

Terms and Conditions for appointment of Independent Directors of National Securities Clearing Corporation Limited:

1. The Independent Director is required to comply with the criteria/norms laid down, from time to time, under the Companies Act, 2013 and SEBI Regulations. The criteria/norms laid down under the Companies Act, 2013 and SEBI Regulations are given in **Annexure A-1 and Annexure A-2** respectively.
2. The Independent Director is required to abide by the provisions specified in “Code for Independent Directors” prescribed in Schedule IV to the Companies Act, 2013 and attached herewith as **Annexure-B-1**. In addition, the Company has framed code of conduct [**Annexure-B-2**], pursuant to a directive from SEBI, in respect of the Directors for their due compliance. Both the above documents list out the expectations of the Board from the Independent Directors.
3. The Company has also framed code of ethics [**Annexure-C**] for its Directors, Committee members and Employees based on the directive from SEBI. As per the requirements of the Code, all directors are required to disclose/furnish certain details of dealings in securities upon assuming office and also during their tenure in office.
4. Term: Though The Companies Act, 2013 allows an Independent Director to hold office for a term upto five years and a maximum of two terms, the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations), Regulations, 2012 of SEBI states that a Public Interest Director (who are essentially independent directors) nominated by SEBI can hold office for a fixed term of three years from the date of approval from SEBI unless SEBI extends the same. As an Independent Director, you can hold office for a term of three years from the date of original appointment and shall not be liable to retire by rotation during the said term.
5. The Independent Director is entitled to a sitting fee of such sum as may be prescribed by the Board from time to time for each meeting of the Board or the Committee and such other meetings attended by him besides reimbursement of expenses of travel, stay and other incidental expenditure incurred for participation in the Board and other meetings.
6. The Company has taken Directors & Officers liability and Professional indemnity insurance policies to cover the risk that may arise to the Directors. Each Director is expected to bear his proportionate premium payable thereon.
7. The Board may from time to time constitute any Committee(s) for disposal of any specific matter and may induct you as a member on such Committees.

8. We are confident that the Board and the Company will benefit immensely from your rich experience and we are eager to have you as an integral part for growth of the Company. This letter is issued in duplicate. Please confirm your acceptance by signing and returning the duplicate copy of this letter.

Thanking you,

Yours truly,

Chairman

Encl.: As above

Annexure - A-1

Criteria to become an Independent Director

An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director -

- (a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- (b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;

(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- (c) who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- (d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- (e) who, neither himself nor any of his relatives—
 - (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
 - (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—
 - (A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
 - (B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
 - (iii) holds together with his relatives two per cent or more of the total voting power of the company; or

- (iv) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives 25% or more of its receipts from the Company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2 % or more of the total voting power of the Company; or
- (v) is a material supplier, service provider or customer or a lessor or lessee of the company
- (f) who possesses such other qualifications as may be prescribed i.e possesses appropriate skills, experience and knowledge in one or more fields of finance / law / management / sales / marketing / administration / research / corporate governance / technical operations/other disciplines related to companies business

Annexure - A-2

Criteria /Norms under SEBI Regulations applicable to Public Interest Directors (who are essentially Independent Directors)

1. Every Director (including Public Interest Director) shall be a fit and proper person as described in Regulation 20 of SCR (SECC) Regulations, 2012.

Regulation 20 of SCR (SECC) Regulations, 2012 reads as under:-

A person shall be deemed to be a fit and proper person if—

- (a) such person has a general reputation and record of fairness and integrity, including but not limited to—
 - (i) financial integrity;
 - (ii) good reputation and character; and
 - (iii) honesty;
 - (b) such person has not incurred any of the following disqualifications—
 - (i) the person, or any of its whole time directors or managing partners, has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against the securities laws;
 - (ii) an order for winding up has been passed against the person;
 - (iii) the person, or any of its whole time directors or managing partners, has been declared insolvent and has not been discharged;
 - (iv) an order, restraining, prohibiting or debarring the person, or any of its whole time directors or managing partners, from dealing in securities or from accessing the securities market, has been passed by the Board (i.e. SEBI) 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;
 - (v) 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 Board (i.e SEBI) or any other regulatory authority, and a period of three years from the date of the order has not elapsed;
 - (vi) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force; and
 - (vii) the person is financially not sound.
2. Public Interest Directors shall be nominated for a fixed term of three years or for such extended period as may be approved by SEBI.
 3. Public Interest Directors shall not be simultaneously on the Board of any other stock exchange/clearing corporation or their subsidiary.
 4. Public Interest Directors shall be paid only sitting fees as specified in the Companies Act, 2013.

Annexure – B-1

Code of Conduct for Independent Directors under Companies Act, 2013

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfillment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.

I. Guidelines of professional conduct:

An independent director shall:

1. uphold ethical standards of integrity and probity;
2. act objectively and constructively while exercising his duties;
3. exercise his responsibilities in a bona fide manner in the interest of the company;
4. devote sufficient time and attention to his professional obligations for informed and balanced decision making;
5. not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
6. not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
7. refrain from any action that would lead to loss of his independence;
8. where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
9. assist the company in implementing the best corporate governance practices.

II. Role and functions:

The independent directors shall:

1. help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
2. bring an objective view in the evaluation of the performance of board and management;
3. scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
4. satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

5. safeguard the interests of all stakeholders, particularly the minority shareholders;
6. balance the conflicting interest of the stakeholders;
7. determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
8. moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

III. Duties:

The independent directors shall—

1. undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
2. 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 the company;
3. strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
4. participate constructively and actively in the committees of the Board in which they are chairpersons or members;
5. strive to attend the general meetings of the company;
6. where they have concerns about the running of the company 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;
7. keep themselves well informed about the company and the external environment in which it operates;
8. not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
9. 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 the company;
10. ascertain and ensure that the company 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;
11. report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
12. acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
13. 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.

IV. Manner of appointment:

1. Appointment process of independent directors shall be independent of the company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.
2. The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
3. The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.
4. The appointment of independent directors shall be formalised through a letter of appointment, which shall set out :
 - a. the term of appointment;
 - b. the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
 - c. the fiduciary duties that come with such an appointment along with accompanying liabilities;
 - d. provision for Directors and Officers (D and O) insurance, if any;
 - e. the Code of Business Ethics that the company expects its directors and employees to follow;
 - f. the list of actions that a director should not do while functioning as such in the company; and
 - g. the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
5. The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.
6. The terms and conditions of appointment of independent directors shall also be posted on the company's website.

V. Re-appointment:

The re-appointment of independent director shall be on the basis of report of performance evaluation.

VI. Resignation or removal:

1. The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.
2. An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.
3. Where the company fulfills the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

VII. Separate meetings:

1. The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;
2. All the independent directors of the company shall strive to be present at such meeting;
3. The meeting shall:
 - a. review the performance of non-independent directors and the Board as a whole;
 - b. review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
 - c. assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

VIII. Evaluation mechanism:

1. The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
2. On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

Annexure – B-2

Code of Conduct for Public Interest Directors under SEBI Regulations

I. Meetings and minutes

Every director of the recognised stock exchange and 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. offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;
- d. insist on the minutes of the previous meeting being placed for approval in subsequent meeting;
- e. endeavour to have the date of next meeting fixed at each governing board meeting in consultation with other members of the governing board;
- f. endeavour to ensure that in case all the items of the agenda of a meeting were not covered for want of time, the next meeting is held within fifteen days for considering the remaining items.

II. Code of Conduct for the public interest directors

- a. In addition to the conditions stated in Para (i) above, public interest directors of the recognised stock exchange or recognised clearing corporation shall endeavour 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 per cent 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.

III. Strategic planning

Every director of the recognised stock exchange and recognised clearing corporation shall -

- a. participate in the formulation and execution of strategies in the best interest of the recognised stock exchange or recognised clearing corporation and contribute towards pro-active decision making at the governing board level;
- b. give benefit of their experience and expertise to the recognised stock exchange or recognised clearing corporation and provide assistance in strategic planning and execution of decisions.

IV. Regulatory compliances.

Every director of the recognised stock exchange and recognised clearing corporation shall -

- a. endeavour to ensure that the recognised stock exchange or recognised 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 Board 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 recognised stock exchange or recognised clearing corporation takes steps commensurate to honour the time limit stipulated by Board for corrective action;
- d. not support any decision in the meeting of the governing board which may adversely affect the interest of investors and shall report forthwith any such decision to the Board.

V. General responsibility

Every director of the recognised stock exchange and recognised clearing corporation shall -

- a. place priority for redressing investor grievances and encouraging fair trade practice so that the recognised stock exchange or recognised clearing corporation becomes an engine for the growth of the securities market;
- b. endeavour to analyse and administer the recognised stock exchange or recognised clearing corporation issues with professional competence, fairness, impartiality, efficiency and effectiveness;
- c. submit the necessary disclosures/statement of holdings/dealings in securities as required by the recognised stock exchange or recognised clearing corporation from time to time as per their Rules or Articles of Association;
- d. 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;
- e. 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;
- f. 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;
- g. perform their duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion;
- h. not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the recognised stock exchange or recognised clearing corporation.

Annexure –C

Code of Ethics for Directors under SEBI Regulations

Code of Ethics for directors and key management personnel of stock exchanges or clearing corporations

The 'Code of Ethics' for directors and key management personnel of the recognised stock exchanges or recognised clearing corporations, is aimed at improving the professional and ethical standards in the functioning of recognised stock exchanges or recognised clearing corporations thereby creating better investor confidence in the integrity of the market.

I. Objectives and underlying principles.

- The Code of Ethics for directors and key management personnel of the recognised stock exchange or recognised clearing corporation seeks to establish a minimum level of business/ professional ethics to be followed by these directors and key management personnel, towards establishing a fair and transparent marketplace. The Code of Ethics is based on the following fundamental principles:
- Fairness and transparency in dealing with matters relating to the stock exchange or clearing corporation and the investors.
- Compliance with all laws/ rules/ regulations laid down by regulatory agencies/recognised stock exchange/ recognised clearing corporation.
- Exercising due diligence in the performance of duties.
- Avoidance of conflict of interest between self-interest of directors/ key management personnel and interests of recognised stock exchange or recognized clearing corporation and investors.

II. Ethics committee.

For overseeing implementation of this Code, an ethics committee shall be constituted by every recognised stock exchange and recognised clearing corporation under the respective governing board.

III. General standards.

- a. Directors and key management personnel shall endeavour to promote greater awareness and understanding of ethical responsibilities.
- b. Directors and key management personnel, in the conduct of their business shall observe high standards of commercial honour and just and equitable principles of trade.
- c. The conduct of directors and key management personnel in business life should be exemplary which will set a standard for other members of the recognised stock exchange or recognised clearing corporation.
- d. Directors and key management personnel shall not use their position to give/get favours to/from the executive or administrative staff of the stock exchange or clearing corporation, technology or service providers and

- vendors of the recognised stock exchange or clearing corporation, or any listed company at the recognised stock exchange.
- e. Directors and key management personnel shall not commit any act which will put the reputation of the recognised stock exchange or recognised clearing corporation, in jeopardy.
 - f. Directors, committee members and key management personnel of the recognized stock exchange or recognised clearing corporation, should comply with all rules and regulations applicable to the securities market.

IV. Disclosure of dealings in securities by key management personnel of the stock exchange or clearing corporation.

- a. Key management personnel of the recognised stock exchange or recognized clearing corporation shall disclose on a periodic basis as determined by the stock exchange or recognised clearing corporation (which could be monthly), all their dealings in securities, directly or indirectly, to the governing board/ ethics committee/ Compliance Officer.
- b. The dealings in securities shall also be subject to trading restrictions for securities about which key management personnel in the recognised stock exchange or recognised clearing corporation may have non-public price sensitive information. Requirement laid down under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 may be referred in this regard.
- 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. However, in specific/exceptional circumstances, sale can be affected anytime by obtaining pre-clearance from the Compliance Officer to waive this condition after recording in writing his satisfaction in this regard.

Explanation.—"securities" for the purposes of this Code shall not include mutual fund units.

V. Disclosure of dealings in securities by directors of the stock exchange or clearing corporation.

- a. All transactions in securities by the directors and their family shall be disclosed to the governing board of the recognised stock exchange or recognised clearing corporation.
- b. All directors shall also disclose the trading conducted by firms/corporate entities in which they hold twenty per cent. or more beneficial interest or hold a controlling interest, to the Ethics Committee.
- c. Directors who are Govt. of India nominees or nominees of Govt. of India statutory bodies or financial institutions and are governed by their own codes shall be exempt from this requirement.

VI. Avoidance of conflict of interest.

- a. No director of the governing board or member of any committee of the recognized stock exchange or recognised clearing corporation shall participate in any decision making/adjudication in respect of any person /matter in which he is in any way, directly or indirectly, concerned or interested.
- b. Whether there is any conflict of interest or not in a matter, should be decided by the governing board.

VII. Disclosures of beneficial interest.

All directors and key management personnel shall disclose to the governing board, upon assuming office and during their tenure in office, whenever the following arises:—

- a. any fiduciary relationship of self and family members and directorship/partnership of self and family members in any trading member or clearing member;
- b. shareholding, in cases where the shareholding of the director, directly or through his family exceeds 5 per cent. in any listed company or in other entities related to the securities markets;
- c. any other business interests.

VIII. Role of the Chairperson and directors in the day to day functioning of the stock exchange or clearing corporation.

- a. The Chairperson and directors shall not interfere in the day to day functioning of the recognised stock exchange or recognised clearing corporation and shall limit their role to decision making on policy issues and to issues as the governing board may decide.
- b. The Chairperson and directors shall abstain from influencing the employees of the recognised stock exchange or recognised clearing corporation in conducting their day to day activities.
- c. The Chairperson and directors shall not be directly involved in the function of appointment and promotion of employees unless specifically so decided by the governing board.

IX. Access to information.

- a. Directors shall call for information only as part of specific committees or as may be authorised by the governing board.
- b. 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/ information shall be properly recorded.
- c. All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration/ gain.

- d. Any information relating to the business/operations of the recognised stock exchange or recognised clearing corporation, which may come to the knowledge of directors/ 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.

X. Misuse of position.

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

xi. Ethics committee to lay down procedures.

- a. The ethics committee shall lay down procedures for the implementation of the code and prescribe reporting formats for the disclosures required under the code.
- b. The Compliance Officer shall execute the requirements laid down by the ethics committee.

While the objective of this Code is to enhance the level of market integrity and investor confidence, it is emphasized that a written code of ethics may not completely guarantee adherence to high ethical standards. This can be accomplished only if directors and key management personnel of the recognised stock exchange or recognised clearing corporation commit themselves to the task of enhancing the fairness and integrity of the system in letter and spirit.
