**FORM B**

**[See regulations 5 and 12]**

**Application for recognition of clearing corporation under regulation 5/renewal of recognition of clearing corporation under regulation 12 of the International Financial Services Centres Authority (Market Infrastructure Institutions) Regulations, 2021.**

To

……………………….

……………………….

**Subject:** **Application for recognition of clearing corporation under regulation 5/ Application for renewal of recognition of clearing corporation under regulation 12 of the International Financial Services Centres Authority (Market Infrastructure Institutions) Regulations, 2021.**

Sir,

1. We/I on behalf of ..................(name and address of clearing corporation) being a clearing corporation, hereby apply for recognition/renewal of recognition for the purposes of the International Financial Services Centres Authority (Market Infrastructure Institutions) Regulations, 2021 (“the Regulations”).
2. Enclosed with this application are:
3. Two copies of the rules, memorandum and articles of association relating in general to the constitution and management of the clearing corporation and
4. two copies of the bye-laws for the clearing and settlement of contracts in securities
5. All the necessary information required in the Annexure to this Form is enclosed. Any additional information will be furnished as and when called for by the Authority.
6. We/I, on behalf of the said clearing corporation, hereby undertake to comply with the requirements of regulation 8(3) of the Regulations and such other conditions and terms as may be contained in the certificate of recognition or be provided or imposed subsequently.
7. Remittance receipt No. ............. dated..................... for USD ..................is attached.

Yours faithfully,

Authorized signatory

**ANNEXURE TO FORM 'B'**

**Part I — General**

1. Name of the applicant clearing corporation.

2. Address.

3. Date of establishment or incorporation of a clearing corporation.

4. Is your clearing corporation a joint stock company (state whether public or private) registered under the Companies Act?

5. Please provide details of your capital structure and attach three copies of the audited balance sheets and profit and loss account of the clearing corporation for the preceding three years.

6. Please provide details of shareholding pattern of the clearing corporation.

7. Has your business viability plan been appraised by a reputed agency having expertise in securities market for its viability? Give a copy of the appraisal report.

8. Have you entered into an agreement with recognized stock exchange(s) for clearing and settling its trades? Give the name of such stock exchange(s) and details of its organization and management.

**Part II — Clearing membership of clearing corporation.**

9. State the number of clearing members at the time of application. Also specify how many are inactive.

10. State whether there is any provision, resolution, or convention for limiting the number of clearing members and whether in pursuance thereof you have fixed a ceiling on the number of clearing members that you would admit.

11. Do you insist on any minimum qualifications and experience before enrolling new clearing members? If yes, please provide details.

12. State the different classes of clearing members, if any, the number thereof and the privileges enjoyed by each class. What is the procedure followed by your clearing corporation for the admission of different classes of new clearing members?

13. What are the rates of your annual subscription in respect of the different classes of clearing members?

14.Do you collect any security deposit from your clearing members? If yes, please provide details and also state the manner in which such deposits are utilized and the rate of interest allowed, if any.

15.Do you collect any admission or entrance fees from your clearing members? If yes, how much?

16.Do you insist on your clearing members divesting themselves of other activities either as principal or as employee?

17. Please provide details of the scale of brokerage and other charges, if any, specified by your clearing corporation.

18.Do you prescribe standard form of agreement to be entered with the trading member for engaging the services of your clearing member? Attach two copies of such agreement.

19.What are the measures adopted by you to regulate or prohibit advertising or issuing circulars by your clearing members?

20.Do you require clearing members to supply such information or explanation and to produce such books relating to their business as your governing board may require?

21.Do you undertake periodic inspection of your clearing members? Please provide details including the number of annual inspections and manpower available for conducting inspection.

**Part III — Governing Board**

22.What is the present strength of your governing board? Please provide details of the constitution, powers of management, election and tenure of office of members of the governing board, and the manner in which its business is transacted.

23.Are any trade or commercial interest represented on your governing board? If yes, please provide details of interests represented.

24.Do you associate members of investors associations with the management of your clearing corporation? If yes, state the manner in which it is done.

25.Are there any Government or the Board representatives on your governing board? If yes, furnish their names.

26.How many public interest directors are there on the governing board? Furnish their names, qualifications and experience.

27.Do your rules provide for the direct election by clearing members on the Advisory Committee of the governing board? If yes, please provide details of its constitution, tenure, powers and functions.

28.Do you have any provision for the appointment of standing or ad hoc subcommittees of the governing board? If yes, furnish details of their composition, appointment, term of office, powers and functions.

29.Give the designations, powers and duties of key management personnel of your clearing corporation. Please provide details as to the mode of their appointment, tenure of office and remuneration.

30.What are the disciplinary powers with the governing board to enforce due compliance by clearing members of the rules and bye-laws of the clearing corporation and generally to ensure proper standard of business conduct?

31.What provisions have you made for the levy and recovery of fees, fines and penalties?

**Part IV — Clearing and Settlement**

32.Describe the clearing and settlement system of the clearing corporation.

33.State the different kinds of products being cleared and settled or proposed to be cleared and settled in your clearing corporation (e.g., equity, equity derivative, currency derivatives, interest rate derivatives, debt instruments, etc.). State the period of delivery, payment and the settlement mechanism in each case.

34.What are the conditions subject to which trades are settled and cleared on your clearing corporation?

35.What are your requirements for admitting derivative transactions for clearing and settlement?

36.Do you have the right to prohibit, withdraw or suspend clearing and settlement of dealings admitted for clearing and settlement? If yes, under what circumstances is this right exercised?

37.Please provide details of the clearing and settlement charges and other charges, if any, levied by your clearing corporation.

38.What provisions have you made for periodical settlement of contracts and differences thereunder, the delivery of, and payment for securities and the passing of delivery orders?

39. How do you fix, alter or postpone the dates of settlement?

40. Do you provide any safeguards for the prevention of market manipulation, especially in the case of physical delivery of shares in the derivative markets and for meeting emergencies in settlement? Please provide details.

41. Provide a detailed assessment of the measures adopted to address the various risks faced by the clearing corporation in terms of the BIS-IOSCO paper on 'Principles for Financial Market Infrastructures.'

42. Do you publish any statistics in regard to business done on the clearing corporation including the value of Settlement Guarantee Fund and transactions settled through the clearing corporation, if maintained? In particular, have you evolved any machinery for computing the gross and net exposure of the clearing corporation and the value of clearing and settling of different kinds of contracts permitted on your clearing corporation? Please provide details.

43. (a) Do you have any bye-laws, contravention of which makes a contract void?

(b) Do you have necessary infrastructure, margin mechanism and adequate risk management mechanism to ensure market safety and integrity? Please provide details

 (c) Do you undertake any other activity other than clearing and settling? Please provide details.

 (d) What is your net worth? Please provide details.

 (e) Please provide details of business hours.

 (f) What are the conditions subject to which dealings are admitted for clearing and settlement?

44. Do you maintain Settlement Guarantee Fund? Please provide details of the corpus of the settlement guarantee fund, its contribution, circumstances for utilization, priority of utilization, etc

45. How do you ensure the adequacy of the Settlement Guarantee Fund? Do you perform stress tests on a periodic basis. Please provide details and results of the latest stress test.

46. What is the netting procedure adopted by the clearing corporation for determining the obligations of the clearing member?

47. What is your policy in respect of settling trades of shareholder stock exchange and non-shareholder stock exchange?

48. Do you have any provisions for regulating the volume of business and exposure taken by any individual clearing member other than through a system of margins? If yes, please provide details.

49. What provisions have you made for regulating— (a) entering into contracts, their performance and rescission (b) the consequences of breach, default or insolvency on the part of trading or clearing members whether acting as buyers, sellers or intermediaries?

**Part V — Infrastructure**

50. Do you have any machinery for arbitration of disputes between clearing members and/or between clearing members and their constituents and trading member and clearing member? Please provide details.

51. Have you established connectivity with the depositories, clearing banks, stock exchange and clearing members? Please provide details.

52. What is the average load that is being handled by your systems? What is the peak load that can be handled and the extent of scalability of the systems in times of stress?

53. What is your business continuity plan? Please provide details including details of the disaster recovery site.

54. What are the names, qualifications, and expertise of your key management personnel?