

Prescribed Compliances	Frequent inspection observations	Compliance expected
<p><b>Discrepancies in the reporting of collaterals under T+1 segregated client collateral reporting</b></p> <p>Relevant Reference SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021, NCL/CMPL/49348 dated August 20, 2021, NCL/CMPL/49640 dated September 17, 2021, NCL/CMPL/49764 dated September 29, 2021, NCL/CMPL/50410 dated November 25, 2021, NCL/CMPL/50662 dated December 17, 2021</p>	<p>The following issues are generally observed in the T+1 segregation reporting done by members:</p> <ul style="list-style-type: none"> <li>- CMs are not reporting collateral details of their proprietary collaterals placed with NCL.</li> <li>- The collaterals details for CP codes are not reported in the columns tagged as “Placed with CM” and “Retained by CM”.</li> <li>- The segment wise ledger balances reported in T+1 report does not match with the actual ledger balances provided at the time of inspection.</li> <li>- The collaterals placed with CM as reported in T+1 does not match with the sum of collaterals retained by CM and collaterals placed with NCL.</li> <li>- The collaterals reported as “Placed with NCL” do not match with the various reports downloaded by NCL to members on daily basis.</li> <li>- Collaterals placed with other CCs are reported to NCL</li> </ul>	<p>It is advisable to report proprietary collaterals placed with NCL in the T+1 report.</p> <p>The members are required to ensure that the sum of client collaterals retained by the TM/CM and client collaterals passed on to CM/CC shall equal the amount of collaterals received by the TM/CM from the client. CMs shall also perform validations at their end in respect of allocations and reporting done by TMs.</p> <p>The segment wise ledger balances reported in the T+1 report should reflect in the actual client ledgers.</p> <p>Further, members are required to ensure that the collaterals reported as “Placed with NCL” match with the various files downloaded by NCL to members on daily basis</p> <p>Value of Securities reported should be after applying appropriate percentage of hair cut as per the rates prescribed by CCs.</p> <p>In the T+1 report, members are required to report to NCL only those collaterals that are placed to NCL. Collaterals that are lying with other CCs should not be reported to NCL.</p>
<p><b>Weekly collateral reporting</b></p> <p>Relevant References: NCL/COMP/41068 dated May 20, 2019, NCL/COMP/41500 dated July 03, 2019,</p>	<ul style="list-style-type: none"> <li>- Data reported by the clearing members are inconsistent/ incorrect when compared to data provided at the time of inspection for example: -</li> </ul>	<p>The data reported needs to be correct and consistent across all reporting requirements.</p>

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<p>NCL/ COMP/41725 dated July 26, 2019, NCL/CMPL/43201 dated January 10, 2020 and NCL/ CMPL/46450 dated November 25,2020</p>	<ul style="list-style-type: none"> <li>○ difference in the value of securities since gross value is reported to NCL instead of value after haircut</li> <li>○ Client collaterals reported under PRO and vice versa.</li> <li>- The clearing members are not reporting collaterals of custodial participants codes</li> <li>- The clearing members are not reporting their PRO collaterals</li> </ul>	<p>The weekly reporting of collateral details is applicable to ALL clearing members who are rendering clearing services to other trading members or custodial participants.</p> <p>These circulars are not applicable to members who are registered with NCL as self-clearing members.</p> <p>Value of Securities should be the value on the basis of which the exposure has been provided to the trading member/clients.</p> <p>As per NCL/CMPL/62167 dated May 27, 2024 regarding discontinuation of Reporting of Trading Member-wise, client-wise Collateral details by Clearing Member, accordingly last submission of Trading Member-wise details of cash &amp; cash equivalent collateral (Annexure 2) shall be for the week ended June 1, 2024.</p> <p>Further, DP account-wise, Trading Member and client-wise and ISIN wise details of securities (non-cash collateral) (or Holding Statement) (i.e. Annexure 1 as referred to above) which shall continue to be reported.</p>
<p><b>Risk management policy (RMP)</b></p> <p>Relevant Reference: NCL Circular No. NCL/CMPL/44977 dated July 10, 2020</p>	<ul style="list-style-type: none"> <li>- All the clauses as mentioned in the circular (i.e. from i to xii) are not specifically included in the RMP</li> </ul>	<p>All Clearing Members should have a prudent risk management policy to protect themselves against the default made by their clients. The Risk Management</p>

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	<ul style="list-style-type: none"> <li>- Effective implementation of clauses mentioned in the RMS policy</li> </ul>	<p>Policy is required to be well documented and should cover all the points stated in NCL circular.</p> <p>Clearing members are required to implement the clauses mentioned in their RMS policy and maintain audit trails.</p> <p>These circulars are not applicable to members who are registered with NCL as self-clearing members.</p>
<p><b>Daily Margin Statement (DMS)</b></p> <p>Relevant References:  NSE Circular No. NSE/INSP/ 10367 dated February 28, 2008, NSE/INSP/ 10605 dated April 21, 2008, NSE/INSP/ 38154 dated June 27, 2018, NSE/INSP/ 43069 dated December 31, 2019 and NSE/INSP/45191 dated July 31, 2020</p>	<ul style="list-style-type: none"> <li>- Delay in sending Daily margin statement</li> <li>- Data reported to its client through issuance of DMS is inconsistent/ incorrect when compared to data provided at the time of inspection</li> </ul>	<p>Daily Margin Statement should be issued by Members to clients on daily basis at the end of the trade day (T Day) itself or by such timelines as may be specified from time to time.</p> <p>The data reported needs to correct and consistent across all reporting requirements.</p>
<p><b>Failure to provide valid NISM certification</b></p> <p>Relevant References:  NSE/INSP/27495 dated September 2, 2014</p>	<ul style="list-style-type: none"> <li>- Clearing Member fail to provide valid NISM certificates for personnel as required under NSE/INSP/27495 dated September 2, 2014.</li> <li>- NISM Certificates provided during inspection does not cover entire inspection period.</li> </ul>	<p>Clearing members need to adhere to NSE/INSP/27495 dated September 2, 2014, at all times and provide valid NISM certificates at the time of inspection.</p>
<p><b>Non-adherence of the Rule 8(3)(f) of Securities Contract (Regulation) Rules, 1957</b></p>	<ul style="list-style-type: none"> <li>- It is observed that members are advancing loans and advances to entities, which are not in compliance prescribed guidelines.</li> </ul>	<p>Clearing members need to adhere to relevant rules and circulars published by NCL/NSE/SEBI in this regard at all times.</p>

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<p>Relevant References: Rule 8(3)(f) of Securities Contract (Regulation) Rules, 1957, NSE/CMPL/50957 dated January 7, 2022 and NSE/CMPL/53802 dated September 22, 2022</p>		
<p><b>Matched margin reporting</b></p> <p>Relevant References: NCL/CMPL/56624 dated May 05, 2023</p>	<ul style="list-style-type: none"> <li>- Clearing members are reporting matched margins to NCL in MG-12 reporting.</li> </ul>	<p>Clearing members are required to report actual margin collected from clients to NCL and not match the required margins to be collected.</p>
<p><b>Allocation of client collateral</b></p> <p>Relevant References: SEBI Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020 and NCL Circular NCL/CMPT/46881 dated January 01, 2021, NCL Circular NCL/ CMPL/56624 dated May 05, 2023</p>	<ul style="list-style-type: none"> <li>- Upper Band mismatch: The Clearing members are allocating collateral (except securities collateral repledged to CC) in excess of collaterals received and reported to NCL in the T+1 report</li> <li>- Lower Band mismatch: The Clearing members are allocating less collateral to client (except securities collateral repledged to CC) as against collateral reported as placed with NCL</li> <li>- Clearing members are not allocating all collaterals received from the client and passed on to NCL i.e. unallocated client collateral remains at CC level</li> <li>- Securities received from CP clients are repledged to NCL at UCC level thereby resulting in incorrect allocation to CP clients</li> </ul>	<p>The amount of collateral allocated shall not exceed the amount of collateral received by the TM/CM from the client and reported as such under the reporting mechanism excluding the securities collateral re-pledged to CC through margin pledge mechanism</p> <p>The allocation of collateral at CC shall not be lower than the amount of collateral (except securities collateral repledged to CC) reported as having been passed on by the CM to the CC</p> <p>Clearing members are required to allocate all the collaterals received from the client and passed on to NCL to the respective clients</p> <p>Securities received from CP clients should be repledged to NCL at CP level only and not at UCC level.</p>

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<p><b>Collection of crystalised obligation in Cash</b></p> <p>Relevant References: NCL/CMPL/44977 dated July 10,2020</p>	<ul style="list-style-type: none"> <li>- Clearing members are not collecting crystalized obligation in form of cash.</li> </ul>	<p>The Clearing members are required to collect margins on Consolidated Crystallised Obligation from its respective TMs/CPs only in the form of Cash (and not in the form of FDRs/BGs or any other form of collateral).</p>
<p><b>Reason codes reported by members to NCL for Intraday/short allocation reports</b></p> <p>Relevant References: NCL/CMPT/56494 dated April 26, 2024, NCL/CMPT/56496 dated April 26, 2024, NCL/COM/56497 dated April 26, 2024, NCL/CD/56498 dated April 26, 2024</p>	<ul style="list-style-type: none"> <li>- Clearing members are reporting reason code 01 i.e. excess collateral lying with other CCs in short allocation reports however such collaterals are not actually placed with other CCs.</li> <li>- Further, members are providing reason code 01 for clients who are not registered with other CCs.</li> <li>- Incorrect reason codes are used by members.</li> </ul>	<p>Clearing members shall use reason code 01 only when excess unutilized client collaterals are actually lying with other CCs and allocated to the client.</p> <p>As per the prescribed NCL circulars, members shall have an opportunity to report amount of client collateral available with permitted reasons. Members should have proper checks and balances while reporting reason codes and ensure that the relevant reason codes are used.</p>