

**International Financial Services Centres Authority (Market Infrastructure  
Institutions) Regulations, 2021<sup>1</sup>**

[As amended up to November 01, 2024]

*In exercise of the powers conferred by sub-section (1) of Section 28 read with sub-section (1) of Section 12 and sub-section (1) of Section 13 of the International Financial Services Centres Authority Act, 2019; Sections 4, 8A and 31 read with Section 29B of the Securities Contracts (Regulation) Act, 1956; and Section 25 read with Section 23G of the Depositories Act, 1996, the International Financial Services Centres Authority hereby makes the following regulations, namely: -*

**CHAPTER I**

**PRELIMINARY**

**Short title and commencement**

1. (1) These regulations may be called the International Financial Services Centres Authority (Market Infrastructure Institutions) Regulations, 2021.
- (2) They shall come into force on the thirtieth day of its publication in the Official Gazette.

**Definitions**

2. 1) In these regulations, unless the context otherwise requires, the terms defined herein shall bear the meanings as assigned below, and their cognate expressions shall be construed accordingly, -
  - (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 control of at least twenty percent of the total voting power of the first person;
    - iii. who is a holding company or a subsidiary company of the first person;
    - iv. who is a relative of the first person;
    - v. who is a member of a Hindu Undivided Family wherein the first

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<sup>1</sup> Vide Notification No. IFSCA/2021-22/GN/REG011 dated 12<sup>th</sup> April 2021 published in the Gazette of India, Extraordinary, Part III, Sec.4, vide No. 43 on 16<sup>th</sup> April 2021.

person is also a member; or

- vi. such other cases where the Authority 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) "Authority" means the International Financial Services Centres Authority established under sub-section (1) of section 4 of the IFSCA Act;
- (c) <sup>2</sup>["clearing corporation" means an entity that is established to undertake the activity of clearing and settlement of trades in securities or other permitted financial products and includes a clearing house;]
- (d) "clearing member" means a person having clearing rights in any recognised clearing corporation;
- (e) "Depositories Act" means the Depositories Act, 1996 (22 of 1996);
- (f) "Foreign Jurisdiction" means a country, other than India, whose securities market regulator is a signatory to International Organization of Securities Commission's Multilateral Memorandum of Understanding (Appendix A signatories) or a signatory to bilateral Memorandum of Understanding with the Authority, and which is not identified in the public statement of Financial Action Task Force as:
  - i. a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
  - ii. a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies;
- (g) "governing board" means the board of directors of a recognised stock exchange, a recognised clearing corporation or a recognised depository;
- (h) "IFSCA Act" means the International Financial Services Centres Authority Act, 2019 (50 of 2019);
- (i) "International Financial Services Centre" or "IFSC" shall have the same meaning as assigned to it under clause (g) of sub-section (1) of Section 3 of the IFSCA Act;
- (j) <sup>3</sup>["key management personnel" in relation to a recognized market

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<sup>2</sup> Substituted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1<sup>st</sup> November, 2024. Prior to its substitution, it read as under:

"(c) "clearing corporation" means an entity that is established to undertake the activity of clearing and settlement of trades in securities or other instruments or products that are dealt with or traded on a recognised stock exchange and includes a clearing house;"

<sup>3</sup> Substituted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1<sup>st</sup> November, 2024. Prior to its amendment, it read as under:

infrastructure institution shall mean and include:

- (i) any person appointed as the managing director or executive director;
  - (ii) a person serving as the head of a department or vertical and directly reporting to the managing director or to the directors of its governing board;
  - (iii) a person serving as the head of a core function as specified in regulation 27 of these regulations;
  - (iv) a person who stands higher in hierarchy to the head of any department(s) handling its core function(s);
  - (v) a person to whom a key management personnel reports;
  - (vi) a person covered under the definition of “key managerial personnel” under the Companies Act, 2013; or
  - (vii) any other person who is a key decision-making authority as identified by its governing board.]
- (k) "netting" means the determination by clearing corporation of net payment or delivery obligations of the clearing members of a 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 determination by the clearing corporation or stock exchange, on the insolvency, winding-up, liquidation or resolution of any clearing member or <sup>4</sup>[broker dealer] or client or such other circumstances as the clearing corporation may specify in its 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;
- (l) “novation” means the act of one or more recognised clearing corporations interposing between the parties of every trade, so as to be a legal counterparty;
- (la) <sup>5</sup>[“non-independent director" means a director elected or nominated by the shareholders who is neither a broker dealer, nor a clearing member, nor depository participant, or their associate and agent;”]
- (m) "public interest director" means an independent director representing the interests of investors in securities market in an IFSC and who is not having any association, directly or indirectly, which in the opinion of the Authority, is in conflict with his role;
- (n) “recognised clearing corporation" means a clearing corporation in an IFSC recognised by the Authority;
- (o) “recognised depository” means a depository in an IFSC recognised by the

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“(j) "key management personnel" includes a person serving as head of any department or in such senior executive position that stands higher in hierarchy to the head(s) of the department(s) in the recognised market infrastructure institution, or any person who directly reports to chief executive officer or to the director on the governing board of the recognised market infrastructure institution, or any person upto two levels below the chief executive officer or managing director, or any other person as may be identified by its Nomination and Remuneration Committee;.”

<sup>4</sup> Substituted for the words “trading member” by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024.

<sup>5</sup> Inserted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024.

Authority;

(p) “recognised market infrastructure institution” means a recognised stock exchange, a recognised clearing corporation or a recognised depository;

(q) “recognised stock exchange” means a stock exchange in an IFSC recognised by the Authority;

(r) "rules" means the Securities Contracts (Regulations) Rules, 1957;

(s) "SCRA" means the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

(t) “SEBI” means the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992;

(u) <sup>6</sup>[\*\*\*\*]

(v) <sup>7</sup>[\*\*\*\*]

(2) Words and expressions used and not defined in these regulations but defined in the SCRA, the IFSCA Act, the Securities and Exchange Board of India Act, 1992, the Depositories Act, the Companies Act, 2013, or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be.

## CHAPTER II

### RECOGNITION

#### Application for seeking recognition

3. No person shall conduct, organise or assist in organising any stock exchange, clearing corporation or depository in an IFSC unless he has obtained recognition from the Authority in accordance with these regulations.
4. A person seeking recognition as a market infrastructure institution in an IFSC shall be a company incorporated in an IFSC in compliance with the shareholding requirements prescribed under these regulations.
5. An application for recognition as a market infrastructure institution in an IFSC shall be submitted to the Authority in the form and manner, and shall be accompanied by the fee as may be prescribed by the Authority.

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<sup>6</sup> Omitted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024. Prior to omission, it read as under:

“(u) "shareholder director" means a director who represents the interest of shareholders, and elected or nominated by such shareholders;”

<sup>7</sup> Omitted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024. Prior to omission, it read as under:

“(v) “trading member" means a person having trading rights in a recognised stock exchange.”

6. An application for recognition as a stock exchange or a clearing corporation in an IFSC, as the case may be, shall be accompanied by a copy of the memorandum of association, articles of association, bye-laws and other documents as provided in sections 3 and 4 of the SCRA, rule 5 of the rules and these regulations.
7. An application for recognition as a depository in an IFSC shall be accompanied by a copy of the draft bye-laws of the depository.

**Requirements for grant of recognition**

8. (1) An applicant seeking recognition as a stock exchange or clearing corporation, as the case may be, shall comply with the following conditions, namely, -
  - (a) the applicant is a company limited by shares;
  - (b) the applicant is demutualised;
  - (c) the applicant, its directors and its shareholders who hold or intend to hold shares, are fit and proper persons as specified in these regulations;
  - (d) the applicant satisfies the requirements relating to the ownership and governance structure specified in these regulations;
  - (e) the applicant satisfies the net worth requirements specified in these regulations;
  - (f) the applicant satisfies the requisite capability including its financial capacity, functional expertise and infrastructure.
- (2) An applicant seeking recognition as a stock exchange shall, in addition to the conditions specified in sub-regulation (1), comply with the following conditions, namely, -
  - (a) the applicant has the necessary infrastructure for the orderly execution of trades;
  - (b) the applicant has an online screen-based trading system;
  - (c) the applicant has an online surveillance capability which monitors prices, volumes and positions in real time so as to ensure market integrity;
  - (d) the applicant has adequate infrastructure to list <sup>8</sup>[securities or other permitted financial products] for trading on its platform, wherever applicable;
  - (e) the applicant has necessary capability to have a comprehensive network of <sup>9</sup>[broker dealers] and has adequate facility to admit and regulate its members;

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<sup>8</sup> Substituted for the word “securities” by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1<sup>st</sup> November, 2024

<sup>9</sup> Substituted for the words “trading member” by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1<sup>st</sup> November, 2024

- (f) the applicant has made necessary arrangements to establish connectivity with its <sup>10</sup>[broker dealers] and clearing corporation;
  - (g) the applicant has adequate investor grievances redressal mechanism and arbitration mechanism to resolve disputes arising out of trades and its settlement;
  - (h) the applicant has the facility to disseminate information about trades, quantities and quotes in real time to at least two information vending networks which are accessible to investors;
  - (i) the applicant has adequate systems' capacity supported by a business continuity plan including a disaster recovery site;
  - (j) the applicant has in its employment, sufficient number of persons having adequate professional and other relevant experience; and
  - (k) any other conditions as may be specified by the Authority.
- (3) An applicant seeking recognition as a clearing corporation shall, in addition to the conditions specified in sub-regulation (1), comply with the following conditions, namely,-
- (a) the applicant has necessary infrastructure to ensure timely clearing and settlement of trades;
  - (b) the applicant has adequate risk management mechanism;
  - (c) the applicant has a settlement procedure including netting, novation and guarantee for settlement of trades in place, which is in accordance with the manner specified by the Authority;
  - (d) the applicant has the capacity to establish a fund to guarantee settlement of trades;
  - (e) the applicant has necessary capability to have a wide network of clearing members and has adequate facility to admit and regulate its members;
  - (f) the applicant has established connectivity with the depositories, clearing banks, stock exchange and clearing members;
  - (g) the applicant has adequate systems' capacity for on-line/real time risk management of trades cleared and settled and is supported by a suitable business continuity plan including a disaster recovery site;
  - (h) the applicant has in its employment, sufficient number of persons having adequate professional and other relevant experience to the satisfaction of the Authority;
  - (i) the applicant has the necessary arrangements in place for resolving disputes and redressal of grievances arising out of clearing and settlement

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<sup>10</sup> Substituted for the words “trading member” by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024

of trades;

(j) the applicant has an agreement with a depository and with a recognised stock exchange in respect of clearing and settlement of the trades; and

(k) any other conditions as may be specified by the Authority.

(4) An applicant seeking recognition as a depository shall have the necessary resources for efficient and orderly functioning of a depository and in particular, comply with the following conditions:

(a) the depository satisfies the net-worth requirements specified in these regulations;

(b) the bye-laws and legal documents are consistent with the objective of the depository and protecting the interest of investors;

(c) the automatic data processing systems of the depository have been protected against unauthorised access, alteration, destruction, disclosure or dissemination of records and data;

(d) the network through which continuous electronic means of communications are established between the depository, participants, issuers and issuers' agents is secure against unauthorised entry or access;

(e) the depository has established standard transmission and encryption formats for electronic communications of data between the depository, participants, issuers and issuers' agents;

(f) the physical or electronic access to the premises, facilities, automatic data processing systems, data storage sites and facilities including back up sites and facilities and to the electronic data communication network connecting the depository, participants, issuers and issuers' agents is controlled, monitored and recorded;

(g) the depository has a detailed operations manual explaining all aspects of its functioning, including the interface and method of transmission of information between the depository, issuers, issuers' agents, participants and beneficial owners;

(h) the depository has established adequate procedures and facilities to ensure that its records are protected against loss or destruction and arrangements have been made for maintaining back up facilities at a location different from that of the depository;

(i) the depository has made adequate arrangements including insurance for indemnifying the beneficial owners for any loss that may be caused to such beneficial owners by the wrongful act, negligence or default of the depository or its participants or of any employee of the depository or participant; and

(j) any other conditions as may be specified by the Authority.

### **Grant of recognition**

9. (1) The Authority may, after considering the application and on being satisfied that the applicant has complied with the conditions laid down in these regulations and is eligible to act as a stock exchange, a clearing corporation, or a depository, as the case may be, grant recognition to the applicant subject to such conditions as the Authority may deem fit;
- (2) A recognised market infrastructure institution shall comply with such additional conditions as may be imposed by the Authority from time to time.
10. The period of recognition granted to a market infrastructure institution shall be permanent or for such period not less than one year as may be specified by the Authority.

### **Code of Conduct for recognised market infrastructure institution**

<sup>11</sup>[10A. A recognised market infrastructure institution shall abide by the Code of Conduct as specified under Part-A of Schedule-I of these regulations.]

### **Regulatory Fee**

11. A recognised market infrastructure institution shall pay the regulatory fee as specified by the Authority from time to time.

### **Renewal of recognition**

12. The provisions of these regulations, as applicable to the grant of recognition shall also apply in relation to an application for renewal of recognition of a market infrastructure institution.

### **Withdrawal of recognition**

13. The recognition granted to a market infrastructure institution may be withdrawn by the Authority after giving a reasonable opportunity of being heard:

Provided that the recognition granted to a stock exchange or a clearing corporation shall be withdrawn in the manner provided under section 5 of the SCRA.

### **Net Worth Requirements**

14. (1) A recognised market infrastructure institution shall have net worth of at least USD 3 million at all times.
- (2) If required, as a risk management measure, the Authority may prescribe higher net worth for a recognised market infrastructure institution based on the nature and scale of business of the entity.

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<sup>11</sup> Inserted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024



15. A recognised market infrastructure institution shall submit an audited net worth certificate from the statutory auditor on a yearly basis by the thirtieth day of September of every year for the preceding financial year, to the Authority.

<sup>12</sup>[Explanation I- For the purposes of this regulation, 'net worth of a recognised stock exchange or recognised depository' means the aggregate value of paid up equity share capital plus free reserves (excluding statutory funds, benefit funds and reserves created out of revaluation) reduced by the investments in businesses, whether related or unrelated, aggregate value of accumulated losses and deferred expenditure not written off, including miscellaneous expenses not written off.

Explanation II - For the purposes of this regulation, 'net worth of a clearing corporation' means the aggregate value of its liquid assets calculated in the manner as specified by the Authority from time to time.

Explanation III- Cash and bank balance, fixed deposits, Government Securities and other instruments as may be specified by the Authority from time to time shall be considered as 'liquid assets' for the purpose of calculation of net worth of a clearing corporation.]

### **Shareholding Requirements**

16. (1) The shareholding in a recognised stock exchange shall be held by, -

(a) a stock exchange recognised in India or a Foreign Jurisdiction with a minimum of twenty-six per cent. of the paid-up equity share capital of the recognised stock exchange; or

<sup>13</sup>(b) a joint venture of market infrastructure institutions recognised in India, an IFSC or a Foreign Jurisdiction with a minimum of fifty-one per cent. of the paid-up equity share capital of the recognised stock exchange held by such joint venture.]

(2) Any other person in India, an IFSC or a Foreign Jurisdiction shall not at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than twenty-five per cent. of the paid-up equity share capital in the recognised stock exchange.

17. (1) The shareholding in a recognised clearing corporation shall be held by, -

(a) a stock exchange or a clearing corporation recognised in India, an IFSC or a Foreign Jurisdiction with a minimum of twenty-six per cent. of the paid-up

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<sup>12</sup> Inserted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024

<sup>13</sup> Substituted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024. Prior to substitution, it read as under:

“(b) a consortium of market infrastructure institutions recognised in India, an IFSC or a Foreign Jurisdiction with a minimum of fifty-one per cent. of the paid-up equity share capital of the recognised stock exchange held by such consortium:

Provided that the stock exchange(s) recognised in India, an IFSC or a Foreign Jurisdiction shall have fifty-one per cent. or more shareholding within the consortium.”

equity share capital of the recognised clearing corporation; or

<sup>14</sup>[(b) a joint venture of market infrastructure institutions recognised in India, an IFSC or a Foreign Jurisdiction with a minimum of fifty-one per cent. of the paid-up equity share capital of the recognised clearing corporation held by such joint venture.

(2) Any other person in India, an IFSC or a Foreign Jurisdiction shall not at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than twenty-five per cent. of the paid-up equity share capital in the recognised clearing corporation.

**18.** (1) The shareholding in a recognised depository shall be held by, -

(a) a depository recognised in India or a Foreign Jurisdiction with a minimum of twenty-six per cent. of the paid-up equity share capital of the recognised depository; or

<sup>15</sup>[(b) a joint venture of market infrastructure institutions recognised in India, an IFSC or a Foreign Jurisdiction with a minimum of fifty-one per cent. of the paid-up equity share capital of the recognised depository held by such joint venture.]

(2) Any other person in India, an IFSC or a Foreign Jurisdiction shall not at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than twenty-five per cent. of the paid-up equity share capital in the recognised depository.

**19.** (1) Any person who acquires equity shares or voting rights, in a recognised market infrastructure institution, directly or indirectly, either individually or together with persons acting in concert, of ten per cent. or more of the paid-up equity share capital shall not have any conflict of interest and obtain prior approval of the Authority.

(2) The market infrastructure institution shall verify the declarations/undertakings in relation to compliance with fit and proper requirements given by such persons and forward the application along with its recommendation for approval to the Authority.

### **Monitoring of Shareholding**

**20.** A recognised market infrastructure institution shall put in place an adequate

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<sup>14</sup> Substituted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024. Prior to substitution, it read as under:

“(b) a consortium of market infrastructure institutions recognised in India, an IFSC or a Foreign Jurisdiction with a minimum of fifty-one per cent. of the paid-up equity share capital of the recognised clearing corporation held by such consortium:

Provided that the stock exchange(s) recognised in India, an IFSC or a Foreign Jurisdiction shall have fifty-one per cent. or more shareholding within the consortium.”

<sup>15</sup> Substituted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024. Prior to substitution, it read as under:

“(b) a consortium of market infrastructure institutions with a minimum of fifty-one per cent. of the paid-up equity share capital of the recognised depository held by such consortium:

Provided that the stock exchange(s) recognised in India, an IFSC or a Foreign Jurisdiction shall have fifty-one per cent. or more shareholding within the consortium.”

monitoring mechanism to ensure compliance with the shareholding conditions specified in these regulations, at all times.

#### **Disclosure of shareholding**

- 21.** A recognised market infrastructure institution shall disclose to the Authority their shareholding pattern in the periodic returns as specified by the Authority from time to time.

#### **Listing of MIIs**

- 22.** A recognised market infrastructure institution may apply for listing of its securities on any stock exchange pursuant to approval of the Authority.

#### **Fit and proper requirements**

- 23.** (1) A recognised market infrastructure institution shall ensure that all its directors, key management personnel and shareholders are fit and proper persons, at all times:

Provided that, in respect of a listed recognised market infrastructure institution, the onus to ensure fit and proper person for shareholders shall be on:

- (a) the acquirer in respect of shareholding less than 5 per cent. in the recognised market infrastructure institution; and
  - (b) the acquirer and recognised market infrastructure institution in respect of shareholding of 5 per cent. or more in the recognised market infrastructure institution.
- (2) For the purposes of sub-regulation (1), a person shall be deemed to be a fit and proper person if:
- (a) such person has a general reputation and record of fairness and integrity, including but not limited to –
    - (i) financial integrity;
    - (ii) good reputation and character; and
    - (iii) honesty.
  - (b) such person has not incurred any of the following disqualifications –
    - (i) the person or any of its whole-time directors or managing partners, has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against the securities laws;
    - (ii) a recovery proceeding has been initiated against the person by a financial regulatory authority and is pending;
    - (iii) an order for winding up has been passed against the person for malfeasance;

- (iv) the person, or any of its whole-time directors or managing partners, has been declared insolvent and has not been discharged;
- (v) an order, restraining, prohibiting or debarring the person or any of its whole-time directors or managing partners, from dealing in financial products or financial services or from accessing the securities market, has been passed by the Authority or any other regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed;
- (vi) any other order against the person, or any of its whole-time directors or managing partners, which has a bearing on the securities market, has been passed by the Authority or any other regulatory authority, and a period of three years from the date of the order has not elapsed;
- (vii) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;
- (viii) the person is financially not sound or has been categorized as a wilful defaulter;
- (ix) the person has been declared a fugitive economic offender; or
- (x) any other disqualification as specified by the Authority.

<sup>16</sup>["Explanation: For the purpose of sub-clauses (v) and (vi) of this sub-regulation, any order or direction against a recognised market infrastructure institution or its shareholders, as the case may be, shall not adversely affect the operation of such recognised market infrastructure institution unless so expressly directed in the order or direction."]

### **CHAPTER III**

#### **GOVERNANCE OF MARKET INFRASTRUCTURE INSTITUTIONS**

##### **Governance norms**

- 24.** (1) A recognised market infrastructure institution shall adopt the broader principles of governance prescribed under the Principles for Financial Market Infrastructures by Committee on Payments and Market Infrastructures (CPMI) and International Organization of Securities Commissions (IOSCO) and such other governance norms as may be specified by the Authority, from time to time.
- (2) The governing board of a recognised market infrastructure institution shall include <sup>17</sup>[non-independent directors], public interest directors, and managing director, within the timeline as may be specified by the Authority, in compliance with the following:
- (a) The chairperson shall be elected by the governing board from amongst the

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<sup>16</sup> Inserted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f.1<sup>st</sup> November, 2024.

<sup>17</sup> Substituted for the words "shareholder directors" by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f.1<sup>st</sup> November, 2024.

public interest directors;

- (b) The number of public interest directors shall not be less than the number of<sup>18</sup>[non-independent directors];
- (c) The managing director shall be included in the category of non-independent directors;
- (d) Any employee of a recognised market infrastructure institution may be appointed on the governing board in addition to the managing director and such director shall be deemed to be a non-independent director;
- <sup>19</sup>(e) The nominees of broker dealers or clearing members in an IFSC or their associates and agents except nominee (s) of a scheduled commercial bank or a public financial institution, shall not be on the governing board of a recognised stock exchange or a recognised clearing corporation;]
- <sup>20</sup>(f) The nominees of depository participants in an IFSC or their associates and agents, except nominee (s) of a scheduled commercial bank or a public financial institution, shall not be on the governing board of a recognised depository;]
- (g) The appointment of directors of a recognised market infrastructure institution shall be subject to the prior approval of the Authority and the fulfilment of other requirements as may be specified by the Authority.
- (h) Public interest director shall be nominated for a term of three years, extendable by another term of three years subject to performance review as may be specified by the Authority;

<sup>21</sup>[Provided that a public interest director may be appointed for a maximum of three terms across recognised market infrastructure institutions, subject to a maximum age limit of seventy five years.

Provided further that, the existing public interest director(s) may continue in office till the expiry of their current term.]

- (i) <sup>22</sup>[The appointment of managing director shall be for a term not exceeding

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<sup>18</sup> Substituted for the words “shareholder directors” by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f.1st November, 2024.

<sup>19</sup> Substituted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024. Prior to amendment, it read as under:

“(e) The trading members or clearing members in an IFSC or their associates and agents (except persons on board of a scheduled commercial bank or a public financial institution) shall not be on the governing board of a recognised stock exchange or a recognised clearing corporation;”

<sup>20</sup> Substituted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024. Prior to amendment, it read as under:

“(f) The depository participants in an IFSC or their associates and agents (except persons on board of a scheduled commercial bank or a public financial institution) shall not be on the governing board of a recognised depository”

<sup>21</sup> Inserted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f.1st November, 2024.

<sup>22</sup> Substituted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024. Prior to amendment, it read as under:

five years:

Provided that post the completion of first term, the recognised market infrastructure institution shall conduct the appointment process for appointment of the Managing Director afresh:

Provided further that managing director may be appointed by a recognised market infrastructure institution for a maximum period of ten years, subject to maximum age limit of sixty five years

Provided also that, the existing managing director may continue in office till the expiry of the current term.]

<sup>23</sup>[(2A) The Authority may appoint not more than three directors on the governing board of a recognised market infrastructure institution, who shall enjoy the same status and powers as the other directors of the governing board.]

(3) The roles and responsibilities of the governing board of a recognised market infrastructure institution should be clearly specified and the procedures for its functioning, including procedures to identify, address, and manage conflicts of interest should be documented.

(4) The governing board of a recognised market infrastructure institution shall review the overall performance and the performance of its individual directors regularly.

<sup>24</sup>**[Code of Conduct for the governing board, directors, committee members and key management personnel**

**25.** (1) The governing board, directors, committee members and key management personnel of a recognised market infrastructure institution shall abide by the Code of Conduct specified under Part-B of Schedule-I of these regulations.

(2) The Authority may, for any failure by the directors, committee members or key management personnel to abide by these regulations or Code of Conduct or in case of any conflict of interest, either upon a reference from the recognised market infrastructure institution or suo motu, take appropriate action including removal or termination of the appointment of any director, committee member or key

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“(i) The appointment of managing director shall be for a term not exceeding five years subject to maximum age limit of 70 years:

Provided that the managing director may be re-appointed subject to approval of the Authority.”

<sup>23</sup> Inserted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f.1<sup>st</sup> November, 2024.

<sup>24</sup> Substituted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1<sup>st</sup> November, 2024. Prior to amendment, it read as under:

**“Code of Conduct for directors and key management personnel**

(1) Every director and key management personnel of a recognised market infrastructure institution shall abide by such Code of Ethics and Code of Conduct as may be specified by the Authority.

(2) The Authority may, for any failure by the directors or key management personnel to abide by these regulations or Code of Ethics and conduct or in case of any conflict of interest, either upon a reference from the recognised market infrastructure institution or suo motu, take appropriate action including removal or termination of the appointment of any director or key management personnel, after providing them with a reasonable opportunity of being heard.”

management personnel, after providing them with a reasonable opportunity of being heard.]

#### **<sup>25</sup>[Compensation of key management personnel**

- 25A.** (1) A recognised market infrastructure institution shall constitute a Nomination and Remuneration Committee in the manner as may be specified by the Authority.
- (2) The Nomination and Remuneration Committee shall determine the compensation of key management personnel in terms of a compensation policy approved by the governing board of the recognised market infrastructure institution.
- (3) The compensation policy shall have malus and clawback arrangements.
- (4) The compensation payable to the managing director of a recognised market infrastructure institution and any change therein shall be intimated to the Authority.]

#### **<sup>26</sup>[Committees**

- 26.** (1) A recognised market infrastructure institution shall constitute functional committees, oversight committees and such other committees as may be specified by the Authority from time to time.
- (2) The composition, quorum and functions of the committees referred to in sub-regulation (1) shall be specified by the Authority.]

#### **<sup>27</sup>[Segregation of functions**

- 27.** (1) A recognised market infrastructure institution shall identify its core and critical functions, and segregate them into the following verticals:
- a) Vertical 1: Critical Operations;
- b) Vertical 2: Regulatory, Legal, Compliance, Risk Management and Investor Grievances;
- c) Vertical 3: Other functions including business development

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<sup>25</sup> Inserted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f.1st November, 2024.

<sup>26</sup> Substituted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f.1st November, 2024. Prior to amendment, it read as under:

**“Committees**

**26.** A recognised market infrastructure institution shall constitute such committees as may be specified by the Authority from time to time.”

<sup>27</sup> Substituted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f.1st November, 2024. Prior to amendment, it read as under:

**Segregation of regulatory departments**

**27.** A recognised market infrastructure institution shall adopt an appropriate policy to segregate its regulatory departments from other departments.

(2) The functions of the verticals referred under sub-regulation (1) above, are provided at Schedule-II of these regulations.

(2) Every market infrastructure institution shall ring-fence the functions and personnel under vertical 2 referred to in clause (b) of sub-regulation (1) from the other verticals.

#### CHAPTER IV

### GENERAL OBLIGATIONS OF A RECOGNISED STOCK EXCHANGE AND A RECOGNISED CLEARING CORPORATION

#### Clearing and settlement of trades

28. (1) A recognised stock exchange shall use the services of a recognised clearing corporation for clearing and settlement of its trades in accordance with an agreement between them.

(2) A recognised stock exchange shall extend its arbitration mechanism for settlement of disputes or claims arising out of clearing and settlement of trades executed on such stock exchange.

#### <sup>28</sup>[Admission of securities or other permitted financial products]

29. A recognised stock exchange or a recognised clearing corporation, as the case may be, shall seek prior approval of the Authority before introducing or offering settlement services to any new category of securities <sup>29</sup>[or other permitted financial products.]

#### Investor Education and Protection Fund

30. A recognised stock exchange shall establish such Investor Education and Protection Fund as may be specified by the Authority.

#### Settlement Guarantee Fund

31. (1) A recognised clearing corporation shall establish and maintain a Settlement Guarantee Fund to guarantee the settlement of trades executed on a stock exchange.

(2) The fund shall have a corpus equivalent to at least the minimum required corpus as arrived at from the monthly stress test value or USD 1 million, whichever is higher.

(3) In the event of a recognised clearing member failing to honour its settlement obligations, the fund shall be utilized to complete such settlement.

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<sup>28</sup> Substituted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1<sup>st</sup> November, 2024. Prior to amendment, title of the Regulation 29 read as under: “Admission of Securities”

<sup>29</sup> Inserted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1<sup>st</sup> November, 2024.



- (4) The corpus of the fund shall be adequate to meet the settlement obligations arising on account of failure of clearing member(s).
- (5) The sufficiency of the corpus of the fund shall be tested by way of periodic stress tests, in the manner specified by the Authority.
- (6) A recognised clearing corporation shall evolve a detailed framework for the settlement guarantee fund, subject to approval of the Authority.

<sup>30</sup>[*Explanation:* The detailed framework under sub-regulation (6), shall *inter-alia* specify the contribution to be made by the clearing members, recognised clearing corporation and recognised stock exchange towards the establishment of the fund and also provide the mechanism for replenishment of the fund in the event of a shortfall.]

### **Trading Hours and Settlement**

32. <sup>31</sup>[(1) The trading hours for all product categories shall be as decided by the recognised stock exchanges, based on cost-benefit analysis, but shall not exceed 23 hours and 30 minutes in a day and settlement shall be done at least once a day.

Provided that a recognised clearing corporation shall ensure that during the trading hours, the Mark-to-Market losses on open futures contracts are collateralized at regular intervals based on risk assessment.]

- (2) A recognised stock exchange and a recognised clearing corporation shall ensure that the risk management system and infrastructure are commensurate to the trading hours at all times.

### **Risk Management**

33. (1) A recognised stock exchange and a recognised clearing corporation shall have a sound risk management system and infrastructure for comprehensively managing risks.
- (2) A recognised stock exchange shall evolve a detailed framework for the applicable position limits for each product to be traded.
  - (3) A recognised clearing corporation shall evolve a robust risk management framework and shall comply with the following:
    - (a) The risk management framework shall be in line with the Committee on Payments and Market Infrastructures (CPMI) and International Organization of Securities Commissions' (IOSCO) Principles for Financial Market Infrastructures.

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<sup>30</sup> Inserted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024.

<sup>31</sup> Substituted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024. Prior to amendment, it read as under:

“(1) The trading hours for all product categories shall be as decided by the recognised stock exchanges, based on cost-benefit analysis, but shall not exceed 23 hours and 30 minutes in a day and settlement shall be done at least twice a day.”

- (b) A recognised clearing corporation shall evolve a margining framework based on the best practices prevailing in the clearing corporations globally.
  - (c) The recognised clearing corporation shall on an ongoing basis maintain capital including retained earnings and reserves, to adequately cover counterparty credit risk, business risk, legal and operational risk.
  - (d) A clearing corporation shall conduct stress tests, reverse stress tests, back testing, liquidity stress testing, etc. to ensure the robustness of risk management framework.
  - (e) A clearing corporation shall accept cash and cash equivalents (including major foreign currencies, term deposit receipts and bank guarantees issued by an IFSC banking unit), Indian securities held with foreign depositories, foreign securities or gold, as eligible collateral for trades in all product categories.
  - (f) The cash and cash equivalents as collateral shall form at least 50% of the total liquid assets at all times.
- (4) A recognised clearing corporation shall be ring fenced from its holding company.
  - (5) A recognised clearing corporation shall hold additional capital to cover costs required for orderly wind-down or recovery of operations.

#### **Halting Trading by stock exchange**

- 34. A recognised stock exchange shall have a procedure for any halt of trading in market or individual scrip in response to volatility, or in anticipation of major company-specific announcements for promoting fair and orderly trading.

#### **Co-Location by stock exchange**

- 35. (1) A recognised stock exchange providing co-location facilities shall supervise and monitor such facilities and shall ensure that the integrity, security and privacy of data and trading systems are maintained, at all times.
- (2) A recognised stock exchange shall ensure that equal and fair access is provided to the participants through such co-location facilities.
- (3) A recognised stock exchange providing co-location facilities shall publish quarterly reports on their websites on latencies observed at the exchange.

#### **Business Continuity Plan and Disaster Recovery**

- 36. A recognised stock exchange and a recognised clearing corporation shall have in place Business Continuity Plan and Disaster Recovery Site to maintain data and transaction integrity in the manner as may be specified by the Authority from time to time.

### **Utilization of profits and investments**

37. (1) The utilization of profits and investments by a recognised stock exchange or a recognised clearing corporation shall be in accordance with the norms specified by the Authority.
- (2) The recognised stock exchange or recognised clearing corporation shall not carry on any activity involving deployment of funds without prior approval of the Authority:

Provided that prior approval of the Authority shall not be required in case of treasury investments if such investments are as per the investment policy approved by the governing board of recognised stock exchange or recognised clearing corporation;

Provided further that the recognised stock exchange or recognised clearing corporation may engage in activities involving deployment of funds or otherwise that are unrelated or not incidental to its activity as a stock exchange or clearing corporation, as the case may be, through a separate legal entity and subject to approval of the Authority.

### **Equal, fair and transparent access**

38. (1) A recognised clearing corporation shall lay down a policy framework for ensuring that there is no discrimination while rendering clearing and settlement services in settlement of trades executed on shareholder stock exchange from those executed on non-shareholder stock exchange.
- (2) The framework shall be made available on the website of the clearing corporation and shall provide the basis on which access to clearing and settlement services of the clearing corporation has been provided to a shareholder stock exchange along-with the manner in which the said requirements should be complied with by a non-shareholder stock exchange to obtain access to clearing and settlement services.
- (3) A recognised stock exchange or a recognised clearing corporation, as the case may be, shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities.

### **Maintenance of books of accounts and records**

39. (1) A recognised stock exchange shall maintain and preserve the books of account and documents referred in rule 14 of the rules, and such other records as may be specified by the Authority from time to time, in electronic retrieval form for a minimum period of <sup>32</sup>[eight] years.

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<sup>32</sup> Substituted for the word “twenty” by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024.

- (2) A recognised clearing corporation shall maintain and preserve the following books of account and documents in electronic retrieval form for a minimum period of <sup>33</sup>[eight] years namely:-
- (a) Minute books of the meetings of:
    - (i) governing board;
    - (ii) any committees of the governing board;
  - (b) Record of clearing members showing their full names, addresses and details of bank and depository accounts for settlement purposes;
  - (c) Transaction records;
  - (d) Record of security deposits;
  - (e) Margin deposits book;
  - (f) Client margin collection details;
  - (g) Ledgers;
  - (h) Journals;
  - (i) Cash book;
  - (j) Bank account statement;
  - (k) Such other records as may be specified by the Authority from time to time.

#### **Bye-laws and rules**

- 40.** (1) A recognised stock exchange and recognised clearing corporation shall, with the prior approval of the Authority, make bye-laws for the regulation of contracts and clearing and settlement, as the case may be.
- (2) The bye-laws of a recognised stock exchange or a recognised clearing corporation shall not be amended without prior approval of the Authority.
- (3) No memorandum of association, articles of association or any other constitution document, in so far as they relate to matters specified in section 3 of the SCRA or under these regulations shall be amended except with prior approval of the Authority.

#### **Settlement and netting**

- 41.** (1) The payment and settlement in respect of a transaction in a recognised stock exchange and recognised clearing corporation shall be determined in accordance with the netting or gross procedure as specified in the bye-laws of such recognised stock exchange and recognised clearing corporation, with the prior approval of the

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<sup>33</sup> Substituted for the word “twenty” by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024.

Authority.

- (2) Payment and settlement in respect of a transaction between parties referred to in sub- regulation (1), effected under the bye-laws of a recognised stock exchange or recognised clearing corporation, shall be final, irrevocable and binding on such parties.
- (3) When a settlement has become final and irrevocable, the right of the recognised stock exchange or the recognised clearing corporation, as the case may be, to appropriate any collaterals or deposits or margins contributed by the broker dealer, clearing member or client towards its settlement or other obligations in accordance with the bye-laws of the recognised stock exchange or recognised clearing corporation shall take priority over any other liability of or claim against the said <sup>34</sup>[broker dealer], clearing member or client, as the case may be.

*Explanation* - For removal of doubts, the settlement, whether gross or net, referred to in this regulation 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.

#### **Obligation of Clearing Corporation in Commodity Derivatives**

- 42.** The recognised clearing corporation providing clearing and settlement services for commodity derivatives which result in physical settlement shall ensure financial guarantee for settlement of trades including good delivery.

*Explanation:* For the purpose of this regulation, “good delivery” shall mean the delivery of goods that is in proper form to transfer title and is of the quality and quantity as per contract specifications of the concerned exchange.

#### **Right of Clearing Corporation**

- 43.** The right of a recognised 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.

#### **<sup>35</sup>[Winding Down of Operations of a Recognised Clearing Corporation]**

**43A.** (1) A recognised clearing corporation shall develop a framework for orderly winding down of its critical operations and services covering both voluntary and involuntary scenarios.

(2) A recognised clearing corporation shall ensure that the framework provides for:-

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<sup>34</sup> Substituted for the words “trading member” by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024

<sup>35</sup> Inserted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024

- (a) the timely and orderly settlement or cessation or transfer of position(s);
- (b) the transfer of the collateral(s) or deposit(s) or margin(s) or any other asset(s) of the members to another recognized clearing corporation that would take over the operations of the clearing corporation; and
- (c) such other related matter.

(3) A recognised clearing corporation shall include the framework referred in sub-regulation (1) above, in its bye-laws.]

## **CHAPTER V**

### **GENERAL OBLIGATIONS OF A RECOGNISED DEPOSITORY**

#### **<sup>36</sup>[Instruments eligible for dematerialisation**

**44.** All securities defined under the SCRA and other permitted financial products shall be eligible for being held in dematerialised form in a recognised depository.]

#### **Agreement between depository and participant**

**45.** A recognised depository shall enter into an agreement with one or more participants as its agent.

#### **Agreement between depository and issuer**

**46.** (1) Either on the issuer or on the investor exercising an option to hold his securities with a recognised depository in dematerialised form, the issuer shall enter into an agreement with the depository to enable the investor to dematerialise the securities:

Provided that no agreement shall be required to be entered into where the depository itself is an issuer of securities:

Provided further that no such agreement shall be required to be entered into where the Central Government of India or the State Government is the issuer of government securities.

(2) Where the issuer has appointed a Registrar to the Issue or Share Transfer Agent, the depository shall enter into a tripartite agreement with the issuer and the Registrar to the Issue or Share Transfer Agent, as the case may be, in respect of the securities to be declared by the depository as eligible to be held in dematerialised form.

#### **Systems and Procedures**

**47.** A recognised depository shall have systems and procedures which will enable it to

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<sup>36</sup> Substituted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024. Prior to amendment, it read as under:

“44. All securities defined under the SCRA and other eligible instruments under IFSCA Act shall be eligible for being held in dematerialised form in a recognised depository.”

co-ordinate with the issuer or its agent, and the participants, to reconcile the records of ownership of securities on a daily basis.

48. A recognised depository shall have adequate mechanisms for the purposes of reviewing, monitoring and evaluating the depository's controls systems, procedures and safeguards.
49. (1) A recognised depository shall ensure that the integrity of the automatic data processing systems is maintained at all times.  
  
(2) A recognised depository shall take all precautions necessary to ensure that the records are not lost, destroyed or tampered with and in the event of loss or destruction, ensure that sufficient back up of records is available at all times at a different place.
50. A recognised depository shall cause an inspection of its controls, systems, procedures and safeguards to be carried out annually and forward a copy of the report to the Authority.

#### **Connectivity**

51. A recognised depository shall maintain continuous electronic means of communication with all its participants, issuers or issuers' agents, clearing houses and clearing corporations of the stock exchanges and with other depositories.

#### **Mechanism for investor protection**

52. A recognised depository shall have a mechanism in place to ensure that the interests of the persons buying and selling securities held in the depository are adequately protected.
53. A recognised depository shall take adequate measures including insurance to protect the interests of the beneficial owners against risks likely to be incurred on account of its activities as a recognised depository.

#### **Withdrawal by participant**

54. A recognised depository shall allow any participant to withdraw, or transfer its account, if the request for such withdrawal or transfer is in accordance with conditions stipulated in the bye-laws of the depository.

#### **Risk Management**

55. A recognised depository shall have a sound risk management system and infrastructure for comprehensively managing risks.

#### **Business Continuity Plan and Disaster Recovery**

56. A recognised depository shall have in place Business Continuity Plan and Disaster Recovery Site to maintain data and transaction integrity in the manner as may be specified by the Authority from time to time.

## **Maintenance of records**

- 57.** (1) A recognised depository shall maintain the following records and documents, namely –
- (a) records of securities dematerialised and rematerialised;
  - (b) the names of the transferor, transferee, and the dates of transfer of securities;
  - (c) a register and an index of beneficial owners;
  - (d) details of the holding of the securities of beneficial owners as at the end of each day;
  - (e) records of instructions received from and sent to participants, issuers, issuers' agents and beneficial owners;
  - (f) records of approval, notice, entry and cancellation of pledge or hypothecation, as the case may be;
  - (g) details of participants;
  - (h) details of securities declared to be eligible for dematerialisation in the depository; and
  - (i) such other records as may be specified by the Authority from time to time.
- (2) A recognised depository shall intimate the Authority the place where the records and documents mentioned at sub-regulation (1) are maintained.
- (3) A recognised depository shall maintain all records and documents as provided in sub-regulation (1), in electronic retrieval form for a minimum period of <sup>37</sup>[eight] years.

## **Co-operation**

- 58.** A recognised depository shall extend all such co-operation to the beneficial owners, issuers, issuers' agents, custodians of securities, other depositories and clearing corporations as is necessary for the effective, prompt and accurate clearance and settlement of securities transactions and conduct of business.

## **Pledge**

- 59.** A recognised depository shall have in its bye-laws, the procedure for creation of pledge by beneficial owners on a security owned by it.

## **Equal, fair and transparent access**

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<sup>37</sup> Substituted for the word "twenty" by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024.



60. A recognised depository shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities.

## CHAPTER VI

### MISCELLANEOUS

#### Maintenance of website

61. A recognised market infrastructure institution shall maintain a website or any other universally accessible repository of electronic information to:
- (a) publish all information that it is obliged to publish under these regulations;
  - (b) provide a copy of all rules, regulations, bye-laws made and all guidance issued, including all amendments therein;
  - (c) provide information about the manner in which applications to be made for membership or association; and
  - (d) provide material information about its functions.

#### Record keeping

62. In addition to the requirements under other laws in force, a market infrastructure institution shall maintain and preserve all the books, registers, other documents and records relating to the issue or transfer of its securities in electronic retrieval form for a minimum of <sup>38</sup>[eight] years.

#### Compliance Officer

63. (1) A recognised market infrastructure institution shall appoint a compliance officer who shall be responsible for monitoring the compliance of the applicable laws including securities laws, compliances with IFSCA Act and rules and regulations made thereunder and for redressal of investors' grievances.
- (2) The compliance officer shall immediately and independently report to the Authority any non-compliance observed by him.

#### <sup>39</sup>[Chief Risk Officer

- 63A. (1) A recognised market infrastructure institution shall appoint a chief risk officer to identify, monitor and initiate necessary steps to mitigate the risk associated with the functioning of a recognised market infrastructure institution.
- (2) The chief risk officer shall be responsible for the overall risk management of the recognised market infrastructure institution and submit a report to the Authority on a half-yearly basis.

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<sup>38</sup> Substituted for the word "twenty" by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024.

<sup>39</sup> Inserted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1st November, 2024.

### **Chief Legal Officer**

**63B.** (1) A recognised market infrastructure institution, which is not a subsidiary of a market infrastructure institution(s) or a joint venture of market infrastructure institutions, shall be required to appoint a chief legal officer.

(2) A recognised market infrastructure institution, which is a subsidiary of a market infrastructure institution(s) or a joint venture of market infrastructure institutions, may take legal assistance from its parent entity.

Provided that if the required legal assistance is not provided by the parent entity, such a recognised market infrastructure institution shall appoint a chief legal officer to manage its legal matters.

Provided further that the Authority may require any recognised market infrastructure institution beyond a specified size and scale of operations in IFSC to appoint a chief legal officer.

(3) The chief legal officer shall also be responsible for taking the necessary steps to mitigate legal risk associated with the functioning of a recognised market infrastructure institution, including but not limited to-

- (a) drafting and vetting of the bye-laws or any amendments therein before submission of such documents to the Authority for approval;
- (b) vetting of legal documents related to any cross-border arrangement proposed to be entered into by a recognised market infrastructure institution; and
- (c) such other functions as may be specified by the governing board of a recognised market infrastructure institution or the Authority from time to time.

### **Chief Information Security Officer**

**63C.** (1) A recognised market infrastructure institution shall appoint a chief information security officer separately and in addition to a chief technology officer.

(2) The chief information security officer shall be responsible for overseeing the cyber security posture of the recognised market infrastructure institution and shall report directly to the managing director / chief executive officer.]

### **Returns and reports**

**64.** (1) A recognised market infrastructure institution shall furnish such returns, statements and particulars, in the manner as may be specified by the Authority.

(2) A recognised market infrastructure institution shall furnish to the Authority its annual financial statements and returns by the thirtieth of September of every year:

Provided that a recognised stock exchange and a recognised clearing corporation shall include in its report information required as per rule 17 and 17A of the rules.

### **Power to call for information**

65. The Authority may at any time call for any information, documents or records from a recognised market infrastructure institution, or their governing board or any shareholder thereof.

### **Inspection**

66. (1) The Authority may at any time undertake inspection, conduct inquiries and audit of any market infrastructure institution, its associates or any of its shareholders.
- (2) Where an inspection is undertaken by the Authority, every manager, director, managing director, chairperson, officer and other employee of such market infrastructure institution, shareholder or associate shall cooperate with the Authority.
- (3) The Authority shall after consideration of inspection or investigation report take such action as it may deem fit and appropriate.

### **Directions by the Authority**

67. Without prejudice to the exercise of its powers under the provisions of the IFSCA Act and rules and regulations made thereunder, the Authority may, either *suo motu* or on receipt of any information or during pendency of any inspection, inquiry or investigation or on completion thereof, in the interest of public or trade or investors or the securities market in an IFSC, issue such directions as it deems fit.

### **Appointment of Auditor by the Authority**

68. The Authority shall have the power to appoint an auditor to inspect or investigate, into the books of account, records, documents, infrastructures, systems and procedures or affairs of a recognised market infrastructure institution.

### **Authority to recover the expenses**

69. The Authority shall be entitled to recover from the recognised market infrastructure institution such expenses including fees paid to the auditors as may be incurred by it for the purposes of inspecting or investigating the books of account, records, documents, infrastructures, system and procedures of a recognised market infrastructure institution.

### **Power to remove difficulties**

70. In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Authority shall have the power to issue directions through guidance notes or circulars.

### **Power to relax strict enforcement of the regulations**

71. (1) The Authority may, in the interest of development and regulation of financial services in an IFSC, relax the strict enforcement of any requirement of these regulations.
- (2) For seeking relaxation under sub-regulation (1), an application, giving details and the grounds on which such relaxation has been sought, shall be filed with the Authority along with a non-refundable fee of USD 1500.
- (3) The Authority shall process such application within thirty days of the date of receipt of the application complete in all respects and shall record reasons for acceptance or refusal of the relaxations sought by the applicant:

Provided that the reasons for rejection shall be communicated to the applicant.

### **Power to specify procedures and issue clarifications**

72. For the purposes of implementation of these regulations and matters incidental thereto, the Authority may specify norms, procedures, processes, manners or guidelines as specified in these regulations, by way of circulars to market infrastructure institutions.

### **Repeal and Savings**

73. (1) On and from the commencement of these regulations, the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 and Chapter II of the Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 shall not apply in an IFSC.
- (2) On and from the commencement of these regulations, Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 shall not apply in an IFSC in so far as the provisions pertain to a depository and all the provisions in the aforementioned regulations pertaining to a depository participant or issuer shall continue to apply in an IFSC.
- (3) Notwithstanding (1) and (2) above, anything done or any action taken or purported to have been taken under the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and Chapter II of the Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 before the commencement of these regulations shall be deemed to have been done or taken or commenced under the corresponding provisions of these regulations.
- (4) The SEBI circular SEBI/HO/MRD/DSA/CIR/P/2016/125 dated November 28, 2016 shall stand superseded from the date of commencement of these regulations.
- (5) The circulars and guidelines issued by SEBI and applicable to a market infrastructure institution in an IFSC shall continue to be in force unless and until they are superseded by any regulations or circulars or guidelines by the Authority.

<sup>40</sup>[(6) IFSCA circulars 286/IFSCA/ CMD-DMIIT/PM/2021 dated September 13, 2021, 286/IFSCA/ CMD-DMIIT/PM/2021/001 dated November 30, 2021 and 286/IFSCA/ CMD-DMIIT/PM/2021/002 dated December 16, 2021, is hereby repealed, from the date of notification of International Financial Services Centres Authority (Market Infrastructure Institutions) (Amendment) Regulations, 2024.

(7) Notwithstanding sub-regulations (6), anything done or any action taken or purported to have been taken under the circulars mentioned under sub-regulation (6), before the commencement of the International Financial Services Centres Authority (Market Infrastructure Institutions) (Amendment) Regulations, 2024 shall be deemed to have been done or taken or commenced under the corresponding provisions of these regulations.]

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<sup>40</sup> Inserted by IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024

<sup>41</sup>[Schedule-I

(See regulation 10A)

**Part A: Code of Conduct for a recognised market infrastructure institution**

A recognised market infrastructure institution shall:

- (a) adhere to the provisions of the IFSCA Act, Securities Contracts (Regulations) Act, 1956, Securities and Exchange Board of India Act, 1992, Depositories Act, 1996, including any rules, regulations, circulars, guidelines and any other directions issued thereunder.
- (b) adopt appropriate due diligence measures.
- (c) take effective measures to ensure implementation of risk management framework and good governance practices.
- (d) take appropriate measures towards investor protection and education of investors.
- (e) treat all its applicants or members in a fair and transparent manner.
- (f) promptly inform the Authority of any violations committed by any of its members, participants or issuer, in terms of the provisions of the IFSCA Act, Securities Contracts (Regulations) Act, 1956, Securities and Exchange Board of India Act, 1992, Depositories Act, 1996, including rules, regulations, circulars, guidelines or any other directions issued thereunder.
- (g) take a proactive and responsible attitude towards safeguarding the interests of investors, integrity of market infrastructure institution's system and the securities market.
- (h) endeavor for introduction of best business practices amongst itself and its members or participants.
- (i) act in utmost good faith and shall avoid conflict of interest in the conduct of its functions.
- (j) not indulge in unfair competition, which is likely to harm the interests of any other market infrastructure institution, their members, participants or investors or is likely to place them in a disadvantageous position while competing for or executing any assignment.
- (k) Segregate roles and responsibilities of key management personnel within the market infrastructure institution including:
  - (i). Clearly mapping legal and regulatory duties to the concerned position;
  - (ii). Defining delegation of powers to each position;
  - (iii). Assigning regulatory, risk management and compliance aspects to business and support teams.
- (l) be responsible for the acts or omissions of its employees in respect of the conduct of its business.
- (m) monitor the compliance of the rules and regulations by the members or participants and shall further ensure that their conduct is in a manner that will safeguard the interest of investors and the securities market.

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<sup>41</sup> Inserted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1<sup>st</sup> November, 2024

## Part B

(See sub-regulation (1) of the regulation 25)

### Code of Conduct for governing board, directors, committee members and key management personnel

#### I. Governing Board

The governing board of the recognised market infrastructure institution shall-

- (a) evaluate profitability margins of the market infrastructure institution.
- (b) ensure adequacy of resource allocation (both financial and human) towards regulatory compliances
- (c) focus on strategy, policy level issues and important matters.
- (d) only in exceptional cases, review the day-to-day operational matters.
- (e) oversee the critical operations including technology as well as the regulatory, risk management, compliance and investor grievance redressal functions of the market infrastructure institution.
- (f) take the lead in succession planning for the managing director and other key positions.
- (g) play an active role in defining, establishing and documenting risk management framework, covering risk appetite or risk tolerance policy of the market infrastructure institution and ensure that the policy contains the following:-
  - i. role of risk appetite in key processes;
  - ii. clear quantitative metrics and thresholds to monitor performance of the market infrastructure institution's risk appetite;
  - iii. acceptability of breaches and trigger response(s), if any;
  - iv. zero tolerance for areas such as cyber security, system stability, surveillance, fair access, fraud or corruption, compliance, etc.
- (h) make key stakeholders (executive and non-executive) aware of the use and value of risk appetite across the organization (including implications of breaches) and review and approve risk appetite metrics and thresholds periodically.
- (i) ensure adequate independence of key functions such as regulatory and control functions (risk management, compliance and audit functions) such that;
  - i. regulatory and control functions have sufficient stature to perform their tasks effectively;
  - ii. regulatory and control functions operate independently and have appropriate direct access to the governing board of the market infrastructure institution and senior management;
  - iii. control functions are proactively involved in all relevant decisions and activities.
- (j) Provide for three lines of defense construct where:
  - i. the first line of defense incorporates business units and support functions as it has the responsibility to own and manage risks associated with day to day operational activities;
  - ii. the second line of defense consists of various oversight functions i.e., regulatory, risk management, compliance teams;and

iii. the third line of defense comprises the internal audit function.

- (k) ensure that the roles and responsibilities of management in relation to three lines of defense are clearly specified and understood and that all employees are responsible for the regulatory, risk management and compliance outcomes.
- (l) ensure a culture of effective communication and challenge (i.e., encourage alternate views or questions from individuals and groups) and value and respect it.
- (m) ensure that any new product, service, revenue stream is examined by the concerned department of the market infrastructure institution from the compliance and risk management perspectives in addition to normal viability issues before approving the same.
- (n) review periodically all existing products, services and revenue streams.
- (o) shall meet, without the presence of the managing director and any other executive director, the chief regulatory officer or compliance officer, the chief risk officer, the chief information security officer, the statutory auditor of the market infrastructure institution and any other person as determined by the public interest directors and shareholder directors to discuss important issues concerning the market infrastructure institution, on a periodic basis as specified by the Authority.
- (p) periodically review the frequency of meetings and agenda items of the governing board and statutory committees to ensure that the number of meetings is rationalized and all important issues are discussed.
- (q) ensure that the agenda papers are approved by the Chairman of the governing board.
- (r) ensure that members of the governing board can place agenda item during their meeting.
- (s) be responsible for monitoring compliance with the code of conduct by the directors of the market infrastructure institution.
- (t) uphold a strong culture in the market infrastructure institution and promote target culture from the top through behaviour, actions and effective communication.
- (u) communicate the guiding principles for institution's target regulatory, compliance, risk and conduct culture.
- (v) endeavor that the market infrastructure institution put in place key elements related to culture such as:
  - i. adequate training programs to help employees better understand expectations of behavior (for example, trainings on dilemmas);
  - ii. mechanisms to measure and track indicators related to culture at regular intervals;
  - iii. accountability mechanisms; and
  - iv. performance management mechanisms which take into account adherence to culture, conduct and behavior related dimensions.

## **II. Code of Conduct for directors, committee members and key management personnel**

### **A. Applicable to directors, committee members and key management personnel of a recognised market infrastructure institution:**



## **1. General Responsibility**

Every director, committee members and key management personnel of the recognised market infrastructure institution shall-

- (a) analyse and administer the market infrastructure institution's issues with professional competence, fairness, impartiality, efficiency and effectiveness;
- (b) submit the necessary disclosures, statement of holdings, dealings in securities as required by the market infrastructure institution from time to time as per their rules, bye-laws or articles of association;
- (c) unless otherwise required by law, maintain confidentiality and not divulge or disclose any information obtained in the discharge of their duty and no such information is used for personal gains;
- (d) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and not engage in acts discreditable to their responsibilities;
- (e) perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;
- (f) perform their duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion;
- (g) not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the market infrastructure institution;
- (h) promote greater awareness and understanding of ethical responsibilities;
- (i) in the conduct of their business, observe high standards of commercial honour and; just and equitable principles of trade;
- (j) be exemplary in their conduct in business life which may set a standard for others;
- (k) not use their position to give or receive favours to or from the executive or administrative staff of the market infrastructure institution, technology or service providers and vendors or suppliers of the market infrastructure institution, or any listed company at the stock exchange or any issuer company admitted by the stock exchanges;
- (l) not commit any act which will put the reputation of the market infrastructure institution in jeopardy;
- (m) comply with the provisions of all applicable laws pertaining to the securities market;
- (n) directors and key management personnel shall at all point of time comply with all the internal policies of the market infrastructure institution including their code of conduct. If there is a conflict between the code of conduct policy of the market infrastructure institution with those provided by the Authority, then the policy issued by the Authority shall prevail.

## **2. Regulatory Compliances**

Every director, committee member and key management personnel of the recognised market infrastructure institution shall—

- (a) ensure that the market infrastructure institution abides by all the applicable provisions of the IFSCA Act, Securities Contracts (Regulations) Act, 1956, Securities and Exchange Board of India Act, 1992, including any rules, regulations, circulars, directions or any

- other instructions issued thereunder;
- (b) ensure compliance at all levels so that the regulatory system does not suffer any breaches;
- (c) ensure that the market infrastructure institution takes steps commensurate to honour the time limit stipulated by the Authority for corrective action.

### **3. Disclosures of Beneficial Interest**

All directors, committee members and key management personnel shall disclose to the governing board of recognised market infrastructure institution, upon assuming office and during their tenure in office, whenever the following arises:—

- (a) any fiduciary relationship of self and family members and directorship or partnership of self and family members in any broker dealer or clearing member or depository participant or registrar and transfer agent in IFSC;
- (b) shareholding, in cases where the shareholding of the director or key management personnel, directly or through his family exceeds 5 percent in any listed company or in other entities related to the securities markets;
- (c) any other business interests.

### **4. Access to Information**

- (a) There shall be prescribed channels through which information shall move and further there shall be audit trail of the same. Any retrieval of confidential documents or information shall be properly recorded.
- (b) All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration or gain.
- (c) Any information relating to the business or operations of the market infrastructure institution, which may come to the knowledge of directors or committee members or key management personnel during performance of their duties shall be held in strict confidence, shall not be divulged to any third party and shall not be used in any manner except for the performance of their duties.
- (d) Directors shall call for information only as part of specific committees or as may be authorised by the governing board of market infrastructure institution.

### **5. Misuse of position**

Directors or committee members or key management personnel shall not use their position to obtain business or any pecuniary benefit in the organization for themselves or family members.

## **B. Applicable to the Directors and Committee Members**

### **1. Meeting and Minutes**

The directors and committee members of a recognised market infrastructure institution shall—

- (a) not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting;
- (b) not encourage the circulation of agenda papers during the meeting, unless circumstances so require;
- (c) ensure that minutes are recorded to capture all points of opinion comprehensively;
- (d) offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;
- (e) insist on the minutes of the previous meeting being placed for approval in subsequent meeting;
- (f) endeavor to have the date of next meeting fixed at each governing board meeting and committee meetings respectively in consultation with other respective members of the governing board and committees;
- (g) endeavor that all important agendas placed before the governing board of stock exchange and clearing corporation and committees are deliberated in a timely manner.
- (h) not support any decision in the meeting of the governing board of market infrastructure institution and the committees respectively which may adversely affect the interest of investors and shall report forthwith any such decision to the Authority.

### **2. Role of the directors and committee members in the day to day functioning of the recognised market infrastructure institution**

- (a) The directors and committee members shall not interfere in the day to day functioning of the market infrastructure institution and shall limit their role to decision making on policy issues and to issues as the governing board of market infrastructure institution may decide.
- (b) The directors and committee members shall abstain from influencing the employees of the market infrastructure institution in conducting their day to day activities.
- (c) The directors and committee members shall not be directly involved in the function of appointment and promotion of employees unless specifically so decided by the governing board of market infrastructure institution.

### **3. Avoidance of conflict of interest**

- (a) No director or committee member of the market infrastructure institution shall participate in any decision making or adjudication in respect of any person or matter in which he or she is in any way, directly or indirectly, concerned or interested.
- (b) Conflict of interest in a matter, if any, shall be decided by the governing board of the market infrastructure institution.

### **4. Strategic Planning**

Every director and committee member of the recognised market infrastructure institution shall—

- (a) participate in the formulation and execution of strategies in the best interest of the market infrastructure institution and contribute towards pro-active decision making at the governing board level;
- (b) give benefit of their experience and expertise to the market infrastructure institution and provide assistance in strategic planning and execution of decisions;
- (c) place priority for redressing investor grievances and encouraging fair trade practice so that the market infrastructure institution becomes an engine for the growth of the securities market.

### **5. Disclosure of dealings in securities by Directors of the recognised market infrastructure institution**

- (a) All transactions or dealings in securities in IFSC by the directors and their immediate relatives shall be disclosed to the governing board of the market infrastructure institution.
- (b) All directors shall also disclose the trading in IFSC conducted by firms or corporate entities in which they hold twenty percent or more beneficial interest or hold a controlling interest, to the market infrastructure institution.
- (c) The details including time period for disclosures stated above shall be provided by the market infrastructure institution, provided that the time period for disclosure shall not be later than fifteen days of the transaction/ dealing.
- (d) Directors who are nominees of Government of India, its statutory bodies or Public Financial Institutions and are governed by their own codes shall be exempt from this requirement.

### **C. Applicable to Public Interest Directors**

- (a) Public Interest Directors of the market infrastructure institution shall endeavor to attend all the governing board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the governing board or do not attend seventy-five percent of the total meetings of the governing board in a calendar year.

- (b) Public interest directors shall meet separately, at least once in six months to exchange views on critical issues. Public interest directors shall submit a report of such meeting to the Authority and to the governing board of the market infrastructure institution within the time and manner as may be specified by the Authority from time to time.
- (c) Public interest directors shall identify important issues which may involve conflict of interest for the market infrastructure institution or may have significant impact on the functioning of the market infrastructure institution or may not be in the interest of securities market. The same shall be reported to the Authority in a time-bound manner.
- (d) Public interest directors shall have regular oversight on observations of Authority's inspection particularly on issues of governance standards, technology and cyber security and system audit and cyber security audit observations.
- (e) Public interest directors should be proactive in identifying any issues concerning functioning of market infrastructure institution and report the same to the Authority. Public interest directors should ensure all regulatory communication/letter from the Authority are placed before the governing board with comments/report of managing director.
- (f) Public interest directors shall put in place an evaluation mechanism to assess the performance of managing directors on a continuing basis in line with evaluation guidelines for public interest directors.
- (g) Public interest directors to ensure that appointments of managing director be held within specified timelines. Identification of key management personnel be closely scrutinized as per the laid down procedure and exceptions should be brought to the notice of the Authority.
- (h) Public interest directors should take proactive part in the deliberations of different committees and steer their functioning.
- (i) Ensure adequacy of resource allocations (both financial & human) towards regulatory compliances to be ensured.

**D. Applicable to Independent External Professionals**

- (a) Independent external professionals shall not use or act on any sensitive information received in capacity as a member of the statutory committee for obtaining any undue benefit.

**E. Applicable to key management personnel**

- (a) Managing director of the market infrastructure institution shall meet employees without the presence of other key management personnel (the heads of departments) to discuss important issues pertaining to market infrastructure institution.

- (b) Key management personnel of the market infrastructure institution shall disclose on a periodic basis as determined by the market infrastructure institution (which could be monthly), all their dealings in securities in IFSC, directly or indirectly, to the governing board or regulatory oversight committee or compliance officer of market infrastructure institution.
- (c) All transactions must be of an investment nature and not speculative in nature. Towards this end, all securities purchased in IFSC must be held for a minimum period of sixty days before they are sold. In specific or exceptional circumstances, however, sale can be effected anytime by obtaining pre-clearance from the compliance officer to waive this condition after recording in writing his satisfaction in this regard.]

<sup>42</sup>[Schedule -II  
[See Regulation 2 (1) (j) (iii) and 27 (2)]  
**Core functions of a recognised market infrastructure institution**

1. For recognised market infrastructure institution, the core and critical functions shall include but not limited to:
  - a) Vertical 1: Critical operations
    - (i) Provision and operation of trading facilities, clearing and settlement, and dematerialization of financial products including holding and transfer of such financial products;
    - (ii) Record keeping of information related to trade, clearing and settlement of trades and dematerialized financial products;
    - (iii) IT infrastructure for core and critical functions;
    - (iv) Business continuity plan and disaster recovery operations;
    - (v) Cyber security and cyber resilience framework.
  
  - b) Vertical 2: Regulatory, legal, compliance, risk management and investor grievances
    - (i) Risk management;
    - (ii) Surveillance and investigation;
    - (iii) Listing;
    - (iv) Registration of broker dealer, clearing member or depository participant;
    - (v) Admission of issuer or financial product;
    - (vi) Legal;
    - (vii) Compliance;
    - (viii) Inspection;
    - (ix) Enforcement;
    - (x) Arbitration and grievance redressal mechanism;
    - (xi) Member default;
    - (xii) Investor protection and services.
  
  - c) Vertical 3: Other Functions including Business Development
    - (i) Sales;
    - (ii) Marketing;
    - (iii) Product Development;
    - (iv) Finance.]

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<sup>42</sup> Inserted by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 w.e.f. 1<sup>st</sup> November, 2024