BYE-LAWS
# INDEX

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Subject</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Preliminary &amp; Definitions</td>
<td>1</td>
</tr>
<tr>
<td>II</td>
<td>Clearing Segments</td>
<td>6</td>
</tr>
<tr>
<td>III</td>
<td>Committee(s)</td>
<td>7</td>
</tr>
<tr>
<td>IV</td>
<td>Regulations</td>
<td>8</td>
</tr>
<tr>
<td>V</td>
<td>Clearing Members</td>
<td>10</td>
</tr>
<tr>
<td>VI</td>
<td>Clearing and Settlement of Deals</td>
<td>11</td>
</tr>
<tr>
<td>VII</td>
<td>Dealings by Clearing Members</td>
<td>17</td>
</tr>
<tr>
<td>VIII</td>
<td>Margins</td>
<td>19</td>
</tr>
<tr>
<td>IX</td>
<td>Rights, Duties and Liabilities of the Clearing Members and Constituents</td>
<td>21</td>
</tr>
<tr>
<td>X</td>
<td>Default</td>
<td>24</td>
</tr>
<tr>
<td>XI</td>
<td>Settlement Guarantee Fund and Defaults Subsequent to Commencement of Operation of Settlement Guarantee Fund</td>
<td>29</td>
</tr>
<tr>
<td>XII</td>
<td>Miscellaneous</td>
<td>39</td>
</tr>
</tbody>
</table>
CHAPTER - I

PRELIMINARY & DEFINITIONS

PRELIMINARY

Short Title

These Bye-Laws shall be called “Bye-Laws” or “Clearing Corporation Bye-Laws”.

Applicability of the Securities Laws

These Bye-Laws and Regulations prescribed there under shall be subject to the provisions of the Securities Laws.

Definitions:

1.1 Board Of Directors or Board

"Board of Directors” or “Board” means Board of Directors of the Clearing Corporation;

1.2 Bye-laws

"Bye-Laws" means bye-laws of Clearing Corporation for the time being in force and any amendments made thereto from time to time;

1.3 Clearing And Settlement

"Clearing and Settlement" means clearing or settlement or clearing and settlement of Deals in such manner and subject to such conditions as may be specified by the Relevant Authority from time to time, unless the context indicates otherwise;

1.4 Clearing Bank(s)

“Clearing Bank(s)” shall mean the banks presently engaged by the Exchange to act as clearing banks, banks that may be engaged by the Exchange in future to act as clearing banks and such bank(s) as the Clearing Corporation may appoint to act as funds settling agency, to collect margin money for all Deals and any other funds movement inter se between Clearing Members and Clearing Members and the Clearing Corporation as may be directed by the Clearing Corporation from time to time;

1.5 Clearing Corporation

“Clearing Corporation” means India International Clearing Corporation (IFSC) Limited;

1.6 Clearing Member

"Clearing Member” shall mean a person who has been admitted as a member by Clearing Corporation to clear or settle trades executed on the platform of the Exchange;

1.7 Clearing Segment

"Clearing Segment” means segment for clearing and settlement of deals as may be classified by the Relevant Authority from time to time;
1.8 **Client/Constituent**

“Client” or “Constituent” shall mean and include a person/entity who has agreed to avail the services of the member of the Exchange in accordance with circulars issued by the SEBI from time to time;

1.9 **Committee**

“Committee/s” mean the committees formed by the Board of Directors of the Clearing Corporation in accordance with the decision of the relevant authority or as directed by SEBI from time to time;

1.10 **Contracts**

“Contract” means a contract for or relating to the purchase or sale of a security through the platform of the Exchange, and may also be called as a “transaction”, “dealing” or “bargain”; 

1.11 **Deal**

"Deals” means, unless the context indicates otherwise, deals which are admitted to be traded on the platform of the Exchange and cleared and settled through the Clearing Corporation;

1.12 **Delivering Member / Selling Member**

"Delivering Member / Selling Member” means a Clearing Member who ought to or has effected delivery in fulfillment of contracts to which these Rules, Bye-Laws and Regulations apply, unless the context indicates otherwise;

1.13 **Exchange**

“Exchange” means India International Exchange (IFSC) Limited or any other exchange situated in IFSC with whom the Clearing Corporation has entered into an arrangement for clearing and settling of the trades;

1.14 **Guidelines**

“Guidelines” shall mean Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 in force from time to time;

1.15 **International Financial Service Centre**

“International Financial Service Centre” or “IFSC” shall mean International Financial Service Centre located in the state of Gujarat or in such other place as may be notified by Government of India;

1.16 **Issuer**

“Issuer” shall include a company incorporated in India or a company or any entity incorporated in a foreign jurisdiction, which is permitted by the SEBI to raise capital in foreign currency other than Indian Rupee;

1.17 **Member**
“Member/s” as the context may require, means either the Trading Member or the Clearing Member or both;

1.18 **Security/ies**

“Security/ies” shall mean and include:-

i) Equity shares of a company incorporated outside India;
ii) Depository receipt(s);
iii) Debt securities issued by eligible issuers;
iv) Currency and interest rate derivatives;
v) Index based derivatives;
vi) Commodities derivatives;
vii) Such other securities/derivatives/products of any kind as may be permitted by SEBI from time to time;

1.19 **Receiving Member / Buying Member**

"Receiving Member / Buying Member” shall mean a Clearing Member who ought to or has taken delivery in fulfillment of contracts to which these Rules, Bye-Laws and Regulations apply;

1.20 **Regulations**

“Regulations”, unless the context indicates otherwise, includes business rules, circulars, notices, code of conduct and such other regulations prescribed by the relevant authority from time to time inter alia, for the administration and operations of the Clearing Corporation;

1.21 **Relevant Authority**

"Relevant Authority" shall mean the Board, Securities and Exchange Board of India, Managing Director of Clearing Corporation, Exchange, such other person or committee, as the context may admit or require, or any person/committee as may be specified by the Board from time to time;

1.22 **Rules**

“Rules”, unless the context indicates otherwise, means the rules framed by the Clearing Corporation from time to time in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956, Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 or in accordance with the directions of Securities and Exchange Board of India from time to time;

1.23 **SEBI Act**

“SEBI Act” means Securities and Exchange Board of India Act, 1992 (Act No.15 of 1992);

1.24 **SEBI**

“SEBI” means Securities and Exchange Board of India established under Section 3 of Securities and Exchange Board of India Act, 1992;

1.25 **SCRA**

“SCRA” means Securities Contracts (Regulation) Act, 1956 (Act No.42 of 1956);
1.26 **SCRR**

“SCRR” means Securities Contracts (Regulation) Rules, 1957;

1.27 **Securities Laws**

“Securities Laws” includes the SCRA, SEBI Act, Depositories Act 1996, Companies Act 1956 and 2013, such other Acts, Regulations and Rules framed thereunder and any statutory modification or re-enactment thereto, the circulars, notifications, directives, guidelines made or issued thereunder by Central Government or SEBI or any other concerned authority to facilitate and regulate financial services relating to securities market in Special Economic Zone from time to time;

1.28 **SECC Regulations**

“SECC Regulations” means Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012;

1.29 **SEZ Act**

“SEZ Act” means Special Economic Zones Act, 2005;

1.30 **Settlement Guarantee Fund**

“Settlement Guarantee Fund” means a fund established and maintained in accordance with the relevant provisions of the Bye-Laws of Clearing Corporation;

1.31 **Trading Member**

"Trading Member" means any person which is admitted as a member of the Exchange and the term “Trading Membership” shall be construed accordingly;

1.32 **Interpretation**

Unless in the context it is explicitly stated otherwise, all words and expressions used in these Regulations but not defined, and defined in the following, shall have the meanings respectively assigned to them therein:

1. The Securities Contract (Regulations) Act, 1956 and the Rules/Regulations made there-under
2. The Securities and Exchange Board of India Act, 1992 and the Regulations made there-under
3. The Depositories Act, 1996 and the Regulations framed there under
4. The Companies Act, 1956/the Companies Act, 2013
5. Rules, Bye-laws and Regulations of the Exchange

In case a term is defined in more than one of the above, then such term will derive its meaning from the statute (along with the Rules, Bye-laws and/or Regulations) provided prior in the order above, unless it is explicitly stated otherwise.

1.33 Headings shall not affect the construction or interpretation of any Rule;

1.34 Words importing masculine gender shall include feminine gender and vice versa and
neutral gender in the case of companies, corporations, firms, etc., unless the context otherwise requires. Any defined term herein may or may not be capitalized in the Rules, Bye-laws and Regulations and shall not convey a different meaning merely by reason of non-capitalisation of such term, unless the context requires otherwise.
CHAPTER – II

CLEARING SEGMENT

2.1 The Clearing Corporation shall establish clearing segment as determined by the Relevant Authority.
CHAPTER – III

COMMITTEE(S)

3.1 Various Committee(s) shall be formed by the Board/Relevant Authority in such manner as may be prescribed by the SEBI from time to time.

3.2 Such Committee(s) shall function and shall have such powers/responsibilities as may be laid down in the Rules or as may be specified by SEBI/Board/Relevant Authority.
CHAPTER – IV

REGULATIONS

4.1 The Relevant Authority may prescribe regulations from time to time for the functioning and operations of the Clearing Corporation and to regulate the functioning and operations of the Clearing Members of the Clearing Corporation.

4.2 Without prejudice to the generality of the above, the Relevant Authority may prescribe regulations from time to time, inter alia, with respect to:

(a) Norms, procedures, terms and conditions for admission of Clearing Member/Clearing Banks;

(b) Norms, procedures, terms and conditions to be complied with for admission of Deals for clearing and settlement by the Clearing Corporation;

(c) Norms, procedures, terms and conditions for clearing and settlement of Deals for different securities and instruments;

(d) Forms and conditions of Deals to be entered into, and the time, mode and manner for performance of Deals between Clearing Members inter se or between Clearing Members and their Constituents;

(e) Norms, procedures, terms and conditions for guaranteed settlement by the Clearing Corporation;

(f) Prescription from time to time and administration of penalties, fines and other consequences including suspension/expulsion of Clearing Members from the Clearing Corporation for defaults;

(g) Norms, procedures, terms and conditions for imposition and administration of different types of margins and other charges and restrictions that may be imposed by the Clearing Corporation from time to time.

(h) Determination from time to time, of fees, system usage, charges, deposits, margins and other monies payable to the Clearing Corporation by Clearing Members and the scale of clearing and other charges that may be collected by Clearing Members;

(i) Supervision of the clearing operations and promulgation of such Business Manual, circulars, notices, documents etc. containing the framework prescribed by the Clearing Corporation for management, operation and administration of a Clearing Corporation as it may deem fit;

(j) Inspection and audit of records and books of accounts;

(k) Administration, maintenance and investment of the corpus of the Settlement Guarantee Fund/Fund(s) set up by the Clearing Corporation;

(l) Establishment, norms, terms and conditions, functioning and procedures of Clearing Corporation, clearing through depository or other arrangements including custodial services for clearing and settlement;

(m) Norms, procedures, terms and conditions in respect of, incidental to or consequential to closing out of Deals;
(n) Dissemination of information and announcements;

(o) Any other matter as may be decided by the Relevant Authority.
CHAPTER – V

CLEARING MEMBERS

5.1 The Relevant Authority is empowered to admit Clearing Members in accordance with Rules, Bye-laws and Regulations of the Clearing Corporation. The Clearing Member shall pay such fees, security deposits and other monies as may be specified by the Relevant Authority from time to time, on admission of the Clearing Member and for continued admission. The fees, security deposits, other monies and any additional deposits paid, whether in the form of cash, bank guarantee, securities or otherwise, with the Clearing Corporation, by the Clearing Member from time to time, shall be subject to a first and paramount lien for any sum due to the Clearing Corporation and all other claims against the Clearing Member for fulfillment of engagements, obligations and liabilities of Clearing Members arising out of or incidental to any Dealing made subject to the Bye-Laws, Rules and Regulations of the Clearing Corporation. The Clearing Corporation shall be entitled to adjust or appropriate such fees, deposits and other monies for such dues and claims, to the exclusion of the other claims against the Clearing Member, without any reference to the Clearing Member. The proceeds arising out of invocation of the bank guarantees furnished by the Clearing Member in lieu of security deposits or additional deposits, on being invoked by the Clearing Corporation, shall not be reckoned as part of the Clearing Member’s deposits for the purpose of exposure, etc., unless the Clearing Member complies with the conditions imposed by the Relevant Authority from time to time. The proceeds from invoking the bank guarantees shall be dealt with by the Clearing Corporation as it may deem fit.

5.2 Clearing Member may clear and settle Deals through the Clearing Corporation in such manner and mode and subject to such terms and conditions and procedures as may be prescribed by the Relevant Authority.

5.3 Clearing Member may clear and settle Deals either on their own account or on behalf of their Clients unless otherwise specified by the Relevant Authority and subject to such terms and conditions which the Relevant Authority may prescribe from time to time.

5.4 On cessation of clearing membership right of a Clearing Member, all security deposits and monies not applied under the Rules, Bye-laws and Regulations of the Clearing Corporation, shall at the cost of the Clearing Member be returned and/or transferred either to it or as it shall direct or in absence of such direction to its legal representatives/successors/assignees. For the purpose of ascertaining legal representatives/successors/assignees, the Relevant Authority shall prescribe such course of action to be taken by the concerned person(s) as it may in its absolute discretion and in the interest of the Clearing Corporation, deem fit and proper.
CHAPTER – VI

CLEARING AND SETTLEMENT OF DEALS

6.1 Clearing and Settlement Of Deals

6.1.1 The Clearing Corporation shall not clear and settle the Deals which are not carried out in accordance with the provisions of the Rules, Bye-Laws and Regulations.

6.1.2 Notwithstanding what is stated above, the Relevant Authority may in its discretion and subject to provision of the Securities Laws and such conditions as it may deem fit, admit any other deals which are not carried out in accordance with the provisions of the Rules, Bye-Laws and Regulations.

6.1.3 “Netting” means the determination by the Clearing Corporation of net payment or delivery obligations of the Clearing Members of the 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 the Exchange, in such circumstances as the Clearing Corporation may specify in the 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 Settlement and Netting:

(1) The payment and settlement in respect of a transaction executed on the Exchange shall be determined in accordance with the netting or gross procedure as specified in the Bye-Laws of the Exchange and/or the Clearing Corporation, with the prior approval of the SEBI.

(2) Payment and settlement in respect of a transaction between parties referred to in the above Bye-Law (1), effected under the Bye-Laws of the Exchange or the Clearing Corporation, shall be final, irrevocable and binding on such parties.

(3) When a settlement has become final and irrevocable, the right of the Exchange or the Clearing Corporation, as the case may be, to appropriate any collaterals or deposits or margins contributed by the trading member, clearing member or client towards its settlement or other obligations in accordance with the Bye-Laws of the Exchange or the Clearing Corporation shall take priority over any other liability of or claim against the said trading member, clearing member or client, as the case may be.

Explanation. – For removal of doubts, it is hereby declared that the settlement, whether gross or net, referred to in this Bye-Law is final and irrevocable as soon as the money, securities or other transactions payable as a result of such settlement is determined, whether or not such money, securities or other transactions is actually paid.

6.1.5 Right of Clearing Corporation

The right of the Clearing Corporation 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.

6.2 Admission of Deals
6.2.1 Clearing and settlement shall be permitted on the Clearing Corporation in Deals which are from time to time admitted for clearing by the Relevant Authority in accordance with the provisions of the Bye-Laws and Regulations.

6.2.2 The Relevant Authority may specify securities from time to time, dealings in which may be admitted in accordance with the provisions of the Bye-Laws and Regulations in that regard.

6.2.3 The Relevant Authority may specify the Exchange, dealings on which may be admitted for clearing and settlement by the Clearing Corporation in accordance with the provisions of the Bye-Laws and Regulations of the Clearing Corporation.

6.3 Conditions and requirements of Clearing and Settlement

The Relevant Authority may grant admission for clearing and settlement of deals executed on the Exchange, provided all the conditions and requirements including the conditions and requirements prescribed by the Relevant Authority are duly fulfilled by the parties concerned.

6.4 Refusal of Admission of Deals

The Relevant Authority may, in its sole discretion, approve admission of deals or defer, or reject admission of deals for clearing and settlement on the Clearing Corporation, subject to such terms as it deems fit.

6.5 Deals in Provisional Documents

6.5.1 The Relevant Authority may, in its discretion, admit deals in Provisional Documents.

6.5.2 Provisional Documents for the purpose of these Bye-Laws and Regulations denote Coupons, Fractional Certificates, Letters of Renunciation, or transferable Letters of Allotment, Acceptance or Application or options or other rights or interests in securities, warrants issued or to be issued by an issuer or other similar documents in respect of an issuer whose securities are sought to be admitted to be cleared and settled through the Clearing Corporation.

6.6 Specific Deals

The Relevant Authority may, in appropriate cases solely at its discretion from time to time decide specific deals to be cleared and settled through the Clearing Corporation in case of securities which are not admitted for clearing on the Clearing Corporation or are for the time being prohibited or suspended.

6.7 Suspension of Admission of Deals

The Relevant Authority may suspend at any time admission of deals including of any security of the Exchange for such period as it may determine and reinstate such deals subject to such conditions as it may deem fit.

6.8 Withdrawal of Admission of Deals

The Relevant Authority may where it deems necessary withdraw admission to dealings of the Exchange either for breach of or non-compliance with any of the conditions or requirements of admission of dealings or for any other reason whatsoever.
6.9 **Readmission of Deals**

The Relevant Authority in its discretion may readmit deals of the Exchange which have been previously suspended/withdrawn.

6.10 **Clearing and Settlement**

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.

6.11 **Privity of Contract**

6.11.1 Except as provided herein, the Clearing Members giving and receiving delivery and/or payment as provided in the Bye-Laws and Regulations shall be deemed, notwithstanding that no direct contract may exist between them, to have made a contract with each other as sellers and buyers. However the rights and liabilities of delivering and receiving member with their respective immediate contracting party shall not be affected thereby. The selling member (unless itself is the delivering member) shall however be released from all responsibility in regard to the title, ownership, genuineness, regularity and validity of the documents once the documents are received by the receiving member and in the event of any loss and/or damages arising to the receiving member therefrom, the same shall be dealt with in accordance with the provisions of Bye-Laws and Regulations thereof.

6.11.2 In cases where the Clearing Corporation may specify either generally or specifically, Clearing Members giving and receiving delivery and paying and receiving funds as provided in the Bye-Laws and Regulations shall be deemed, notwithstanding that no direct contract exists between them, to have made a contract with the Clearing Corporation through full novation as sellers and buyers and between themselves as delivering and receiving members; provided further however that in such event the rights and liabilities of delivering and receiving member shall not be deemed to be affected thereby and the Clearing Corporation shall not be responsible in respect of the title, ownership, genuineness, regularity and validity in respect of the documents delivered or received and in the event of any loss and/or damages arising to the delivering and receiving members therefrom, shall be dealt with in accordance with the provisions of Bye-Laws and Regulations thereof.

6.12 **Arrangement for Clearing and Settlement**

6.12.1 Clearing and settlement of deals shall be effected by Clearing Members by adopting and using such arrangements, systems, agencies or procedures as may be prescribed or specified by the Relevant Authority from time to time. Without prejudice to the generality of the above, the Relevant Authority may prescribe or specify from time to time such custodial, depository and other services for adoption and use by Clearing Members and their constituents to facilitate smooth operation of the clearing and settlement arrangement or system.

6.12.2 The clearing and settlement function may be performed by the Clearing Corporation or it may take assistance of any agency identified by the Relevant Authority for the purpose.

6.12.3 Save as otherwise expressly provided in the Bye-Laws and Regulations, when funds and securities are cleared and/or settled under a prescribed arrangement, the settlement responsibility shall rest solely upon the counter parties to the contract and/or the concerned Clearing Members as the case may be and the Clearing Corporation shall act...
as the common agent of the Clearing Members for receiving or giving delivery of securities and for receiving and paying funds, without incurring any liability or obligation as a principal.

6.13 Operational Parameters for Clearing

6.13.1 The Relevant Authority may determine and announce from time to time operational parameters regarding clearing of deals through the Clearing Corporation which the Clearing Members shall adhere to.

6.13.2 The operational parameters may, inter alia, include:

(a) Clearing limits allowed which may include clearing limits with reference to net worth and capital adequacy norms;

(b) Clearing volumes and limits at which it will be incumbent for Clearing Members to intimate the Clearing Corporation;

(c) Fixation of delivery lots for different settlement types;

(d) Other matters which may affect smooth operation of clearing of Deals keeping in view larger interest of the public;

(e) Determining types of deals permitted for a particular kind of Clearing Member and for a security;

(f) Determining functional details of the clearing and settlement system including the system design, user infrastructure and system operation.

6.14 Clearing Hours

6.14.1 The hours for clearing and settlement of deals on the Clearing Corporation shall be such as may be decided by the Relevant Authority from time to time. The Relevant Authority may, from time to time, specify clearing hours for different types of deals.

6.14.2 The Relevant Authority may decide such number of days as holidays in a calendar year and declare a list of such holidays to the Clearing Members. The Relevant Authority may, from time to time, alter or cancel any of the holidays so fixed. The Relevant Authority may suspend clearing and settlement operations on days other than or in addition to holidays.

6.14.3 Business Days:

(a) The Clearing Corporation shall be open on all business days, which shall be declared in advance by the Relevant Authority.

6.14.4 Alteration or Cancellation of Clearing Corporations’ Holidays:

6.14.4.1 The Relevant Authority may from time to time:

(a) alter or cancel any of the Clearing Corporations holidays fixed in accordance with these provisions;
6.14.5 **Closure of Clearing Corporation during Market Closure**

The Relevant Authority may, for reasons to be recorded, close the Clearing Corporation on the market closure days other than or in addition to holidays.

6.14.6 **Clearing and Settlement Session**

Meetings of the Clearing Members for clearing and settlement purposes, to be called clearing and settlement sessions, shall be held in such manner as may be specified by the Relevant Authority from time to time.

6.14.7 **Altering Time of Clearing Session**

The Relevant Authority may reduce, extend or otherwise alter the time of clearing session of the Clearing Corporation on any particular day.

6.15 **Delivery of Securities**

6.15.1 Delivery and settlement of all securities, documents and papers and payment in respect of all Deals shall be in such manner and at such place(s) as may be prescribed by the Relevant Authority from time to time.

6.15.2 The Relevant Authority shall specify from time to time, the securities, documents and papers which, when delivered in prescribed manner, shall constitute good delivery. Where circumstances so warrant, the Relevant Authority may determine, for reasons to be recorded, whether or not a delivery constitutes a good delivery, and such findings shall be binding on parties concerned. Where the Relevant Authority determines that a delivery does not constitute a good delivery, the delivering party shall be required to substitute such delivery with the good delivery acceptable to the Relevant Authority within such time as may be specified.

6.15.3 The norms and procedures for delivery with respect to market lot, odd lot, minimum lot, part delivery, delivery of partly paid securities etc., shall be as prescribed by the Relevant Authority from time to time.

6.15.4 The requirements and procedures for determining disputed deliveries or defective deliveries, and measures, procedures and system of resolving the dispute or defect in deliveries or of consequences of such deliveries or their resolution shall, subject to these Bye-Laws and Regulations, be as prescribed by the Relevant Authority from time to time.

6.16 **Closing Out**

6.16.1 A deal admitted for clearing and settlement may be closed out on failure of a Clearing Member to comply with any of the provisions relating to delivery, payment and settlement of deals or on any failure to fulfill the terms and conditions subject to which the deal has been made, or such other circumstances as the Relevant Authority may specify from time to time. The deal may be closed out by the Clearing Corporation in such manner, within such time frame and subject to such conditions and procedures as the Relevant Authority may prescribe from time to time.

6.16.2 Without prejudice to the generality of the foregoing, the Relevant Authority may close out deals, inter alia, by buying in or selling out against a Clearing Member as follows:-
(a) in case of the selling Clearing Members, on failure to complete delivery on the due date;

(b) in case of the buying Clearing Members, on failure to pay the amount due on the due date; and

(c) any loss, damage or shortfall sustained or suffered as result of such closing out shall be payable by the Clearing Members who failed to give due delivery or to pay the amount due.

6.17 Borrowing of Securities

6.17.1 Notwithstanding anything contained in Bye-Law 6.16 hereinabove, in the event of failure of the Delivering Member to complete delivery of specified securities on the due date, the Clearing Corporation may borrow the securities specified by it on behalf of such Delivering Member in such manner, within such time frame and subject to such conditions and procedures as the Relevant Authority may prescribe from time to time, and deliver them to the Receiving Member(s) and / to complete the delivery. Such Delivering Member shall return the specified securities within the time stipulated by the Relevant Authority together with such fees and charges as may be prescribed by the Relevant Authority.

6.17.2 In the event of failure of the Delivering Member to return the securities borrowed by the Clearing Corporation on its behalf within the stipulated time, the Clearing Corporation shall buy the securities on behalf of the member in the manner and method prescribed by the Relevant Authority and may recover the amount thereof from such member together with such other fees and charges as may be prescribed by the Relevant Authority.

6.17.3 In the event the Clearing Corporation fails to buy-in the securities to be returned on behalf of such borrowing Delivering Member, the Clearing Corporation may effect close out in respect of the securities, to the extent that it could not be bought in, in the manner prescribed by the Relevant Authority and recover the amount of such close out and fees from such member.

6.18 Failure to meet obligations

In the event of Clearing Member failing to meet its obligations to the Clearing Corporation arising out of clearing and settlement operations of admitted deals, the Relevant Authority may charge such interest, impose such penalties and fines and take such disciplinary action against the Clearing Member as it may determine from time to time. Any disciplinary action which the Relevant Authority takes pursuant to the above shall not affect the obligations of the Clearing Member to the Clearing Corporation or any remedy to which the Clearing Corporation may be entitled to against such Clearing Member under applicable law.
CHAPTER – VII

DEALINGS BY CLEARING MEMBERS

7.1 Jurisdiction

7.1.1 All deals admitted by the Clearing Corporation for clearing and settlement which are subject to the Rules, Bye-laws and Regulations of the Clearing Corporation shall be deemed to have been entered into exclusively in the International Financial Services Centre and the courts which exercise jurisdiction over the International Financial Services Centre shall have exclusive jurisdiction with regard to such deals, admitted on the Clearing Corporation.

7.2 Record for Evidence

The record of the Clearing Corporation as maintained by a central processing unit or a cluster of processing units or computer processing units or in any other manner shall constitute the agreed and authentic record in relation to any deals cleared and settled through the Clearing Corporation. In the event of any dispute or claim between the constituents and the Clearing Member of the Clearing Corporation or between the Clearing Members inter-se of the Clearing Corporation or between the Clearing Members and the Clearing Corporation regarding clearing and settlement of deals, the records maintained by the Clearing Corporation shall constitute valid and final evidence.

7.3 Clearing Member only Parties to Deals

The Clearing Corporation shall not recognise as parties to deals any person other than its own Clearing Members. Every Clearing Member is liable for due fulfillment of the Deal and to the Clearing Corporation as may be specified by the Relevant Authority, whether such deal be for account of the Clearing Member effecting it or on account of a Constituent.

7.4 All Deals subject to Rules, Bye-Laws and Regulations

All Deals shall be made subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation and such Rules, Regulations and Bye-Laws shall form a part of the terms and conditions of all such Deals. The deals shall be subject to the exercise by the Relevant Authority of the powers with respect thereto vested in it by the Rules, Bye-Laws and Regulations of the Clearing Corporation.

7.5 Inviolability of Admitted Deals

All dealings in securities on the Clearing Corporation made subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation shall be inviolable and shall be cleared and settled in accordance with these Bye-Laws and Regulations of the Clearing Corporation. Provided that the deals are not annulled by the Exchange in the manner prescribed by SEBI/the Exchange from time to time.

7.6 Deals by Representative Clearing Members

The Clearing Member may authorise another Clearing Member to act as its representative for a specified period with the prior permission of the Relevant Authority.

7.7 Indemnity
The Clearing Corporation shall not be liable for any activity of the Clearing Member or any person acting in the name of the Clearing Member whether authorised or not including deals cleared and settled through the Clearing Corporation save and except and to the extent provided for in the Bye-Laws and Regulations.
CHAPTER – VIII

MARGINS

8.1 Margin Requirements

8.1.1 The Relevant Authority may from time to time prescribe requirements of margins including collection of margins (including VaR margins) on an upfront basis for deals cleared and settled through the Clearing Corporation and the Clearing Member shall furnish such margin as a condition precedent from such date as may be specified by the Clearing Corporation.

8.1.2 Every Clearing Member has continuing obligation to maintain margins at such levels and during such periods as may be stipulated by the Clearing Corporation from time to time. Out of the margins so required to be deposited and maintained by a Clearing Member, margins deposited by Clearing Members on their own account and on behalf of their Constituents or the trading members of an Exchange, shall be segregated by the Clearing Corporation in such manner as it may deem fit.

8.2 Form of Margin

The margins to be provided by the Clearing Member under the Bye-Laws and Regulations shall be in cash. The Relevant Authority may, at its discretion and on such terms and conditions as it may deem fit to impose, accept deposit receipts, guarantee of bank(s) or such securities as may be approved by it, as margin. Any such substitute of cash like deposit receipts, bank guarantee/s, securities approved by it shall be deemed to have been pledged and/or hypothecated as the case may be in favour of the Clearing Corporation.

8.3 Quantum of Margin

The Clearing Member depositing margins, in the form of securities shall always maintain the value thereof so that the same does not go below the quantum of margin required to be deposited by such member. In the event of the value of such securities going below the level of margin, then such member shall provide further security to the satisfaction of the Relevant Authority. The Relevant Authority alone shall be entitled to determine the value of the additional security provided by such member.

8.4 Margin to be held by the Clearing Corporation

The margins shall be held by the Clearing Corporation and when such margin is in the form of bank deposit receipts and/or securities, such deposit receipts and/or securities may be transferred to such person/s and/or to the custodian and/or to such other entity approved by the Clearing Corporation. All margin deposits shall be held either by the Clearing Corporation, the approved persons and/or the Custodian, as the case may be, for and on account of the Clearing Corporation without any right whatsoever of the Clearing Member depositing such margin or such authorized persons/custodian to call in or question the exercise of such discretion by the Clearing Corporation.

8.5 Lien on Margins

The cash or substitute thereof, paid or deposited by the Clearing Member as margin shall be subject to first and paramount lien for all sums due to the Clearing Corporation. Margin shall be available in preference to all other claims against the Clearing Member for due fulfillment of its obligations and liabilities arising out of or incidental to any deals made subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation or anything done in pursuance thereof.
8.6 Utilisation for failure to meet obligations

In the event of the Clearing Member failing to meet its obligations to the Clearing Corporation arising out of clearing and settlement operations of such deals as provided in these Bye-Laws and Regulations, the Relevant Authority shall be entitled to utilise any amount paid by the Clearing Member to the Clearing Corporation either in the form of margin, deposit, security or in any other form or any other payment retained by the Clearing Corporation for the purpose of clearing and settlement of the deals of such Clearing Member subject to Bye-law 9.14.

8.7 Evasion of Margin Requirements Forbidden

The Clearing Member shall not directly or indirectly enter into any agreement/arrangement or adopt any method for the purpose of evading or assisting in the evasion of the margin requirements prescribed under the Bye-Laws and Regulations.

8.8 Suspension on failure to pay margin

If the Clearing Member fails to pay any margin as required in the Bye-Laws and Regulations, the Relevant Authority may take such action as it may deem fit against such Clearing Member, including suspension of such Member.

8.9 Interest, Dividend and Calls

8.9.1 The receiving member shall be entitled to receive all vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges which may relate to securities bought cum voucher, cum coupons, cum dividends, cum cash bonus, cum bonus issues, cum rights, etc. The delivering member shall be required to provide all such vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges which may relate to securities sold ex voucher, ex coupons, ex dividends, ex cash bonus, ex bonus issues, ex rights, etc.

8.9.2 The manner, mode, information requirements, alterations, date and timing etc., of adjustment with respect to vouchers, coupons, dividends, cash bonus, bonus issues, rights and other privileges between the receiving and delivering member shall be as prescribed by the Relevant Authority from time to time. Save as otherwise provided in the Bye-Laws and Regulations, the Clearing Members shall be responsible between themselves and to their constituents for effecting such adjustments.

8.9.3 In respect of a deal in securities which shall become or are exchangeable for new or other securities under a scheme of reconstruction or reorganisation, the delivering member shall deliver to the receiving member, as the Relevant Authority directs, either the securities contracted for or the equivalent in securities and/or cash and/or other property receivable under such scheme of reconstruction or reorganisation.

8.10 Clearing Fees

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.
CHAPTER – IX

RIGHTS, DUTIES AND LIABILITIES OF THE CLEARING MEMBERS AND CONSTITUENTS

9.1 Margin from Constituents

A Clearing Member shall have the right to demand from its Constituent the margin it has to provide under the Rules, Bye-Laws and Regulations in respect of the business done by it for such Constituent. The Clearing Member shall also have the right to demand an initial margin in cash or the substitute for cash from its Constituent/s before undertaking to clear his/its obligations and to stipulate that the constituent shall pay margin or furnish additional margin according to changes in market prices. The Constituent shall be bound to comply with the directions of the Clearing Member, when called upon to do so as required under the Rules, Bye-Laws and Regulations.

9.2 Constituent in Default

9.2.1 The Clearing Member shall not transact business directly or indirectly for a constituent who to its knowledge is in default to another Clearing Member unless such constituent shall have made an arrangement satisfactory to the Clearing Member proposing to act for such constituent that such Constituent has or shall settle the claim of the Clearing Member who is its creditor.

9.3 Closing-Out of Constituent’s Account

Unless otherwise prescribed by the Relevant Authority from time to time, at the time of closing-out the account of a Constituent, the Clearing Member may assume or take over such deals to its own account as a principal at prices which are fair and justified by the condition of the market or he may close-out in the open market and any expense incurred or any loss arising therefrom shall be borne by the Constituent.

9.4 Clearing Member not liable to attend to Registration of Transfer

Unless otherwise prescribed by the Relevant Authority from time to time, a Clearing Member shall not be deemed to be under any obligation to attend to the transfer of securities and the registration thereof in the name of the Constituent. If it attends to such work in the ordinary course or at the request or desire or by the consent of the Constituent it shall be deemed to be the agent of the Constituent in the matter and shall not be responsible for loss in transit or for the company's refusal to transfer or not be under any other liability or obligation other than that specifically imposed by the Rules, Bye-Laws and Regulations. The stamp duty, the transfer fees and other charges payable to the company, the fee for attending to the registration of securities and all incidental expenses such as postage incurred by the Clearing Member shall be borne by the Constituent.

9.5 Registration of Securities when in the name of Clearing Member or Nominee

9.5.1 When the time available to the Constituents of the Clearing Member is not sufficient for them to complete transfers and lodge the securities for registration before the closing of the transfer books and where the security is purchased cum interest, dividend, bonus or rights which the company may have announced or declared, the Clearing Member may register the securities in its or its nominee's name and recover the transfer fee, stamp duty and other charges from the buying Constituent.

9.5.2 The Clearing Member shall give immediate intimation to the Clearing Corporation of the names of such Constituents and details of the deals as may be specified by the Relevant
Authority from time to time. The Clearing Member shall also give immediate intimation thereof to the buying Constituent and shall be indemnified for the consequences of any delay in delivery caused by such action.

9.5.3 The Clearing Member shall be obliged to re-transfer the security in the name of the original Constituent as soon as it has become ex interest, dividend, bonus or rights.

9.6 **Closing-Out by Constituent on failure to perform a Deal**

If the Clearing Member fails to complete the performance of a deal by delivery or payment in accordance with provisions of the Rules, Bye-Laws and Regulations the Constituent shall, after giving notice in writing to the Clearing Member, close out such deal through any other Clearing Member as soon as possible and any loss or damages sustained as a result of such closing out shall be immediately payable by the defaulting Clearing Member to the Constituent. If the closing out be not effected as provided herein, the damages between the parties shall be determined on such basis as may be prescribed by the Relevant Authority from time to time and the Constituent and the Clearing Member shall forfeit all further rights of recourse against each other to the extent of the damages sustained by the aggrieved party.

9.7 **Complaint by Constituent**

When a complaint has been lodged by a Constituent with the Relevant Authority that any Clearing Member has failed to perform as per his/its instructions, the Relevant Authority shall investigate the complaint and if it is satisfied that the complaint is justified it may take such disciplinary action as it deems fit against the Clearing Member.

9.8 **Relationship between the Clearing Member and Constituent**

Without prejudice to any other law for the time being in force and subject to these Bye-Laws, the mutual rights and obligations inter se between the Clearing Members and their Constituents shall be such as may be prescribed by the Relevant Authority and/or SEBI from time to time.

9.9 **Closing-out in the event of bankruptcy/ insolvency/dissolution**

A Clearing Member may close-out all open transactions on account of a Constituent or a trading member of the Exchange, becoming bankrupt or insolvent or making or attempting to make a composition with his/its creditors or with any of them or who shall have given any admission or intimation or indication of the fact that he/it will be unable to fulfill his/its obligations or who in case of a firm undergoes dissolution.

9.10 **Release of funds and securities by Clearing Members**

A Clearing Member shall make payout of funds and Securities in such manner so as to ensure full and timely compliance of all relevant requirements in this regard as may be prescribed by SEBI/Clearing Corporation.

9.11 **Confidentiality to be maintained**

The Clearing Corporation shall maintain the details of the Constituents in confidence and it shall not disclose such details to any person / entity, except as required under the law or by any authority.

9.12 **Transfer of some positions by Clearing Member**
The Clearing Corporation may suo moto or on the application of a Constituent of a suspended or defaulter Clearing Member or and on such terms and conditions as the Clearing Corporation deems fit to impose, permit all or any open positions of the Clearing Member (whether on its own account or on account of its Constituent) or Constituent to be transferred to another Clearing Member who agrees to accept such open positions.

9.13 Segregation of Dues

The accounts of the Constituent of the Clearing Member, the trading members of an Exchange for whom the Clearing Member is acting as a Clearing Member and the clients of such trading members of an Exchange, shall be segregated from each other and the amounts and assets standing to the debit and credit of a Clearing Member or a Constituent shall not be adjusted against the credit or debit of another Constituent or Clearing Member and one Client’s or Clearing Member’s funds or assets shall not be utilised for payment of another Constituent’s or Clearing Member’s dues. Obligations payable by a Clearing Member on its own account shall not be paid or met out of money / assets of a Constituent or trading members of an Exchange. However amounts or assets payable / deliverable to a Clearing Member (on its own account) by the Clearing Corporation may be applied for paying amounts / assets payable / deliverable by the Clearing Member or by any Constituent of the Clearing Member or any trading member of an Exchange (whose trades the Clearing Member had agreed to clear) or any client of such trading members of an Exchange, the Clearing Corporation or any Member or any Constituent of the Clearing Member or of any trading members of an Exchange (whose trades the Clearing Member had agreed to clear).
CHAPTER – X

DEFAULT

10.1 Declaration of Default

The Clearing Member may be declared a defaulter by direction/circular/notification of the Relevant Authority if:

10.1.1 it is unable to fulfill its clearing or settlement obligations; or

10.1.2 it admits or discloses its inability to fulfill or discharge its duties, obligations and liabilities; or

10.1.3 it fails or is unable to pay within the specified time the damages and the money difference due on a closing-out effected against it under the Rules, Bye-Laws and Regulations; or

10.1.4 it fails to pay any sum payable by it to the Settlement Guarantee Fund as the Relevant Authority may from time to time prescribe; or

10.1.5 it fails to pay or deliver all monies, securities and other assets due to the Clearing Member who has been declared a defaulter within such time of declaration of default of such Clearing Member in such manner and to such person as the Relevant Authority may direct; or

10.1.6 under any other circumstances as may be decided by the Relevant Authority from time to time.

10.1.7 a clearing member who opts for voluntary winding up shall ipso facto be declared a defaulter though it may not have defaulted on any of its obligations on the Clearing Corporation.

10.1.8 a clearing member is declared bankrupt or bankruptcy proceedings are pending against it.

10.1.9 without prejudice to the foregoing provisions contained in Bye-Law 11.1, where the Clearing Member, who is also a trading member the Exchange is declared a defaulter by such Exchange, the said Clearing Member shall ipso facto stand declared a defaulter by the Relevant Authority.

10.2 The Clearing Member’s Duty to Inform

The Clearing Member shall be bound to notify the Clearing Corporation immediately if there be a failure by any Clearing Member to discharge its liabilities in full.

10.3 Compromise Forbidden

The Clearing Member shall not accept from any Clearing Member anything less than a full and bona fide money payment in settlement of a debt arising out of a deal cleared through the Clearing Corporation.

10.4 Notice of Declaration of Default

On the Clearing Member being declared a defaulter, a notice shall be forthwith issued by the Relevant Authority to all the other Clearing Members of the Clearing Corporation.

10.5 Notice to the Exchange
On the Clearing Member being declared a defaulter, a notice shall be forthwith issued by the Relevant Authority to the Exchange if the Clearing Member is also a trading member of that Exchange and similarly to the other exchange and clearing corporation situated at the IFSC.

10.6 Defaulters’ Books and Documents

When the Clearing Member has been declared a defaulter, the Relevant Authority shall take charge of all its books of accounts, documents, papers and vouchers to ascertain the status of its affairs and the defaulter shall hand over such books, documents, papers and vouchers to the Relevant Authority.

10.7 List of Debtors and Creditors

The defaulter shall file with the Relevant Authority within such time of it being declared a defaulter as the Relevant Authority may direct, a written statement containing the complete list of its debtors and creditors and the sum owed by the defaulter Clearing Member to each of them.

10.8 Defaulters to Give Information

The defaulter shall submit to the Relevant Authority such statement of accounts, information and particulars of its affairs as the Relevant Authority may from time to time require and if so desired shall appear before the Relevant Authority at its meetings held in connection with its default.

10.9 Inquiry

The Relevant Authority shall conduct an inquiry into the accounts and dealings of the defaulter in the market including inquiry with regard to anything improper, unbusinesslike or unbecoming of a Clearing Member which may come to its knowledge.

10.10 Defaulters’ Assets

The Relevant Authority shall call in and realise the security deposits in any form, margin money, other amounts lying to the credit of and securities deposited by the defaulter and recover all moneys, securities and other assets due, payable or deliverable to the defaulter by any other Clearing Member in respect of any deal or dealing made subject to the Bye-Laws, Rules and Regulations of the Clearing Corporation and such assets shall vest ipso facto, on declaration of any Clearing Member as a defaulter, in the Clearing Corporation for the benefit of and on account of the Clearing Corporation, the Exchange, Securities and Exchange Board of India, other Clearing Members, Constituents of the defaulter, approved banks and any other persons as may be approved by the Relevant Authority and Exchange / Clearing Corporation.

10.11 Payment to Relevant Authority

(a) All monies, securities and other assets due, payable or deliverable to the defaulter must be paid or delivered to the Relevant Authority within such time of the Clearing Member being declared a defaulter as the Relevant Authority may direct. A Clearing Member violating this provision may be declared a defaulter.

(b) The Clearing Member who shall have received a difference on account or shall have received any consideration in any deal prior to the date fixed for settling such account or deal shall, in the event of the Clearing Member from whom it received such difference or
consideration being declared a defaulter, refund the same to the Relevant Authority for the benefit and on account of the creditor members. Any Clearing Member who shall have paid or given such difference or consideration to any other Clearing Member prior to such settlement day shall again pay or give the same to the Relevant Authority for the benefit and on account of the creditor member in the event of the default of such other member.

(c) The Clearing Member who receives from another Clearing Member during any clearing a claim note or credit note representing a sum other than difference due to it or due to its constituent which amount is to be received by it on behalf and for the account of that constituent shall refund such sum if such other Clearing Member be declared a defaulter within such number of days as prescribed by the Relevant Authority after the settling day. Such refunds shall be made to the Relevant Authority for the benefit and on account of the creditor members and it shall be applied in liquidation of the claims of such creditor members whose claims are admitted in accordance with the Rules, Bye Laws and Regulations.

10.12 Distribution

The Relevant Authority shall at the risk and cost of the creditor members pay all assets received in the course of realisation into such bank and/or keep them with the Clearing Corporation in such names as the Relevant Authority may from time to time direct and shall distribute the same in accordance with the Rules, Bye Laws and Regulations.

10.13 Closing-Out

(a) The Clearing Members having open deals with the defaulter shall close out such deals after such defaulter member being declared a defaulter. Such closing out shall be in such manner as may be prescribed by the Relevant Authority from time to time. Subject to the Bye-laws and Regulations in this regard prescribed by the Relevant Authority, when in the opinion of the Relevant Authority, circumstances so warrant, such closing out shall be deemed to have taken place in such manner as may be determined by the Relevant Authority.

(b) Differences arising from the above adjustments of closing out shall be claimed from the defaulter or paid to the Relevant Authority for the benefit of creditor Clearing Members of the defaulter.

10.14 Claims against Defaulter

Within such time of the defaulter being declared as such the Relevant Authority may direct every Clearing Member carrying on business on the Clearing Corporation either to compare with the Relevant Authority its accounts with the defaulter duly adjusted and made up as provided in the Rules, Bye-Laws and Regulations or furnish a statement of such accounts with the defaulter in such form or forms as the Relevant Authority may prescribe or render a certificate that he has no such account.

10.15 Delay in comparison or Submission of Accounts

Any Clearing Member failing to compare its accounts or send a statement or certificate relating to a defaulter within the time prescribed shall be called upon to compare its accounts or send such statement or certificate within such further time as may be specified by the Relevant Authority from time to time.

10.16 Penalty for failure to Compare or Submit Accounts
The Relevant Authority may take such action as it may deem fit including levying of fine and suspension on any Clearing Member who fails to compare its accounts or submit a statement of its account with the defaulter or a certificate that he has no such account within the prescribed time.

10.17 Misleading Statement

The Relevant Authority may take such action as it may deem fit including levying of fine and suspension, if it is satisfied that any comparison statement or certificate relating to a defaulter sent by such Clearing Member was false or misleading.

10.18 Accounts of Relevant Authority

The Relevant Authority shall keep a separate account in respect of all monies, securities and other assets payable to a defaulter which are received by it and shall defray therefrom all costs, charges and expenses incurred in or about the collection of such assets or in or about any proceedings it takes either in connection with the default/s committed by the defaulter Member or against such defaulter Member.

10.19 Application of Assets

The Relevant Authority shall apply the net assets remaining in its hands after defraying all such costs, charges and expenses, in accordance with Bye-law 11.22.

10.20 Certain Claims not to be entertained

The Relevant Authority shall not entertain any claim against a defaulter:

10.20.1 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 Clearing Corporation 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;

10.20.2 which arises out of a contract in respect of which comparison of accounts has not been made in the manner prescribed in the Rules, Bye Laws and Regulations or when there has been no such comparison, a contract note in respect of such deals not having been rendered as provided in the Rules, Bye-Laws and Regulations;

10.20.3 which arises from any arrangement for settlement of claims in lieu of bonafide money payment in full on the day when such claims become due;

10.20.4 which arises from any outstanding balance or any outstanding difference upon previous transactions which has not been claimed at the proper time and in the manner prescribed in these Bye-Laws and Regulations;

10.20.5 which is/are in respect of a loan/s with or without security;

10.20.6 which is not filed with the Relevant Authority within such time of date of the defaulter being declared as such as may be prescribed by the Relevant Authority.

10.21 Assignment of Claims on Defaulter’s Estate

The Clearing Member being a creditor of a defaulter shall not sell, assign or pledge the claim on the estate of such defaulter without the consent of the Relevant Authority.
10.22 Proceedings in the name of or against Defaulter

The Relevant Authority shall be empowered to (a) initiate any proceedings in a court of law either in the name of the Clearing Corporation or in the name of the defaulter against any person for the purpose of recovering any amounts due to the defaulter (b) initiate any proceedings in a court of law either in the name of Clearing Corporation or in the name of the creditors (who have become creditors of the defaulter as a result of deals cleared and settled subject to Bye-Laws, Rules and Regulations of the Clearing Corporation) of the defaulter against the defaulter for the purpose of recovering any amounts due from the defaulter. The defaulter as well as the creditors of the defaulter shall be deemed to have appointed the Relevant Authority, Clearing Corporation as their constituted attorney for the purpose of taking such proceedings.

10.23 Payment of Relevant Authority

If any Clearing Member takes any proceedings in a court of law against a defaulter whether during the period of its default or subsequent to its re-admission to enforce any claim against the defaulter's estate arising out of any admitted deals in the market made subject to the Bye Laws, Rules and Regulations of the Clearing Corporation before such a Member was declared a defaulter and obtains a decree and recovers any sum of money thereon, it shall pay such amount or any portion thereof as may be fixed by the Relevant Authority for the benefit and on account of the creditor members having claims against such defaulter.

10.24 Default in case of Multiple Membership:

I. Whenever a member is declared a defaulter on the Clearing Corporation, the Exchange/Clearing Corporation shall immediately declare it a defaulter. 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 promoters/dominant shareholders, as applicable.

II. The Clearing Corporation shall take appropriate action against the associate(s) of defaulter member. In this regard, ‘associate(s)’ shall have the meaning as defined by SEBI.
CHAPTER – XI

SETTLEMENT GUARANTEE FUND AND DEFAULTS SUBSEQUENT TO COMMENCEMENT OF OPERATION OF SETTLEMENT GUARANTEE FUND

11.1 Definitions

11.1.1 In Bye-Laws 11.1 to 11.30, unless there is anything repugnant in the subject or context:

(a) “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) 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.

(b) “Approved Scheme” shall mean such schemes under which Clearing Members may be entitled to lend and borrow securities and otherwise participate in such securities borrowing and lending schemes or any other sub-schemes of the Clearing Corporation under the Securities Lending Scheme, 1997, as may be from time to time approved by the Relevant Authority. 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.

(c) “Fund” shall mean the Settlement Guarantee Fund (SGF);

(d) “Settlement” shall include an auction settlement and a settlement pursuant to an Approved Scheme but shall not include a bad delivery settlement.

(e) “Settlement in which a Clearing Member or a defaulter has been declared a defaulter” shall have the following meaning:

Where a Clearing Member has been declared a defaulter for non-payment of any amount payable by it into the Clearing Corporation in respect of any settlement period, then the settlement period in respect of the non-payment of which the Clearing Member is declared a defaulter shall be the “Settlement in which the Clearing Member or the defaulter is or has been declared a defaulter”; and where the Clearing Member has failed to pay any amount payable by it into the Clearing Corporation in respect of more than one settlement period then the “Settlement in which the Clearing Member or the defaulter is or has been declared a defaulter” shall be the settlement so specified by the Relevant Authority which has declared it as a defaulter.

(f) “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 Settlement Guarantee Fund, the networth (or part of) of the Clearing Corporation, additional capped contribution from non-defaulting members and variation margin haircutting.
11.1.2 In the Rules, Bye-Laws and Regulations, unless there is anything repugnant in the subject or context:

“Date on which the Settlement Guarantee Fund becomes operational” means the date specified by the Relevant Authority as the date on which the Settlement Guarantee Fund shall become operational”.

11.1.3 (a) The Clearing Corporation shall establish a fund as determined under Bye-law 11.1.1 which shall be known as the “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 such purposes as specified herein or as specified by SEBI from time to time.

(b) The corpus of the Fund shall consist of such amounts as provided in Bye-law 11.5.

(c) The purpose of the Fund is to guarantee the settlement of trades executed on the Exchange. In the event of a clearing member (member) failing to honour settlement commitments in respect of any trade executed on the Exchange, the Fund shall be used to fulfill the obligations of that member and complete the settlement without affecting the normal settlement process.

(d) The Relevant Authority shall be entitled to make such regulations as it thinks fit and proper in connection with the manner, norms and procedures of the Fund and defaults declared subsequent to the commencement of the operation of the Fund.

(e) Without prejudice to the generality of clause (d) above, the Relevant Authority shall be entitled to make regulations relating to norms, procedures and manner in respect of:

(i) the management and administration of the Fund;

(ii) the structure and composition of the Fund;

(iii) the contributions to be made to the Fund by the Exchange, Clearing Members of the Clearing Corporation and others;

(iv) investment of the Fund;

(v) application of the Fund;

(vi) persons who would be disentitled from receiving a benefit from the Fund;

(vii) minimum value of funds in the Fund;

(viii) the money and property to be paid to or received by the Relevant Authority;

(ix) the application of the money and property paid to or received by the Relevant Authority including the order of priority in which they shall be applied;

(x) the closing-out, adjustment, settlement and/or cancellation of contracts entered into by a Clearing Member with the defaulter;
11.2 Management of the Fund

(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. 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, associates of Clearing Members and directors of the Clearing Members to appear before the Relevant Authority and question them;

(ii) call upon the Clearing Members, associates of Clearing Members, and directors of the Clearing Members 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, directors of the Clearing Members 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.

11.3 Accounts and Audit of the Fund
Unless the Relevant Authority otherwise directs, the accounts of the Fund shall be prepared and maintained as a part of the accounts of the Clearing Corporation and shall be audited as a part of the accounts of the Clearing Corporation.

11.4 Documents to be executed by the Clearing Member

11.4.1 Within such period as may be specified by the Relevant Authority (which may be extended by the Relevant Authority from time to time), every Clearing Member which is carrying on business on the Clearing Corporation shall sign and deliver to the Relevant Authority agreements and other writings in such form as may be prescribed by the Relevant Authority from time to time.

11.4.2 In the event of any change in the form of any agreements or writings the Relevant Authority may require every Clearing Member which is carrying on business on the Clearing Corporation to sign and deliver to the Relevant Authority supplemental agreements or writings or fresh agreements or writings within such period or extended period as may be specified by the Relevant Authority from time to time.

11.5 Composition of Fund

1. Subject to circular/direction issued by SEBI from time to time, the contributions of various contributor to the Fund shall be such as specified by Clearing Corporation. Clearing Corporation shall have the flexibility to collect Clearing Member’s primary contribution either upfront or staggered over a period of time. In case of staggered contribution, the remaining balance shall be met by the Clearing Corporation to ensure adequacy of the total corpus of the Fund at all times. Such contribution of the Clearing Corporation shall be available to the Clearing Corporation for withdrawal as and when further contribution from the Clearing Members is received.

2. Any penalties levied by the Clearing Corporation (on the Clearing Members shall be credited to the Fund.

3. Interest on cash contribution to the Fund shall also accrue to the Fund and shall be pro-rata attributed to the contributors in proportion to their cash contribution.

4. Clearing Corporation shall ordinarily accept cash collateral for the contribution of the Clearing Members to the Fund. However, Clearing Corporation may accept Clearing Member’s contribution in the form of bank fixed deposits. The Clearing Corporation shall adhere to the specific guidance which may be issued by Securities and Exchange Board of India from time to time in this regard.

11.6 Liability of Clearing Member Unaffected by Cessation of Membership

Any unsatisfied obligation of a Clearing Member to the Fund shall not be discharged or otherwise prejudicially affected by the cessation of its membership.

11.7 Action for Failure to Pay to Fund

The Relevant Authority may take such action as it thinks fit and proper against a Clearing Member which fails to pay any amount to the Fund, including an action by way of suspension of business or membership right of the Clearing Member, fine, and/or expulsion from the membership of the Clearing Corporation.

11.8 Replacement of Contribution
Unless otherwise provided by the Rules, Bye-Laws and Regulations of the Clearing Corporation, the Relevant Authority may permit a Clearing Member to withdraw its contribution after it has furnished to the Fund other contribution of the same or greater value and of a nature acceptable to the Relevant Authority.

11.9. Discharge of Clearing Member’s Obligations

In the event of a Clearing Member ceasing to be a Clearing Member of the Clearing Corporation otherwise than by being declared a defaulter, the Relevant Authority may retain and/or apply any unutilised contribution of the Clearing Member towards discharging any of its obligations under the Rules and Bye-laws and Regulations of the Clearing Corporation in such manner and in such order or priority as the Relevant Authority thinks fit.

11.10. Investment of Fund

(a) The Relevant Authority may:

(i) open, maintain, operate and close one or more bank accounts; and

(ii) invest the money of the Fund in such investments as are permissible for investing the funds and money of the Clearing Corporation and sell, transfer, vary, transpose and otherwise deal with such investments;

(b) All investments of the Fund may be held in the name(s) of, and all bank accounts of the Fund or may be held in the name(s) of and operated by, the Relevant Authority;

(c) The Relevant Authority shall be entitled to utilise the money of the Fund only for the purposes of the Fund.

11.11. Loss to Fund Investments

Any loss or diminution in value of the investments of the Fund from whatever cause arising, not being due to the willful default or fraud of any member(s) of the Relevant Authority, shall be borne by the Fund and the members of the Relevant Authority shall incur no responsibility or liability by reason of or on account thereof. In case of any such loss or diminution by reason of willful default or fraud by any member or members of the Defaulters’ Committee, the persons committing the willful default or fraud shall be personally liable for the loss or diminution and other persons who are not parties to the willful default or fraud shall not be liable for the loss or diminution.

11.12. Intimation of Clearing Member’s Apprehended Failure

A Clearing Member which has a reason to apprehend that it may commit any of the acts or omissions referred to in Bye-Law 11.1, shall immediately notify the Relevant Authority:

(a) the details of such acts or omissions;

(b) the details and value of all its commitments, obligations and liabilities to the other members arising out of contracts or transactions made subject to the Rules, Bye-Laws and Regulations of the Clearing Corporation/Exchange;
(c) the extent to which it will be able to discharge and meet such commitments and obligations out of its own funds and/or out of funds obtained by it from others; and

(d) all the facts and circumstances which have caused or contributed to the apprehended failure to meet such commitments and obligations.

11.13. Utilisation for Failure to Meet Obligations

(a) The terms and conditions specified by the Relevant Authority may include, inter alia, terms and conditions as to interest, repayment, suspension of membership rights and reduction of exposure limits of the concerned Clearing Member.

(b) The concerned Clearing Member shall be obliged to repay the amount so utilised from the Fund within such period as the Relevant Authority may specify together with interest thereon at the rate specified by the Relevant Authority. If a Clearing Member fails to repay the amount so utilized from the Fund or a part thereof or any interest thereon within the period specified by the Relevant Authority, the Clearing Member, may be declared a defaulter.

11.14. Payment under Settlement Guarantee

Upon a Clearing Member being declared a defaulter, if the settlement which has not been completed by reason of the default by the defaulter, the Relevant Authority shall:

(a) pay from the Fund before the pay-out of the relevant settlement the unpaid settlement dues payable by the defaulter to the Clearing Corporation; and

(b) within such time as may be determined by the Relevant Authority from the date of Pay-out deliver the securities to be delivered by the defaulter, in respect of the settlement in which the defaulter has been declared a defaulter.

11.15. Certain claims not to be entertained

Notwithstanding anything stated in Bye-Law 11.14,

(I) the Relevant Authority shall pay only such amounts as are payable by the defaulter to the other Clearing Member and into the Clearing Corporation in respect of any dealings in settlement of which he has been declared a defaulter.

(II) in case of the defaulter having failed to deliver any security into the Clearing Corporation in respect of the settlement in which he has been declared a defaulter, the Relevant Authority may deliver the security into the Clearing Corporation or directly to the concerned member, within such time as may be determined by the Relevant Authority, by acquiring the same from the market, or otherwise, failing which the provisions of closing-out of contracts will apply.

(III) Notwithstanding anything stated elsewhere in the Rules, Bye-Laws and Regulations, the Relevant Authority shall not pay from the Fund to a Clearing Member, if it has reason to believe that any transaction:

a) is not bona fide;

b) is disallowed under any Bye-Law; or

c) is connected with payment or repayment of a deposit or loan (other than a deposit or loan under or pursuant to an Approved Scheme).
(IV) For the purpose of determining whether or not a clearing member is entitled for the payment from the Fund, the Relevant Authority shall be entitled to consider, inter alia, the surrounding circumstances, the usual course of dealings on the Clearing Corporation, the relationship between the defaulter and the claimant, the quantity and price of the securities involved in the transaction, other transactions in the same scrip and such other matters as the Relevant Authority thinks fit.

11.16. Outstanding Contracts in Other Settlements

(a) In respect of any settlement or settlements which is or are incomplete at the time when a Clearing Member is declared a defaulter, the Relevant Authority may at the risk and cost of the defaulter, square up all or any of the defaulters’ outstanding sales and purchase positions by entering into corresponding purchase and sale contracts in the market. The profit or loss on such squaring up shall, in the first place, be paid to or by the Fund and credited or debited by the Fund to the defaulter’s account with the Fund;

(b) Upon a member being declared a defaulter, in addition to the provisions of clause (a) of this Bye-Law, the provisions of Bye-Laws 11.14 and 11.15 and other applicable Bye-Laws shall apply mutatis mutandis to any settlement or settlements other than the settlement in which the defaulter has been declared a defaulter, unless the Relevant Authority, for reasons to be recorded, passes a resolution determining otherwise, in which case no payment shall be made from the Fund in respect of such settlement or settlements (other than the settlement in which the defaulter has been declared a defaulter) as the Relevant Authority may specify.

11.17. Repayment by Payee Disentitled to Receive

If the Relevant Authority has paid any sum under these Bye-Laws and it is subsequently found that the payee was for any reason not entitled to receive such amount then the payee shall forthwith repay the same to the Relevant Authority together with interest thereon at the rate of 2.5% per month (or such other rate as the Relevant Authority may specify) for the period commencing on the date on which the payment was received by the payee and ending on the date on which such amount is repaid by the payee.

11.18. Money and Property of Defaulter

All money (including margin money and Contribution, securities and other property) whatsoever of the defaulter with the Clearing Corporation (save and except those which may be at any time excluded by the Relevant Authority from the provisions of this Bye-Law) and all securities and money delivered or paid by the Clearing Members into the Clearing Corporation to the credit of the defaulter shall be handed over to the Relevant Authority or held by the Clearing Corporation subject to these Rules, Bye-Laws and Regulations of Clearing Corporation and the directions of the Relevant Authority.

11.19. Utilisation of Money and Property for Payment and Order of Priority

The Clearing Corporation shall generally follow the Default Waterfall in the following Order for utilizing the amounts for settling any outstanding obligations of the Clearing Members –

1. Monies of defaulting member (including defaulting member's primary contribution to Fund(s) and excess monies of the defaulter in other segments)
2. Insurance (if any)
3. Clearing Corporation and Exchange’s contribution to Fund to the extent of at least 5% of the minimum default fund of the segment
4. Remaining Fund: Clearing Corporation’s contribution, Exchange’s contribution and non-defaulting members’ primary contribution to Fund on pro-rata basis
5. Remaining Clearing Corporation resources (excluding Clearing Corporation contribution to any other Funds and USD 10 million)
6. Capped additional contribution by non-defaulting members of the segment (subject to such cap as may be decided by the Clearing Corporation in consultation with SEBI)
7. Any remaining loss to be covered by way of pro-rata haircut of variation margin gains for the settlement day of the default(s)

11.20. Repayment and Payment of Interest by Defaulter

If on account of the default of a Clearing Member any amount is paid by the Relevant Authority out of the money or property referred to at Bye-Law 11.18, then the defaulter shall be liable to forthwith repay the same to the Clearing Corporation or to the Relevant Authority to the credit of the Fund together with such interest as may be determined by the Relevant Authority from time to time commencing on the date of payment by the Relevant Authority and ending on the date of repayment; and, for the purposes of the Rules, Bye-Laws and Regulations of the Clearing Corporation, such interest shall be deemed to be an amount paid out of/due to the Fund.

11.21. Application of Defaulters’ Assets and Other Amounts

(1) The Relevant Authority shall realise and apply all the money, rights and assets of the defaulter which have vested in or which have been received by the Relevant Authority and all other assets and money of the defaulter in the Clearing Corporation including the money and securities receivable by it from any other Clearing Member, money and securities of the defaulter lying with the Clearing Corporation or credit balances lying in the Clearing Corporation, security deposits, any bank guarantees furnished on behalf of the defaulter, fixed deposit receipts discharged or assigned to or in favour of the Clearing Corporation, Clearing Member’s Contribution deposited with the Clearing Corporation by the defaulter, any security created or agreed to be created by the defaulter or any other person in favour of the Clearing Corporation or the Relevant Authority for the obligations of the defaulter to the following purposes and in the following order of priority, viz.:

(a) First - to make any payments made from the Fund;
(b) Second - the payment of such subscriptions, debts, fines, fees, charges and other money as shall have been determined by the Relevant Authority to be due to the Clearing Corporation or to Securities and Exchange Board of India, or to the Exchange, in the order of priority as mentioned hereinabove;
(c) Third- Dues to the extent of principle amount to other related members and constituents of the defaulter the payments of which have been admitted by the relevant authority. Provided that if the amount is insufficient then the amounts shall be distributed pro rata amongst other members and the constituents of the defaulter. The other members shall in turn share the amounts so received with their constituents on a pro rata basis;

Provided however that if any amount is payable by such member or constituent under the Rules, Bye-laws and Regulations, to the Exchange, then the relevant authority shall be entitled to set-off such amount /obligation payable by such member or constituent against the amount payable from the defaulters’ assets.
(d) Fourth - to reimburse and/or compensate the Investor Protection Fund for any payments made therefrom;

(e) Fifth - for clearing the dues of a clearing bank to the extent of the principle amount; if there are more than one clearing banks then the amounts, if any, shall be distributed amongst all clearing banks on a pro rata basis;

(f) Surplus assets, if any, may be released to the defaulter in accordance with the decision taken by relevant authority;

(2) Any amounts determined and payable on a pro-rata basis to the persons referred to under sub-clause (c) hereinabove, shall be distributed/paid either by crediting its account with the Clearing Corporation or in such other manner as the Relevant Authority directs. If any amounts, determined on a pro-rata basis referred to in sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit. If any person(s) referred to under sub-clause (c) hereinabove, remain unclaimed for such period as may be determined by the Relevant Authority, the same shall be dealt with or disposed of by the relevant authority as it deems fit.

11.22. Charge on Members'/Defaulters’ Assets

For the purpose of satisfying the liabilities/obligations of a defaulter under the Rules, Bye-Laws and Regulations, the Clearing Corporation and the Relevant Authority shall each have a first charge on the contribution made by the member to the Settlement Guarantee Fund, all assets and properties of the defaulter member, whereever situated and of whatsoever nature, as security for the repayment of such money/obligation and the payment of interest thereon.

11.23. Proceedings by Relevant Authority and Exchange

(a) For the purpose of recovering any amount payable by the defaulter member, the Clearing Corporation, the Defaulters Committee or such other entity, as may be decided by the Relevant Authority shall be entitled to take such steps and proceedings (including but not limited to sale of any property or a portion thereof) as it or they may think fit either in the name of the Clearing Corporation or the defaulter or the creditors against the defaulter member, the defaulter member's property or other parties and their properties/assets.

(b) The defaulter as well as the creditors of the defaulter shall be deemed to have appointed such entities as referred to Bye-law 11.23(a) as their constituted attorney for the purpose of taking such proceedings.

11.24. Borrowings

For the purpose of making any payments referred to at Bye-Law 11.14 and/or Bye-Law 11.16 or for making any payment pursuant to Bye-Law 11.13 and/or Bye-law 11.15, the Relevant Authority may borrow money without security and/or against the security of any property of the Fund and/or any property offered to it as security by the defaulter or any member.

11.25. Protection for Acts Done in Good Faith and Indemnity

Save and except in the case of willful default and fraud, the Relevant Authority shall not be liable for any acts or omissions on its or his part in the exercise of its or his duties and functions.
Without prejudice to the above, the Fund shall bear all costs, charges and expenses for all suits, actions, proceedings and claims filed or made against the Relevant Authority or any member of the Relevant Authority, except those arising out of their willful default or fraud and the members of the Relevant Authority shall be indemnified by the Fund from and against all actions, proceedings, losses, damage, claims, liabilities, costs, charges and expenses in connection with the Fund or the creation, management and administration thereof or any dealings therewith except those arising by reason of their willful default or fraud.

11.26. Meetings of Relevant Authority

The Relevant Authority shall meet for such number of times during every calendar year as it may decide from time to time.

11.27. Meetings how Convened

The Relevant Authority shall convene its meetings in accordance with the procedure that it may decide from time to time.

11.28. Confidentiality

All minutes and proceedings of all the meetings of the Relevant Authority, Clearing Corporation and the Relevant Authority shall be deemed confidential.

11.29. Minutes

Minutes of the proceedings of the Relevant Authority shall be maintained under the authority of such person as may be designated by the Relevant Authority. Such minutes shall be confidential.

11.30. Correspondence

The Relevant Authority shall not be obliged to recognise or act upon any communication unless it is in writing, discloses the identity and address of the person addressing the communication and is signed by the person addressing the communication.
CHAPTER – XII

MISCELLANEOUS

12.1 Save as otherwise specifically provided in the Bye-Laws and Regulations prescribed by the Relevant Authority regarding clearing and settlement arrangement, in promoting, facilitating, assisting, regulating, managing and operating the Clearing Corporation, the Clearing Corporation should not be deemed to have incurred any liability, and accordingly no claim or recourse in respect of or in relation to any dealing in securities or any matter connected therewith shall lie against the Clearing Corporation or any authorised person(s) acting for the Clearing Corporation.

12.2 No claim, suit, prosecution or other legal proceeding shall lie against the Clearing Corporation or any authorised person(s) acting for the Clearing Corporation in respect of anything which is in good faith done or intended to be done in pursuance of any order or other binding directive issued to the Clearing Corporation under any law or delegated legislation for the time being in force. The Courts which exercise jurisdiction over International Financial Service Centre (IFSC) where the Clearing Corporation is situated shall have exclusive jurisdiction in respect of all proceedings under these Bye-laws to which the Clearing Corporation is a party.