

EXTRACT OF MINUTES OF THE 201st 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

Relevant changes in Chapter XII and Chapter XIII of the Exchange Byelaws with respect to Member defaults

The Board was informed that SEBI had issued guidelines vide circular no. SEBI/HO/MRD/MRDPoD-3/P/C/R/2023/81 dated May 30, 2023, pertaining to Comprehensive guidelines for Investor Protection Fund and Investor Services Fund at Stock Exchanges and Depositories. The Exchange was required to make necessary amendments to the relevant Byelaws, Rules And Regulations for the implementation of the above circulars. Also, relevant modifications were required in Chapter XII and XIII of Exchange Byelaws based on certain SAT matters and recommendations received from MCSGFC. The Board recalled that at its meeting held on November 01, 2023, the said modifications were approved by the Board.

The Board was apprised in addition to the amendments approved by Board at its meeting held on November 01, 2023, some changes in below clauses is required in Chapter XII and Chapter XIII of the Exchange Byelaws –

- Chapter XII – Clause nos. 1, 6, 8, 7, 12(a,b,c), 13, 11, 31, 23 and 24
- Chapter XIII – Clause nos. 5,6,7,16,17,18,26,24 and 10

The Board was also informed that the proposed amendments to the aforesaid clauses of the Exchange Byelaws will bring the provisions of said SEBI circular to the notice of the market participants (including investors).

The Board was thereafter informed that the said changes have been discussed and approved by the ROC at its meeting on February 09, 2024, and the ROC has recommended the same to the Governing Board for its consideration and approval.

The Board after discussions considered and approved the proposed amendments.

Modification in the policy for evaluation of claims and updation in the Byelaws

The Board was informed that 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 Investor Protection Fund (IPF). MCSGFC at its meeting dated December 26, 2023, suggested to insert another clause for not accepting any claims for trades which are in violation of the Contract Act.

The Board was apprised that accordingly, it was 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 was also informed that this proposal was placed before the ROC at its meeting held on February 09, 2024, wherein ROC approved the said proposal and has recommended to the Governing Board for its consideration and approval.

The Board after deliberations approved the insertion of the said clause in the existing claim evaluation policy under the category of Claims that are not accepted by the Exchange under IPF and Exchange Byelaws.

SEBI Letter on Maintenance of evidence of pre-trade confirmation by Brokers / Authorised Persons (APs) and verification of the same by the Exchange.

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

The Board was apprised that in accordance with the said circular, in cases where technical failure is cited by the Broker as the reason for not providing pre-order recording, the Exchange, as directed, would 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 Board was also apprised that 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 said matter was also discussed at the ROC meeting dated November 21, 2023.

The Board took note of the said Standard Operating Procedure.