

Frequently asked Questions (FAQ)

Internal Shortages and Auction

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1. What does internal shortage mean?

Ans: An internal shortage arises when a clearing member has no net position at the Clearing Corporation (CC) level due to netting of its buy and sell obligations but still faces a shortfall internally because one or more delivering clients failing to deliver securities for settlement of internal positions.

2. Where can I find the file format for internal auction? Where can we upload the internal shortages file?

Ans: Annexure 1 of circular no NCL/CMPT/64464 dated 09-Oct-2024 gives the format of the file for internal auction.

As per Circular No. NCL/CMPT/66688, CC computes internal shortages for auction from 07 March 2025, onwards.

Custodians must submit internal auction requests file via email on the settlement day before 10:30 AM, as no file upload facility is available.

3. How will CC compute internal shortages?

Ans: The internal shortage shall be identified by comparing gross sell obligations vis a vis pay-in received for a security from clearing member. The gross sell obligation shall be computed as sum of net sell obligation of all clients of a clearing member for a security.

4. How can member check the securities identified by clearing corporation as internal shortage and the valuation amount to be provided by members for the same?

Ans: CC shall provide information in CM_SA_S_DDMMYYYY_01.csv report. The report shall be provided in Member portal/extranet_dnld/Voluntary Auction/dnld path. While CC will identify and provide details of internal shortages and the valuation amount to be paid by member.

5. Whether it is mandatory to pay valuation amount for internal shortages. What is the timeline of payment of valuation internal shortages. What is the rate at which valuation amount shall be determined for internal shortage?

Ans: Yes, it is mandatory to pay valuation amount for internal shortages for CC to conduct Auction. Members shall make available the valuation amount in their settlement bank account of capital market segment by 12:00 noon on the settlement day. While CC will identify and provide details of internal shortages and the valuation amount to be paid, member shall have internal processes to identify the internal shortages and provide the same by 12:00 noon. The price for valuation

amount for internal shortage is 20% above settlement price of security on Trade Day.

6. Which reports can be referred for successful auction of internal shortage?

Ans: SA_DTLS_DDMMYYYY.csv report will give details of securities that were obtained fully or partially in Auction market. The same is available in Member portal/extranet_dnld/Voluntary Auction/dnld folder.

7. What is auction rate? On whom is the auction rate applied?

Ans: Auction rate is computed based on the auction offer price for auctioned quantity and the close out price for the unsuccessful auction.

Auction rate is applied on the members who had obligation to deliver in the normal settlement, but have short / not delivered the securities.

8. What is close out rate? On whom is the close out rate applied?

Ans: Close out rate is defined in SEBI Master Circular dated SEBI/HO/MRDPoD2/CIR/P/2024/00181 dated December 30, 2024 as follows:

- the highest price recorded in that scrip on the exchange in the settlement in which the concerned contract was entered into and up to the date of auction or close out

OR

-20% above the latest available closing price at the exchange on the day on which auction offers are called for

whichever is higher

This is the rate at which members are paid in case they do not receive securities payout in normal settlement / auction.

9. What is an Auction Difference?

Ans: Auction difference is collected from the short delivering member in case of successful auction where the settlement price is greater than the auction rate. Auction difference is applicable for all shortages (internal and cc shortages).

10. Will NCL execute close out transactions for both cc and internal shortages? At what level will these transactions get executed?

Ans: Yes, NCL will execute close out transactions for both cc and internal shortages at the clearing member level. The Clearing members shall further pass close out to short delivering/ receiving clients.

11. Is the Auction Penalty applicable for both CC-level and Internal Shortages?

Ans: Auction penalty is applicable for CC-level shortages.

12. What should brokers/members do when an auction is not conducted due to specific reasons?

Ans: Where auction is not conducted on account of reason such as valuation debit not paid by member or on account of excess pay in by any member/clients or in case of corporate action in security or file not uploaded by custodian member or any other reason specified from time to time, the brokers/members shall pass close out entry in the books at the auction rate and in absence of auction rate at the close out rate.

13. In which report will I find close-out details for various scenarios?

Ans: The reports are as follows:

- Unsuccessful internal auction shortage close-out : Auction Delivery P_0000
- Unsuccessful CC shortage close-out: Auction Delivery F_0000
- CC shortage Corporate action close-out: Auction Delivery F_0000
- Non-Actionable series such as trade for trade/Block deal – BL series/ G-Sec close-out: EquityT1 Delivery F_0000
- Auction pay-in shortages close-out: Auction Delivery F_0000

14. What report shall member refer for information pertaining to internal shortages?

Ans: Following reports shall be provided

- i. CM_SA_S_DDMMYYYY_01.csv giving details of securities identified for internal auction and the valuation amount to be paid by the members for the internal shortages identified by NCL. The same is available in Member portal/extranet_dnld/Voluntary Auction/dnld folder

- ii. SA_DTLS_DDMMYYYY.csv report will give details of securities that were obtained fully or partially in Auction market. The same is available in Member portal/extranet_dnld/Voluntary Auction/dnld folder
- iii. CM_MTM_Prices_DDMMYYYY.csv will give details of settlement price of security. The same is available in Member portal/ Extranet-Common/ Clearing folder.
- iv. CSQR_<StpType><settno>DDMMYYYY.csv report will give details of Close-out price. The same is available in Member portal/ Extranet-Common/ Auction folder.
- v. A<setno>.txt will give details of Auction rate. The same is available in Member portal/ Extranet-Common/ Auction folder.
- vi. Member shall refer to Obligation, STT and StampDuty reports for obligation pertaining to internal shortages.

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