisions relating to Corporate Action adjustments, including non-adjustment, in Open Positions, discontinuing any or all Securities and/or settlement methods and procedures for the relevant Securities, arising out of or incidental to Corporate Actions in the Underlying.

8.8.12 Notwithstanding anything contained in the bye-laws, the Clearing Corporation shall ensure [guarantee for settlement of trades including][19] good delivery.
[Explanation: For the purpose of these Bye laws, "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 Exchange" inserted after the word "good delivery"][20]

[19] Approved by SEBI vide its letter SEBI/HO/MRD/RAC-1/P/OW/2023/42743/1 dated 18.10.2023
[20] Approved by SEBI vide its letter SEBI/HO/MRD/RAC-1/P/OW/2023/42743/1 dated 18.10.2023

Confidential

9. DEALINGS BY CLEARING MEMBERS

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

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

9.3 Inviolability of Admitted Deals

9.3.1 All Dealings in Securities on the Concerned Exchanges are deemed to be made subject to the Bye-Laws, Rules and Regulations of the Clearing Corporation.

9.3.2 The deals shall be subject to the exercise by the Relevant Authority of the powers with respect thereto vested in it by these Bye-Laws, Rules and Regulations of the Clearing Corporation.

9.3.3 All such Deals shall be inviolable and shall be Cleared and Settled in accordance with these Bye-Laws and Regulations made thereunder and the Rules of the Clearing Corporation.

9.3.4 The Clearing Corporation / the Concerned Exchange may, however, by notice annul the Deal(s) on an application by a Clearing Member in that behalf, if the Relevant Authority is satisfied after hearing the other party/parties to the Deal(s) that the Deal(s) is /are fit for annulment on account of fraud or willful misrepresentation or material mistake in the trade in consultation with the Concerned Exchange.

9.3.5 Notwithstanding anything contained in clause 9.3.4 above, the Clearing Corporation in consultation with the Concerned Exchange, to protect the interest of investors in Securities in particular and the Markets in general and for proper regulation of the securities market, may suo moto annul Deal(s) at any time if the Relevant Authority is satisfied for reasons to be recorded in writing that such Deal(s) is/ are vitiated by fraud, material mistake, misrepresentation or market or price manipulation and of like nature.

9.3.6 Any annulment made pursuant to clauses 9.3.4 and 9.3.5 above, shall be final and binding upon the parties to trades. In such an event, the Clearing Member shall be entitled to cancel the relevant Deal(s) with its Constituents.

9.4 Deals by Representative Clearing Members

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

9.5 Privity of Contract

9.5.1 Except as provided herein, the Clearing Members giving and receiving delivery and/or payment as provided in these Bye-Laws and Regulations shall be deemed, notwithstanding that no direct contract may exist between them, to have made a contract with each other as sellers and buyers.

Confidential

9.5.2 Notwithstanding the above, the rights and liabilities of delivering and receiving Clearing Member with their respective immediate contracting party shall not be affected thereby.

9.5.3 The selling Clearing Member (unless he be himself the delivering Clearing Member) shall however be released from all responsibility in regard to the title, ownership, genuineness, regularity and validity of the documents once the documents are received by the receiving Clearing Member and in the event of any loss and/or damages arising to the receiving Clearing Member therefrom, the same shall be dealt with in accordance with the provisions of Bye-Laws and Regulations thereof provided that:

a. where the Relevant Authority may specify either generally or specifically, Clearing Members giving and receiving delivery and paying and receiving funds as provided in the Bye-Laws and Regulations shall be deemed, notwithstanding that no direct contract exists between them, to have made a contract with the Clearing Corporation through full novation as sellers and buyers and between themselves as delivering and receiving Clearing Members;
b. provided further that in such event the rights and liabilities of delivering and receiving Clearing Member shall not be deemed to be affected thereby and the Clearing Corporation shall not be responsible in respect of the title, ownership, genuineness, regularity and validity in respect of the documents delivered or received and in the event of any loss and/or damages arising to the delivering and receiving Clearing Members therefrom, shall be dealt with in accordance with the provisions of these Bye-Laws and Regulations thereof and the Rules.

10. MARGINS

10.1 Clearing Members are responsible to the Clearing Corporation for all Margin requirements and shall comply with Margin requirements as specified by the Relevant Authority from time to time.

10.2 The Relevant Authority shall value any Collaterals provided for Margin in accordance with the valuation methodology prescribed from time to time.

10.3 The Relevant Authority shall specify:

10.3.1 the type, nature and composition of Collaterals that will be acceptable as Margin,

10.3.2 the methods and formulae for calculating above Margins and,

10.3.3 mode of remittance or their payment

10.3.4 the time that certain Collaterals will cease to be acceptable as Margin and on the valuation to be attributed thereto

10.3.5 [the manner and mode in which various forms of collateral other than cash can be deposited.

10.3.6 norms and procedures for providing visibility of client wise collateral at all levels and reporting mechanisms for cash and non-cash collateral.

Confidential

10.3.7 norms for client wise allocation of collateral][21].

10.4 The Clearing Member tendering or depositing margins, in the form of Securities or such other forms as collateral as may be acceptable to the Clearing Corporation, shall always maintain the value thereof so that the value of the collateral does not go below the quantum of margin required to be deposited by such Clearing Member. In the event of the value of such Securities or other acceptable components eroding, at any time, below the level of the required Margin, such Clearing Member shall replenish the quantity of Security or introduce other forms of Margins to the satisfaction of the Relevant Authority.

10.5 The Relevant Authority shall be entitled to determine the value of the additional security provided by such Clearing Member.

10.6 All Collaterals provided to the Clearing Corporation as Margin shall be free of, and shall remain free of, any encumbrances whatsoever.

10.7 The Relevant Authority shall have the right to make a call to a Clearing Member to replace with cash any of the existing Collaterals deposited with Clearing Corporation, at any time as it deems fit.

10.8 No Clearing Member shall (directly or indirectly) enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the Margin requirements specified under these Bye-Laws or the Rules of the Clearing Corporation.

10.9 The Collaterals pledged or hypothecated by a Clearing Member in lieu of Margins, under the provisions of these Bye-Laws or the Rules shall be subject to a first and paramount lien for all sums due to the Clearing Corporation. Margin shall be available in preference to all other claims against the Clearing Member for the due fulfilment of its obligations and liabilities arising out of or incidental to any Deals made subject to these Bye-Laws or the Rules or anything done in pursuance thereof.

10.10 The Clearing Corporation may at any time combine one or more clearing accounts of the Clearing Member with the Clearing Members' liabilities to the Clearing Corporation and set off and/or transfer and/or apply any funds in such account towards satisfaction of any liabilities of the Clearing Member to the Clearing Corporation.

10.11 Failure to meet Margin obligations:

10.11.1 If a Clearing Member fails to pay margin as required in these Bye-Laws and Regulations, the Relevant Authority may take such action as it may deem fit against such Clearing Member including suspension of such Clearing Member or squaring off / close out of the Open Positions of the Clearing Member and/or his affiliated constituents and their clients;

10.11.2 In the event a Clearing Member fails to meet any of its other obligations to the Clearing Corporation arising out of clearing and settlement operations, the Clearing Corporation shall be entitled to utilise any amount paid by the said Clearing Member in the form of Margin or any other payment retained by the Clearing Corporation for the purpose of Clearing and settlement.

10.12 The Margins deposited with the Clearing Corporation in any form of Collaterals may be, wholly or partly, entrusted or held with one or more Custodians, banks or such other entities specified by the Relevant Authority. All Margin deposits shall be held by the Clearing

[21] Approved by SEBI vide its letter SEBI/HO/MRD/RAC-1/P/OW/2023/42743/1 dated 18.10.2023

Confidential

Corporation and/or by the approved persons and/or by the approved custodians or banks as the case may be solely for and on account of the Clearing Corporation without any right whatsoever on the part of the depositing Clearing Member or those in its right to call in question the exercise of such discretion. The Clearing Corporation shall retain control over all Collateral as part of the Margin of such Clearing Member.

10.13 The Clearing Corporation shall not have any obligation or responsibility to preserve, protect, collect or realise collaterals or its value other than that applicable to an ordinary and prudent person and under no circumstances shall the Clearing Corporation be liable for any loss or diminution in value or depreciation in or in connection with the Collaterals tendered or deposited by the Member and maintained as above.

10.14 A Clearing Member who maintains Collaterals with the Clearing Corporation pursuant to these Bye-Laws and the Rules shall indemnify and hold the Clearing Corporation harmless from any loss, damage, costs, charges and /or expenses of whatsoever nature and however arising ("loss") suffered or incurred by the Clearing Corporation to any approved custodian which may result from or arise with respect to:

10.14.1 any act, delay or omission in connection with the Collaterals deposited with such approved Custodian (by such Clearing Member or the Clearing Corporation) or;

10.14.2 any agreement between the Member and any approved Custodian or bank or any representation, warranty or undertaking given by the Clearing Corporation to any designated Custodian or bank in relation to or otherwise in connection with Collaterals deposited with such approved Custodian or bank, provided that this indemnity shall not cover any loss and/or liability of the Clearing Corporation attributable to or referable to the gross negligence or willful misconduct of the Clearing Corporation or any of its directors, officers employees or agents.

10.15 Each Clearing Member shall pay the Clearing Corporation all fees, expenses, charges and costs incurred by the Clearing Corporation in relation to its acceptance and maintenance of Collaterals specified under the Rules of the Clearing Corporation as the Relevant Authority may determine from time to time and shall make such deposits of Margins (in such form as may be acceptable to the Clearing Corporation) as may be required by the Clearing Corporation by reason of any erosion or depreciation in the market value of such Collaterals.

10.16 Failure or default of a Clearing Member in fulfilling its obligations to the Clearing Corporation in accordance with the provisions of these Bye-Laws and the Rules, the Collaterals of a Clearing Member maintained with the Clearing Corporation may be disposed of, without notice and in any manner deemed appropriate by the Clearing Corporation and the proceeds from the liquidation of such Collaterals shall be applied against the obligations of the Clearing Member to the Clearing Corporation in respect of one or more Clearing Segments.

11. RIGHTS, DUTIES AND LIABILITIES OF THE CLEARING MEMBERS AND CONSTITUENTS

11.1 Margin from Constituents

11.1.1 Every Clearing Member shall have the right to demand from its Constituent:

a. the margin it has to provide under these Bye-Laws and the Rules and Regulations in respect of the business undertaken by it for such Constituent;
b. an Initial Margin in cash or the substitute for cash from its Constituent(s before undertaking to clear the Clients obligations and
c. to stipulate that the constituent shall pay margin or furnish such additional margins

Confidential

as may be prescribed from time to time.

11.1.2 The Constituent shall be bound to comply with the directions of the Clearing Member, when called upon to do so as required under these Bye- Laws, Rules and Regulations.

11.2 Constituent In Default

11.2.1 A Clearing Member shall not transact business directly or indirectly for a Constituent who, to his knowledge, is in default to another Clearing Member ("Creditor Clearing Member") unless such constituent has made arrangements to the satisfaction of the Clearing Member proposing to act for such constituent that such Constituent has or shall settle the claim of the Creditor Clearing Member.

11.2.2 On the application of a "Creditor Clearing Member" who refers or has referred to arbitration its claim against the defaulting Constituent as provided in these Bye-Laws, Rules and Regulations, the Relevant Authority shall issue orders against any Clearing Member/s restraining them from paying or delivering to the defaulting Constituent any monies or securities up to an amount or value not exceeding the Creditor Clearing Member's claim payable or deliverable to the defaulting constituent in respect of deals subject to the Bye-Laws, Rules and Regulations of the Clearing Corporation, which moneys and securities shall be deposited with the Clearing Corporation.

11.2.3 Any monies or collaterals attributable to a Member in Default shall be disposed of in accordance with the directions of the [Relevant Authority or the Committee][8], the award in an arbitration or Court proceeding in favour of or against the said Member in Default or in terms of the prescriptions of SEBI on matters relating to Arbitration by or against a Member in Default as may be issued from time to time and notified by the Relevant Authority through the Regulations or Notices or circulars issued in this regard.

11.3 Closing-Out of Constituent's Account

11.3.1 Unless otherwise specified by the Relevant Authority from time to time, when closing-out the account of a Constituent, a Clearing Member close-out the positions in the open market and any expense incurred or any loss arising therefrom shall be borne by the Constituent.

11.4 Closing-Out by Constituent on Failure to Perform a Deal

11.4.1 If a Clearing Member fails to complete the settlement performance of a deal by delivery or payment in accordance with provisions of the Bye Laws, Rules and Regulations, the Constituent shall, after giving notice in writing to the Clearing Member open a client account with another Clearing Member. The Client may request the Clearing Member to request the Clearing Corporation to transfer such positions to another Clearing Member with whom the said constituent has opened a new account. The Constituent may then, close out such deal through any other Clearing Member as soon as possible. If the closing out be not effected as provided herein, the loss/damages incurred by the parties shall be determined on such basis as may be specified by the Relevant Authority from time to time and the Constituent and the Clearing Member shall forfeit all further rights of recourse against each other. The Clearing Corporation shall at its absolute discretion reject the request for transfer of positions from one Clearing Member to another Clearing Member.

11.5 Complaint By Constituent

[8] Approved by SEBI vide its letter No. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23, 2019

Confidential

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

11.6 Closing-out in the event of death or insolvency of a Constituent / Trading Member

11.6.1 A Clearing Member may close-out all open transactions on account of a Constituent who has died or declared insolvent or bankrupt. A Clearing Member may close-out all open transactions on account of such a constituent.

11.7 Release of funds and securities by Clearing Members

11.7.1 A Clearing Member shall make pay-out of funds and Securities in such manner so as to ensure full and timely compliance of all relevant requirements in this regard as may be prescribed by SEBI/Clearing Corporation.

11.8 Confidentiality to be maintained

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

11.9 Transfer of positions by Clearing Member

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

11.10 Segregation of Dues

11.10.1 the accounts of the Clearing Members, their Clients and their affiliated Constituents (which is a member of the Concerned Exchange) for whom the Clearing Member is acting as such, shall be segregated from each other;

11.10.2 the amounts and assets standing to the debit and credit of the Clearing Member, its Clients or its affiliated Constituents shall not be adjusted against the credit or debit of each other or;

11.10.3 the Clearing Member's funds or assets or those of its Clients or affiliated Constituents shall not be utilised for payment of the dues of the other;

11.10.4 obligations payable by a Clearing Member on his own account shall not be paid or met out of funds / assets of a Client or affiliated Constituent;

11.10.5 Notwithstanding the aforesaid, any amount or assets payable / deliverable to a Clearing Member (on his own account) by the Clearing Corporation may be applied by the Clearing Corporation for paying amounts / assets payable/ deliverable by the Clearing Member or by any Constituent of the Clearing Member or any Trading Member of a Concerned Exchange (whose trades the Clearing Member had agreed to clear).

Confidential

12. DECLARATION OF DEFAULT

12.1 Event of Default

12.1.1 The occurrence of any of the following events with respect to a Clearing Member shall constitute an Event of Default and will be dealt with by the Relevant Authority in accordance with these Bye-Laws and the Regulations framed thereunder and/or the Rules of the Clearing Corporation:

a. the Clearing Member (or any of the Clearing Member's officers, employees, Clients, contractors, agents,) is in violation or deemed violation of any of these Bye-Laws, Regulations and the Rules in respect of any of the Clearing Segments to which the Clearing Member has been admitted;

b. the Clearing Member fails to make any payment required to be made under or pursuant to these Bye-Laws Rules and the Regulations or Circulars issued by the Relevant Authority from time to time. Payments may include without limitation any payment towards the Clearing Members' Pay-in obligations in respect of any of the Clearing Segments to which it has been admitted, fees, transaction charges, fines or its clearing and settlement obligations relating to any of the Clearing Segments including delivery of the underlying relating to a Security, security deposit, Margins, Daily Settlement Amount, Final Settlement Amount, contribution to the Settlement Guarantee Fund, or any other dues to the Clearing Corporation, SEBI or any other Statutory agency;

c. the Clearing Member fails to make a valid delivery of the underlying asset at the time and place specified by the Relevant Authority or take delivery of the underlying asset relating to performance of a Deliverable Contract, or for the purpose of satisfying its Clearing and Settlement obligations with respect to any of the Clearing segments of the Clearing Corporation to which the Clearing Member is admitted;

d. the Clearing Member defaults on any other obligation under these Bye-Laws and the Regulations made thereunder and the Rules of the Clearing Corporation which, if capable of being remedied, is not remedied to the satisfaction of the Relevant Authority within the time specified by the Relevant Authority for such rectification;

e. the Clearing Member fails to abide by any arbitration proceedings or award as laid down under these Bye Laws, Regulations and Rules;

f. [Deleted][10]

g. an application, in any jurisdiction, is filed or an order made for the winding up, dissolution, bankruptcy, management or administration of the Clearing Member or similar events or an assignment or composition is made by the Clearing Member for the benefit of its creditor(s);

[10] Approved by SEBI vide its letter No. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23, 2019

Confidential

h. [Deleted][11]

i. [Deleted][12]

j. [Deleted][13]

k. the Clearing Member or any of its principal officials or agents are insolvent or any steps towards bankruptcy or winding up are initiated against them;

l. any similar event that would affect the business and the financial condition of the Clearing Member (including its ability to pay debts as and when they fall due) and its affairs with the Clearing Corporation, or

m. any other event which, in the opinion of the Relevant Authority, materially impacts or may materially impact the Clearing Member in meeting its obligations under these Bye-Laws, Regulations and the Rules.

n. [Any Exchange or Clearing Corporation declares the Clearing Member as defaulter][14]

12.2 Duty to Inform

12.2.1 The Clearing Member shall be bound to notify the Clearing Corporation immediately of the likelihood of a failure by any Clearing Member to discharge his liabilities in full.

12.3 Declaration of Default and Notification

12.3.1 The Relevant Authority shall, at its discretion, determine whether it shall treat an Event of Default as a Declaration of Default and shall determine the date and time of such Declaration of Default;

12.3.2 The Relevant Authority shall notify the Defaulter Member as well as other Members in writing of the Declaration of Default and its effective date and timing.

12.3.3 The Declaration of Default of a Clearing Member owing to an Event of Default attributable to one or more of the Clearing Segments shall have the effect of declaring the Clearing Member entity itself as a Defaulter irrespective of whether the Clearing Member is meeting or has met all its obligations in all the other Clearing Segments.

12.3.4 On a Clearing Member being declared a Defaulter relating to his operations in one or more of the Clearing Segments on the Clearing Corporation, the Relevant Authority shall forthwith notify the Concerned Exchange as well as the other Exchanges, Clearing Corporations in India and SEBI so as to enable them to initiate steps to protect the integrity of the Markets and to enable the Clients of the Trading Members on the Concerned Exchange and the affiliated Constituents of such Clearing Member to commence process of aligning or affiliating with other Clearing Members for continuity of their dealings on the Concerned Exchanges.

[11] Approved by SEBI vide its letter No. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23, 2019

[12] Approved by SEBI vide its letter No. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23, 2019

[13] Approved by SEBI vide its letter No. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23, 2019

[14] Approved by SEBI vide its letter No. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23, 2019

Confidential

12.4 Rights of Clearing Corporation

12.4.1 The occurrence of an Event of Default shall not preclude the rights of the Clearing Corporation to exercise, against any Clearing Member, any or all of its powers (as it deems fit) in relation to any other event whether or not also constituting an Event of Default (whether such other event is concurrent, subsequent or prior to the Event of Default).

12.4.2 Upon the Declaration of Default, the Relevant Authority may take such steps as it deems fit, including but not limited to, freezing the Defaulter's accounts Clearing Segment wise and selling any or all Collateral standing to the credit of the Defaulter's accounts with the Clearing Corporation in respect of all the Clearing Segments. Without prejudice to the generality of the foregoing, the Relevant Authority may take any action as it deems appropriate, with respect to all the Clearing Segments in which the Defaulter is a Clearing Member of the Clearing Corporation including without limitation, the following:

a. to Close-out all or any of the Open Positions of the Defaulter, including Open Positions of its Client(s) and/or affiliated constituents and to appropriate any excess;
b. to sell, realise, apply and set off any Collateral, deposited by the Defaulter by way of Margin, security deposit or otherwise and to apply the proceeds without being required to give notice to or obtain the consent of the Defaulter or any court order, with full power to execute any documents in its own name or as attorney for the Defaulter for that purpose, provided always that any Collateral deposited with the Clearing Corporation with respect to Open Positions designated to any Client or affiliated Constituents Account may be used to meet obligations in a Client or affiliated Constituent Account only and shall not be used to meet any obligations in a Proprietary Account;
c. to apply any surplus in any Clearing and Settlement Account of the Defaulter Clearing Member to any deficiency on any Client or affiliated Constituent Account of the Defaulter Clearing Member;
d. to transfer all or any Open Positions of a Constituent of the Defaulter to another Clearing Member together with any Margins which, in the opinion of the Clearing Corporation, are held by it with respect to such Open Positions;
e. to exercise or abandon any Option Contract of the Defaulter and any such exercise or abandonment shall be deemed to have been effected by the Clearing Member which is the party to the Options Contract, to make payment or delivery from the account of the Defaulter in performance of its settlement obligations;
f. to Close-out the Open Positions of the Defaulter by trading on the Exchange or any available futures, forward, cash or spot market or by compulsorily Closing out such Open Positions by way of cash settlement at a price to be decided by the Relevant Authority;
g. to do all such other necessary acts and things as are in the opinion of the Relevant Authority necessary to reduce or determine the exposure of the Clearing Corporation under Open Positions of the Defaulter or otherwise, arising from or as a result of the Declared Default, or
h. to take such measures, including but not limited to, Closing- out of positions, effect alternative delivery process in the event of Declaration of Default to ensure financial safety and integrity of the Clearing and Settlement system. The Non-defaulting Clearing Members shall accept the decision of the Relevant Authority and abide by the directives issued in this regard.
i. When a clearing member has been declared a defaulter, the relevant authority shall take charge of all his books of accounts, documents, papers and vouchers to ascertain the state of his affairs and the defaulter shall hand over such books, documents, papers and vouchers to the relevant authority.

Confidential

j. The Relevant Authority may require the defaulter Clearing Member to file with the relevant authority within such time of the declaration of his default as the relevant authority may direct, a written statement containing the complete list of his debtors and creditors and the sum owing by and to each.
k. the Clearing Corporation shall publish a notice inviting the legitimate claimants to file claims against the defaulter member within a period of ninety days or such other period as may be specified by the Relevant Authority.
l. The Clearing Corporation shall publish the notice in all the editions of at least one English national daily with wide circulation and in at least one regional language daily with wide circulation at the place(s) where the concerned Member/s are situated and such notice shall also be displayed on the website of the Exchange for the entire specified period.
m. [Deleted][14]

n. The defaulter shall submit to the relevant authority such statement of accounts; information and particulars of his affairs as the relevant authority may from time to time require and if so desired shall appear before the relevant authority at its meetings held in connection with his default.
o. The relevant authority may conduct a strict inquiry into the accounts and dealings of the defaulter in the market and shall report anything improper, un-business like or unbecoming a clearing member in connection therewith which may come to its knowledge.
p. All monies, securities and other assets due, payable or deliverable to the defaulter must be paid or delivered to the relevant authority within such time of the declaration of default as the relevant authority may direct.
q. A clearing member who shall have received a difference on account or shall have received any consideration in any deal prior to the date fixed for settling such account or deal shall, in the event of the clearing member from whom he received such difference or consideration being declared a defaulter, refund the same to the relevant authority for the benefit and on account of the creditor members. Any clearing member who shall have paid or given such difference or consideration to any other clearing member prior to such settlement day shall again pay or give the same to the relevant authority for the benefit and on account of the creditor member in the event of the default of such other member.
r. The relevant authority shall at the risk and cost of the creditor members pay all assets received in the course of realisation into such bank and/or keep them with the concerned Segment in such names as the relevant authority may from time to time direct and shall distribute the same in accordance with the Rules, Bye Laws and Regulations.
s. Within such time of the declaration of default as the relevant authority may direct every clearing member carrying on business on the concerned Segment shall, as it may be required to do, either compare with the relevant authority his accounts with the defaulter duly adjusted and made up as provided in the Rules, Bye-Laws and Regulations or furnish a statement of such accounts with the defaulter in such form or forms as the relevant authority may prescribe or render a certificate that he has no such account.
t. Any clearing members failing to compare his accounts or send a statement or certificate relating to a defaulter within the time specified shall be called upon to compare his accounts or send such statement or certificate within such further time as may be specified.
u. The relevant authority may take such action as it may deem fit including levying of fine and suspension on any clearing member who fails to compare his accounts or

[14] Approved by SEBI vide its letter No. SEBI/HO/CDMRD/DRMP/OW/P/2019/21069/1 dated August 23, 2019

Confidential

submit a statement of its account with the defaulter or a certificate that he has no such account within the specified time.

v. The relevant authority may take such action as it may deem fit including levying of fine and suspension, if it is satisfied that any comparison statement or certificate relating to a defaulter sent by such clearing member was false or misleading.

w. The relevant authority shall keep a separate account in respect of all monies, securities and other assets payable to a defaulter which are received by it and shall defray therefrom from all costs, charges and expenses incurred in or about the collection of such assets or in or about any proceedings it takes in connection with the default.

12.4.3 The Relevant Authority shall apply the net assets remaining in its hands after defraying all such costs, charges and expenses as are allowed under the Rules, Byelaws and Regulations to be incurred by the Clearing Corporation, in satisfying the claims in the order of priority provided hereunder:

a. Dues to the Securities and Exchange Board of India, Clearing Corporation and the Concerned Exchange.

The payment of such subscriptions, debts, fines, fees, charges and other money/ies due to Clearing Corporation, the relevant Specified Exchange and Securities and Exchange Board of India on a prorata basis,

b. Dues to Constituents of the defaulter

The payments as may be admitted by the Relevant Authority, as being due to Constituents of the defaulter for debts, liabilities, obligations and claims arising out of any contracts made by the defaulter subject to the Rules, Bye-laws and Regulations of the Clearing Corporation, provided that if the amount is insufficient then the amounts shall be distributed prorata amongst all the Constituents of the defaulter

c. Dues to the Approved Banks and claims of any other persons as approved by the Relevant Authority

After making payments under (b) above, the amounts remaining, if any, shall be utilised to meet the claims of the approved banks and of any other person as may be admitted by the Relevant Authority. The claims of the approved banks should have arisen by virtue of Clearing Corporation or the relevant Specified Exchange invoking any bank guarantee issued by the bank concerned to the Clearing Corporation or the relevant Specified Exchange as the case may be on behalf of the defaulter to fulfil his obligation of submitting bank guarantee, guaranteeing discharge of obligations under the Byelaws, Rules and Regulations of Clearing Corporation / the relevant Specified Exchange. The claims of other persons should have arisen out of or incidental to the clearing and settlement of a deal on the Clearing Corporation or requirements laid down by the Clearing Corporation, provided that if the amount available be insufficient to pay all such claims in full, they shall be paid pro rata.

d. Dues to any other recognised stock exchange/clearing Corporation

After meeting the claims under (c) above, the remaining amounts, if any, shall be disbursed to any other recognised stock exchange / clearing corporation for the purpose of meeting the obligations of the defaulter as a member of that exchange/clearing corporation. If the defaulter is a member of more than one recognised stock exchange/clearing corporation, then the remaining amounts shall

Confidential

be distributed amongst all such recognised stock exchanges / clearing corporations and if the remaining amount is insufficient to meet the claims of all such stock exchanges/clearing corporations, then the remaining amount shall be distributed pro rata among all such stock exchanges/clearing corporations; and

e. Surplus

The surplus amounts, if any, remaining after meeting all the above claims, shall be paid to the Clearing Member and in case where the Clearing Member has expired, the surplus amount shall be paid to his legal heirs / legal representatives.

12.4.4 The relevant authority shall not entertain any claim against a defaulter:

a. which arises out of a contract in securities, dealings in which are not permitted or which are not made subject to Bye Laws, Rules and Regulations or in which the claimant has either not paid himself or colluded with the defaulter in evasion of margin payable on bargains in any security ;

b. which arises out of a contract in respect of which comparison of accounts has not been made in the manner specified in the Rules, Bye Laws and Regulations or when there has been no comparison if a contract note in respect of such deals has not been rendered as provided in the Rules, Bye Laws and Regulations;

c. which arises from any arrangement for settlement of claims in lieu of bonafide money payment in full on the day when such claims become due;

d. which is in respect of a loan with or without security

e. which is not filed with the relevant authority within such time of date of declaration of default as maybe specified by the relevant authority

12.4.5 A Clearing member being a creditor of a defaulter shall not sell, assign or pledge the claim on the estate of such defaulter without the consent of the relevant authority.

12.4.6 The Relevant Authority shall be empowered to (a) initiate any proceedings in a court of law either in the name of the Clearing Corporation or in the name of the defaulter against any person for the purpose of recovering any amounts due to the defaulter; (b) initiate any proceedings in a court of law either in the name of Clearing Corporation or in the name of the creditors (who have become creditors of the defaulter as a result of deals cleared and settled subject to Byelaws, Rules and Regulations of the Clearing Corporation) of the defaulter against the defaulter for the purpose of recovering any amounts due from the defaulter. The defaulter as well as the creditors of the defaulter shall be deemed to have appointed the Clearing Corporation as their constituted attorney for the purpose of taking such proceedings.

12.5 Subsequent recovery from the Defaulter Clearing Member

12.5.1 Any amount that the Clearing Corporation may later recover from the Defaulter Clearing Member shall, to the extent of such recovery, reduce the Loss of the Clearing Corporation.

Confidential

13. CORE SETTLEMENT GUARANTEE FUND

13.1 Establishment of Settlement Guarantee Fund

The Clearing Corporation shall, in accordance with the prescriptions of SEBI, establish and maintain a Settlement Guarantee Fund for each Clearing Segment that it operates.

13.2 The Settlement Guarantee Fund called Core SGF shall be established by the Clearing Corporation for each Clearing Segment it operates to guarantee the settlement of trades executed in the respective Clearing segment of the Concerned Exchange.

13.2.1 The Core Settlement Guarantee Fund shall be used by the Clearing Corporation in accordance with SEBI directives issued from time to time.

13.2.2 The Core Settlement Guarantee Fund shall have a minimum corpus which shall be referred to as the Minimum Required Corpus of Core SGF (MRC). In determining the size or extent of the Corpus of the Core Settlement Guarantee Fund the Relevant Authority shall ensure that:

a. the corpus of the Core Settlement Guarantee Fund shall be adequate to meet all the contingencies arising on account of failure of any Clearing Member(s) in meeting its obligations.
b. the risk or liability to the fund shall relate to or depend on various factors such as trade volume, delivery percentage, maximum settlement liability of the Clearing Members, the history of defaults, capital adequacy of the Clearing Members, the degree of safety measures employed by the Clearing Corporation or the Concerned Exchange with reference to a particular Clearing Segment;
c. in order to assess the fair quantum of the corpus of Core SGF appropriate consideration shall be made to, among others, the following factors:

    i. risk management system in force at the Clearing Corporation in respect of each Clearing Segment;
    ii. current and projected volume/turnover to be cleared and settled by the Clearing Corporation on a guaranteed basis;
    iii. Clearing Segment wise track record of defaults of Clearing Members (number of defaults, amount in default)

13.2.3 The Minimum Required Corpus of Core SGF (MRC) for each Clearing Segment shall be computed by the Relevant Authority separately and shall be subject to the following prescriptions of SEBI and as may be modified by SEBI from time to time:

a. The MRC shall be fixed for a calendar month.
b. By 15th of every preceding month, the Relevant Authority shall review and determine the MRC for each Clearing Segment for the next month based on the results of daily stress tests of the preceding month.
c. The Relevant Authority shall also review and determine by 15th of every month, the adequacy or otherwise of contributions made by various contributors and any further contributions to the Core SGF required to be made by various contributors (as per clause 13.2.4) for the next month.
d. For every day of the preceding month, any uncovered loss numbers shall be estimated by the various stress tests for credit risk conducted by the Relevant Authority for each Clearing Segment and highest of such numbers shall be taken as worst case loss number for the day.
e. Average of all the daily worst case loss numbers determined in (d) above shall be calculated.

Confidential

f. The MRC for each succeeding month shall be higher of the average arrived in at step (e) above and the Clearing segment MRC as per previous review.

13.2.4 Contribution to Core SGF:

13.2.4.1 The Relevant Authority shall ensure that at any point of time, the contributions of various contributors to Core SGF of any segment shall be as follows:

a. Contribution by the Clearing Corporation: The Clearing Corporation's contribution to Core SGF shall be at least 50% of the MRC, which shall be made out of its own funds.

b. Contribution from the Concerned Exchange: Each of the Concerned Exchange shall contribute to the Core SGF at least 25% of the MRC of each Clearing Segment;

c. Clearing Member primary contribution: Where the Relevant Authority determines, it can seek risk based contribution from Clearing Members (CMs) of the relevant Clearing Segment (including the custodian Clearing Members) to the Core SGF subject to the following conditions:

i. that total contribution from Clearing Members shall not be more than 25% of the MRC;

ii. that no exposure shall be made available to a Clearing Member on its contribution to the Core SGF (exposure-free collateral, if any of a Clearing Member available with the Clearing Corporation can be considered towards Core SGF contribution of such Clearing Member), and

iii. that required contributions of individual Clearing Members shall be pro-rata based on the risk they bring to the system.

iv. The Relevant Authority shall have the flexibility to collect a Clearing Members primary contribution to the Core Guarantee Fund either upfront or staggered over a period of time. In case of staggered contribution, the remaining balance shall be met by Clearing Corporation to ensure adequacy of total Core SGF corpus at all times. Such contribution by the Clearing Corporation shall be available for withdrawal by the Clearing Corporation as and when further contributions from Clearing Members are received.

The above quantum or limits of contribution to be made by the Clearing Corporation, the Concerned Exchanges and Clearing Members may be reviewed by Relevant Authority from time to time considering the prevailing market conditions and/or prescriptions of SEBI.

d. Penalties levied and collected by Clearing Corporation (as per Regulation 34 of SECC Regulations) shall be credited to Core SGF corpus of the concerned Clearing Segment.

e. Interest on cash contribution to Core SGF shall also accrue to the Core SGF of the concerned Clearing Segment and pro-rata attributed to the contributors in proportion to their cash contribution.

Confidential

f. The Clearing Corporation shall ordinarily accept cash collateral for Core SGF contribution. However, it may also accept a Clearing Members contribution in the form of Fixed Deposits issued by banks which are approved by the Relevant Authority for such purposes. The Relevant Authority shall be guided by the directions issued from time to time by SEBI in this regard.

g. [The Clearing Corporation shall return the excess contribution if any, to the contributing stakeholders on a pro-rata basis, after taking SEBI approval.][26]

13.3 Management of the Core Settlement Guarantee Funds:

13.3.1 The Relevant Authority shall constitute a committee to conduct and manage the utilization of the Settlement Guarantee Fund which shall,

a. deal with, among others the manner of utilizing the Funds in the event of the Clearing Corporation declaration a Clearing Member as a Defaulter;

b. decide on, among others, the manner of utilizing the Funds in the event of a delay or temporary failure of one or more Clearing Members to discharge their respective obligations and liabilities under each Clearing Segment.

13.3.2 The Relevant Authority shall follow prudential norms of Investment policy for Core SGF corpus and establish and implement policies and procedures to ensure that Core SGF corpus is invested in highly liquid financial instruments with minimal market and credit risk and is capable of being liquidated rapidly with minimal adverse price effect. The Relevant Authority shall also be guided by the investment norms that SEBI may prescribe in this regard from time to time.

13.4 Further contribution to / Recoupment of Core SGF

13.4.1 The requisite contributions to the Core SGF by various contributors (as per clause 13.2.4 and 12.2.4) under each Clearing Segment for any month shall be made by the contributors before start of the month.

13.4.2 In the event of usage of Core SGF of a particular Clearing Segment during a calendar month, it becomes incumbent upon the respective contributors to, as per usage of their individual contribution, immediately replenish the Core SGF to the MRC

[However, such contribution towards replenishment of Core SGF by the members would be restricted to only once during a period of 30 calendar days regardless of the number of defaults during the period. The period of 30 calendar days shall commence from the date of notice of default by Clearing Corporation to market participants][15].

13.4.3 In case of failure on the part of one or more contributor(s) to replenish its (their) contribution, such contributions shall be immediately met, on a temporary basis during the month, in the following order:

(i) By Clearing Corporation
(ii) By the Concerned Exchange

[26] Approved by SEBI vide its letter SEBI/HO/MRD/RAC-1/P/OW/2024/32262/1 dated 14.10.2024

[15] Approved by SEBI vide its email dated April 09, 2020

Confidential

The Relevant Authority shall, on a monthly basis, place before the Risk Management Committee and the Governing Board of the Clearing Corporation a summary of the affairs of the Settlement Guarantee Fund for a particular month with particular reference or focus on the utilisation and the corpus of the Fund, shortfall if any and the manner of replenishing the required corpus from the Contributors. An exception reporting shall be made to SEBI detailing the outcome of the review by the Governing Board of the Clearing Corporation, especially on matters taken to enhance the Core SGF.

13.5 Default waterfall

13.5.1 The recouping of the corpus of the Clearing Corporation in the event of an emerging shortfall situation in respect of the MRC of a particular Clearing Segment, which is also termed as default waterfall of the Clearing Corporation shall, as per the current directions of SEBI, generally follow the following order:

a. monies of defaulting Clearing Member (including defaulting Clearing Member's primary contribution to Core SGF(s) and excess monies of defaulter in other segments).
b. proceeds of insurance policies, if any.
c. resources of the Clearing Corporation (equal to 5% of the segment MRC).
d. Core SGF of the Clearing Segment in the following order:
i. penalties
ii. contributions of the Clearing Corporation to the extent of at least 25% of the particular Clearing Segment MRC
iii. remaining Core SGF: CC contribution, Concerned Exchange contribution and non-defaulting Clearing Members' primary contribution to Core SGF on pro-rata basis.
e. proportion of remaining Clearing Corporation resources (excluding its contribution to core SGFs of other Clearing Segments and [higher of][22] Rs.100 Crore [or the capital requirement towards orderly winding down of critical operations and services)][23] equal to ratio of Clearing Segment MRC to the MRCs of all the Clearing Segments managed by the Clearing Corporation.
NOTE: SEBI has mandated that the said Rs.100 Crore is to be excluded only when remaining Clearing Corporations resources, excluding the contribution of the Clearing Corporation to the core SGFs of other Clearing segments, are more than Rs. 100 Crore
f. Clearing Corporation's/ Concerned Exchange's contribution to Core SGFs of other Clearing Segments (after meeting obligations of those Clearing Segments) and remaining available resources of the Clearing Corporation to that extent as approved by SEBI.

g. the Capped additional contribution by non-defaulting Clearing Members of the particular Clearing Segment.

[Note:

i. Clearing Corporation shall call for the capped additional contribution only once during a period of 30 calendar days regardless of the number of defaults during the period. The period of 30 calendar days shall commence from the date of notice of default by the Clearing Corporation to market participants.

ii. Clearing Corporation shall have relevant regulations/provisions for non-defaulting members to resign un-conditionally within the abovementioned period of 30 calendar days, subject to member closing out/settling any outstanding positions, paying the capped additional contribution and any outstanding dues to SEBI. No further contribution shall be called from such resigned members.

[22] Approved by SEBI vide its letter SEBI/HO/MRD/RAC-1/P/OW/2023/42743/1 dated 18.10.2023
[23] Approved by SEBI vide its letter SEBI/HO/MRD/RAC-1/P/OW/2023/42743/1 dated 18.10.2023

Confidential

iii. The maximum capped additional contribution by non-defaulting members shall be lower of 2 times of their primary contribution to Core SGF or 10% of the Core SGF of the segment on the date of default in case of equity/ debt segments.

iv. The maximum capped additional contribution by non-defaulting members shall be lower of 2 times of their primary contribution to Core SGF or 20% of the Core SGF of the segment on the date of default in case of derivatives segment.

v. In case of shortfall in recovery of assessed amounts from non-defaulting members, further loss can be allocated to layer "f" with approval of SEBI][16].

h. any remaining shortfall or loss shall be covered by way of pro-rata haircut to pay-outs. (NOTE: In case loss allocation is effected through haircut to pay-outs, any subsequent usage of funds by the Clearing Corporation in respect of a particular Clearing Segment shall be with prior approval of SEBI. Further, any exit by Clearing Corporation post exhausting this layer shall be as per the terms as may be decided by SEBI in public interest.).

14. MISCELLENEOUS PROVISIONS

14.1 Emergency Powers

14.1.1 Whenever the Relevant Authority considers that there is an emergency, being without limitation:

14.1.1.1 any threatened or actual market manipulation or cornering including any act of any government, any major market disturbance which affects the market, or

14.1.1.2 any undesirable situation or practice that the Clearing Corporation deems to be an emergency, or crisis in the nature of manipulation, squeezes, bear raid, or wherever the Relevant Authority is of the opinion that certain Deals are executed for the purpose of:

a. inducing a false or artificial appearance of activity, or upsetting the price equilibrium, or
b. the business being conducted in a manner prejudicial to the interests of the trade or the interests of the Clearing Corporation or

14.1.1.3 in the case of any unusual or unforeseeable events or adverse circumstances or it is expedient in the general interests of the Clearing Corporation to do so, notwithstanding anything to the contrary contained in these Bye-Laws, the Rules, Circulars, Contract Specifications, or the Relevant Acts and/or any applicable laws, the Relevant Authority may:

a. effect alternative settlement or delivery of outstanding securities;
b. Close-out a Security at a price determined by the Relevant Authority and with effect from such date as may be determined by the Relevant Authority;
c. impose Special Margin;
d. amend or delete or add to the Rules and Circulars made there under;
e. take such other measures that the Relevant Authority may from time to time decide.

[16] Approved by SEBI vide its email dated April 09, 2020

Confidential

14.2 Powers to call for information and statement of accounts

14.2.1 The Relevant Authority shall have power at any time to call upon all or any Clearing Member to submit detailed statement providing information relating to Securities transactions entered into by such Clearing Member in such form and in such manner as may be specified.

14.2.2 In particular and without prejudice to the generality of the foregoing and other powers under these Bye-Laws, such information may relate to the following matters:

a. Deals or transactions entered into by a Member with another Member on its Proprietary Account;
b. Deals cleared by a Clearing Member for its Clients
c. Open Positions of a Clearing Member attributable to its Clients; and
d. Collaterals held by a Clearing Member for its Proprietary Account or Client Account.

14.2.3 The Relevant Authority shall have the power for the purposes of verifying or checking any statement submitted by a Clearing Member under these Bye-Laws to call for production of the books of the Clearing Member and/or call for explanation from any Clearing Member

14.2.4 A Clearing Member failing or

14.2.5 neglecting to submit any such statement or to produce any such books or to give any such explanations, shall be subject to disciplinary action under these Bye-Laws.

14.2.6 The Relevant Authority shall notify SEBI of such actions as soon as practicable.

14.3 Nothing in these Bye-Laws shall in any way limit the powers of the Board, the Relevant Authority or any other duly authorised Committee to act in an emergency situation in accordance with these Bye-Laws.

14.4 [The Relevant Authority shall define procedures for orderly winding down of critical operations and services including transfer or close out of positions, collateral etc. in the interoperable or non-interoperable scenarios, as applicable][24]

[24] Approved by SEBI vide its letter SEBI/HO/MRD/RAC-1/P/OW/2023/42743/1 dated 18.10.2023

Confidential