

Annexure B

Policy for evaluation of claims applicable to Trading Members disabled/suspended after November 20, 2019 and subsequently declared defaulter/expelled

All claims submitted by investors will be evaluated in accordance with the Rules, Byelaws, Regulations, guidelines etc. of the Exchange and SEBI circulars. The maximum compensation limit per investor is Rs.25 lakhs out of Investor Protection Fund. The policy for evaluation of claims is given here under:

Cash segment:

Transactions executed on the Exchange platform will be eligible for compensation from IPF in the manner specified below:

In case of purchase transaction, the actual purchase consideration amount paid by the claimant to the member for the transaction shall only be eligible to the extent of consideration not received or adjusted or adjustable by the member.

In case of sale transactions, the actual sale consideration receivable by the claimant from the member will only be eligible to the extent not already received or adjusted or adjustable, provided the claimant has provided the securities to the member.

Provided that the above purchase or sale transaction has taken place on the Exchange platform within the last 90 calendar days prior to the effective date of disablement of the member or after the latest monthly/quarterly settlement date, if any, in respect of the claimant whichever is later.

Margin, if any paid by the claimant up to the regulatory requirement in respect of unexecuted orders placed on the trading system within 5 trading days prior to the effective date of disablement of trading facility of the member will be eligible for compensation to the extent not already received or adjusted or adjustable. The margins, if any paid by the claimant up to the regulatory requirement in respect of the admissible trades executed in the trading system will also be eligible for compensation to the extent not already received or adjusted or adjustable.

Derivatives segment:

Claims of mark to market gains, close out gains, expiry gains and option premium are eligible, to the extent not already received or adjusted or adjustable provided the transaction has taken place on the Exchange platform within the last 90 calendar days prior to the effective date of disablement of the member or after the latest monthly/quarterly settlement date, if any, in respect of the claimant, whichever is later.

In case of physical settlement of trades done in the derivatives segment, the same methodology as adopted in the Cash segment shall be applicable.

Margin, if any paid by the claimant up to the regulatory requirement in respect of unexecuted orders placed on the trading system within 5 trading days prior to the effective date of disablement of trading facility of the member will be eligible for compensation to the extent not already received or adjusted or adjustable. The margins, if any paid by the claimant up to the regulatory requirement in respect of the admissible trades executed in the trading system will also be eligible for compensation to the extent not already received or adjusted or adjustable.

Funds or securities kept with trading member/clearing member:

Claim for funds and securities kept as margin/collateral with trading member/clearing member shall not be eligible except to the extent stated above.

Claims for Corporate Benefits:

Claims for non-receipt of corporate benefits arising out of corporate actions such as dividend, bonus, rights issue, stock split, demerger etc. receivable on the securities not delivered/settled by the trading member or due to delayed delivery / settlement would not be eligible. However, securities deposited with trading member or clearing member would be eligible provided such securities deposited as margin/collateral as per the regulatory requirement are eligible.

Investor Complaints:

The claim supported by ISC/IGRP/Arbitration proceedings pending or order / award not implemented at the time of effective date of disablement of trading member for non-receipt of funds and/or securities which arose out of non-settlement of trades executed on the Exchange platform is eligible subject to independent verification of claims, provided the complaint or the Arbitration application as the case may be had been made within one month of the monthly/quarterly settlement due date in respect of the claimant.

Claims for non-receipt of funds and securities where client has entered into an agreement / express understanding:

Where the claimant has given funds and /or securities to the defaulter member by executing an agreement, with an express understanding that defaulter would in turn give fixed return on funds and/or securities so given as the case may be as evidenced in the correspondence by the claimant or defaulter or in the correspondence between the claimant and the defaulter and vice versa where the defaulter may or may not have passed on credits which may be construed to be payments in the nature of interest, such claims would not be considered admissible.

Notwithstanding the above, the MCSGFC may in exceptional cases, depending on the facts and circumstances of the case, consider as eligible for processing, applications received from the investors, which may not be in line with the methodology set out herein.

Further below mentioned claims against defaulter/expelled member shall not be accepted by the Exchange

- (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 of the Exchange 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 from any arrangement for settlement of claims in lieu of bona fide money payment in full on the day when such claims become due;
- (c) which is in respect of a loan with or without security;
- (d) which is not filed with the Defaulters' Committee within such time of date of declaration of default as maybe prescribed by the relevant authority.
- (e) Claims of associate persons
- (f) Claims not supported by adequate documents in respect of payments made to / received from trading member and also securities delivered / received, etc.
- (g) Claims for trades that are not executed on Exchange.
- (h) Claims of investors whose unique client code are not registered with Exchange.
- (i) Claim for damages / harassment / miscellaneous charges
- (j) Claim for the interest on the amount claimed
- (k) Loss emanated from delayed delivery of securities.