NCL - FAQ CLEARING

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Q1. Which kinds of deals are cleared by NSE Clearing Limited ("NCL") on the Capital Market Segment ("Cash Segment")?

Ans. Deals executed in the Normal Market (i.e. series under Rolling Settlement [T+1 and T+0], traded for trade – surveillance Settlement, traded in the block deal window, open market buy-back, ITP for SME deals) and Auction Market within the Cash Segment are cleared by NCL. Deals executed in Trade for Trade Market fall under the category of non-cleared deals.

Q2. Which kinds of deals are cleared by NCL on the Equity Derivatives Segment ("F&O Segment"), Currency Derivatives Segment and Commodity Derivatives Segment?

Ans. Deals, unless specifically deferred or not allowed to or rejected from admission by the relevant authority, are eligible to be cleared by NCL. Additionally, delivery obligations in the F&O Segment shall also be cleared by NCL.

Q3. Which deals are cleared by NCL on the Securities Lending & Borrowing Segment ("SLB Segment")?

Ans. NCL clears the First Leg, Reverse Leg, Recall, Repay, Auction and Rollover Deals of the SLB Segment.

Q4. Which deals are cleared by NCL on the Debt Segment?

Ans. Deals in the Normal Market, including deals in debt securities on the retail Platform and the institutional Platform of the debt segment are cleared by NCL. Additionally, deals executed on the Auction Market of the Debt Segment fall under the NCL ambit. NCL also clears RFQ deals, Corporate Debt Market Development Fund deals and Tri-Party Repo Deals executed on the Debt Segment of the National Stock Exchange ("NSE").

Q5. Which deals are cleared by NCL on the Mutual Fund Service System ("MFSS")?

Ans. All requests for subscription and redemption are cleared on individual basis and only to the extent of the funds/units paid in by clients/AMC on the Settlement day. Additionally, New Fund Offer (NFO) and Further Fund Offer (FFO) of ETF are also cleared by NCL.

Q6. Which category of trades are netted for clearing and settlement?

Ans. Deals executed on the Regular Normal Market, i.e. T+1 [EQ] & T+0 [T0] Rolling Settlement are netted at the CM level for clearing and Settlement. Deals on the Trade-for-Trade Surveillance Segment [BE], Z category [BZ], Block Deals [BL], Open Market Buy-Back [BO], Trade-for-Trade Market Deals [BT], ITP for SME Deals [IT], Auction Market [A] and SLB transaction are cleared and settled on a gross basis without netting.

Q7. How are delivery obligations in the Equity & Commodity Derivatives Segments treated?

Ans. Delivery obligation for a particular Expiry in the F&O Segment shall be netted with the delivery obligation in the Cash Segment of corresponding trade date for Settlement in the Cash Segment. Funds Settlement in the Commodity Derivatise Segment shall be cleared and settled on netted basis for daily Settlement and gross basis for delivery Settlement to determine the Settlement obligation for all CMs. The final deliverable/receivable positions at a CM shall be arrived after netting the obligation at individual client and grossed across all clients, at the TM / CM level considering both futures and exercised/assigned options positions.

Q8. Who are 'Custodial Participants'?

Ans. Constituents, eligible for trading through Trading Members ("TMs") and clearing and settling deals through single Clearing Members ("CMs"), are termed as Custodial Participants ("CPs"). Eligible Constituents are required to register themselves with one of the Clearing Corporation ("CCs") though their CMs.

Q9. What is the process for CP Code allotment?

Ans. CMs / Custodians shall log in to NSCCL – MASS ("NMASS") for application of a CP Code. NCL shall process such applications and provide them with the CP Code generated by the system, which shall be unique to the constituent and shall be activated effective the next trading day. The responsibility for performing KYC and maintaining necessary documentation shall remain with the applicant CM / Custodian.

Q10. What is the process for the mapping of a CP Code to an Institutional Trade?

Ans. TMs shall input the specific CP Code allocated to the specific client at the me of order entry for a non-institutional client on the Cash Segment. Non-institutional clients would include FPIs other than corporate bodies, individuals or family. For Institutional Trades, which would include FPIs other than corporate bodies, individuals or family, the TM may input the generic CP Code of 'INST' at the me of order entry. TMs can re-allocate institutional trades marked with the generic CP Code 'INST' to specific CP Codes post trading hours through NSE Clearing Management System ("NCMS"). There is an OTR allocation window which is visible on NCMS. This process is referred to as 'Obligation Transfer Request' ("OTR"). TMs can also view the confirmation status of CP and OTR transaction marked for confirmation by custodians in NCMS. While modification of CP Code is permitted upto 16:15 hrs, the deadline for OTR is 20:00 hrs of 'T' day. The cut-off for trade confirmation by Custodians is 19:30 hrs of 'T' day for CP Code and 07:30 hrs of 'T+1' day for OTR. Accordingly, the revised final Obligation, if having any modifications, is generated by 09:00 hrs of 'T+1' day. The generic CP code and OTR facility is not available on the other Segments.

Q11. What is the deadline for CP trade confirmation on the F&O Segment?

Ans. CMs shall confirm CP trades by 16:15 hrs. Any extension required can be sought by sending an email to "fao_clearing_ops@nsccl.co.in". All confirmed trades shall form part of the obligation of concerned CM, who shall responsible for all obligation arising out of such trades, including the payment of margins, penalties, any other levies and Settlement of obligation. Unconfirmed trades shall devolve on the executing TM shall form a part of the obligation of CM of that particular TM.

Q12. Can a CP Code be mapped to multiple CMs?

Ans. A CP Code mapped to a particular Custodian on the Cash Segment can be mapped to another CM on the F&O Segment. However, a particular CP Code cannot be mapped to multiple Custodians / CMs on the same Segment.

Q13. What is the process for a CP Code to be shifted from one Custodian / CM to another Custodian / CM?

Ans. Both the outgoing and incoming Custodian / CM shall upload request letters as per the prescribed format onto NMASS and on receipt of a confirmation of unmapping by the Outgoing Custodian / CM, shall the CP Code be unmapped from the Outgoing Custodian / CM and mapped to the Incoming Custodian / CM. The unmapping and re-mapping shall be effective from the next Trading Day and accordingly, the Obligation for the provision of margins and Settlement of obligation shall continue to reside with the Outgoing Custodian / CM for trades executed upto the day prior to the effective shifting day.

Q14. How are CP trades margined in the Derivatives Segments?

Ans. On a CP trade being executed, the CP's collateral with the TM shall be blocked to the extent of the applicable margin. If the collateral value is found to be inadequate, the excess margin, if any, shall be blocked from the proprietary collateral of the TM. If that too is found inadequate, the remaining margin shall be blocked from the proprietary collateral of the CM. On the trade being confirmed, the margin shall be blocked from the collateral value of the CP with the CM and the excess, if any, from the collateral value on the proprietary account of the CM. In case the CP has been activated for auto approval by the CM in N-Mass, the TM leg shall be skipped in the pre-confirmation status and the margin shall be directly blocked from the CP's collateral with the CM and the excess margin, if any, from the proprietary collateral of the CM.

Q15. Is it mandatory for NRIs to use the CP Code facility for participating in the Derivatives Segments?

Ans. NRI clients do not mandatorily require CP code for initiating trading in the F&O Segment.

Q16. What is 'Deemed Allocation' of margins?

Ans. The CM shall ensure that adequate collateral is allocated to the TM Prop, CPs & Clients to cover their individual margin requirements. If the applicable margin in a segment exceeds the collateral allocated to the TM Prop, CP & Client, the excess amount shall be blocked from the proprietary collateral of the CM / TM. Such amounts shall be deemed to have been allocated to the respective TM Prop, CP & Client.

Q17. Which are the Clearing Banks onboarded by NCL?

Ans. The current list of Clearing Banks comprises of Axis Bank, Bank of India, Canara Bank, Citi bank, HDFC Bank, Hongkong & Shanghai Banking Corporation Ltd Bank, ICICI Bank, IDBI Bank, IndusInd Bank, JP Morgan, Kotak Bank, Standard Chartered Bank, State Bank of India and Union Bank of India.

Q18. Which reports are provided by NCL and where can I find their format / structure?

Ans. NCL provides, *inter-alia,* funds and delivery Obligation reports which have been detailed in Part D of the Consolidated Circulars for the respective Segments, published from me-to-me.

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