

CODE OF CONDUCT FOR GOVERNING BOARD, DIRECTORS, COMMITTEE MEMBERS, KEY MANAGEMENT PERSONNEL AND SENIOR MANAGEMENT

I. Definitions

- a) "Clearing Corporation" shall mean the NSE Clearing Limited (NCL)
- b) "Director" means a director appointed to the Board of the Clearing Corporation;
- c) "Governing Board" means the board of directors of a recognised Clearing Corporation;
- d) Key Managerial Personnel ("KMP") means personnel as defined under section 2 (51) of the Companies Act, 2013 and Reg 2(1)(j) of SEBI SECC Regulations, 2018;
- e) "Senior Management Personnel" under Companies Act means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads. "Senior Management" under SEBI (Listing Obligations and Disclosure Requirements), 2015 mean officers / personnel of the Exchange who are members of its core management team excluding Board of Directors comprising all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/ manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer;
- f) "Public Interest Director" means an Independent Director, representing the interests of investors in securities market and who is not having any association, directly or indirectly, which in the opinion of the Securities and Exchange Board of India ("SEBI"), is in conflict with his role; and
- g) "Independent Director" shall have the meaning as defined under the Companies Act, 2013 read with relevant rules and Regulation 16(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing regulations") as amended from time to time.

II. Applicability:

This code of conduct ("Code") shall apply to all the Governing Board, Directors, Committee Members (including Independent External Persons [IEPs]), Key Management Personnel and the Members of the Senior Management of the Company.

III. Role of the Governing Board –

The Governing Board shall -

- (a) evaluate profitability margins of the clearing corporations.
- (b) ensure adequacy of resource allocation (both financial and human) towards regulatory compliances.
- (c) focus on strategy, policy level issues and important matters and may review the day-to-day operational matters only in exceptional cases.
- (d) oversee the critical operations including technology as well as the regulatory, risk management, compliance and investor grievance redressal functions of the clearing corporations.
- (e) take the lead in succession planning for the managing director and other key positions.
- (f) play an active role in defining, establishing and documenting risk management framework, covering risk appetite or risk tolerance policy of the clearing corporation 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 clearing corporation'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.
- (g) 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.
- (h) 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 clearing corporation

and senior management.

iii. control functions are proactively involved in all relevant decisions and activities.

- (i) 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 comprises of various oversight functions i.e., regulatory, risk management, compliance teams, and
 - iii. the third line of defense comprises the internal audit function.
- (j) 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.
- (k) ensure a culture of effective communication and challenge (i.e., encourage alternate views or questions from individuals and groups) and value and respect it.
- (l) ensure that any new product, service, revenue stream is examined by the concerned department of the clearing corporation from the compliance and risk management perspectives in addition to normal viability issues before approving the same.
- (m) review periodically all existing products, services and revenue streams.
- (n) 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 clearing corporation and any other person as determined by the public interest directors and non-independent directors to discuss important issues concerning the clearing corporation, on a periodic basis as specified by the Board.
- (o) 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.
- (p) ensure that the agenda papers are approved by the Chairman of the governing board.
- (q) ensure that members of the governing board can place agenda item during their meeting.

- (r) be responsible for monitoring compliance with the code of conduct by the directors of the clearing corporation.
- (s) uphold a strong culture in the clearing corporation and promote target culture from the top through behavior, actions and effective communication.
- (t) communicate the guiding principles for institution's target regulatory, compliance, risk and conduct culture.
- (u) endeavor that the clearing corporation 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.

IV. Duties of Independent Directors and Public Independent Directors -

1. Duties of Independent Directors -

As per the requirements of the Listing Regulations, the duties of Independent Directors as laid down in the Companies Act, 2013 are required to be incorporated in the Code of conduct for Directors which are reproduced herein below -

The Independent Directors shall:

- a. undertake appropriate induction and regularly update and refresh their skills knowledge and familiarity with NCL;
- b. seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of NCL;
- c. strive to attend all meetings of the Board of Directors and of the Board committees of which they are members;
- d. participate constructively and actively in the Committees of the Board in which they are chairpersons or members;

- e. strive to attend the general meetings of NCL;
- f. where they have concerns about the running of NCL or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- g. keep themselves well informed about NCL and the external environment in which it operates;
- h. not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- i. pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of NCL;
- j. ascertain and ensure that NCL has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- k. report concerns about unethical behavior, actual or suspected fraud or violation of NCL's code of conduct or code of ethics;
- l. acting within their authority, assist in protecting the legitimate interests of NCL, shareholders and its employees;
- m. not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law;
- n. not serve as an Independent director in more than such number of companies as may be permitted under SEBI (Listing Obligations and Disclosure Requirements), 2015, Companies Act, 2013 and Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018. Provided that any person who is serving as a whole- time director in any listed entity shall serve as an independent director in not more than such number of companies as may be permitted under SEBI (Listing Obligations and Disclosure Requirements), 2015, Companies Act, 2013 and Securities

Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018.

- o. have such other duties as may be prescribed under Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements), 2015 and Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, as amended from time to time.

2. Duties of Public Interest Directors –

As per the requirements of the SEBI SECC Regulations, 2018, the duties of Public Interest Directors are as under -

- a) Public Interest Directors of the clearing corporation 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 Board and to the governing board of the recognised clearing corporation within the time and manner as may be specified by the Board from time to time.
- c) Public interest directors shall identify important issues which may involve conflict of interest for the clearing corporation or may have significant impact on the functioning of the clearing corporation or may not be in the interest of securities market. The same shall be reported to the Board in a time bound manner.
- d) Public interest directors shall have regular oversight on observations of Board'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 clearing corporation and report the same to the Board. Public interest directors should ensure all regulatory communication/letter from the Board 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 Board.
- 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.
- j) In addition to the norms as prescribed above, Independent Directors shall also abide by the “Code for Independent Directors” as prescribed under Schedule IV to the Companies Act, 2013, as amended, from time to time.

V. Applicable to Independent External Professionals –

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.

VI. Applicable to Key Management Personnel –

- (a) Managing Director shall meet employees without the presence of other key management personnel (the heads of departments) to discuss important issues pertaining to clearing corporation.
- (b) Key management personnel shall disclose on a periodic basis as determined by the clearing corporation (which could be monthly), all their dealings in securities, directly or indirectly, to the governing board or regulatory oversight committee or compliance officer of clearing corporation.
- (c) All transactions must be of an investment nature and not speculative in nature. Towards this end, all securities purchased 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.

VII. Meetings and minutes

Every Director and Committee Members of the recognised clearing corporation 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) endeavour 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 committee;
- (g) ensure that all important agendas placed before the governing board of clearing corporation and committees are deliberated in a timely manner;
- (h) not support any decision in the meeting of the governing board of clearing corporation and the committees respectively which may adversely affect the interest of investors and shall report forthwith any such decision to the Board.

VIII. Disclosure of dealings in securities by Directors of the recognised clearing corporation –

- (a) All transactions or dealings in securities by the directors and their immediate relatives (as defined in the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015) shall be disclosed to the governing board of the clearing corporation.

- (b) All directors shall also disclose the trading conducted by firms or corporate entities in which they hold twenty percent or more beneficial interest or hold a controlling interest, to the clearing corporation.
- (c) The details including time period for disclosures stated above shall be provided by the clearing corporation, 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.

IX. Role of the Directors and Committee Members in the day-to-day functioning of the recognised clearing corporation.

- (a) The directors and committee members shall not interfere in the day-to-day functioning of the clearing corporation and shall limit their role to decision making on policy issues and to issues as the governing board of clearing corporation may decide.
- (b) The directors and committee members shall abstain from influencing the employees of the clearing corporation 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 clearing corporation.

X. Misuse of Position

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

XI. Strategic planning

Every Director and Committee Member shall

- a) participate in the formulation and execution of strategies in the best interest of the Clearing Corporation and contribute towards pro-active decision making at the board level;

- b) give benefit of their experience and expertise to the Clearing Corporation 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 stock exchange and clearing corporation becomes an engine for the growth of the securities market.

XII. Regulatory compliances

Every Director, Committee Member, Key Managerial Personnel and Senior Management Personnel shall:

- a) endeavour to ensure that the Clearing Corporation abides by all the provisions of the Securities and Exchange Board of India Act, 1992, Securities Contracts (Regulation) Act, 1956, rules and regulations framed thereunder and the circulars, directions issued by the SEBI from time to time;
- b) endeavour compliance at all levels so that the regulatory system does not suffer any breaches;
- c) endeavour to ensure that the Clearing Corporation takes steps commensurate to honour the time limit stipulated by SEBI for corrective action; and
- d) not support any decision in the meeting of the Board which may adversely affect the interest of investors and shall report forthwith any such decision to the SEBI.

XIII. Disclosures of Beneficial Interest –

All Directors, Committee Members, Key Management Personnel and Senior Management Personnel shall disclose to the governing board of recognised clearing corporation, 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 trading member or clearing member or depository participant or registrar and transfer agent;
- (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.

XIV. 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 v, 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 authorized by the governing board of clearing corporation.

XV. Avoidance of Conflict of Interest

- (a) No Director or Committee Member 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.
- (c) The Director or Committee Member and Senior Management of the company should not enter into any transaction or engage in any practice, directly or indirectly, that would tend to influence him/her to act in any manner other than in the best interest of the Company. Every director and Senior Management should make a full disclosure to the Governing Board of any transaction that they reasonably expect, could give rise to an actual conflict of interest with the company and seek the board's authorization to pursue such transactions.

XVI. Confidential Information

The Directors, Governing Board, Key Managerial Personnels and Senior

Management should maintain confidentiality of information entrusted to them to carry out their duties and responsibilities. The company's confidential and proprietary information shall not be inappropriately disclosed or used for the personal gain or advantage of any director.

XVII. General responsibility

Every Director, Committee Member, Key Managerial Personnel and Senior Management Personnel shall

- a) analyse and administer the clearing corporations' issues with professional competence, fairness, impartiality, efficiency and effectiveness;
- b) submit the necessary disclosures, statement of holdings, dealings in securities as required by the clearing corporation from time to time as per their rules, bye-laws or articles of association;
- c) unless otherwise required by law, maintain confidentiality and shall not divulge/disclose any information obtained in the discharge of their duty and no such information shall be 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 shall 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 Clearing Corporation.
- 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 clearing corporation, technology or service providers and vendors or suppliers of the clearing corporation, or any listed company at the clearing corporation or any issuer company admitted by the clearing corporation;
- l) not commit any act which will put the reputation of the clearing corporations 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 clearing corporation including their code of conduct. If there is a conflict between the code of conduct policy of the clearing corporation with those provided by the Board, then the policy issued by the Board shall prevail.
- o) The members of the Board, Key Managerial Personnel and Senior Management Personnel shall affirm the compliance with the Code on an annual basis. A declaration signed by the Managing Director and Chief Executive Officer stating that the Director on Governing Board, KMP and Senior Management Personnel have affirmed compliance with the code of conduct of the Board of Directors and senior management shall form part of the Annual Report under the Corporate Governance. The Directors, Key Managerial Personnel and senior management personnel should act like trustee for the company's property/assets as well as the property/assets of the other organization that have been entrusted to the company. They are responsible for the safe custody and accountable for its use. The directors, KMP and senior management personnel shall not use these assets / property except as specifically authorised and that too only for the purpose of company business.
- p) It shall be the responsibility of every Director on Governing Board, Key Managerial Personnel and Senior Management Personnel to help enforce this code. They shall bring to the notice of Managing Director of NCL, any observed material violation of this code or any other policies or laws as applicable or any probability of occurrence of such violations.

XVIII. Disclosure of the Code

The said Code shall also be posted on the website of the Company and appropriate disclosure shall be made in the Annual Report of the Company.

XIX. Review of the Code

The Company may periodically review this code, as and when required, and make suitable revisions, as may be deemed necessary, from time to time.