

## INDIAN CLEARING CORPORATION LIMITED

Mumbai 400 001

CIN: U67120MH2007PLC170358

The provisions contained in the Bye-laws of the Indian Clearing Corporation Limited are amended to the extent given below:

1. In Chapter I, the existing Bye-law 1.17, will be substituted with the following clause:

“1.17 Core Settlement Guarantee Fund

“Core Settlement Guarantee Fund” means a fund established and maintained in accordance with the relevant provisions of the Bye-Laws of Clearing Corporation;”
2. In Chapter IV, the existing Bye-law 4.2(m), will be substituted with the following clause:

“4.2 (m) Administration, maintenance and investment of the corpus of the Core Settlement Guarantee Fund/Fund(s) set up by the Clearing Corporation;”
3. In Chapter VI, after the existing Bye-law 6.1.2, Bye-laws 6.1.3, 6.1.4 and 6.1.5 will be inserted:

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

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

6.1.5 Right of Clearing Corporation: The right of recognised clearing corporation(s) to recover the dues from its clearing members, arising from the discharge of their clearing and settlement functions, from the collaterals, deposits and the assets of the clearing members, shall have priority over any other liability of or claim against the clearing members.”
4. In Chapter VI, the existing Bye-law 6.10, will be substituted with the following clause:

“6.10 Settlement shall be effected by the Clearing Members selling the securities by giving delivery and receiving payment and by the Clearing Members buying securities by receiving securities and paying funds, as the case may be or as specified by the Relevant Authority from time to time in the Bye-Laws and Regulations.”
5. In Chapter VIII, the existing Bye-law 8.10 will be substituted with the following clause:

“8.10 The Relevant Authority may from time to time prescribe fees, charges and recoveries to be levied on the Clearing Members in respect of clearing and settlement of deals and in respect of any dues payable by such Clearing Member to the Clearing Corporation.”
6. In Chapter XI, the existing Bye-law 11.1.4 will be substituted with the following clause:

“11.1.4 he fails to pay any sum payable by him to the Core Settlement Guarantee fund as the Relevant Authority may from time to time prescribe; or”
7. In Chapter XI, an insertion is made after the existing Bye-law 11.23 as Bye-law 11.24:

“11.24 I. Whenever a member of any segment is declared defaulter, the concerned Stock Exchange/Clearing Corporation shall immediately declare it a defaulter in all its segments. It shall also immediately inform all other Stock Exchanges/Clearing Corporations the details of the defaulter member such as name of the member, the names of the proprietors/partners/promoters/dominant shareholders, as applicable.

II. Immediately on receipt of the information about default of a member, the Stock Exchange/Clearing Corporation shall declare the said member defaulter on all its segments.

III. The Stock Exchange/Clearing Corporations shall take appropriate action against the associate(s) of defaulter member. In this regard, ‘associate(s)’ shall refer to the associate(s) who are holding membership in Stock Exchange/Clearing Corporation.”
8. The existing title of Chapter XII will be substituted with the following title:

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

9. In Chapter XII, the existing Bye-law 12.1.1 (b), will be substituted with the following clause:
- “12.1.1 (b) associate" in relation to a person shall include another person:
- (i) who, directly or indirectly, by himself, or in combination with other persons, exercises control over the first person;
  - (ii) who holds more than fifteen per cent shares in the paid up equity capital of the first person;
  - (iii) who is a holding company or a subsidiary company of the first person
  - (iv) who is a relative of the first person;
  - (v) who is a member of a Hindu Undivided Family wherein the first person is also a member;
  - (vi) such other cases where SEBI is of the view that a person shall be considered as an associate based on the facts and factors including the extent of control, independence, conflict of interest;”
10. In Chapter XII, the existing Bye-law 12.1.1 (d) will be substituted with the following clause:
- “12.1.1 (d) “Fund” shall mean the Core Settlement Guarantee Fund”
11. In Chapter XII, the existing Bye-law 12.1.2 will be substituted with the following clause:
- “12.1.2 In the Rules, Bye-Laws and Regulations, unless there is anything repugnant in the subject or context:
- “Date on which the Core Settlement Guarantee Fund becomes operational” means the date specified by the Relevant Authority as the date on which the Core Settlement Guarantee Fund shall become operational”.”
12. In Chapter XII, an insertion will be made after the existing Bye-law 12.1.1 (g), as Bye-law 12.1.1 (h) as follows:
- “12.1.1 (h) Default Waterfall defines the overall loss absorption capacity of the Clearing Corporation and lays down in order, the hierarchy in which the losses arising out of counterparties’ defaults will be absorbed across the various capital layers, which may inter-alia include the defaulting members’ assets, insurance cover, the Core SGF, the networth (or part of) of the Clearing Corporation, additional capped contribution from non-defaulting members and variation margin haircutting.”
13. In Chapter XII, the existing Bye-law 12.1.3 (a), will be substituted with the following clause:
- “12.1.3 (a) The Clearing Corporation shall establish a fund for each segment as determined under Bye-law 2.1 and 2.2 which shall be known as the “Core Settlement Guarantee Fund” or by such nomenclature as Clearing Corporation may specify, in such manner as may be prescribed by SEBI from time to time and such fund shall be used for the designated segment only.”
14. In Chapter XII, the existing Bye-law 12.1.3 (c), will be substituted with the following clause:
- “12.1.3 (c) to guarantee the settlement of trades executed in respective segment of the Stock Exchange. In the event of a clearing member (member) failing to honour settlement commitments, the Core SGF shall be used to fulfill the obligations of that member and complete the settlement without affecting the normal settlement process.”
15. In Chapter XII, the existing Bye-law 12.1.3 (e)(vii), will be substituted with the following clause:
- “12.1.3 (e) (vii) minimum value of funds in the Fund.”
16. In Chapter XII, the existing Bye-laws 12.1.3 (e)(xi), 12.2.1 (d), 12.13 (a), 12.17, 12.26, 12.28 will be deleted.
17. In Chapter XII, the existing Bye-law 12.2.1 will be substituted with the following clause:
- (a) The Defaulter's Committee/SGF utilization Committee of the Clearing Corporation shall manage the Fund.
  - (b) Subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation the Relevant Authority shall have complete control over the management and administration of the Fund. In addition to the powers conferred by the other provisions of the Rules, Bye-Laws and Regulations of the Exchange, the Relevant Authority shall be vested with all powers, authorities and discretions necessary or expedient for or incidental to the management and administration of the Fund or for achieving the object and purpose of the Fund;
  - (c) Without prejudice to the generality of the foregoing, the Relevant Authority shall have for the purposes of the Fund, the power to:
    - (i) summon the Clearing Members, partners of the Clearing Members, associates of Clearing Members and directors of the Clearing Members who are individuals, companies, limited liability partnerships or other corporate bodies to appear before the Relevant Authority and question them;

- (ii) call upon the Clearing Members, associates of Clearing Members, partners of the Clearing Members, and directors of the Clearing Members who are individuals, companies, limited liability partnerships or other corporate bodies to furnish to the Relevant Authority such information, documents and papers as the Relevant Authority may require and within the period specified by the Relevant Authority;
  - (iii) prescribe forms, agreements, affidavits, undertakings and other writings to be signed by the Clearing Members, partners of the Clearing Members, directors of the Clearing Members who are companies or other corporate bodies or by other persons and specify the period within which the same should be signed and submitted;
  - (iv) invest or otherwise deal with the money of the Fund;
  - (v) call for and hold any security for the payment of any amount payable to the Fund, and realise or otherwise deal with any security or other property offered to the Fund;
  - (vi) borrow money without security or against the security of the Fund or any property of or available to or accessible by the Fund or otherwise;
  - (vii) enter into financial arrangements with banks, institutions, companies and other persons;
  - (viii) issue guarantees and indemnities;
  - (ix) delegate any of its powers and functions to any person subject to such terms and conditions as the Relevant Authority may think fit to impose, and subject to overall ratification by the Relevant Authority;
  - (x) do all such acts as the Relevant Authority considers necessary to protect or advance the interests of the Fund or to achieve the purposes and objects of the Fund;
  - (xi) institute and conduct legal proceedings to recover assets of a defaulter or a member.
- (d) Each clearing member's contribution and deposit towards Fund shall be allocated by the Clearing Corporation among the various segments which are designated as such by the Clearing Corporation and in which the clearing member participates, in such proportion as it may decide from time to time. The Clearing Corporation shall retain the right to utilise the fund allocated to a particular segment to the satisfaction of losses or liabilities of the Clearing Corporation incident to the operation of that segment or for any other segment of same Exchange as may be decided by the Clearing Corporation at its discretion.

18. In Chapter XII, the existing Bye-law 12.5 will be substituted with the following clause:

1. At any point of time, the contributions of various contributors to Core SGF of any segment shall be as given below or as per the guidelines issued by SEBI from time to time.

The Fund shall consist of:

- (a) Clearing Corporation contribution: CC contribution to Core SGF shall be at least 50% of the MRC. CC shall make this contribution from its own funds. CC contribution to core SGFs shall be considered as part of its net worth.
  - (b) Stock Exchange contribution: Stock Exchange contribution to Core SGF shall be at least 25% of the MRC (can be adjusted against transfer of profit by Stock Exchange as per Regulation 33 of SECC Regulations, which may be reviewed in view of these guidelines).
  - (c) Clearing Member primary contribution: If the CC wishes, it can seek risk based contribution from Clearing Members (CMs) of the segment (including custodial clearing members) to the Core SGF subject to the following conditions:
    - that total contribution from CMs shall not be more than 25% of the MRC,
    - that no exposure shall be available on Core SGF contribution of any CM (exposure-free collateral of CM available with CC can be considered towards Core SGF contribution of CM), and
    - that required contributions of individual CMs shall be pro-rata based on the risk they bring to the system.
  - (d) CC shall have the flexibility to collect CM primary contribution either upfront or staggered over a period of time. In case of staggered contribution, the remaining balance shall be met by CC to ensure adequacy of total Core SGF corpus at all times. Such CC contribution shall be available to CC for withdrawal as and when further contributions from CMs are received.
2. Any penalties levied by CC (as per Regulation 34 of SECC Regulations) shall be credited to Core SGF corpus.
  3. Interest on cash contribution to Core SGF shall also accrue to the Core SGF and pro-rata attributed to the contributors in proportion to their cash contribution.

4. CC shall ordinarily accept cash collateral for Core SGF contribution. However, CC may accept CM contribution in the form of bank FDs too. CC shall adhere to specific guidance which may be issued by SEBI from time to time in this regard.
19. In Chapter XII, the existing Bye-law 12.7 will be substituted with the following clause:
- “12.7. Action for Failure To Pay To Fund
- The Relevant Authority may take such action as it thinks fit and proper against a Clearing Member who fails to pay any amount to the Core Settlement Guarantee Fund including action by way of suspension of the business or membership right of the Clearing Member, fine, and/or expulsion from the membership of the Clearing Corporation.”
20. In Chapter XII, the existing Bye-law 12.20, will be substituted with the following clause:
- “12.20 The default waterfall of CC for any segment shall follow the following order –
- I. monies of defaulting member (including defaulting member's primary contribution to Core SGF(s) and excess monies of defaulter in other segments).
  - II. Insurance, if any.
  - III. CC resources (equal to 5% of the segment MRC).
  - IV. Core SGF of the segment in the following order:
    - i. Penalties
    - ii. CC contribution to the extent of at least 25% of the segment MRC
    - iii. Remaining Core SGF: CC contribution, Stock Exchange contribution and non-defaulting members' primary contribution to Core SGF on pro-rata basis.
  - V. Proportion of remaining CC resources (excluding CC contribution to core SGFs of other segments and INR 100 Crore) equal to ratio of segment MRC to sum of MRCs of all segments.\*
  - VI. CC/SE contribution to Core SGFs of other segments (after meeting obligations of those segments) and remaining CC resources to that extent as approved by SEBI.
  - VII. Capped additional contribution by non-defaulting members of the segment\*\*
  - VIII. Any remaining loss to be covered by way of pro-rata haircut to payouts\*\*\*
- \* INR 100 Crore to be excluded only when remaining CC resources (excluding CC contribution to core SGFs of other segments) are more than INR 100 Crore.
- \*\*CC shall limit the liability of non-defaulting members towards additional contribution to a multiple of their required primary contribution to Core SGF and the framework regarding the same should be disclosed. In case of shortfall in recovery of assessed amounts from non-defaulting members, further loss can be allocated to layer 'VI' with approval of SEBI.
- \*\*\*In case loss allocation is effected through haircut to payouts, any subsequent usage of funds shall be with prior SEBI approval. Further, any exit by CC post using this layer shall be as per the terms decided by SEBI in public interest.”
21. In Chapter XII, the existing Bye-law 12.23, will be substituted with the following clause:
- “12.23. Proceedings by Relevant Authority and Exchange
- Upon payment being made from the Fund by the Relevant Authority for and on account of the defaulting Member, the Clearing Corporation shall have the first charge on all assets and property of the member/defaulters wheresoever situated and of whatsoever nature as security for the repayment of such money and the payment of interest thereon subject only to any and all charges, mortgages and other encumbrances created thereon by the member/defaulters bona fide for valuable consideration prior to the day such payment was made by the Relevant Authority.”
22. In Chapter XIII, an insertion will be made after the existing Bye-law 13.2, as Bye-law 13.3:
- “13.3 Securities Lending and Borrowing
- (a) Clearing Members shall be entitled to lend and borrow securities and otherwise participate in such securities borrowing and lending schemes or sub-schemes of the Clearing Corporation under the Securities Lending Scheme, 1997, as may be from time to time approved by the Relevant Authority (hereinafter collectively referred to as “Approved Schemes”). The Relevant Authority may at any time in its discretion withdraw approval to a securities borrowing and lending scheme or sub-scheme previously approved by it.

- (b) All contracts entered into by or with a Clearing Member under or pursuant to an Approved Scheme shall be deemed to have been made subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation.
- (c) Members shall issue confirmation memos to their constituents in respect of borrowing and lending transactions entered into by them with their constituents or on behalf of their constituents under any Approved Scheme.
- (d) Unless repugnant to or inconsistent with the context or the provisions of an Approved Scheme, the Rules, Bye-Laws and Regulations of the Clearing Corporation, the Good/Bad delivery Guidelines issued by SEBI and other notices, circulars, rules, regulations, guidelines and directions of SEBI and the Clearing Corporation shall apply mutatis mutandis to:-
  - (i) a contract by a Clearing Member to lend securities under an Approved Scheme in the same manner as they apply to a contract by a Clearing Member to sell securities;
  - (ii) a contract by a Clearing Member to borrow securities under an Approved Scheme in the same manner as they apply to a contract by a Clearing Member to purchase securities;
  - (iii) a contract by a Clearing Member to return securities previously borrowed by him under an Approved Scheme in the same manner as they apply to a contract by a Clearing Member to sell securities;
  - (iv) a contract by a Clearing Member to receive back securities previously lent by him under an Approved Scheme in the same manner as they apply to a contract by a Clearing Member to purchase securities;
  - (v) an obligation by a Clearing Member to pay any amount or deliver any security under an Approved Scheme in the same manner as they apply to an obligation by a Clearing Member to pay an amount or deliver a security pursuant to a bargain made subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation;
  - (vi) the failure by a Clearing Member to fulfill an obligation under an Approved Scheme or pursuant to a transaction made under an Approved Scheme in the same manner as they apply to failure by a Clearing Member to fulfill an obligation under the Rules, Bye-Laws and Regulations of the Clearing Corporation or pursuant to a bargain made subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation;
  - (vii) the contract between, and the rights and obligations of, Clearing Members and their clients in relation to lending, borrowing and other transactions under an Approved Scheme in the same manner as they apply to contracts between, and rights and obligations of, Clearing Members and their clients in relation to contracts for and transactions of the sale and purchase of securities made subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation.
- (e) A breach by a Clearing Member of the provisions of an Approved Scheme or of any rules, procedures, notices, circulars, directions, guidelines or provisions issued or made by the concerned approved intermediary shall be deemed to be a violation by the Clearing Member of the Rules, Bye-Laws and Regulations of the Clearing Corporation or of rules, procedures, notices, circulars, directions, guidelines or provisions issued or made by the Clearing Corporation, and the Clearing Corporation shall be entitled to take proceedings and action against the Member accordingly including suspension of his membership rights, expulsion or declaration of default. "Approved Intermediary" means the Indian Clearing Corporation Limited registered with Securities and Exchange Board of India as such under the Securities Lending Scheme, 1997.
- (f) If the rules or procedures (by whatever name called) of an Approved Scheme provide that a Clearing Member's membership rights shall stand suspended or a Clearing Member shall stand declared as a defaulter in the event of occurrence of a specified event then the Clearing Member's membership rights shall stand suspended or the Clearing Member shall stand declared as a defaulter under the Clearing Corporation's Rules, Bye-Laws and Regulations in the event of occurrence of such event.
- (g) All claims (whether admitted or not), disputes and differences between a Clearing Member and a non-Clearing Member arising out of or in relation to borrowing, lending, contracts, dealings or transactions under or pursuant to an Approved Scheme or with reference to anything incidental thereto or in pursuance thereof or relating to their construction, fulfilment or validity shall be referred to and decided by arbitration as provided in the Rules, Bye-Laws and Regulations of the Clearing Corporation relating to Arbitration Other Than Between Clearing Members.

All claims (whether admitted or not), disputes and differences between Clearing Members arising out of or in relation to borrowing, lending, contracts, dealings or transactions under or pursuant to an Approved Scheme or with reference to anything incidental thereto (including claims, complaints, differences, and disputes relating to errors or alleged errors in

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inputting any data or command in either the Exchange's computerised trading system or the Clearing Corporation's computerized system or in execution of any orders or transactions on or by such trading system) or in pursuance thereof or relating to their construction, fulfilment or validity and any question or dispute whether such borrowing, lending, contracts, dealings or transactions has or have been done or entered into or not shall be referred to and decided by arbitration as provided in the Rules, Bye-Laws and Regulations of the Clearing Corporation relating to Arbitration Between Clearing Members.”

For Indian Clearing Corporation Ltd.  
PRASAD SAWANT  
Company Secretary

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