



CONSULTATION PAPER ON THE REVIEW OF IFSCA (MARKET INFRASTRUCTURE INSTITUTIONS) REGULATIONS, 2021

OBJECTIVE

1. The objective of this consultation paper is to seek comments / views from public on the proposed amendments in the regulatory framework for Market Infrastructure Institutions (Stock Exchanges, Clearing Corporations and Depositories) in IFSC.

BACKGROUND

2. The Capital Markets ecosystem in IFSC consists of:
 - a) Market Infrastructure Institutions (MIIs) which comprise the Stock Exchanges, Clearing Corporations and Depository
 - b) Capital Market Intermediaries (CMIs) such as Broker-Dealers, Clearing Members, Depository Participants, Investment Advisors, Custodians, Investment Bankers, etc.
3. The MIIs provide the necessary infrastructure for listing, trading, clearing and settlement of securities and form the crucial pillars of the capital market ecosystem. At present, there are two Stock Exchanges, two Clearing Corporations and one Depository in IFSC:

Name	Type of MII	Owned by
India International Stock Exchanges IFSC Limited	Stock Exchange	Subsidiary of BSE Limited
NSE IFSC Limited	Stock Exchange	Subsidiary of NSE India
India International Clearing Corporation IFSC Limited	Clearing Corporation	Subsidiary of BSE
NSE IFSC Clearing Corporation Limited	Clearing Corporation	Subsidiary of NSE Clearing Limited



**India International Depository
IFSC Limited**

Depository

Owned by a consortium led by BSE, NSE, MCX, NSDL and CDSL

4. IFSCA had notified the IFSCA (Market Infrastructure Institutions) Regulations in April, 2021¹ (MII Regulations) providing a unified regulatory framework for Stock Exchanges, Clearing Corporations and Depositories operating in IFSC. The regulations, *inter-alia* provide for
- a) the requirements for grant of recognition of MIIs
 - b) net worth requirements
 - c) shareholding requirements
 - d) fit and proper criteria for directors, shareholders and Key Management Personnel (KMP) of MIIs
 - e) the Corporate Governance norms and code of conduct to be followed by the MIIs
 - f) record keeping requirements
5. The extant Corporate Governance norms require the MIIs to constitute their Governing Board in such a way that the number of Public Interest Directors (Independent Directors) should not be less than the Shareholder Directors. Further, it also mandates the appointment of the Chairman of the Governing Board from the Public Interest Directors.
6. The regulations also require the MIIs to follow the broader principles of governance prescribed under the Principles for Financial Market Infrastructures (PFMI) by the Committee on Payments and Market Infrastructures (CPMI) and International Organization of Securities Commissions (IOSCO).
7. IFSCA has mandated the constitution of various Committees² by the MIIs for effective regulatory oversight on their functioning. Such Committees include the Member Selection Committee, Nomination and Remuneration Committee, Standing

¹ <https://ifsc.gov.in/Document/Legal/ifsc-market-infrastructure-institutions-regulations-202119042021052010.pdf>

² <https://ifsc.gov.in/Document/Legal/committees-at-market-infrastructure-institutions-miis-in-ifsc-28062022095230.pdf>



Committee of Technology, Regulatory Oversight Committee, Audit Committee. Additionally, the code of conduct and code of ethics for Directors and KMP of the MIIs has also been specified by IFSCA by way of a circular.³

REVIEW OF REGULATIONS

8. Over the past 3-4 years, Capital Markets in IFSC have seen significant advancements, including the full-scale operationalization of the GIFT Connect and the announcement of direct listing for Indian companies on IFSC Stock Exchanges. The turnover in derivatives on IFSC Stock Exchanges has witnessed rapid growth and the introduction of direct equity share listings is expected to boost volumes in the cash segment as well.
9. MIIs are vested with regulatory responsibilities, while pursuing commercial interests like other profit-oriented entities. It is important that the MIIs, in pursuance of their business objectives, should not lose sight of their regulatory roles. The MIIs are also the first line regulators for the CMIIs such as Broker-Dealers, Clearing Members and Depository Participants. Because of the conflicting nature of the MII's role, it is felt that governance standards of MIIs need to be robust to enhance and maintain market confidence and deter malpractices. Corporate Governance becomes even more significant in an IFSC context, where MIIs engage in global connect arrangements.

PROPOSED AMENDMENTS

10. To review the Corporate Governance requirements for MIIs, reference has been drawn to the report⁴ of the 'Committee on Strengthening Governance of Market Infrastructure Institutions', constituted under the chairmanship of Shri G. Mahalingam by SEBI. The amendments proposed to the MII Regulations are based on the recommendations of the Committee and global best practices. These amendments, *inter-alia*, include the following:

³ <https://ifsc.gov.in/Document/Legal/circular-for-the-code-of-conduct-and-code-of-ethics-for-the-directors-and-key-managerial-personnel-of-the-miis-gift-ifsc13092021100456.pdf>

⁴ https://www.sebi.gov.in/reports-and-statistics/reports/nov-2022/strengthening-governance-of-market-infrastructure-institutions_64806.html



I. Change in the definition of KMP

In the comments received from the MIIs and the various ensuing discussions, it was suggested that the definition of KMP be amended to reflect the nascent stages of growth of the MIIs in IFSC. The current definition mandates that employees up to two levels below the Chief Executive Officer be identified as KMPs. As the MIIs in IFSC are in their nascent stages of growth, the manpower deployed at the MIIs is much lesser than that deployed in a fully developed and large MII like that in domestic India. This often required the MIIs to designate junior level employees as KMPs who do not play any significant role in the management of MIIs.

Therefore, the definition of KMP is proposed to be amended in such a way that it includes the individuals with the ability to influence decisions as well as those involved in the core functions in the MIIs. Core functions of the MIIs have also been defined in Schedule-II of the MII Regulations. The definition of KMP has been proposed to be amended as under:

"key management personnel" includes:

- (a) any person appointed as the managing director or executive director; or*
- (b) a person serving as the head of a department or vertical and directly reporting to the managing director or to the directors on the governing board of the recognised market infrastructure institution; or*
- (c) a person serving as the head of a core function as specified in regulation 27 of these regulations; or*
- (d) a person who stands higher in hierarchy to the head of any department(s) handling core function(s) in the recognised market infrastructure institution; or*
- (e) a person to whom the key management personnel reports; or*
- (f) any person defined as "key managerial personnel" under the Companies Act, 2013; or*
- (g) any other person who is a key decision-making authority as identified by the governing board of the recognised market infrastructure institution*



II. Segregation of the functions of MIIs

Principle 2 of the PFMI on Governance

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

Key Considerations

2. An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These arrangements should be disclosed to owners, relevant authorities, participants, and, at a more general level, the public.

A designated KMP should be assigned one or more specific core functions of an MII. This will ensure clear demarcation of functions and responsibilities. Accordingly, regulation 27 of the MII Regulations is proposed to be amended to mandate an MII to identify its core and critical functions and segregate them into verticals. The core and critical functions are required to be segregated into the following verticals:

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 functions
- v. Cyber security and cyber resilience framework

b) Vertical 2: Regulatory, 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. Compliance
- vii. Inspection
- viii. Enforcement
- ix. Arbitration and Grievance Redressal Mechanism
- x. Member Default
- xi. Investor Protection and Services

c) Other functions including business development

- i. Sales
- ii. Marketing
- iii. Product Development
- iv. Finance

III. Appointment of Directors

The extant regulations of IFSCA prescribe a maximum tenure of five years for the appointment of Managing Director of an MII subject to the maximum age limit of seventy years. Similarly, the Public Interest Director can be appointed for a term of three years extendable by another term of three years subject to the approval of the Authority.

It may be noted that MIIs being critical infrastructure institutions in the capital markets ecosystem, the role and responsibility of the Managing Director of the MII, assumes great significance. Therefore, in line with the need for periodic change, it is proposed that after each term, the appointment process for the Managing Director should be conducted afresh and the age limit for such a Managing Director be capped at sixty-five years. Similarly, the maximum age limit for the Public Interest Director may also be capped at seventy-five years in the proposed amendments.

IV. Compensation for KMP

The provisions related to compensation policy for KMP have been proposed to be included in the regulations. The compensation policy is to be laid down by the Nomination and Remuneration after the approval of the Governing Board. With a



view to strengthening the Corporate Governance practices of the MIIs and enhancing the accountability of the KMP, it is proposed that the compensation policy of the KMP include norms related to malus and clawback arrangements.

V. Code of Conduct for the MIIs and its Governing Board, Directors, KMP, and Committee Members

IFSCA had prescribed the code of conduct and code of ethics by way of circular dated September 13, 2021. In the proposed amendments, the code of conduct to be followed by the MIIs has been included in the regulations.

Principle 2 of the PFMI on Governance

Key Considerations

3. The roles and responsibilities of an FMI's board of directors (or equivalent) should be clearly specified, and there should be documented procedures for its functioning, including procedures to identify, address, and manage member conflicts of interest.

6. The board should establish a clear, documented risk-management framework that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision making in crises and emergencies. Governance arrangements should ensure that the risk-management and internal control functions

Accordingly, to ensure the transparency and accountability in the roles of KMPs, the proposed code of conduct for the MIIs, *inter-alia*, specify that a MII shall segregate roles and responsibilities of KMP within the MII 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

Existing MII Regulations specify the principle-based requirements for risk management for the MIIs. In the proposed regulations, the Governing Board of an MII, has been entrusted with the following responsibilities with respect to risk management:

- i. The Governing Board of an MII shall play an active role in defining, establishing and documenting risk management framework, covering risk appetite or risk tolerance policy of the MII and ensure that the policy contains the following:-



- a) role of risk appetite in key processes
 - b) clear quantitative metrics and thresholds to monitor performance of the market infrastructure institution's risk appetite
 - c) acceptability of breaches and trigger response(s), if any
 - d) zero tolerance for areas such as cyber security, system stability, surveillance, fair access, fraud or corruption, compliance, etc
- ii. The Governing Board of an MII 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.
- iii. The Governing Board of an MII shall ensure adequate independence of key functions such as regulatory and control functions (risk management, compliance and audit functions) such that;
- a) regulatory and control functions have sufficient stature to perform their tasks effectively
 - b) regulatory and control functions operate independently and have appropriate direct access to the Governing Board of the MII and senior management
 - c) control functions are proactively involved in all relevant decisions and activities
- iv. The Governing Board shall provide for three lines of defense construct where:
- a) 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.
 - b) the second line of defense consists of various oversight functions i.e., regulatory, risk management, compliance teams, and
 - c) the third line of defense comprises the internal audit function
- v. The Governing Board of an MII shall 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.



PUBLIC COMMENTS

11. Comments and suggestions from the public are invited on the amendments proposed to IFSCA (Market Infrastructure Institutions) Regulations, 2021 as listed at **Annexure-I**.
12. Additionally, comments from the public are invited (with respect to the corporate governance arrangements of the MIIs) on the following:
- Should the regulations mandate at least two-third of the total members of the Governing Board to be the Public Interest Directors/Independent Directors?
 - Whether Managing Director of an MII should be classified as a shareholder director ?
 - Whether the approval of shareholders should be mandatory for appointment of a Public Interest Director ?
13. Comments may be sent by email to Shri Praveen S Kamat, General Manager at praveen.kamat@ifsc.gov.in and Shri Shubham Goyal, AGM at goyal.shubham@ifsc.gov.in latest by September 19, 2024.
14. The comments may be provided in the following format:

Name and details of the person/entity					
S. No.	Paragraph no. as per annexure 1	Regulation no.	Comments /Suggestion / Proposed amendment	Detailed Rationale	Other supporting information#

#such as practices in global jurisdictions, IOSCO or PFMI principles, potential impact of the suggestion etc.



Annexure-I

S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
1	Regulation 2: Definitions	-	(ba) "broker dealer" means a person having trading rights in any recognised stock exchange	The term "broker dealer" has been used in the IFSCA (Capital Market Intermediaries) Regulations, 2021. The term "trading member" has been replaced with the term "broker dealer" to ensure consistency.
2	Regulation 2: Definitions	"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	"key management personnel" includes: (i) any person appointed as the managing director or executive director; or (ii) a person serving as the head of a department or vertical and directly reporting to the managing director or to the directors on the governing board of the recognised market infrastructure institution; or	The definition of KMP is proposed to be amended in such a way that it includes the individuals with the ability to influence decisions as well as those involved in the core functions in the MIIs. The Core functions of the MIIs have also been defined in Schedule-II of the proposed amendments to the MII Regulations.



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
		<p>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</p>	<p>(iii) a person serving as the head of a core function as specified in regulation 27 of these regulations; or</p> <p>(iv) a person who stands higher in hierarchy to the head of any department(s) handling core function(s) in the recognised market infrastructure institution; or</p> <p>(v) a person to whom the key management personnel reports; or</p> <p>(vi) any person defined as “key managerial personnel” under the Companies Act, 2013; or</p> <p>(vii) any other person who is a key decision-making authority as identified by the governing board of the recognised market infrastructure institution</p>	



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
3	Regulation 8 (2) (d): Requirements for grant of recognition	the applicant has adequate infrastructure to list securities for trading on its platform, wherever applicable;	the applicant has adequate infrastructure to list securities or financial products for trading on its platform, wherever applicable;	To cover the listing of permitted financial products which may or may not be classified as securities.
4	Regulation 8 (2) (e): Requirements for grant of recognition	the applicant has necessary capability to have a comprehensive network of trading members and has adequate facility to admit and regulate its members	the applicant has necessary capability to have a comprehensive network of broker dealers and has adequate facility to admit and regulate its members	The term “trading member” has been replaced with the term “broker dealer.”
5	Regulation 8 (2) (f): Requirements for grant of recognition	the applicant has made necessary arrangements to establish connectivity with its trading members and clearing corporation	the applicant has made necessary arrangements to establish connectivity with its broker dealers and clearing corporation	The term “trading member” has been replaced with the term “broker dealer.”
6	Regulation 10A: Code of Conduct for recognised market infrastructure institution	-	Code of Conduct for recognised market infrastructure institution A recognised market infrastructure institution shall abide by the Code of Conduct as	The Code of conduct for the MIIs has been made part of the regulations to specify the responsibilities of the MIIs for compliance with the applicable laws, corporate governance etc.



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
			<p>specified under Part-A of Schedule-I of these regulations.</p>	
7	Regulation 15: Net Worth	<p>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.</p>	<p>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.</p> <p><i>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</i></p>	<p>There is a possibility that the MIIs may invest in their subsidiaries or other businesses in the near future. To exclude such an invested portion from net worth, the definition of net worth has been inserted.</p> <p>Considering the importance of the clearing corporation in capital markets ecosystem, the net worth of the clearing corporation has been linked with the value of liquid assets.</p>



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
			<p><i>off, including miscellaneous expenses not written off.</i></p> <p><i>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.</i></p> <p><i>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.</i></p>	
8	Regulation 16 (1) (b): Shareholding requirement	a consortium of market infrastructure institutions recognised in India, an IFSC or a Foreign Jurisdiction with a minimum of fifty-one per	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	To give an opportunity to any MII to have majority stake in the joint venture of the MIIs



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
		<p>cent. of the paid-up equity share capital of the recognised stock exchange held by such consortium:</p> <p>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.</p>	<p>the paid-up equity share capital of the recognised stock exchange held by such joint venture.</p>	
9	Regulation 17 (1) (b): Shareholding requirement	<p>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:</p> <p>Provided that the stock exchange(s) recognised in India, an IFSC or a Foreign</p>	<p>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</p>	<p>To give an opportunity to any MII to have majority stake in the joint venture of the MIIs</p>



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
		Jurisdiction shall have fifty one per cent. or more shareholding within the consortium.		
10	Regulation 18 (1) (b): Shareholding requirement	<p>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:</p> <p>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.</p>	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	To give an opportunity to any MII to have majority stake in the joint venture of the MIIs
11	Regulation 21 of (Disclosure of Shareholding)	A recognised market infrastructure institution shall disclose to the	A recognised market infrastructure institution shall disclose to the Authority their	The shareholding pattern is the part of the monthly reports being submitted by the Exchanges and



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
		<p>Authority their shareholding pattern on a quarterly basis within fifteen days from the end of each quarter, including therein the following, -</p> <p>(a) the names of the ten largest shareholders along with the number and per cent. of shares held by them; and</p> <p>(b) the names of the shareholders who had acquired shares in that quarter.</p>	<p>shareholding pattern in the periodic returns as specified by the Authority from time to time.</p>	<p>Clearing Corporations to the Authority. Pursuant to feedback received from MIIs, the additional compliance requirement of quarterly submission has been removed.</p>
12	Regulation 23 (2) (b): Fit and Proper requirements	(v) an order, restraining, prohibiting or debarring the person or any of its whole-time directors or managing partners, from dealing in	(v) an order, restraining, prohibiting or debarring the person or any of its whole-time directors or managing partners, from dealing in financial products	To ensure the continuity of operations of the MIIs given their importance in the capital market ecosystem.



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
		<p>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;</p> <p>(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;</p>	<p>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;</p> <p>(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;</p> <p><i>Provided that for the purpose of sub-clauses (v) and (vi), any order or direction issued by the Authority or any other regulator, against a market infrastructure institution shall not affect the operation of</i></p>	



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
			<i>such recognised market infrastructure institution unless expressly mentioned in the order or direction about restriction on operations</i>	
13	Regulation 24 (2) (e): Governance norms	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;	The broker dealers or clearing members in an IFSC or their associates and agents (except 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;	<p>The term “trading member” has been replaced with the term “broker dealer.”</p> <p>Existing regulations do not permit the broker dealers/ clearing members/ depository participants to be on the governing board of an MII. However, an exception has been carved out for the persons who are on the governing board of a public financial institution or scheduled commercial bank.</p> <p>It has been observed that some of the broker dealers/clearing members/depository participants having stake in MIIs may be willing</p>



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
				<p>to nominate their senior officials on the governing board of an MII.</p> <p>Accordingly, pursuant to comments received from MIIs, suitable amendments have been made to the regulations.</p>
14	Regulation 24 (2) (f): Governance norms	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;	The depository participants in an IFSC or their associates and agents (except a scheduled commercial bank or a public financial institution) shall not be on the governing board of a recognised depository;	<p>Existing regulations do not permit the broker dealers/ clearing members/ depository participants to be on the governing board of an MII. However, an exception has been carved out for the persons who are on the governing board of a public financial institution or scheduled commercial bank.</p> <p>It has been observed that some of the broker dealers/clearing members/depository participants having stake in MIIs may be willing to nominate their senior officials on the governing board of an MII.</p>



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
15	Regulation 24 (2) (h)	(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;	<p>(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:</p> <p>Provided that post the expiry of term(s) at the recognised market infrastructure institution, a public interest director may be appointed, with the prior approval of the Authority, for a further term of three years in any other recognised market infrastructure institution, only after a cooling-off period of one year:</p> <p>Provided further that a person may be appointed as a public interest director for a maximum of three terms across recognised market infrastructure institutions,</p>	<p>PIDs given their special role should be governed by higher governance standards. Therefore, following have been proposed:</p> <ul style="list-style-type: none"> i) Cooling off period of one year for appointment in any other MII and ii) Maximum three terms for a PID across the MIIs subject to age limit of seventy-five years



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
			subject to a maximum age limit of seventy five years.	
16	Regulation 24 (2) (i): Governance norms	<p>The appointment of managing director shall be for a term not exceeding five years subject to maximum age limit of 70 years:</p> <p>Provided that the managing director may be re-appointed subject to approval of the Authority.</p>	<p>The appointment of managing director shall be for a term not exceeding five years:</p> <p>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:</p> <p>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</p>	<p>MIIs being public utilities, the role and responsibility of the MD/CEO in a MII, assumes greater significance.</p> <p>Therefore, in line with the need for periodic change, it is felt that after each term, the appointment process for MD/CEO should be conducted afresh with the maximum age limit of sixty five years rather than seventy years.</p>
17	Regulation 25: Code of Conduct	Code of Conduct for directors and key management personnel	Code of Conduct for the governing board, directors, committee members and key management personnel	Considering the recommendations of the Committee on Strengthening Governance of Market Infrastructure Institutions and



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
		<p>(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.</p>	<p>(1) The governing board, directors, committee members and key management personnel of a recognised market infrastructure institution shall abide by such Code of Conduct specified under Part -B of Schedule-I of these regulations.</p>	<p>Principles for Financial Market Infrastructures (PFMI), code of conduct has been specified for the MIIs, its governing board, directors, committee members and key management personnels.</p>
18	Regulation 25 A: Compensation of key management personnel	--	<p>Compensation of key management personnel</p> <p>(1) A recognised market infrastructure institution shall constitute a Nomination and Remuneration Committee comprising a majority of public interest directors and</p>	<p>To strengthen the corporate governance arrangements, norms for compensations have been included as part of the regulations.</p>



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
			<p>chaired by a public interest director.</p> <p>(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 a recognised market infrastructure institution.</p> <p>(3) The compensation policy shall have malus and clawback arrangements.</p> <p>(4) The compensation payable to the managing director of a recognised market infrastructure institution and any</p>	



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
			<p style="text-align: center;">change therein shall be intimated to the Authority.</p>	
19	Regulation 26: Committees	A recognised market infrastructure institution shall constitute such committees as may be specified by the Authority from time to time.	<p>(1) A recognised market infrastructure institution shall constitute the committees as per sub-regulation (2), sub-regulation (3) and sub-regulation (4).</p> <p>(2) Functional committee, comprising:</p> <p style="margin-left: 20px;">(a) Member committee; (b) Nomination and remuneration committee</p> <p>(3) Oversight committee, comprising:</p> <p style="margin-left: 20px;">(a) Standing committee on technology;</p>	The list of Committees to be constituted by MIIs has been specified in the regulations.



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
			<p>(b) Regulatory oversight committee; and (c) Risk management committee.</p> <p>(4) Investment committee.</p> <p>(5) The composition, quorum and functions of the committees under sub-regulation (2), (3) and sub-regulation (4) shall be in the manner as specified by the Authority from time to time.</p>	
20	Regulation 27: Segregation	A recognised market infrastructure institution shall adopt an appropriate policy to segregate its regulatory departments from other departments.	<p>(1) A recognised market infrastructure institution shall identify its core and critical functions, and segregate them into the following verticals:</p> <p>a) Vertical 1: Critical Operations b) Vertical 2: Regulatory, Compliance,</p>	Based on the recommendations of Mahalingam Committee, provision related to segregation of the functions have been inserted in the regulations to ensure that there is in no conflict of interest between the verticals handling the business development and the regulatory and compliance functions.



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
			<p>Risk Management and Investor Grievances;</p> <p>c) Other functions including business development</p> <p>(2) The functions of the verticals under sub-regulation (1) above are provided at Schedule-II of these regulations.</p> <p>(3) Every market infrastructure institution shall ring-fence the functions and personnel under vertical as provided at clause (b) of sub-regulation (1) from the functions and personnel of other verticals.</p>	
21	Regulation 31: Settlement Guarantee Fund	-	(7) Such framework shall specify the contribution to be made by a recognised stock exchange, recognised clearing corporation and the clearing members to the fund.	To specify the contributions in the Settlement Guarantee Fund.



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
			<p>(8) In case of shortfall in the fund, the recognised clearing corporation and the recognised stock exchange shall replenish the fund to the threshold level.</p>	
22	Regulation 32: Trading Hours and Settlement	(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.	<p>(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</p> <p><i>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.</i></p>	To promote the operational flexibility based on global best practices.



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
23	Regulation 39: Maintenance of books of accounts and records	<p>(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 twenty years.</p> <p>(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 twenty years namely</p>	<p>(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 eight years</p> <p>(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 eight years namely</p>	Pursuant to the request received from MIIs, the record keeping requirements has been reduced from twenty to eight years.
24	Regulation 43A: Orderly winding down	-	<p>Orderly Winding Down</p> <p>(1) A recognised clearing</p>	To provide for an enabling provision mandating the Clearing Corporations to devise and maintain a framework for orderly



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
			<p>corporation shall devise and maintain a framework for orderly winding down of its critical operations and services covering both voluntary and involuntary scenarios.</p> <p>(2) A recognised clearing corporation shall ensure that the framework provides for:-</p> <ul style="list-style-type: none"> (a) the timely and orderly settlement or cessation or transfer of position(s), and/ or; (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/or; (c) such other related matter. 	<p>winding down of critical operations and services.</p>



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
			(3) A recognised clearing corporation shall include the framework referred in sub-regulation (1) above, in its bye-laws.	
25	Regulation 44: Securities eligible for dematerialization	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	All securities defined under the SCRA and financial products defined under IFSCA Act shall be eligible for being held in dematerialised form in a recognised depository	To provide for dematerialization of financial products
26	Regulation 57: Maintenance of records	(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 twenty years.	(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 eight years.	Pursuant to the request received from MIIs, the record keeping requirements has been reduced from twenty to eight years.
27	Regulation 62: Record Keeping	In addition to the requirements under other laws in force, a market infrastructure institution	In addition to the requirements under other laws in force, a market infrastructure institution shall maintain and preserve all the	Pursuant to the request received from MIIs, the record keeping requirements has been reduced from twenty to eight years.



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
		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 twenty years	books, registers, other documents and records relating to the issue or transfer of its securities in electronic retrieval form for a minimum of eight years	
28	Regulation 63 A :Chief Risk Officer	-	<p>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.</p> <p>(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.</p>	To make the appointment of Chief Risk Officer mandatory to handle the risks associated with MIIs.
29	Regulation 63B: Chief Legal Officer	-	(1) A recognised market infrastructure institution shall appoint a chief legal officer,	To make the appointment of Chief Legal Officer to handle the legal functions in an MII. The MIIs are



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
			<p>separately, in addition to a chief risk officer, who shall take necessary steps to mitigate the legal risk associated with the functioning of a recognised market infrastructure institution.</p> <p>(2) The chief legal officer shall be responsible for vetting of the bye-laws or any amendment therein before submission to the Authority for approval.</p> <p>(3) The chief legal officer shall also be responsible for vetting of legal documents for any cross-border arrangement proposed to be entered into by a recognised market infrastructure institution.</p>	<p>functioning in IFSC, it is given that these would be entering into agreements with entities overseas. In such case, it is imperative that such agreements are vetted and signed with appropriate legal counsel.</p>
30	Regulation 63C: Chief Information Security Officer	-	(1) A recognised market infrastructure institution shall appoint a chief information security officer separately and in	The CISO is responsible for, formulating and implementing cybersecurity strategy and measures to protect the MII's assets. In order to enable the CISO



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
			<p>addition to a chief technology officer.</p> <p>(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.</p>	to function effectively, it is prudent that the CISO reports directly to the highest decision-making authority within the MII.
31	Regulation 73: Repeal and Savings	-	<p>(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 shall stand superseded from the date of notification of the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024.</p>	The Code of Conduct and Code of Ethics have been made part of the Regulations by way of insertion of Schedule-I. The circulars specifying the Code of Conduct and Code of Ethics are proposed to be repealed.
32	Schedule-I	-	Schedule-I	To provide for code of conduct in the regulations to specify the



S. No.	Regulation	Existing Regulation	Amended Regulation	Rationale
			(Code of Conduct for a recognised market infrastructure institution and its governing board, directors, key management personnel and committee members)	responsibilities, governing board, directors and KMPs.
33	Schedule-II	-	Schedule-II (Core functions of a recognised market infrastructure institution)	In accordance with Principle 2 of the PFMI, verticals and core functions of the MIIs have been specified. Head of each vertical specified in the Schedule-II to be designated as key management personnel.



Schedule-I

(See regulation 10A)

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

A recognised market infrastructure institution shall:

- (a) always abide by the provisions of the Securities Contracts (Regulations) Act, 1956, International Financial Services Centres Authority Act, 2019, Depositories Act, 1996, any Rules or Regulations framed thereunder, circulars, guidelines and any other directions issued by the Authority from time to time.
- (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 violations of the provisions of the Securities Contracts (Regulations) Act, 1956, International Financial Services Centres Authority Act, 2019, Depositories Act, 1996, rules, regulations, circulars, guidelines or any other directions by any of its members, participants or issuer
- (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.



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 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 market infrastructure institution
- (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 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
- (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 market infrastructure institution 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 consists of various oversight functions i.e., regulatory, risk management, compliance teams,
 - iii. and 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 market infrastructure institution 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 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.
- (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 market infrastructure institution



- (s) uphold a strong culture in the market infrastructure institution and promote target culture from the top through behaviour, actions and effective communication.
- (t) communicate the guiding principles for institution's target regulatory, compliance, risk and conduct culture.
- (u) 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 Securities Contracts (Regulations) Act, 1956, the International Financial Services Centres Authority Act, rules and regulations framed thereunder and the circulars, directions or any other instructions issued by the Board from time to time;
- (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 in IFSC 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.



Schedule -II

[See sub-regulation 2 of regulation 27]]

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, 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) Compliance;
- (vii) Inspection;
- (viii) Enforcement;
- (ix) Arbitration and grievance redressal mechanism;
- (x) Member default;
- (xi) Investor protection and services.

c) Vertical 3: Other Functions including Business Development

- (i) Sales;
- (ii) Marketing;
- (iii) Product Development;
- (iv) Finance.