

National Stock Exchange Of India Limited

DEPARTMENT: INVESTOR SERVICE CELL	
Download Ref No: NSE/ISC/48866	Date: July 07, 2021
Circular Ref.No: 18/2021	

To All Market Participants,

Sub: Policy for evaluation of claims

The Exchange vide its circular date November 18, 2020 has hosted the policy for evaluation of claims applicable to Trading Members disabled / suspended after November 18, 2020, and subsequently declared defaulter/ expelled on its website.

The Exchange has reviewed the above policy and the same has been enclosed as Annexure – A.

Members and Market Participants are requested to take note of the contents of the circular.

**For and on behalf of
National Stock Exchange of India Limited**

**Gokul Swaminathan
Chief Manager**

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Annexure – A**Policy for evaluation of claims applicable to Trading Members disabled / suspended and subsequently declared defaulter/ expelled:**

All claims submitted by investors will be evaluated in accordance with the Rules, Byelaws, Regulations, guidelines, etc., of the Exchange and SEBI circulars. The maximum compensation limit per investor is Rs.25 lakhs out of Investor Protection Fund. The policy for evaluation of claims is given hereunder:

Cash and Derivatives segments:

All transactions executed on the Exchange platform will be eligible for compensation from IPF in the manner specified below:

Where the claimant has given funds/securities to defaulter / expelled member and has executed trades in the last 90 days prior to the date of withdrawal of trading facility, the claim shall be eligible subject to independent verification of the claim by the Exchange with regard to the admissible value of the funds and securities deposited by the claimant with the defaulter/expelled member. For the purpose of computing the admissible value of securities as mentioned above, the close price of the security on the date of declaration of the member as defaulter/expelled shall be considered.

Claims for Corporate Benefits:

Claims for non-receipt of corporate benefits arising out of corporate actions such as dividend, bonus, stock split, demerger, etc., receivable on the securities not delivered/settled by the trading member or due to delayed delivery / settlement would be eligible subject to the fulfilment of the condition mentioned above.

Investor Complaints:

The claim supported by ISC/IGRP/Arbitration proceedings pending or order / award not implemented at the time of the effective date of disablement of trading member for non-receipt of funds and/or securities which arose out of non-settlement of trades executed on the Exchange platform is eligible subject to independent verification of claims, provided the complaint or the Arbitration application as the case may be had been made within one month of the monthly/quarterly settlement due date in respect of the claimant.

Claims for non-receipt of funds and securities where the client has entered into an agreement / understanding:

Where the claimant has given funds and /or securities to the defaulter member by executing an undertaking or with an understanding that defaulter would in turn generate assured return on funds and/or securities so given as the case may be as evidenced in the correspondence by the claimant or defaulter or in the correspondence between the claimant and the defaulter and vice versa where the defaulter may or may not have passed on credits which may be construed to be payments in the nature of return, such claims would not be considered admissible.

Notwithstanding the above, the Member and Core Settlement Guarantee Fund Committee (MCSGFC) may in exceptional cases, depending on the facts and circumstances of the case, consider as eligible for processing applications received from the investors, which may not be in line with the methodology set out herein.

Further, below mentioned claims against the defaulter/expelled member shall not be accepted by the Exchange

- a) which arises out of a contract in securities dealings which are not permitted, or which are not made subject to Bye-Laws, Rules and Regulations of the Exchange;
- b) which arises from any arrangement for settlement of claims in lieu of bona fide money payment in full on the day when such claims become due;
- c) which is in respect of a loan with or without security;
- d) which is not filed with the Defaulters' Committee (MCSGFC) within such time of the date of declaration of default as may be prescribed by the relevant authority.
- e) Claims of associate persons
- f) Claims not supported by adequate documents in respect of payments made to / received from trading member and also securities delivered / received, etc.
- g) Claims for trades that are not executed on the Exchange.
- h) Claims of investors whose unique client codes are not registered with Exchange.
- i) Claim for damages / harassment / miscellaneous charges
- j) Claim for the interest on the amount claimed
- k) Loss emanating from delayed delivery of securities.
- l) Subscription / redemption of units under MFSS (Mutual Fund Service System) platform, trades executed on SLB (Securities Lending and Borrowing).
- m) Sham, non-genuine and collusive transactions.
- n) Claims lodged by Authorized Persons for return of security deposit/ refund of brokerage/commission.
- o) Claims lodged by persons associated with the defaulting Trading member against whom disciplinary action has been taken by the regulator/relevant authority vide their orders.
- p) Any other criteria/ condition, which in the opinion of the MCSGFC renders the claim as ineligible, based on the facts of the case.