

**EXTRACT OF AGENDA OF THE 201<sup>st</sup> MEETING OF THE BOARD OF DIRECTORS OF NATIONAL STOCK EXCHANGE OF INDIA LIMITED HELD ON SATURDAY, FEBRUARY 10, 2024, FROM 11.30 AM TO 3.30 P.M. AT THE CONFERENCE ROOM, GROUND FLOOR, 'A' WING, EXCHANGE PLAZA, BANDRA-KURLA COMPLEX, BANDRA (EAST), MUMBAI- 400 051**

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**To approve relevant changes in Chapter XII and Chapter XIII of the Exchange Byelaws with respect to member default**

SEBI vide circular SEBI/HO/MRD/MRD-PoD-3/P/C/R/2023/81 dated May 30,2023 on Comprehensive guidelines for Investor Protection Fund and Investor Services Fund at Stock Exchanges and Depositories mandates the Exchange to make necessary amendments to the relevant byelaws, rules and regulations for the implementation of the above circular. Also, relevant modification is required in Chapter XII and XIII of Exchange Byelaws based on certain SAT matters and recommendations received from MCSGFC. Accordingly, updation in Chapter XII and Chapter XIII of the Exchange Byelaws was approved by the Board vide meeting dated November 1, 2023.

The Board is requested to approve the same.

**To take note and approve the modification in the policy for evaluation of claims and updation in the Byelaws**

The Hon'ble SAT through various orders have passed judgements with respect to consideration of claims under IPF. Although the orders are passed based on various circumstances and facts available, it was suggested by the MCSGFC that certain provisions should be made in the claim processing policy of the Exchange to ensure that claims are processed as per the defined guidelines to avoid setting of incorrect precedents in terms of acceptance of claim under IPF. Accordingly, the necessary amendments were placed before the ROC vide meeting dated February 09,2024 for approval. The Committee vide meeting dated December 26,2023 suggested to insert another clause for not accepting any claims for trades which are violative of the Contract Act. Thus, it is proposed to include the following clause in the existing claim evaluation policy under the category of Claims that are not accepted by the Exchange under IPF.

*“Any transactions/trades (pertaining to the securities market) which are forbidden by any Act, Rules, Regulations, Notifications, Circulars or Directions having statutory force shall not be eligible for relief from the Investor Protection Fund of the Exchange including but not limited to transactions/trades that are done in/ through the account of a deceased client after his/ her death.”*

The Board is requested to approve the same.

**To take note of SEBI Letter on Maintenance of evidence of pre-trade confirmation by brokers / Authorised Persons (APs) and verification of the same.**

The Exchange was in receipt of letter from SEBI, concerning the maintenance of pre-trade confirmation evidence by Brokers/Authorised Persons (APs) and the verification thereof.

In cases where technical failure is cited by the Broker as the reason for not providing pre-order recording, the Exchange, as directed, will verify its genuineness before proceeding in the resolution process. This verification can be done through either immediate on-site surprise inspection or alternatively, obtaining an internal system auditor certificate and an affidavit from the Broker regarding the genuineness of the technical failure claimed. In the latter case, the Exchange is mandated to conduct an inspection in the next cycle, encompassing unauthorized trades and scrutinizing sample call recordings for compliance verification.

The Exchange has formulated a detailed Standard Operating Procedure (SOP) in collaboration with other exchanges. The proposed approach involves adopting the second option, obtaining an internal system auditor certificate along with an affidavit from the Broker regarding the details, circumstances, extent, and genuineness of the claimed technical failure. Furthermore, the complaint will be referred to the inspection team for inclusion in the next inspection cycle for the respective Broker, with a focus on unauthorized trading. This scope encompasses verifying sample call recordings to ensure the compliance of the trades entered by the Broker.

The Board is requested to note the same.