

## **FAQ- MEMBER INSPECTION**

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### (1) Inspection

**Q1. What is the frequency of inspection carried out on Clearing Members (CMs) by NSE Clearing Limited (NCL)?**

**Ans.** CMs shall be inspected at least once in three years. Inspection of PCM's shall be conducted once in two years. Additionally, CMs getting disabled on account of funds shortages on more than three times in a month and / or CMs having overnight disablement on account of margin shortage for more than 2 days and / or CMs paying high and recurring penalties for non-reporting or short reporting of margin and / or CMs against whom investor complaints and arbitration cases have been filed by investors and / or CMs having adverse observations in the internal audit report on high risk issues like wrong reporting of margins, transfer of trades, pledging of client securities, dealing with unregistered intermediaries etc. and / or CMs with any other similar high risk compliance issue shall be inspected irrespective of when they were last inspected. Special purpose/limited inspections shall be carried out based on any triggers like patterns found during investor complaint resolution/Arbitration, complaints on specific malpractices of a broker or references from various authorities irrespective of the fact of when the last inspection was carried out. [\[link\]](#)

### (2) Client Registration

**Q2. What registration documents does a CM require from its clients?**

**Ans.** A CM requires

- CM-TM Agreement from its Trading Member (TM) clients and
- CM-CP Agreement from its Custodial Participant (CP) clients. The model agreements are available on the website of NSE Clearing Limited ("NCL"):
- CM-CP Agreement: NCL Circular No. NCL/CMPT/55098 dated January 02, 2023 • CM-TM Agreement: <https://www.nseindia.com/trade/membership-formats>

### (3) Margin Collection From Clients

**Q3. What are the margin collection requirements?**

**Ans.**

Segment	Capital Market	F&O	Currency Derivatives	Commodity Derivatives

<b>Upfront</b>	VaR Margin, Extreme Loss Margin	Initial Margin, Extreme Loss Margin	Initial Margin, Extreme Loss Margin	Initial Margin, Extreme Loss Margin
<b>By T+1</b>	-	Delivery margin, Margin on consolidate d crystallized obligation	Margin on consolidate d crystallized obligation	-
<b>By T+2</b>	Delivery margin, Special/addition al margin, other prescribed margins	-	Final Settlement amount	Mark- tomarket margin, delivery margin, special/ additional margin, other prescribed margins

**Q4. In what forms a CM collects margins from its clients?**

**Ans.** The various forms a CM collects margin from its clients are provided herebelow. Additionally, detailed guidelines on margin collection and reporting have been published by NSE vide Circular

No. NSE/INSP/38154 dated June 27, 2018 [[link](#)]

- i. Consolidated funds balance across all Segments and Clearing Corporations (including Commodities).
- ii. Units of mutual funds in demat form whose NAVs are available and could be liquidated readily with appropriate haircut.
- iii. Government Securities and Treasury Bills in electronic form with appropriate haircut
- iv. Securities provided as margin but sold in the cash market can be considered up-to T+1 end of the day from the date of sale.
- v. Any other such collaterals as may be specified.

***Q5. Can Consolidated Crystallised Obligation be settled in forms other than cash?***

**Ans.** Consolidated Crystallised Obligation is required to be collected in Cash form by T+1 day from TMs/ CPs for the F&O and Currency Derivatives Segments (except in the case of physical settlement component on expiry of the contract).

***Q6. What is the minimum haircut margin to be levied on the securities submitted as collateral by the client? Ans.***

- i. The member is required to compute the value of securities as per the closing rate on 'T-1' day and reduced by the appropriate haircut of a rate not less than the VaR margin rate of the security on that day.
- ii. For listed liquid mutual funds, margin calculation is on the basis of NAV on T+1 day, reduced by haircut equivalent to VAR. Unlisted open ended mutual funds shall attract a haircut margin of 10% on the previous day's NAV.
- iii. Government Securities/Treasury Bills, submitted in CSDL form and pledged in Demat form, shall be levied a haircut margin at a rate not less than the VaR margin rate on that security based on the closing price of 'T-1' day on the NDS system.

***Q7. Can the securities expected to be received in pay-out be considered towards margin requirements?***

**Ans.** Yes, it can be considered as margin requirement, only after receipt in account from NCL.

***Q8a. Will there be any repercussions for a lapse / failure in margin reporting by CM?***

**Ans.** In instances like non-reporting/ reporting in unprescribed format by CM, it shall be treated as violations and penalised accordingly. Additionally, disciplinary action can be taken for false reporting.

***Q8b. What should members report regarding margins and MTM losses?***

**Ans.** Members are required to report the correct value of margins and mark-to-market losses collected from clients, even if the amounts collected exceed the regulatory requirements.

***Q9. In spite of having collaterals in excess of the required margin requirements, penalty is being levied for not having collected the Consolidated Crystallised Pay-in Obligation in Cash.***

**Ans.** Consolidated Crystallised Pay-in Obligation has to be settled in Cash only by 'T+1' day. Failure to do so invites a penalty. The penalty can be passed on to the client only if the CM is able to demonstrate that the failure to settle the same is on the part of the client only.

***Q10. What are requirements per the Risk Management Policy?***

**Ans.** The minimum requirements to be adopted by the CMs as per the Risk Management Policy have been provided in the 'Master circular for Clearing Members of NSE Clearing Limited' published from time to time. ([Link](#))

***Q11. Are shortages in the settlement of Consolidated Crystallised Obligation to be reported to NCL?***

**Ans.** Shortfall in excess of Rs 5 Lakhs, if continued beyond 1 day of the stipulated timeframe, shall be reported to NCL by the next working day per the format prescribed by NCL. ([Link](#))

***Q12. What is the process of submitting securities as collateral.***

**Ans.** Securities shall be accepted as collateral only in the demat form through the Pledge / Repledge mechanism into the 'Client Securities Margin Pledge Account'. Herein the client shall pledge the securities in favour of the TM, who shall then re-pledge with CM, who shall re-re-pledge them with NCL. The complete trail reflects in the demat account of the client. The securities in 'Client Securities Margin Pledge Account' shall not be encumbered other than in favour of the Clearing Corporation.

***Q13. Can collaterals be accepted from the client's family members or associates towards the margin requirements?***

**Ans.** All margins shall be collected only from the client. Collaterals received from any other related persons or entities shall not be considered towards the respective client's margin obligations.

***Q14. Which are the mandatory reports required to be provided to the clients?***

**Ans.** The mandatory reports required to be provided to clients are: Acknowledgement on receipt of collateral, daily statement of collateral utilisation which shall include, *inter-alia*, details of collaterals deposited, collateral utilised and collateral status (available balance / due from client) with breakup in terms of Cash, FDRs, BGs and Securities. Margin Statement should be issued daily or timelines specified from time to time to clients at the end of the day, by members, in the indicative format. ([Link](#)).

***Q15. What is Peak Margin?***

**Ans.** NCL shall send snapshots of client-wise margin requirement atleast 4 times a day, taken randomly during pre-defined time windows, based on the open positions at that point of time. Margin requirement shall be based on the fixed Beginning-of-Day parameters and would include SPAN and ELM requirements. Additionally, NCL shall provide client level margin requirements as at end-of-day as well. The members are

required to report the margin collected figures as at end-ofday as well as the peak margin collected during the day.

***Q16. Is peak margin applicable to CP clients as well?***

**Ans.** In case of CM-CP relationship, the intra-day snapshots shall have aggregated margin requirement across confirmed and unconfirmed trades and the EOD file shall have margin requirement only for confirmed trades and peak across both confirmed, unconfirmed and rejected trades. Reporting shall be on this basis and shortage shall be penalized, the penalty collectable by the CM from the CP. In case of shortage reporting by TM on unconfirmed trades, penalty shall be levied to the TM and collected through its CM. [[link](#) & [link](#)]

***Q17. What care should be taken in the Client Margin Reporting process?***

**Ans.** Members are required to collect various margins (including initial, exposure, net buy premium, additional) in addition to the mark-to-market losses from their clients during the trade cycle. It is mandatory to report to NCL within the pre-defined timeframe and in the prescribed formats. The correct post haircut margin figures and the actual amounts are required to be reported. The data is required to be uploaded, in a single file, for all calendar days of the week, except Sunday, on or before the next four trading days of subsequent week.

***Q18. Can the securities lying in the client's demat account be considered as margin collected if the member holds a POA for the operation of the said demat account?***

**Ans.** No, having a POA on a client's demat account cannot be considered as margin collected.

**(4) Dealings With Clients**

***Q19. What is the purpose of segregating client funds and securities from proprietary funds and securities?***

**Ans.** The purpose is to protect clients' funds and securities by ensuring stockbrokers do not use client funds and securities for margin and / or delivery requirements of any other client or for proprietary requirements.

***Q20. What are the guidelines for margin collection and reporting?***

**Ans.** Detailed guidelines are provided vide NSE Circular No NSE/INSP/43069 dated December 13, 2019 [[link](#)] and NCL Circular No. NCL/INSP/45191 dated July 31, 2020. [[link](#)]

***Q21. What is the process for accepting securities as collateral against margin requirements?***

**Ans.** Securities shall be accepted as collateral only through the Pledge / Re-pledge mechanism prescribed by SEBI vide its Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2 dated February 25, 2020 [\[link\]](#) and thereafter provided by the Depositories.

***Q22. Are there any timelines by when the securities bought by the clients are to be disbursed?***

**Ans.** Within one working day of the pay-out all the securities received in the pay-out shall need to be transferred directly from the pool account to the respective client's demat account, unless funded through the MTF facility.

***Q23. How are the unpaid securities to be treated / processed?***

**Ans.** NCL has a detailed process for the treatment of Unpaid Securities. The same can be referred from the 'Master circular for Clearing Members of NSE Clearing Limited'. (Link)

***Q24. Can the funds obligations be settled in cash?***

**Ans.** Funds obligations shall be settled only by electronic means between the Member's and Client's accounts or by issuance of cheques/ demand drafts.

***Q25. What activities are construed as non-compliance to Rule 8(1)(f) and 8(3)(f) of the Securities Contracts (Regulation) Rules, 1957?***

**Ans.** Clarifications to the regulatory norms and indicative lists of non-compliances to Rule 8(1)(f) and 8(3)(f) of the Securities Contracts (Regulation) Rules, 1957 are contained in the latest version of the 'Master circular for Clearing Members of NSE Clearing Limited'. Link

***Q26. What are the guidelines for maintain client and settlement bank accounts by Clearing Members?***

**Ans.** Clearing members are allowed to have a maximum of 30 bank accounts labelled as "Name of Clearing Member – Client Account" and "Name of Clearing member – Settlement Account" across all segments and Clearing Corporations.

***Q27. What are the minimum qualifications / certifications required for the staff of the Member?***

**Ans.** Persons handling basic clerical functions in the area of (i) assets or funds of investors or clients, (ii) redressal of investor grievances, (iii) internal control or risk management and (iv) activities having a bearing on operational risk shall be required to be under the supervision of officials holding a valid NISM-Series-VII: 'Securities

Operations and Risk Management Certification Examination' certification. The broad indicative activities that can be classified as basic elementary level or clerical level have been provided in Circular No. NSE/INSP/27495 dated September 2, 2014.

Members should have a well-documented internal policy based on the above guidelines, approved by its Board / Partners / Proprietor. The adherence to the above shall be verified during the inspections and Internal Audits of the Members.

***Q28. Under which UCC, unidentified / suspense account funds required to be reported?***

**Ans.** Members shall create a UCC having "SUSPE1234N" as the PAN in their backoffice systems and such funds shall be reported under this UCC. This UCC shall not be created in the UCC database of the Exchanges and shall be disabled for trading. The funds under this UCC shall be upstreamed to NCL.

***Q29. Are Custodians / Clearing Members required to report funds and securities of their Custodial Participant clients?***

**Ans.** Yes. Funds and Securities report of CP clients as well as collateral and margin details of the Custodial Participants/ Clearing members are required to be reported.

***Q30. What is the process for client level allocation and the procedure for blocking of margins?***

**Ans.** A detailed procedure note addressing collateral placement, collateral allocation, collateral valuation, blocking of margins, margin monitoring, handling of CP trades, collateral withdrawal, deemed allocation and short allocation monitoring has been published vide NCL Circular No. NCL/CMPT/51657 dated March 17, 2022 [[link](#)].

***Q31. Can collateral reporting be done at a consolidated level?***

**Ans.** SEBI circular no SEBI/HO/MRD2\_DCAP/CIR/2021/0598 dated July 20, 2021 mandates segregated reporting at client level. Accordingly, NCL has issued circular nos. NCL/CMPL/49348 dated August 20, 2021, NCL/CMPL/49640 dated September 17, 2021, and NCL/CMPL/49764 dated September 29, 2021 providing guidelines for reporting of disaggregated collateral information at the client level and circular nos. NCL/CMPT/50217 dated November 03, 2021, NCL/CMPT/51657 dated March 17, 2022 and NCL/CMPL/53287 dated August 12, 2022 providing guidelines for allocation of collateral [[link](#)]

***Q32. How are client unpaid securities required to be handled?***

**Ans.** Client unpaid securities are to be retained in a separate "Client Unpaid Securities Account" and the treatment to be accorded to such securities has been prescribed in SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022 [[link](#)]



**Q33. Can the penalties levied by NCL be collected from the Clients?**

**Ans.** Penalty levied by NCL on short/non-collection of upfront margins may be passed on to client if short/non collection of upfront margin is on account of following reasons attributable to client: (i) Cheque issued by client to member is dishonoured and(ii) Increase in margins on account of change in hedge position by client/ expiry of some leg(s) of the hedge positions of the clients provided the CM in its Risk Management Policy, has informed their clients of potential situations resulting in a hedge break / loss of cross margin benefits like square off by the clients / expiry of some leg(s) of the hedge positions of the clients, leading to higher margin obligations on the open position(s).

**Q34. How is short allocation of collaterals determined?**

**Ans.** The methodology for the determination of short allocation of collaterals has been provided vide NCL Circular Nos. NCL/CMPT/55381 dated January 25, 2023 for the Capital Market Segment [\[link\]](#), NCL Circular Nos. NCL/CMPT/55382 dated January 25, 2023 for the Futures & Options Segment [\[link\]](#), NCL Circular Nos. NCL/CMPT/55383 dated January 25, 2023 for the Currency Derivatives Segment [\[link\]](#) and NCL Circular Nos. NCL/CMPT/55384 dated January 25, 2023 for the Commodity Derivatives Segment. [\[link\]](#)

**(5) Dealings With Intermediaries / Self Dealings**

**Q35. Is there any minimum educational qualification required by members to comply with the regulations?**

**Ans.** Persons involved with a certain critical, operational, compliance and risk management activities (Link) are required to have a valid NISM's Securities Operations and Risk Management (SORM) certification. The Compliance Officer shall mandatorily be required to hold a valid Securities Intermediaries Compliance Non-Fund Certification (NISM-Series-III A ) from NISM.

**Q36. What kinds of activities can be outsourced?**

**Ans.** Please refer to SEBI Circular No. CIR/MIRSD/24/2011 (Link) dated December 15, 2011; NSE/INSP/19603 (Link); Circular Refn.: 127/2011 dated December 15, 2011 for the requisite details. You may additionally refer to the 'Master circular for Clearing Members of NSE Clearing Limited'. Link

## **(6) Books Of Accounts And Other Documents**

***Q37. What is the required duration for preservation of documents/records by a clearing member?***

**Ans.** Books of accounts and other records shall be maintained for a period of five years. Requirements under the Information Technology Act, 2000 shall be complied with for records in electronic form.

***Q38. What types of records are required to be maintained by Members?***

**Ans.** Documents such as Client-wise and Security-wise Register of Securities, Holding Statement, Bank Book and Client Ledger shall mandatorily be maintained by members. Members shall ensure proper audit trail of use of client collateral and shall be expected to produce records detailing receipt of collateral from client and acknowledgement issued to client on receipt of collateral, client authorization for deposit of collateral with the exchange / clearing corporation / clearing member towards margin, deposit of collateral with the exchange / clearing corporation / clearing member, return of collateral to the client, credit of corporate action benefits to the client.

***Q39. What are the guidelines with respect to reporting of cyber-attacks, vulnerabilities and threats?***

**Ans.** SEBI has issued a detailed framework for the reporting cyber attacks experience by the Members and sharing of measures taken to mitigate such threats with SEBI on a quarterly basis.

SEBI has also mandated system audits by qualified authorities vide its Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2019/109 dated October 15, 2019 [[link](#)].

## **(7) Compliance Submissions And Requirements**

***Q40a. What are the timelines for submission of Client Collateral Segregation data to NCL by a CM?***

**Ans.**

Members shall upload Client Collateral Segregation data by end of T+1 day (refer NCL circular no. NCL/CMPL/ 56655 dated May 09, 2023). Collaterals with different Clearing Corporations shall be reported to those individual Clearing Corporations only.

Failure to submit the data and irregularities noticed in the submission and instances of submission of incorrect data shall be penalized. NCL may also initiate other penal actions for lapses in the submissions.

Non-Confidential

**Q40b. Are clearing members required to report securities received from clients through pledge mode in the DP account-wise, Trading Member and client-wise, and ISIN-wise details of non-cash collateral?**

Ans. No, clearing members are not required to report securities received from their clients through pledge mode, as per SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020.

**Q41. Where are the penalties levied by NCL provided?**

Ans. Penalties levied can be viewed under “Penalties at NCL” section within the member portal  
(link).

**Q42. What are the guidelines for allocation of collaterals?**

Ans. The collateral allocated by a TM/CM shall not exceed the collateral received from clients and reported. The allocation shall not be lower than the amount (except securities collateral re-pledged to NCL) reported as having been passed on by the CM to NCL.

Discrepancies in the figures, if any, shall be brought to the attention of the CM through the ENIT portal. Refer SEBI circular no. SEBI/HO/MRD2\_DCAP/CIR/2021/0598 dated July 20, 2021; 1 to NCL circular no. NCL/CMPL/53287 dated August 12, 2022.

**Q43. What are the additional compliance measures for a CM providing clearing services to other TMs?**

Ans. The model CM-TM Agreement provides the CM with the right to call for additional details from the TM. SEBI and Clearing Corporations have prescribed a certain set of additional measures to be undertaken by such CMs to strengthen oversight of the TMs affiliated to it, details of which have also been published in the ‘Master circular for Clearing Members of NSE Clearing Limited’ as modified from time to time. (link).

**Q44. How are the bank statements to be submitted to NCL?**

Ans. NCL, w.e.f October 28, 2023, discontinued uploading of bank statements by the Clearing Members. All Members are required to submit an Undertaking cum Authorization for sharing of information and for implementing debit freeze instructions (in case of member leading to default) to NCL, basis which NCL shall take this data directly from the Bank. Members shall ensure updation / submission of fresh document for newly opened accounts within seven working days.

**Q45. What are the requirements for members regarding the submission of bank account details and undertakings to Exchanges or Clearing Corporations?**

**Ans.** All members are required to submit a list of their bank accounts and an undertaking enabling the Exchanges / Clearing Corporations to instruct the CM's banks to freeze the CM's accounts for debits in case of the member leading to default. The updated list as well as a fresh / enhancement undertaking needs to be submitted every time a new account is opened. The format of the undertaking and the process for submission have been provided in NCL Circular No. NCL/CMPL/45608 dated September 08, 2020 [[link](#)].

***Q46. What are the responsibilities of the Compliance Officer?***

**Ans.** The Compliance Officer's responsibilities include monitoring the compliance relating to the Acts, rules and regulations, notifications, guidelines, instructions, etc., issued by SEBI or Central Government or Exchanges or Clearing Corporations and redressal of investors' grievances.

***Q47. Can client's funds be pledged with bank for creation of BGs?***

**Ans.** Client funds shall not be used for creation of BGs. BGs can be created out of the proprietary funds of the SB / CM.

***Q48. What are the restrictions on accepting BGs and FDRs as collateral?***

**Ans.** BGs and FDRs are ineligible forms of collateral other than those meeting the following criteria  
:

- (i) by TM to CM if drawn on a scheduled commercial bank, sourced out of proprietary funds of the TM and issued in favor of the CM;
- (ii) by CM to NCL if drawn on an approved bank other than the bank which is an associate of the CM, sourced out of proprietary funds of the CM and issued in favor of NCL;
- (iii) BGs by a non-individual Client to TM or a non-individual CP to CM, drawn on an approved bank, for the Commodity Derivatives Segment, having specified clauses, subject to certain terms and conditions and provision of declarations and undertakings as prescribed in Annexure A of SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/187 dated December 12, 2023  
[[link](#)].

***Q49. Can funds placed by clients be retained with the Member and / or used for settling other clients' pay-out or collateral withdrawal obligations?***

**Ans.** Funds shall be accepted only in the USCNB Accounts from clients and all funds received from the clients till the cut-off time shall be upstreamed to NCL in the form of Cash or lien on FDRs or pledge of MFOS. Funds received after the cut-off time shall be

immobilised till they are upstreamed to the CM / NCL the next working day. These funds cannot be utilized for any other purposes.

***Q50. In what instruments can the funds received from clients be invested?***

**Ans.** Collaterals received from clients in the form of cash can be invested in FDRs and MFOS conforming to certain criteria prescribed by SEBI and NCL and shall be lien marked or pledged in favor of NCL.

***Q51. What are the criteria or parameters applicable to client funds converted into FDRs?***

**Ans.** Funds received from clients can be invested in FDRs of approved banks, having a tenure not exceeding one year and one day, should be pre-terminable on demand, with the principal amount protected from all possible premature penalties, with NCL having explicit precedence on the encashment / liquidation proceeds, shall be free from all kinds of encumbrance and shall be lien marked in favor of NCL.

***Q52. Are the above parameters applicable to FDRs placed towards Security Deposit as well?***

**Ans.** Yes. Since membership related deposits are required to be sourced from the member's own funds, FDRs drawn on approved banks having a tenure exceeding one year and one day are permitted to be placed with the Exchanges & Clearing Corporations.

***Q53. What are the criteria applicable to client funds converted into MFOS?***

**Ans.** MFs investing in risk-free government bond overnight repo markets and overnight Tri-party Repo Dealing and Settlement shall be eligible under the MFOS category. This list shall be published by NCL from time-to-time. Investments in MFOS shall necessarily be pledged to NCL through the Margin Pledge Account along with the identity of the end clients.

***Q54. What kinds of fund transfers are permitted from USCNB & DSCNB Accounts?***

**Ans.** Please refer 'Master circular for Clearing Members of NSE Clearing Limited' for the kinds of fund transfers from / to / between USCNB and DSCNB Accounts.

***Q55. Where can I find detailed FAQs related to upstreaming of client funds?***

**Ans.** Please refer 'Master circular for Clearing Members of NSE Clearing Limited' for an exhaustive and detailed FAQ list.

***Q56a. What is the periodicity for submission of Internal Audit Reports?***

**Ans.** CMs undertaking clearing activities for atleast one trade of other TMs / CPs during the half yearly periods of Apr – Sep and Oct – Mar are required to submit the Internal

Audit Report certified by auditors empanelled by NSE in the prescribed format within two months of the end of the period under consideration, i.e. 30 Nov and 31 May. [\[link\]](#)

**Q56b. Who shall be appointed to conduct Internal Audits by members?**

Ans. As advised by SEBI and to enhance the ease of doing compliance and reduce operational difficulties faced by Members/Audit Firms, it has been decided that the auditors empanelled with any of the Exchange(s), shall be eligible to conduct internal audit of the Clearing Members of any of the Clearing Corporations. (NCL/CMPL/64520)

**Q57. Are NCL approvals required prior to publishing any advertisement?**

Ans. Yes, all members are required to seek Exchange / Clearing Corporation approval prior to the issuance of any advertisement. The approval process is through the ENIT platform provided by NCL [\[link\]](#). The 'Code of Advertisement' has been detailed in Circular No. NSE/COMP/33643 dated November 16, 2016 [\[link\]](#). It may please be noted that no celebrity shall form a part of the advertisement / material [\[link\]](#). An undertaking, as prescribed by NCL, shall need to be uploaded to ENIT.

**Q58. What are the additional compliance requirements towards clearing services offered to TMs by TCMs and PCMs?**

Ans. Additional risk mitigation measures have been prescribed for TCMs & PCMs clearing trades of other TMs vide circulars titled 'Strengthening oversight on Clearing Members' issued from time to time [\[link & link\]](#). These include performance monitoring at multiple levels and reporting of red flags, alerts and concerns to the Exchanges & Clearing Corporations on a timely basis.

**Q59. Has NCL prescribed any format in which client level collateral segregation is to be reported?**

Ans. Yes, NCL has prescribed a structure for the reporting of collaterals at the end client level vide its circular no. NCL/CMPL/49764 dated September 29, 2021, as modified from time to time [\[link\]](#). FAQs on the subject matter have been published vide NCL/CMPL/49640 dated September 17, 2021 [\[link\]](#).

**Q60. Is there any change in the networth requirements?**

Ans. The networth requirement has been segregated into fixed and variable portions and the current requirements along with FAQs have been published vide NCL Circular No. NCL/CMPL/55460 dated February 01, 2023 [\[link\]](#).

**Q61. What is 'Segregation and Monitoring of Collateral at Client Level'?**

**Ans.** In order to further strengthen the safety measures with respect to the end client's collateral, SEBI has prescribed a collateral reporting mechanism, procedure for collateral deposit and allocation, collateral valuation, blocking of margins, collateral withdrawal and default management process. [[link](#)]

## **(8) Enforcement Actions Against Clearing Members**

### ***Q62 What action would be taken for non-submission / reporting a shortfall in the required Networth?***

**Ans.** In case of a Net Worth shortfall as on 31<sup>st</sup> March / 30<sup>th</sup> September, Members shall be required to mandatorily submit a revised certificate (as on a later date) along with the submission, meeting the minimum net worth requirement. The Action to be taken by NCL in case of non-submission of the Networth Certificate and / or a shortfall and failure to submit revised certificate with adequate Net worth has been detailed in its Circular titled “Master circular for Clearing Members of NSE Clearing Ltd.” Published from time to time [[link](#)]

### ***Q63. What are the kinds of penalties levied by NCL?***

**Ans.** Penal action on irregularities / violations across the various segments have been listed below:

<b>Compliance Head</b>	<b>Circular No</b>	<b>Link</b>
Ongoing Membership Compliances	NCL/CMPL/62227 dated May 29, 2024	<a href="#">Link</a>
Consolidated Circular – Debt Segment	NCL/CC-SETLMNT/61846 dated April 30, 2024	<a href="#">Link</a>
Consolidated Circular – Commodity Derivatives Segment	NCL/COM/61816 dated April 30, 2024	<a href="#">Link</a>
Consolidated Circular – Futures & Options Segment	NCL/CMPT/61801 dated April 29, 2024	<a href="#">Link</a>
Consolidated Circular – Capital Market Segment	NCL/CMPT/61800 dated April 29, 2024	<a href="#">Link</a>
Consolidated Circular – SLB Segment	NCL/CMPT/61810 dated April 29, 2024	<a href="#">Link</a>
Consolidated Circular – Currency Derivatives Segment	NCL/CD/61802 dated April 29, 2024	<a href="#">Link</a>
Uniform penalty structure for Clearing Members	NCL/CMPL/59930 dated December 26, 2023	<a href="#">Link</a>



Upstreaming of clients' funds and Bank Guarantees (BGs) created out of clients' funds	NCL/CMPL/58148 dated August 30, 2023	<a href="#">Link</a>
Penalty for intraday short allocation of collaterals (Capital Market Segment)	NCL/CMPT/55687 dated February 20, 2023	<a href="#">Link</a>
Penalty for intraday short allocation of collaterals (Futures & Options Segment)	NCL/CMPT/55689 dated February 20, 2023	<a href="#">Link</a>
Penalty for intraday short allocation of collaterals (Currency Derivatives Segment)	NCL/CMPT/55686 dated February 20, 2023	<a href="#">Link</a>
Penalty for intraday short allocation of collaterals (Commodity Derivatives Segment)	NCL/CMPT/55688 dated February 20, 2023	<a href="#">Link</a>
Segregation and Monitoring of Collateral at Client Level	NCL/CMPL/50662 dated December 17, 2021	<a href="#">Link</a>
Repeated Delivery Default in Commodity Derivatives Segment	NCL/COM/49325 dated August 17, 2021	<a href="#">Link</a>
Handling of Clients' Securities	NCL/CMPL/44976 dated July 10, 2020	<a href="#">Link</a>
MWPL violation	NCL/CMPT/43967 dated March 20, 2020	<a href="#">Link</a>
Handling of Clients' Securities	NSE/INSP/43718 dated February 28, 2020	<a href="#">Link</a>
Short / Non Reporting of Client Margin (Commodity Derivatives Segment)	NCL/COM/39106 dated October 10, 2018	<a href="#">Link</a>
Non-allocation / rejection of trades by Custodian/PCM	NSE/CMPT/16559 dated December 20, 2010	<a href="#">Link</a>
Non fulfilment of funds obligations (Capital Market Segment)	NSE/CMPT/5591 dated November 11, 2004	<a href="#">Link</a>
Client Code Modification	NSE/CMPT/5128 dated May 31, 2004	<a href="#">Link</a>

Requests for review of the penalty levied can be submitted at <https://inspection.nseindia.com/MemberPortal/> (Ref. NCL/CMPL/60651 dated February 12, 2024). [\[link\]](#)

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