

## **Annexure C**

### **Deletion of the Business Rules**

#### **17. INVESTOR PROTECTION RESERVE**

The Executive Committee may establish an "Investor Protection Reserve" (IPR). Contribution to the IPR will be the amounts that may be decided by the Board of NSDL from time to time. The amounts in the IPR shall be utilised to make good the claims, which may be submitted by the Clients who have suffered pecuniary losses arising from the negligence of the Depository or by the Participants while carrying out the instructions of the Client. The IPR may be operated and administered by a Committee (IPR Committee), which will have a maximum of five members to be appointed by the Board of NSDL from time to time.

##### **17.1. SOURCES OF IPR**

17.1.1. Contribution to the IPR will be the amounts that may be decided by the Board of NSDL from time to time.

##### **17.2. NATURE OF CLAIMS**

17.2.1. The IPR shall be utilised to compensate the following:

- i) for any loss suffered by a Client arising from the negligence of the Participants and or the Depository while carrying out the instructions of the Client.
- ii) for any losses the investor might incur, as a result of non performance by the Participant.

##### **17.3. CLAIMS NOT TO BE ADMITTED**

17.3.1. Claims of investors who have not availed the services of the Depository by opening an account with any of its Participants, shall not be admitted.

17.3.2. Claims which are above Rs.1.50 lakh in value.

##### **17.4. PROCEDURE FOR MAKING CLAIMS**

17.4.1. Any Client who has suffered any loss arising from negligence and/or as a result of non performance by the Participant(s) while carrying out the instructions of the Client shall first approach the concerned Participant to make good the loss.

17.4.2. The claim(s) of the Clients shall be admitted under IPR only as a last recourse, when a Participant is no longer able to fulfill his financial obligation.

17.4.3. A claim for compensation shall be in writing, giving full details of all relevant facts of the case duly supported by copies of documents relevant thereto.

17.4.4. Any person wishing to make a claim shall also give an undertaking in writing in the prescribed format, to be bound by the decision of the IPR Committee, whose decision shall be final and binding.

17.4.5. In the event of multiple claims received from a Client(s) under Rule 17.4.2 above, the sequence of admission of claims shall be in chronological order in which they were received and subject to the extent specified under Rule 17.5.1.

17.4.6. Any Client whose claim has been admitted under Rule 17.4.2 above, the IPR Committee may require the person to produce and deliver any documents and statements of evidence as may be necessary to establish or support his claim. In the event of default on the part of such Client in this regard, the IPR Committee may at its discretion disallow or reject the claim either wholly or in part as they may deem fit.

17.4.7. The IPR Committee while disallowing (whether wholly or partly) a claim for compensation shall serve notice of such disallowance on the claimant.

17.4.8. The IPR Committee, if satisfied that the claim was based on the default actually committed, may allow the claim and act accordingly.

17.4.9. The IPR Committee shall have an absolute discretion as regards the mode and method of assessing the nature of the claim including its genuineness and shall likewise at its discretion accept, reject or partially grant or allow claims and make payment thereof subject to the limits herein mentioned, as it may deem fit and proper.

17.4.10. While the IPR Committee may settle the claims of the Clients out of the IPR, the Executive Committee may initiate necessary legal proceedings to recover the amount from the Participant and replenish the IPR.

#### 17.5. QUANTUM OF COMPENSATION

17.5.1. The IPR may be utilised by the IPR Committee to compensate any loss suffered by any Client arising from negligence of the Participants and/or the Depository up to a limit of Rs. 1,50,000/- (Rupees One lakh fifty thousand only) and/or such other limit as may be determined by the IPR Committee from time to time.

17.5.2. The IPR Committee may from time to time either generally or in respect of a particular claim determine the limit. However, where the limit is raised in respect of a particular claim, the IPR Committee shall record in writing, its reasons thereof.

17.5.3. The amount of compensation payable in respect of any claim shall be reduced by the amount or value of any compensation or benefits received by the Client from any other source in respect of such claim.

17.5.4. In case the Client receives compensation from any other source and the IPR Committee also pays the compensation without the knowledge of the payment by any other source in respect of the same claim, the IPR Committee shall recover from such Client an amount equivalent to the compensation received by him from such other source provided that the amount so recovered shall not exceed the amount of compensation received by such Client from the IPR.

17.5.5. In the event that any Client has received compensation from the IPR in respect of a claim based on the negligence on the part of a Participant, the IPR Committee shall take all steps necessary to recover from such Participant the amount of compensation so paid together with

interest thereon from the date of payment of compensation to the Client at such rate as the IPR Committee may decide from time to time.

17.5.6. Every decision by the IPR Committee in regard to any claim made by a Client shall be conclusive and binding.

#### 17.6. CLAIM NOT TO AFFECT LEGAL PROCEEDINGS

17.6.1. The rejection or partial acceptance of any claim by the IPR Committee or grant of any compensation to a claimant shall not preclude or debar such claimant to pursue his claim for dues against the Participant in any court of law or otherwise howsoever or other legal action on other grounds or causes of action of whatsoever nature. Provided however that, the net claim of any such claimant against the Participant shall stand reduced to the extent of the compensation received by him from the IPR. The IPR Committee shall have the right to be subrogated to the extent of compensation so paid by the Participant. In the event of the claimant receiving his full dues from any source other than the IPR, the claimant shall refund the amount of claim received by him from the IPR and in the event of the claimant not so refunding the money, the IPR Committee shall have the right to recover the same from the claimant.

#### 17.7. ALTERATION OF PROCEDURE

17.7.1. The IPR Committee may, in their discretion alter, modify or repeal the procedure as they may consider necessary.