Appendix A


Joint Mechanism.

45Y.

(1) Notwithstanding anything contained in this Act or the Securities and Exchange Board of India Act, 1992 (15 of 1992) or any other law for the time being in force, if any difference of opinion arises as to whether—

(i) any instrument, being derivative referred to in clause (a) or money market instrument referred to in clause (b) or repo referred to in clause (c) or reverse repo referred to in clause (d) or securities referred to in clause (e) of section 45U of this Act; or

(ii) any instrument, being policy of life insurance under the Insurance Act, 1938 (4 of 1938), or the rules or regulations made there under, or, scrips or any other securities referred to in sub-clauses (i), (ia), (ib), (ic), (Id.), (ie), (ii), (iia) and (iii) of clause (h) section 2 of the Securities Contract (Regulation) Act, 1956 (42 of 1956), is hybrid or composite instrument, having a component of money market investment or securities market instrument or a component of insurance or any other instrument referred to in clause (i) or clause (ii) and falls within the jurisdiction of the Reserve Bank of India or the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) or the Insurance Regulatory and Development Authority established under section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) or the Pension Fund Regulatory and Development Authority constituted by the Resolution of the Government of India number F.No. 1(6)2007-PR, dated the 14th November, 2008 or the Central Government, such difference of opinion
shall be referred to a Joint Committee consisting of the following, namely:

(a) the Union Finance Minister – *ex officio* Chairperson;
(b) the Governor, Reserve Bank of India – *ex officio* Member;
(c) the Finance Secretary in the Ministry of Finance, Government of India – *ex officio* Member;
(d) the Secretary (Financial Services) in the Ministry of Finance, Government of India – *ex officio* Member;
(e) the Chairperson, Insurance Regulatory and Development Authority – *ex officio* Member;
(f) the Chairman, Securities and Exchange Board of India – *ex officio* Member;
(g) the Chairperson, Pension Fund Regulatory and Development Authority – *ex officio* Member.

(2) The Secretary (Financial Services) in the Ministry of Finance, Government of India shall be the convener of the meetings of the Joint Committee referred to in sub-section (1).

(3) In case of any difference of opinion referred to in sub-section (1), any Member of the Joint Committee may make a reference to the Joint Committee.

(4) The Joint Committee shall follow such procedure as it may consider expedient and give, within a period of three months from the date of reference made under sub-section (3), its decisions thereon to the Central Government.

(5) The decision of the Joint Committee shall be binding on the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority and the Pension Fund Regulatory and Development Authority."
Objective of the Code: This Code shall promote the stability of the financial systems in the country within the framework of the regulatory landscape laid down by the Central Government, by laying down the principles and common practices across the markets as also to reconcile conflict situations and promote coordination and cooperation amongst the regulators in the financial markets.

CHAPTER I
PRELIMINARY

1. (1) This Act may be called the Uniform Code for Financial Market, 2015.

(2) This Act extends to the whole of India.

(3) It shall come into effect from such date as the Central Government may, by notification in the Official Gazette, appoint and different dates may be appointed for different provisions of this Act, and any reference to the commencement in any such provision of this Act shall be construed as a reference to the commencement of that provision.

2. (1) In this Act, unless the context otherwise requires,-

(a) “Collateral” means an asset or third party commitment that is used by a provider of collateral to secure an obligation against taker of such collateral and includes cash, securities or such other financial instrument as may be notified by the Sectoral Regulator.
(b) “Council” means the Governing Council appointed under Section 3(1) of this Act.

(c) “Custody Risk” means the risk of loss on assets held in custody in the event of negligence, fraud, improper record keeping or insolvency of a custodian.

(d) “Financial instrument” means a contract or arrangement that gives rise to a financial asset of one entity and a financial liability of another entity.

(e) “Governance” means a set of relationships between an entity’s owners, board of directors, its management and other relevant parties including participants, authorities and other stakeholders.

(f) “Investment Risk” means the risk of loss faced by an entity on the investments either on its own or of others.

(g) “Legal Risk” means loss arising out of unexpected application of a law or regulation.

(h) “Liquidity Risk” means the risk of an entity failing to meet its financial obligations as and when required notwithstanding its ability to meet the same in future.

(i) “Operational Risk” means and includes deficiencies in information systems, or internal processes, human errors, management failures, or disruptions from external events which result in the reduction, deterioration, or breakdown of services or loss of revenue due to decline or loss of business.
(j) "Risk Management Practices" mean such practices as are required for the containment of the Systemic Risk, Operational Risk, Legal Risk, Investment Risks, Custody Risks, Credit Risk, Settlement Risk, Liquidity Risk.

(k) "Sectoral Regulator" means the Reserve Bank of India, constituted under the Reserve Bank of India Act, 1934, Securities and Exchange Board of India constitute under the Securities and Exchange Board of India Act, 1992, the Insurance Regulatory and Development Authority constituted under the the Insurance Regulatory and Development Authority of India Act, 1999, the Pension Funds Regulatory and Development Authority constituted under the Pension Funds Regulatory and Development Authority Act, 2013 or such other Sectoral Regulator as may be created by the Central Government for any new financial activity and notified as such.

(l) "Settlement Risk" means failure of Settlement of funds or securities or financial instrument

(m) "Systemic Risk" means risk or inability or failure of one or more participants in the financial market to perform leading to failure or inability of other participants in the financial market to meet their obligation as and when due.
CHAPTER II
GOVERNING COUNCIL

3. (1) A Governing Council shall be established for the purposes of this Code, which shall be called Financial Market Regulatory Governing Council.

(2) The Council shall be headed by Governor, Reserve Bank of India.

(3) The Council shall have Chairpersons of the Sectoral Regulators as its Members.

(4) A Nominee of the Finance Ministry not less than the rank of Secretary shall be the convenor.

(5) The Chairman, Members and Convenor shall hold offices by virtue of their respective offices.

(6) The Council shall hold at least one meeting in a quarter.

(7) In the absence of the Chairman, the members may elect any one amongst themselves as Chairman of the Meeting.

CHAPTER III
FUNCTIONS OF THE COUNCIL

4. (1) The Council shall lay down the general rules on matters set out in Chapter IV, which shall be the guiding principles for the Sectoral Regulators.

(2) In the event of any differences on any issue arising out of jurisdiction of any Sectoral Regulator, the same shall be decided by the Council. Such decision shall be binding on the Sectoral Regulators.

(3) In the event of any impasse on any issue, the same shall be referred to the Central Government for their decision.
CHAPTER IV
COMMON PRINCIPLES

5. (1) Any law relating to a Sectoral Regulator may contain an overriding provision in their legislation only when:

(i) the same is intended to achieve the purpose of that Statute
(ii) it is special in nature
(iii) it is not intended to override the jurisdiction of another regulator vested with regulatory jurisdiction of a similar matter.

(2) Penalties:

(i) Penalty structures shall be commensurate with the intensity of the offence.
(ii) The imposition of the Penalty shall be guided by the principle of restitution, where the offence is involved, has prejudicially affected the retail investors.
(iii) The principles governing the recovery of a penalty shall be uniform across the markets.

(3) The Dispute Resolution mechanism shall have:

(i) Clearly laid down rules for resolution of dispute amongst the participants guided by the principles of natural justice.
(ii) Only market experts or legal professionals or jurists with the knowledge of the respective markets may be appointed as arbitrators.
(iii) Time lines shall be clearly prescribed for completion of the resolution of the disputes.
(iv) Rules pertaining to Dispute Resolution shall be clear and unambiguous.

(4) (i) The Risk Management Policies shall contain a clear framework to address:

(a) Systemic Risks  
(b) Liquidity Risks  
(c) Settlement Risks  
(d) Custodial Risk  
(e) Investment Risks  
(f) Operational Risks  
(g) Legal Risks  
(h) Such other risks as may be relevant for each Financial Sector and found critical by the Sectoral Regulators.

(ii) The Sectoral Regulators shall also review the risk practices as adopted by the participants on continuous basis.

(iii) The Sectoral Regulators shall conduct audit of the risk practices adopted by the participants by independent experts of the respective Sectoral market.

(5) Governance arrangements of each market shall be guided by the principles of transparency, safety of stakeholders and public and interest and have objective of promoting financial stability. Such arrangements shall have:

(i) Clearly defined roles and responsibilities of the Governing bodies and management

(ii) Documents that lay down clear lines of responsibility and accountability

(iii) Framework to avoid conflict of interests of the entity and its stakeholders and management.
(iv) Appropriate skill sets and competency mapping for the members of the Governing bodies and managements of the bodies.

(v) Documented clearly the risk management framework and creation of Risk Management Committee of the Governing Board.

(6) (i) Collateral Arrangements shall clearly establish the legal ownership rights of the entities during the solvency as well as insolvency of the entities.

(ii) Collateral Arrangements shall prescribe the mode of creation of pledge or hypothecation or lien;

(iii) Events of insolvency shall not adversely affect the rights over such collaterals.

(iv) Creation of pledge or hypothecation or lien or release thereof shall be maintained in electronic mode;

(v) An electronic registry shall be created across the Sectoral Regulators to track the movement of collaterals across the markets. Such registry may be created through an independent body which would maintain and monitor on behalf of the Regulators to be notified in this respect.

(vi) Rules shall be prescribed for valuation methodology of the collaterals.

(7) A common Informing Sharing System shall, inter alia, prescribe:

(i) Method for exchange of information amongst the Sectoral Regulators on market participants who deal in any or all markets

(ii) Such information shall be reviewed or acted wherever required;
(iii) Any information or data which is critical from the viewpoint of containment of Systemic Risk;
(iv) Such other matter as may be considered by the Council.

(8) The framework for prevention of market abuse shall;
(i) Aim to prevent abuse of market by creation of investor education framework.
(ii) Create awareness of the products through training, seminars etc.,
(iii) Display of all material information on the website of the Sectoral entities providing the financial services.
(iv) Punitive measures against the entity indulging in any such abuse.

(9) No person who has been employed with any Sectoral regulator may take any gainful assignment or employment with any entity which was regulated by such Sectoral regulator for a period of three years from the date of his retirement or resignation from such Sectoral regulator.

(10) The Central Government may, on the recommendation of the Governing Council under this law, add to, delete or alter any of the above provisions from time to time by notification in the Official Gazette.
CHAPTER V
COMMON APPELLATE TRIBUNAL

6. (1) An Appellate Tribunal shall, by notification, be established by the Central Government to be called as Common Appellate Tribunal (CAT) to exercise jurisdiction over all the Sectoral Regulators, with the powers and authority conferred on such Tribunal by this Code, to be notified separately in this respect.

(2) The CAT shall consist of One Presiding Officer and six members to be appointed through notification by the Central Government;

(3) Only a sitting or retired judge of Supreme Court or Chief Justice of a High Court of at least 8 years of service shall be appointed as Presiding officer of CAT. The Presiding Officer shall be appointed by the Central Government in consultation with Chief Justice of India.

(4) Only a person of capability, integrity and high standing who has exhibited skill sets in dealing with problems relating to financial markets and a senior counsel practising in High Court for a minimum of 15 years or in Supreme Court for 10 years or retired Judge of High Court or Supreme Court or member of any judicial Tribunal can be appointed as a member of CAT.

(5) The tenure of the members and Presiding Officer shall be for a term of five years from the date on which he/she enters his office. He or she shall not be eligible for re-appointment.

(6) Such member or Presiding Officer is prohibited from holding any office in any of the financial entity operating under the Sectoral Regulator or to any office of profit in any Sectoral Regulator after his retirement.

(7) The salaries and allowances the mode of filling up vacancies, resignation and removal of the CAT members and presiding officers may be in such manner as may be provided in this respect by the Central Government in this respect.
7. (1) Appeal to CAT

(a) Any person aggrieved by any order of any Sectoral Regulator on or after coming into effect of CAT, under their respective rules, directives or in exercise of any power specified under Act under which they are empowered, may, within sixty days prefer an appeal to CAT.

(b) On receipt of appeal under 7(i)(a), CAT may, after giving the parties to the appeal, an opportunity of being heard, pass such orders as it deems fit, confirming, modifying or setting aside the order appealed against.

(c) CAT shall send the copy of the order to all the parties to the appeal.

(d) All proceeding including the final order on appeal under this part shall be disposed off within three months from the date of appeal.

(e) Where the CAT is of the opinion that it is required in the interest of speedier dispensation of justice may constitute separate benches of at least two members to hear the appeal.

(f) The procedures for conduct of appeal, powers of the CAT, and related matters connected with CAT may be notified by the Central Government.

(2) **Appeal to Supreme Court**: Any person aggrieved by any decision or order of the CAT may file an appeal before Supreme Court, within thirty days from the date of communication of such order to him from CAT on any question of law arising out of such order.
CHAPTER VI
MISCELLANEOUS

8. Without prejudice to the foregoing provisions of this Code, the Central Government may issue such order or direction for the carrying out the objectives of this Code.

9. All reports, decisions, orders of the Council as soon as it is made, shall be laid, before each House of the Parliament while it is in session for a total period of 30 days which may be comprised in one session or in two or more successive sessions.

10. If any difficulty arises in giving effect to the provisions of this Code, the Central Government may by order in Official Gazette remove such difficulties by suitable order.