

MAKARAND M. JOSHI & CO.

Company Secretaries

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

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

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

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

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

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

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



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

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

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

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

and circulars/ guidelines or issued thereunder;



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

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



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



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

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

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



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

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



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

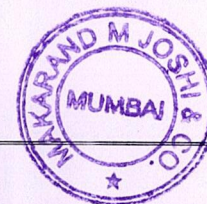
Sr. No.	Compliance Requirement (Regulations/ circulars/ guidelines including specific clause)	Regulation/ Circular No.	Deviations	Action Taken by	Type of Action	Details of violation	Fine Amount	Observations/ Remarks of the Practicing Company Secretary	Management Response	Remarks
1.	Para 7 of SEBI Circular dated December 17, 2018 Early Warning Mechanism and sharing of information between Stock Exchanges, Depositories and Clearing Corporations to detect the diversion of client's securities by the stock broker at an early stage so as to take appropriate preventive measures.	SEBI Circular dated December 17, 2018	Failure to provide alerts to BSE	SEBI	Adjudicating Order	Alert triggered on CC through early warning mechanism was not shared to other SE/ Depository in respect of Karvy matter. SEBI has levied penalty under Section 15 HB of SEBI Act.	₹25,00,000	-	Company had remitted Rs. 25,00,000/- to SEBI on February 3, 2023.	-
Action taken against National Stock Exchange of India Limited (Promoter of the company)										
2.	In Colocation Matter: Pursuant to Whole-Time Members (WTM's) Order dated 30.04.2019, in the matter of NSE Colocation, NSE deposited disgorgement amount along with	Sec. 15J of SEBI Act, 1992, Sec. 23J of SCRA and	-	SEBI (SAT and Supreme Court order)	Penalty	-	₹100,00,00,000	The Company has paid the penalty and ₹ 300 crore was got refunded by SEBI	There is no compliance obligation on NSE in terms of the SAT	-



<p>interest amounting to Approx. ₹ 1044 Cores with SEBI. Thereafter, NSE file an appeal before the Hon'ble Securities Appellate Tribunal (SAT) challenging the aforesaid order.</p> <p>SAT in order dated 23.01.2023 imposed penalty of ₹ 100 crores under Section 15J of SEBI Act, 1992, Sec. 23J of SCRA and Rule 21 of SAT Rules on NSE " for the lack of due diligence on accounts of human failure to comply with the 30.03.2012 Circular" in letter and spirit which amount was to be adjusted by the SEBI from the deposit already made by NSE with the balance to be refunded to the NSE within 6 Weeks.</p> <p>SEBI has challenged the aforesaid order before the Hon'ble Supreme court wherein on this</p>	<p>Rule 21 of SAT Rules</p>							Order.	
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	20.03.2023, the Hon'ble supreme court directed SEBI to pay an amount of ₹ 300 crore to NSE.									
3.	As per Regulation 3(c) and 3(d) read with 4(1) of SEBI (PFUTP) Regulation 2003 read with 12 A(b) and (c) of SEBI Act, 1992 and Section 4(1) (a) of SCRA, 1956, Master Circular no. CIR/MRD/DSA/SE/43/2010 dated December 31, 2010 read with Section 3(2) (b) of SCRA, 1956 in relation to breaches of governance and conflicts of interest in connection with certain arrangements relating to research and data sharing.	Master Circular no. CIR/MRD/DSA/SE/43/2010 of December 31, 2010	Provisions related to fairness & transparency, due diligence and conflict of interest has not been complied by the Directors and Functionaries of the Exchange	SEBI	Penalty	Provisions related to fairness & transparency, due diligence and conflict of interest has not been complied by the Directors and Functionaries of the Exchange	₹ 1,00,00,000	-	Matter is sub-judice before SAT and the SEBI directive has been stayed.	-
4.	Clause 4(i) Stock exchanges shall ensure the following while permitting algorithmic trading: (i) The stock exchange shall have arrangements, procedures and system capability to manage the	Clause 4(i) of SEBI circular CIR/MRD/DP/09/2012 dated	Unfair advantage available with certain Stock Brokers is in contradiction to various regulations,	SEBI	Show cause notice and Penalty	Denial of services to certain stock brokers resulting in discrimination and non-adherence to principle of	₹ 7,00,00,000	The Matter is reserved for order of SAT	Matter is sub-judice before SAT and the SEBI directive has been stayed.	-



	load on their systems in such a manner so as to achieve consistent response time to all stock brokers. The stock exchange shall continuously study the performance of its systems and, if necessary, undertake system upgradation, including periodic upgradation of its surveillance system, in order to keep pace with the speed of trade and volume of data that may arise through algorithmic trading	March 30, 2012	recommendations and circulars issued in relation to the Colo facility emphasize on providing equal, unrestricted, transparent and fair access to all the brokers and all the participants without any bias or favor.			fairness and equal opportunity by allowing W2W and GKN to terminate the connections directly in the rack placed inside NSE Colo, which was contrary to normal practice followed by NSE. However, in case of Millennium and other brokers, Sampark was asked by NSE to install the MUX in NSE MMR.				
	Denial of Service may be a cause for concern which is further compounded with the availability of Colocation services offered by the exchanges. It was suggested that fairness and equal opportunity for all should be the premise going forward.	Non implementation of decisions taken by the Secondary Market Advisory	In certain Stock Brokers having an unfair advantage over others while accessing the Colo facility provided by NSE.			- Non verification of license by NSE, where the connection				



		Committee in its meeting dated November 11, 2011 which was communicated to NSE vide email dated November 28, 2011.				is through broker's rack, was unfair since this resulted in certain stock brokers obtaining service while others were denied the same even though in both cases, the service provider was same namely, Sampark.				
	Equal, fair and transparent access. 41. (2) The recognised clearing corporation and recognised stock exchange shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities. Power to call for	Regulations 41 (2), 47 and 48 of the SECC Regulations				- Non transparent mode of communication to stock brokers- An existing circular of NSE was modified by way of a change on website hosting. - W2W and				



information. 47. The Board may from time to time call for any information, documents or records from the recognised stock exchange or the recognised clearing corporation, or their governing board or any shareholder thereof. Power of inspection. 48. (1) The Board may at any time undertake inspection, conduct inquiries and audit of any recognised stock exchange or recognised clearing corporation, any associate of such exchange or clearing corporation, any shareholder of such stock exchange or clearing corporation or any associate and agent of such shareholder						GKN were allowed to establish P2P connectivity through Sampark while many stock brokers (e.g. Mansukh Securities, Shaastra Securities) who desired to lay P2P connectivity through service providers other than the four service providers mentioned in the NSE circular dated August 31, 2009, were denied permission by NSE staff. While both the service providers did				
To ensure fair and equitable access to the co-location facility, stock exchanges	Clause 3 of the SEBI circular CIR/M									



		RD/DP /07/20 15 dated May 13, 2015				not have requisite DoT license. - Lack of clear documented policy for conducting due diligence of services providers (a) by checking the license of service provider while allowing P2P connectivity; (b) by granting permission to Sampark to place infrastructure in NSE MMR without verifying Sampark's license - Millennium was unable to avail P2P connectivity of Sampark by installing				
	3. Prohibition of certain dealings in securities No person shall directly or indirectly— (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder. 4. Prohibition of manipulative, fraudulent and unfair trade practice (1) Without prejudice to the provisions of regulation 3, no person	Regulat ions 3(d) and 4(1) of the SEBI (Prohib ition of Fraudul ent and Unfair Trade Practice s relating to Securiti es Market) Regulat ions, 2003								



shall indulge in a fraudulent or an unfair trade practice in securities						<p>MUX directly in its rack while other stock brokers (GKN and W2W) availed the same benefit. This was on account of flawed policy on the part of NSE, which allowed P2P connectivity to W2W and GKN by installing a MUX in their rack and denying the same to Millennium thereby following discriminatory policies.</p> <p>- Preferential treatment of stock brokers by:</p> <p>o NSE</p>				
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						<p>facilitating laying of cable for W2W (by Sampark) so as to provide latency advantage to W2W over other stock brokers</p> <p>o Allowing W2W and GKN to continue to avail Sampark connectivity even after finding out that Sampark did not have requisite license.</p> <p>o Conducting site inspection of offices of Millennium, GRD & SMC for connectivity while not following the same</p>				
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						<p>procedure for W2W and GKN.</p> <p>o Granting permission to Sampark to place MUX in NSE MMR without verification of license</p> <p>o Granting permission to W2W and GKN to avail connectivity of Sampark without verifying license of Sampark.</p> <p>- NSE facilitated the arrangement between Sampark and Reliance in an attempt to regularize the connectivity provided by Sampark to</p>				
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						<p>give post facto legitimacy to an unauthorised activity of Sampark.</p> <p>- Contributory negligence on the part of NSE that facilitated W2W and Sampark establishing connectivity to provide unfair latency advantage to W2W.</p> <p>- Inconsistent and Contradictory information and reply to SEBI.</p> <p>- Non adherence to the timeline in taking decision on the request of stock brokers and</p>					
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						delay in processing the applications.				
5	<p>In the matter Karvy Stock Broking Limited (KSBL)</p> <p>In terms of para 4(a) of 2010 circular, Stock exchange is required to carry out inspection of brokers to, inter alia, confirm compliance with provisions of rules and regulations of stock exchange and circulars issued by SEBI. Para 2 of 1993 circular requires brokers to keep client securities separate from own securities. Thus, brokers are prohibited from holding client securities in their own accounts. Clause 2.5 of Annexure to 2016 circular, that a broker can pledge client securities only upto the extent of clients indebtedness to the stock broker. Para 2.3 of which</p>	<p>Para 4(a) of the SEBI Master Circular SEBI/MIRSD/Master Circular 04/2010 dated March 17, 2010 read with para 2.5 of the Circular SEBI/HO/MIRSD2/CIR/P/2016/95 dated Septem</p>	<p>Delay in detection of misuse of client securities by KSBL</p>	SEBI	Penalty	<p>1. NSE did not approach SEBI when Depositories were reluctant to provide information (pledge details w.r.t demat accounts of KSBL) and NSE accepted KSBL's contention on face value.</p> <p>2. NSE had not acted in a responsible manner as it did not examine the impugned demat account.</p> <p>3. NSE failed to notice that all such demat accounts were not tagged as</p>	₹ 2,00,00,000	-	<p>NSE Appeal in the matter is sub-judice before SAT and vide SAT's interim order SEBI directive has been stayed</p>	-



	prescribes that the Stock Exchanges and/or Depositories, as the case may be, shall ensure that the details of all banks and demat accounts opened by the stock brokers are communicated to Stock Exchanges by the stock brokers in the format specified.	ber 26, 2016 (2016 Circular) and para 2 of the Circular SMD/SED/CIR/93/23321 dated November 18, 1993 (1993 Circular)				per the prescribed nomenclature.				
6.	In the matter of TAP Architecture and Network Connectivity of NSE 4. Prohibition of manipulative, fraudulent and unfair trade practice Reg. 41(2) The recognised clearing corporation and recognised stock exchange shall ensure	Regulations 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practice	NSE has been asked: Why NSE did not take prompt and adequate measure once any anomaly that compromise fairness or any market	SEBI	Show Cause Notice	NSE has Continued market connectivity through Trading Access Point (TAP) despite having knowledge that TAP did not ensure	-	-	NSE has filed settlement application in the matter. NSE has also completed inspection of document	-



equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities.	s relating to Securities Market) Regulations, 2003 and Regulation 41(2) of SECC 2012 [Now Regulation 39(3) of SECC Regulations]	participant taking undue advantage over others.			fairness and equity of access. NSE did not take remedial measures to prevent/dissuade the unfair practice in securities market.			s with SEBI and would now be filing a detailed response with SEBI.	
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(b) The listed entity has taken the following actions to comply with the observations made in previous reports:

Sr. No.	Compliance Requirement (Regulations/ circulars/ guidelines including specific clause)	Regulation/ Circular No.	Deviations	Action Taken by	Type of Action	Details of violation	Fine Amount	Observations/ Remarks of the Practicing Company Secretary	Management Response	Remarks
Not Applicable										

Assumptions & Limitation of scope and Review:

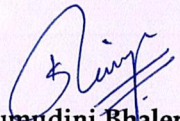
1. Compliance of the applicable laws and ensuring the authenticity of documents and information furnished, are the responsibilities of the management of the Company.
2. Our responsibility is to certify based upon our examination of relevant documents and information. This is neither an audit nor an expression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

Date: May 10, 2023

Place: Mumbai

**For Makarand M Joshi & Co.
Company Secretaries**




**Kumudini Bhalerao
Partner**

FCS No.: 6667

CP. No. 6690

PR. No. 640/2019

UDIN: F006667E000281865