

MAKARAND M. JOSHI & CO.

Company Secretaries

Ecstasy, 803/804, 8th Floor, City of Joy, J.S.D Road, Mulund (W), Mumbai- 400080 (T) 022-21678100

Secretarial Compliance Report of NSE Clearing Limited For the year ended March 31, 2023

To
The Board of Directors,
NSE Clearing Limited,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (East), Mumbai- 400051

We have conducted the review of the compliance of the applicable statutory provisions and the adherence to good corporate practices by **NSE Clearing Limited** (hereinafter referred as 'the Company'), having its registered office at Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai- 400051. Secretarial Review was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minutes books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Review, we hereby report that in our opinion, the Company has, during the review period covering the financial year ended on March 31, 2023, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We, M/s. Makarand M. Joshi & Co., Practicing Company Secretaries, have examined:

- (a) all the documents and records made available to us and explanation provided by the Company,
- (b) the filings/ submissions made by the Company,
- (c) website of the Company,
- (d) any other document/filing, as may be relevant, which has been relied upon to make this certification,



for the period covering from April 01, 2022 to March 31, 2023 ('Review Period') in respect of compliance with the provisions of:

- (a) the Securities and Exchange Board of India Act, 1992 ('SEBI Act') and the Regulations, circulars, guidelines issued thereunder; and
- (b) the Securities Contracts (Regulation) Act, 1956 ('SCRA'), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ('SEBI');

The specific Regulations, whose provisions and the circulars/guidelines issued thereunder, have been examined, include:-

- a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; (hereinafter referred as "**Listing Regulations**"); to the extent applicable to the Company;
- b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (**Not Applicable to the Company during the Review Period**)
- c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (**Not Applicable to the Company during the Review Period**)
- d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (**Not Applicable to the Company during the Review Period**)
- e) Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021; (**Not Applicable to the Company during the Review Period**)
- f) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021; (**Not Applicable to the Company during the Review Period**);
- g) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, to the extent applicable;
- h) SEBI Circular no. SEBI/HO/MRD2/MRD2_DDAP/P/OW/2022/24657/1 dated June 15, 2022, we have also checked the following compliances:
 - The Securities Contracts (Regulation) (Stock Exchanges & Clearing Corporations) Regulations, 2018 ('SECC Regulations')
 - No deviation from SEBI circular/guidelines while utilizing core SGF.
 - Whistle Blower Policy & there were no Complaints received against Company or its Management thereof.

and circulars/ guidelines or issued thereunder;



We hereby report that, during the review period the compliance status of the company is appended as below:

Sr. No	Particulars	Compliance Status (Yes/No/NA)	Observations / Remarks by PCS*
1	<p><u>Secretarial Standards:</u></p> <p>The compliances of the listed entity are in accordance with the applicable Secretarial Standards (SS) issued by the Institute of Company Secretaries of India (ICSI), as notified by the Central Government under section 118(10) of the Companies Act, 2013 and mandatorily applicable.</p>	Yes	-
2	<p><u>Adoption and timely updation of the Policies:</u></p> <ul style="list-style-type: none"> • All applicable policies under SEBI Regulations are adopted with the approval of board of directors / committees, as may be applicable, of the Company. • All the policies are in conformity with SEBI Regulations and has been reviewed & timely updated as per the regulations/ circulars/ guidelines issued by SEBI. 	Yes	-
3.	<p><u>Maintenance and disclosures on Website:</u></p> <ul style="list-style-type: none"> • The Company is maintaining a functional website. • Timely dissemination of the documents/ information under a separate section on the website. • Web-links provided in annual corporate governance reports under Regulation 27(2) are accurate and specific which redirects to the relevant document(s)/ section of the website. 	Yes	-
4.	<p><u>Disqualification of Director:</u></p> <p>None of the Director of the Company are disqualified under Section 164 of Companies Act, 2013.</p>	Yes	-
5.	<p><u>Details related to Subsidiaries of Company have been examined w.r.t.:</u></p> <p>(a) Identification of material subsidiary companies (b) Requirements with respect to disclosure of material as well as other subsidiaries</p>	<p>(a) NA (b) Yes</p>	<p>(a) The Company does not have any Material Subsidiary</p>



6.	<u>Preservation of Documents:</u> As per the confirmations given by the Company, and on our test check basis, it is preserving and maintaining records as prescribed under SEBI Regulations and disposal of records as per Policy of Preservation of Documents and Archival policy prescribed under Listing Regulations.	Yes	-
7.	<u>Performance Evaluation:</u> The Company has conducted performance evaluation of the Board, Independent Directors, and the Committees on an annual basis as prescribed in SEBI Regulations.	Yes	-
8.	<u>Related Party Transactions:</u> (a) The Company has obtained prior approval of Audit Committee for all Related party transactions (b) In case no prior approval obtained, the Company shall provide detailed reasons along with confirmation whether the transaction were subsequently approved/ratified/rejected by the Audit committee.	(a) Yes (b) NA	(a) - (b) Please refer point no. 8(a)
9.	<u>Disclosure of events or information:</u> The Company has provided all the required disclosure(s) under Regulation 30 along with Schedule III of Listing Regulations within the time limits prescribed thereunder.	Yes	-
10.	<u>Prohibition of Insider Trading:</u> The Company is in compliance with Regulation 3(5) & 3(6) SEBI (Prohibition of Insider Trading) Regulations, 2015	Yes	The Company has System to maintain all the information's received or shared whether it is in nature of UPSI or not and preserved for at least 8 years.



11.	Actions taken by SEBI or Stock Exchange(s), if any: No Actions has been taken against the Company/ its promoters/directors/ subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under SEBI Regulations and circulars/ guidelines issued thereunder.	No	Refer Table (a) as mentioned below
12.	Additional Non-compliances, if any: No additional non-compliance observed for all SEBI regulation/circular/guidance note etc.	Yes	-

Compliances related to resignation of statutory auditors from listed entities and their material subsidiaries as per SEBI Circular CIR/CFD/CMD1/114/2019 dated 18th October, 2019:

Sr. No	Particulars	Compliance Status (Yes/No/NA)	Observations / Remarks by PCS*
1.	Compliances with the following conditions while appointing/re-appointing an auditor		
	i. If the auditor has resigned within 45 days from the end of a quarter of a financial year, the auditor before such resignation, has issued the limited review/ audit report for such quarter; or	Yes	
	ii. If the auditor has resigned after 45 days from the end of a quarter of a financial year, the auditor before such resignation, has issued the limited review/ audit report for such quarter as well as the next quarter; or		
	iii. If the auditor has signed the limited review/ audit report for the first three quarters of a financial year, the auditor before such resignation, has issued the limited review/ audit report for the last quarter of such financial year as well as the audit report for such financial year.		



2.	Other conditions relating to resignation of statutory auditor		
	<p data-bbox="365 142 998 231">i. Reporting of concerns by Auditor with respect to the listed entity/its material subsidiary to the Audit Committee.</p> <p data-bbox="397 262 998 577">a. In case of any concern with the management of the listed entity/material subsidiary such as non-availability of information / non-cooperation by the management which has hampered the audit process, the auditor has approached the Chairman of the Audit Committee of the listed entity and the Audit Committee shall receive such concern directly and immediately without specifically waiting for the quarterly Audit Committee meetings.</p> <p data-bbox="397 609 998 924">b. In case the auditor proposes to resign, all concerns with respect to the proposed resignation, along with relevant documents has been brought to the notice of the Audit Committee. In cases where the proposed resignation is due to non-receipt of information / explanation from the company, the auditor has informed the Audit Committee the details of information/explanation sought and not provided by the management, as applicable.</p> <p data-bbox="397 955 998 1155">c. The Audit Committee / Board of Directors, as the case may be, deliberated on the matter on receipt of such information from the auditor relating to the proposal to resign as mentioned above and communicate its views to the management and the auditor.</p> <p data-bbox="349 1186 998 1417">ii. Disclaimer in case of non-receipt of information: The auditor has provided an appropriate disclaimer in its audit report, which is in accordance with the Standards of Auditing as specified by ICAI / NPRA, in case where the listed entity/ its material subsidiary has not provided information as required by the auditor.</p>	NA	No such event during the review period
3.	The listed entity / its material subsidiary has obtained information from the Auditor upon resignation, in the format as specified in Annexure- A in SEBI Circular CIR/CFD/CMD1/114/2019 dated 18th October, 2019.	NA	No such event during the review period

*Observations/Remarks by PCS are mandatory if the Compliance status is provided as 'No' or 'NA'



(4) The Company has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder, except in respect of matters as specified in Annexure below:

Sl. No.	Compliance Requirement (Regulations/circulars/guidelines including specific clauses)	Regulations/Circulars/No.	Deviation	Action Taken by	Type of Action	Details of violation	Fine Amount	Observation/Remarks of Practising Company Secretary	Management Response	Remedial steps
1.	Para 7 of SEBI Circular dated December 17, 2018. Early Warning Mechanism and sharing of information between Stock Exchanges, Depositories and Clearing Corporations to detect the diversion of client's securities by the stock broker at an early stage so as to take appropriate preventive measures.	SEBI Circular dated December 17, 2018	Failure to provide alerts to BSE	SEBI	Adjudicating Order	Alert triggered on OC through early warning mechanism was not shared to other SE/ Depository in respect of Karvy member. SEBI has levied penalty under Section 15 EB of SEBI Act.	₹25,00,000	-	Company had received Rs. 25,00,000/- to SEBI on February 3, 2023.	-
Action taken against National Stock Exchange of India Limited (Promoter of the company)										
2.	In Collocation Member Percent to Whole-Time Members (WTM) Order dated 30.11.2019, in the matter of NSE Collocation, NSE deposited amount along with	Sec 15 of SEBI Act, 1992, Sec 23 of NSE Collocation	-	SEBI	Penalty	-	₹100,00,000	The Company has paid the penalty and ₹300 crore was litigated and refunded by SEBI	There is no compliance obligation in NSE in terms of the SAT	-



<p>interest amounting to Approx. ₹ 1044 Come with SEBI. Thereafter, NSE file an appeal before the Hon'ble Securities Appellate Tribunal (SAT) challenging the aforesaid order.</p>	<p>Rule 21 of SAT</p>
<p>SAT in order dated 21.01.2023 imposed penalty of ₹ 100 crores under Section 15J of SEBI Act, 1992, Sec. 23 of SCRA and Rule 21 of SAT Rules on NSE for the lack of due diligence on accounts of human failure to comply with the 30.09.2012 Circular in letter and spirit which amount was to be adjusted by the SEBI from the deposit already made by NSE with the balance to be refunded to the NSE within 6 weeks.</p>	<p>of SAT Rules</p>



<p>20.05.2023, the Hon'ble supreme court directed SEBI to pay an amount of ₹ 208 crore to NSE.</p>				<p>SEBI</p>	<p>Penalty</p>	<p>Provisions related to fairness & transparency, due diligence and conflict of interest has not been complied by the Directors and Functionaries of the Exchange.</p>	<p>₹ 1,00,00,000</p>	<p>Master is sub-judice before SAT and the SEBI directive has been stayed.</p>
<p>3. As per Regulation 3(c) and 3(d) read with 4(f) of SEBI (PRTF) Regulation 2005 and with 12 A(b) and (c) of SEBI Act, 1992 and Section 4(3) (a) of SCRA, 1956, Master Circular no. CIR(MRD)/DSA/SE/4/2010 dated December 31, 2010 read with Section 3(2) (b) of SCRA, 1956 in relation to breaches of governance and conflicts of interest in connection with certain arrangements relating to research and data sharing.</p>	<p>Master Circular no. CIR/M RD/DS A/SE/4/2010</p>	<p>Provisions related to fairness & transparency, due diligence and conflict of interest has not been complied by the Directors and Functionaries of the Exchange.</p>	<p>SEBI</p>	<p>Unfair advantage available with certain Stock Brokers is in contradiction to various regulations.</p>	<p>Show cause notice and Penalty</p>	<p>Denial of services to certain stock brokers resulting in discrimination and non-adherence to principle of</p>	<p>₹ 7,00,00,000</p>	<p>The Master is reserved for order of SAT and the SEBI directive has been stayed.</p>
<p>4. Clause 4(i) Stock exchanges shall ensure the following while permitting algorithmic trading:</p> <p>(i) The stock exchange shall have arrangements, procedures and systems capability to manage the</p>	<p>Clause 4(i) of SEBI circular CIR/M RD/DP (19)/2012</p>	<p>Unfair advantage available with certain Stock Brokers is in contradiction to various regulations.</p>	<p>SEBI</p>	<p>Show cause notice and Penalty</p>	<p>Denial of services to certain stock brokers resulting in discrimination and non-adherence to principle of</p>	<p>₹ 7,00,00,000</p>	<p>The Master is reserved for order of SAT and the SEBI directive has been stayed.</p>	



	<p>Equal, fair and transparent access. 41. (3) The recognized clearing corporation and recognized stock exchange shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities. Power to call for</p>	<p>Cooperate in the media & disseminate information. Section 11, 2011 which contains related to NSC vide email dated November 28, 2011.</p>	<p>is through broker's rack, was made after the incident in certain stock brokers obtaining which other were denied the same - even though in both cases the service provider was same entity, Sunpath. Non transparent stock communication to stock brokers - An existing circular of NSC was modified by way of a change on website having . WTW and</p>
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<p>information.</p> <p>47. The Board may from time to time call for any information, documents or records from the recognized stock exchange or clearing corporation, or from governing board or any shareholder thereof.</p> <p>Power of inspection.</p> <p>48. (1) The Board may at any time undertake inspection, conduct inquiries and audit of any recognized stock exchange or recognized clearing corporation, any associate of such exchange or clearing corporation, any shareholder of such stock exchange or clearing corporation or any associate and agent of such shareholder.</p>	<p>CAN were allowed to exhibit PFR connectivity through Suspend while stock market (e.g. Microsoft Securities, Shares Securities) who desired to by PFR connectivity through service provides other than the four service provides mentioned in the NSX circular dated August 2, 2009, were denied permission by NSX staff. While both the service providers did</p>				
				<p>Class 3 of the SEIS circular CIR/M</p>	<p>To meet fair and equitable access to the co-location facility, stock exchanges</p>



			<p>not have requisite DCE license.</p> <p>- Lack of clear documented policy for conducting due diligence of services providers (a) by checking the license of service providers while allowing PGP connectivity.</p> <p>(b) by granting permission to Sampark to place infrastructure in NSE MDR without verifying Sampark's license.</p> <p>- Millennium was unable to avail PGP connectivity of Sampark by inhibiting</p>
			<p>RD/DF /05/2015 dated May 11, 2015</p> <p>Regulations 3(d) and 4(f) of the SEBI (Prohibition of Fraud or Misleading Practices or False or Unfair Trade Practice) Regulations, 2005</p> <p>3. Prohibition of certain dealings in securities No person shall directly or indirectly - (a) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder.</p> <p>4. Prohibition of manipulative, fraudulent and unfair trade practice (1) Without prejudice to the provisions of regulation 3, no person</p>



Facilitating
laying of cable
for WDM (by
Sangpark) so as
to provide
latency
advantage to
WDM over
other stock
brokers
o Allowing
WDM and
CCK to
continue to
avail Sangpark
connectivity
even after
finding out
that Sangpark
did not have
 requisite
 license.
e. Conducting
site inspection
at offices of
Millennium,
CRD & SMC
for
connectivity
while not
following the
same



procedure for
WZW and
GKN.

6. Granting
permission to
Sampark to
place MELX in
NSE MEUR
without
verification of
license

6. Granting
permission to
WZW and
GKN to avail
connectivity of
Sampark
without
verifying
license of
Sampark.

NSE
facilitated the
arrangement
between
Sampark and
Behar in an
attempt to
regularize the
connectivity
provided by
Sampark in



the post facts
legitimacy to
an unauthorized
activity of
Sampson.
Contributory
negligence on
the part of
NSE that
facilitated
NOM and
Sampson
establishing
connectivity to
provide unfair
lucrative
advantage to
NOM.
Inconsistent
and
Contributory
information
and reply to
SEBI.
Non
reference to
the timeline in
taking-jurisdiction
on the request
of stock
brokers and



5	<p>In the matter Kavya Stock Broking Limited (KSEBL) in terms of para 4(a) of 2011 circular. Stock exchange is required to carry out inspection of brokers in, inter alia, confirm compliance with provisions of rules and regulations of stock exchange and circulars issued by SEBI. Para 1 of 1993 circular requires brokers to keep client securities separate from own securities. Thus, brokers are prohibited from holding client securities in their own accounts. Clause 2.5 of Annexure to 2016 circular, that a broker can pledge client securities only upto the extent of clients' individual's to the stock broker.</p> <p>Para 2.5 of which</p>	<p>Para 4(a) of the SEBI Master Circular requires by</p>	<p>Delay in detection of misuse of client securities by KSEBL.</p>	<p>SEBI</p>	<p>Penalty</p>	<p>Delay in processing the applications.</p> <p>1. NSE did not approach SEBI when Depositories were reluctant to provide information (pledge details w.r.t demat accounts of KSEBL) and NSE accepted KSEBL's contention on face value.</p> <p>2. NSE had not acted in a responsible manner as it did not examine the impugned demat account.</p> <p>3. NSE failed to notice that all such demat accounts were not tagged as</p>	<p>Rs 2,00,00,000</p>	<p>NSE Appeal in the matter is sub-judice before SAT and vide SAT's interim order SEBI directive has been stayed</p>
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<p>provision for the Stock Exchanges and/or Depositories, in the case may be, shall ensure that the details of all banks and demat accounts opened by the stock brokers are communicated to Stock Exchanges by the stock brokers in the format specified.</p>	<p>Regulations 4(1) of the SEBI (Prohibition of Manipulative, Fraudulent and Unfair Trade Practice) Regulations, 2008</p>	<p>SEBI has been asked why NSE did not take prompt and adequate measures to ensure any anomaly that compromise business or any market</p>	<p>SEBI</p>	<p>Show Cause Notice</p>	<p>NSE has continued market connectivity through Trading Across Point (TAP) despite having knowledge that TAP did not ensure</p>	<p>for the prescribed non-disclosure.</p>	<p>28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100</p>	
<p>5.</p>	<p>In the matter of TAP Architecture and Network Connectivity of NSE</p>	<p>4. Prohibition of manipulative, fraudulent and unfair trade practice</p>	<p>Reg. 4(1C)</p>	<p>The recognised clearing corporation and recognised stock exchange shall ensure</p>	<p>SEBI</p>	<p>NSE has been asked why NSE did not take prompt and adequate measures to ensure any anomaly that compromise business or any market</p>	<p>NSE has continued market connectivity through Trading Across Point (TAP) despite having knowledge that TAP did not ensure</p>	<p>for the prescribed non-disclosure.</p>



<p>equal, unassociated, transparent and fair access to all persons without any bias towards its associates and related entities.</p>	<p>* relating to Securities in Market/Regulation, 2003 and Regulation 4(2) of SECC 2011 (Now Regulation 5(3) of SECC Regulation)</p>	<p>participants taking undue advantage over others.</p>		<p>fairness and equity scores. NSE did not take remedial measures to prevent/abuse the unfair practice in securities market.</p>		<p>with SEBI and would be taking a detailed response with SEBI.</p>
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(4) The listed entity has taken the following actions to comply with the observations made in previous reports:

Sr. No.	Compliance Requirement (Regulatory/ statutory/ guidelines including specific clauses)	Regulation/ Circular/ Order No.	Deviation	Action Taken by	Type of Action	Details of violation	Final Amount	Observations/ Remarks of the Practising Company Secretary	Management Response	Remarks
										Not Applicable

Assumptions & Limitation of scope and Review:

1. Compliance of the applicable laws and ensuring the authenticity of documents and information furnished, are the responsibilities of the management of the Company.
2. Our responsibility is to certify based upon our examination of relevant documents and information. This is neither an audit nor an expression of opinion.
3. We have not verified the correctness and appropriateness of financial Records and Books of Accounts of the Company.
4. This Report is solely for the intended purpose of compliance in terms of Regulation 24A (7) of the Listing Regulations and is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **Mohamed M Jeebi & Co.**
Company Secretaries



Mohamed M Jeebi
Partner

PCS No.-1467

CP. No. 499

FL. No. 140/2019

UDIN: F0667300282865

Date: May 10, 2023
Place: Mumbai