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## **NSE Clearing Limited**

### **PART B DETAILED CONSOLIDATED CIRCULAR**

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## NSE Clearing Limited

### ITEM 1: CLEARED AND NON CLEARED DEALS

**In pursuance of Regulation 3.3 of the NSE Clearing Capital Market Regulations deals admitted on the CM clearing segment shall be distinguished as under:**

#### **1.1 Cleared Deals**

Cleared Deals means the following deals executed on the Capital Market Segment of the specified Exchanges:

1. Deals executed in Normal Market that includes deals executed in series under rolling settlement, traded for trade settlement and in block deal window.
2. Deals executed in Auction Market
3. Any other deals not specified herein.

#### **1.2 Non-Cleared Deals**

Non Cleared Deals are deals other than cleared deals which are executed on the Capital Market Segment of the specified Exchanges and include the following:

1. Deals executed in the Trade for Trade market (hereinafter referred to as TT Market deals).
2. Any other deals not specified herein.

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### ITEM 2: BASIS FOR CLEARING AND SETTLEMENT OF DEALS AND SETTLEMENT OBLIGATIONS

**In pursuance of Regulations 4.3 and 4.4 of the NSE Clearing Capital Market Regulations the basis for clearing and settlement of deals and settlement obligations is specified as under:**

Trading and settlement periods shall be specified by the relevant authority from time to time. In accordance with SEBI circular no. SEBI/HO/MRD2/DCAP/P/CIR/2021/628 dated September 07, 2021 and joint press release dated November 08, 2021, currently all the settlements are on T+1 day rolling basis.

In accordance with SEBI circular ref. no: SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/20 dated March 21, 2024; securities as identified by Exchanges shall be also available for T+0 settlement.

#### 2.1 Normal Market Deals

Deals executed in the normal market include equity shares, preference shares, warrants, bonds, Government Securities, Rights Entitlements etc.

Settlement type for securities settled on net obligation basis and block deals shall be as under:

‘M’ - Securities with T+1 Settlement Cycle

Settlement type for securities settled on gross obligation/ trade for trade basis shall be as under:

‘Z’ - Securities with T+1 Settlement Cycle

Settlement type for securities settled on net obligation basis be as under:

‘5’ - Securities with T+0 Settlement Cycle

#### 2.1.1 Regular Normal Market Deals

Deals executed in equity shares with series ‘EQ’ shall be settled in dematerialised mode on T+1 basis and on a net obligation basis. Settlement Guarantee shall be provided.

Deals executed in equity shares with series ‘T0’ shall be settled in dematerialised mode on T+0 basis and on a net obligation basis. Settlement Guarantee shall be provided.

#### 2.1.2 Trade For Trade -Surveillance Segment (TFT-S) Deals

As a measure of risk containment, the relevant authority may shift from time to time certain securities from series ‘EQ’ to series ‘BE’ - Trade for Trade Surveillance Segment (TFTS). Deals shall be cleared and settled on a trade for trade basis and there shall be no netting of transactions. Settlement shall be in dematerialised mode only. Settlement Guarantee shall be provided.

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### 2.1.3 Deals Executed in Z category securities

Pursuant to SEBI circular no. CIR/MRD/DSA/31/2013 dated September 30, 2013, securities of companies that are non-compliant of the Clause 41 of the Listing Agreement for two consecutive quarters are transferred to 'BZ' series. The trades in such securities, executed in 'BZ' series, is settled on Trade for Trade for basis, on lines of TFT-S deals. Settlement of all transactions shall compulsorily be done in dematerialised mode and settlement guarantee shall be provided.

### 2.1.4 Block Deals (BL Series)

Block Deals shall be executed in a special window and shall be cleared and settled on a gross obligation basis within the sub-segment and there shall be no netting of transactions. Settlement of all transactions shall compulsorily be done in dematerialised mode only. For all block deals, the settlement type shall be 'M'. Settlement Guarantee shall be provided.

### 2.1.5 Open Market Buy Back (BO Series)

Open Market Buy Back shall be cleared and settled on a gross obligation basis. Settlement of all transactions shall compulsorily be done in dematerialised mode only. All trades shall be settled under settlement type 'Z' and settlement guarantee shall be provided.

### 2.2 Trade For Trade (TT) Market Deals (BT Series)

TT Market deals shall be under series 'BT'. Deals shall be settled on a trade for trade basis directly between the parties to the transaction and reported to the Clearing Corporation. Transactions shall be settled on a gross basis and settlement obligations shall arise out of every deal. Transactions may be settled in dematerialised form or in physical form. There shall be no settlement guarantee for TT transactions. Settlement Type shall be 'Z'.

### 2.3 ITP for SME Deals (IT Series)

Pursuant to SEBI circular no. CIR/MRD/DSA/33/2013 dated October 24, 2013 an Institutional Trading Platform (ITP) for SME securities is being made available where-in

- Transaction shall be cleared and settled on a gross obligation basis.
- There shall be no auction/financial close-out in the event of shortage/failure to meet securities/funds delivery obligation.

### 2.4 Auction Market Deals

Clearing Corporation shall conduct auction for shortages. Auction Market deals shall be cleared and settled on a trade for trade basis under settlement type 'A'. Auction Market deals shall be settled on a gross obligation basis. Settlement of all transactions shall compulsorily be done in dematerialised mode and settlement guarantee shall be provided.

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### 2.5 Physical settlement of F&O segment

- As per SEBI circular SEBI/HO/MRD2\_DCAP/P/CIR/2022/165 dated November 30, 2022 obligations in physical settlement of F&O segment for a particular expiry shall be netted with Obligations in Capital Market segment of corresponding trade date.
- The obligation shall be netted where the clearing member-trading member-client (UCC Code) is common across Capital Market and F&O segments for the same security. The netting shall not be done where trading member clears trades through different Clearing Member / Clearing Corporation (Example of Netting Provided in **Part C (1)**)
- The net sell or buy obligations shall be settled in Capital Market segment in settlement/market type and settlement number of Capital Market segment only

**Summary of Settlement Type for Securities in Capital Market Segment is given below.**

Security	T+1 Settlement		Series Legend
	Settlement Type M	Settlement Type Z	
Fully paid equity shares/ETF's	EQ	BE; BZ	
Partly paid equity shares	E@	X@	@ = 1-9, A-Z
Block Deals	BL		
Open Market Buy Back	-	BO	
Units of mutual funds(Close ended)	MF	ME	
Non-convertible preference shares	P@	O@	@ = 1-9, A-Z
Fully convertible preference shares	Q@	F@	@ = 1-9, A-Z
Non-convertible debt instruments	Z@	1@	except MF/ME, @ = 1-9, A-Z
Convertible warrants	W@	K@	@ = 1-9, A-Z
Units of InvITs	IV	ID	
Gold Bond	GB	-	
Government Securities	GS	-	
Units of REITs	RR	-	
Rights Entitlement	-	BE	
State Government Loans	SG		
Treasury Bills	TB	-	
SME Securities	SM	ST;SZ	

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	<b>T+1 Settlement</b>	
<b>Security</b>	<b>Settlement Type B</b>	<b>Series Legend</b>
ITP for SME	IT	

<b>T+0 Settlement</b>	
<b>Security</b>	<b>Settlement Type 5</b>
Fully paid equity shares	T0

Note: Members should refer to circulars issued, daily trade reports for any changes in settlement types or addition of new series.

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### ITEM 3: CLEARING DAYS AND SCHEDULED TIME

**In pursuance of Regulation 6.2 of the NSE Clearing Capital Market Regulations it is hereby notified that the time schedule to be observed with regards to Clearing House, Depository Clearing System and Clearing Bank is specified as under:**

#### **3.1 Settlement in Depository Clearing System**

The delivering member/ delivering clients shall complete delivery instructions for pay-in of securities to CM Clearing Pool Account on settlement day. The depositories shall facilitate transfer of such securities to 'Clearing Corporation Settlement Pool account' by 11.00 am for T+1 settlement. Clearing Members shall take note of the pay-in cut-off specified by respective depositories from time to time. The existing settlement timelines for settlement shall be applicable on regular settlement days as well as multiple settlement days and there shall be no netting.

The delivery for securities for pay-in shall be done in applicable market lot only wherever lot size is applicable.

For T+0 settlement Pay-in of securities shall only be in the form of early pay-in by way of block mechanism by the clearing member. Details for making early pay-in are provided in **Item 10**. Settlement timings shall be as specified by the Clearing Corporation from time to time.

The depositories shall credit the receiving members' pool account/ clients beneficiary account in accordance with the pay-out instructions received electronically from Clearing Corporation on the settlement day.

#### **3.2 Clearing Bank**

The paying member shall have clear funds in his settlement account on settlement day for T+1 settlement, in accordance with SEBI Circular Ref No MRD/DoP/SE/Dep/Cir-18/2005 dated September 2, 2005. The Clearing Bank shall debit the paying members' account by 11.00 a.m. in accordance with electronic instructions received from Clearing Corporation. The existing settlement timelines for settlement shall be applicable on regular settlement days as well as multiple settlement days and there shall be no netting.

Custodian/ Clearing members shall ensure to have clear funds in existing capital market primary settlement account towards T+0 settlement obligation by settlement time specified by SEBI/ Clearing Corporation from time to time.

The Clearing Bank shall credit the receiving members' settlement account in accordance with the pay-out instructions received electronically from the Clearing Corporation on the settlement day.



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### ITEM 4: MAINTENANCE OF DEPOSITORY ACCOUNT

**In pursuance of Regulation 14 of the Capital Market Regulations, the provision relating to CM clearing member's clearing account with a Depository Participant of the specified depository is hereby specified as under:**

#### 4.1 Depository Account

The clearing members shall operate a clearing member pool account with both Depository Participant of the depositories, National Securities Depository Ltd (NSDL) and Central Depository Services Ltd (CDSL) for the purpose of settlement of depository deals or for any other purpose as the relevant authority may specify from time to time.

Members may note that the maintenance of active pool accounts in both depositories is mandatory even if they have opted for the facility of receiving their payout in their preferred depository. Members are required to ensure compliance to this in the absence of which, the release of payout of securities will be impacted.

Clearing Members shall ensure the accounts are active in both depositories at all times and inform the Clearing Corporation in case of any changes in the account. Trading members who are clearing their trades with other clearing members shall be required to maintain Trading member pool accounts with both the depositories. Clearing members shall ensure that their Trading members have opened pool accounts in both depositories. Some members registered with clearing corporation as clearing member but are using services of some other clearing members for clearing trades also need to open TM pool accounts. Some members that are clearing member in Cash segment but are trading members in F&O segment also need to open TM pool account for processing of pay-out pertaining to F&O physical obligations.

#### 4.2 Procedure for shifting of pool account in CDSL and NSDL

In case a clearing member wishes to shift the pool account from one depository participant to another, then the new pool account number shall be intimated to the Clearing Corporation as per format specified **Part C (2)** - 'Format for intimation of pool account to the Clearing Corporation'. Format for change of CDSL account shall be provided as per **Part C (2.1)** and change of NSDL account shall be provided as per **Part C (2.2)**.

In case of change of accounts clearing members shall intimate to the Clearing Corporation for availing Auto Delivery Out as specified in Item 6.1.1

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### ITEM 5: PROCEDURE FOR PAY-IN /PAY-OUT OF FUNDS

**In pursuance of Regulation 13 of the Capital Market Regulations, the provision relating to clearing bank appointed by the Clearing Corporation, are hereby specified as under:**

#### **5.1 Funds pay-in and pay-out**

Funds pay-in and pay-out shall be through banks designated as Clearing Banks by the Clearing Corporation. The list of banks currently available for settlement is provided format specified **Part C (3)** - 'Designated Clearing Banks'.

#### **5.2 Maintenance and operation of clearing account**

##### **5.2.1 Primary Clearing Account**

Every clearing member shall maintain and operate a separate and distinct primary clearing account for the capital market segment with any one of the designated clearing banks at the designated branch of the bank. The primary clearing account shall be used for clearing and settlement operations i.e., for settling funds obligation, payment of margins, release and enhancement of collateral, EPI of funds, penal charges, etc as may be specified by the Clearing Corporation from time to time.

##### **5.2.2 Additional Clearing Account**

- Further, every clearing member shall be able to additionally maintain and operate additional clearing account(s) with the designated clearing bank(s) other than in which primary account is maintained, for the purpose of enhancement of collaterals in the form of cash through NMASS and for providing EPI of funds through NMASS.
- Release of cash collateral, collateral enhancement and EPI of funds, shall be routed through the secondary clearing account of the member if specified by the member.

#### **5.3 Operation of clearing accounts**

- Clearing members shall irrevocably authorize, the clearing banks to access their clearing accounts for debiting and crediting their clearing accounts as per the instructions of the Clearing Corporation, reporting of balances and other information as may be required by the Clearing Corporation from time to time. Please refer to formats specified in **Part C (4)** – 'Format of Authorisation letters to be submitted by the member for operation of Clearing Bank Account'
- Clearing members can deposit funds into these accounts in any form and can withdraw funds from these account only in self-name.
- Clearing members having funds obligation to pay shall have clear balance of requisite funds in the clearing accounts on or before the stipulated funds pay-in day and the stipulated time.
- Clearing members shall not seek to close or de-activate the clearing accounts without the prior written consent of the Clearing Corporation
- The clearing banks shall debit/credit the clearing accounts of the clearing members as per instructions received from the Clearing Corporation from time to time. Any request from the clearing members for revoking the authorization furnished by them shall not be considered by the clearing banks. The

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clearing banks shall not close the clearing accounts or permit deactivation of the same without the prior written consent of Clearing Corporation.

- All bank confirmations received from clearing banks on behalf of the members towards margins, funds pay-in, EPI of funds, collateral enhancements etc. shall be given effect only after receiving a written/electronic confirmation from their respective clearing banks.

### 5.4 Procedure for change in primary clearing banks

In case a clearing member wishes to shift the primary clearing account from one designated clearing bank to another, the following procedure shall be followed:

- The clearing member shall request the primary clearing bank in writing for issuing a No Objection Certificate (NOC) for shifting of the primary clearing account.
- The clearing member shall request the Clearing Corporation in writing seeking its permission for shifting of the primary clearing account and enclose the NOC received from the existing primary clearing bank in this regard or where the NOC is not received, furnish an acknowledged copy of the NOC request along with a declaration to the effect that no response has been received from the existing primary clearing bank in respect of the NOC request even after a minimum waiting period of a fortnight.
- On opening the clearing account with the other designated clearing bank, the clearing member shall submit to the Clearing Corporation the documents relating to the new primary clearing account issued by the clearing banks as mentioned in **Part C (4) Format of Authorisation letters** to be submitted by the member for operation of Clearing Bank Account.
- The clearing member communicates the date from which the new primary clearing account shall be operational with the clearing corporation, post confirmation from the clearing corporation the primary account shifting is done. The existing clearing Bank account is discontinued, and new account is added.
- The Clearing Corporation shall thereon communicate the date from which the new primary clearing account shall be operational.

### 5.5 Procedure for funds settlement for F&O Physical settlement

- Funds settlement shall happen from settlement bank account of Capital Market segment. Clearing members should ensure to maintain active settlement account in the capital market segment. For clearing members who have not designated NSE Clearing Limited as designated Clearing Corporation in Capital Market Segment, clearing members shall be required to open separate account for settlement and inform the same to Clearing Corporation.
- In case of fund shortages, the shortages shall be apportioned on the basis of the segment-wise obligation of clearing member to Clearing Corporation, on a pro-rata basis, to take action on shortages. The losses, if any, in case of default of a clearing member to Clearing Corporation shall be computed on the basis of the segment-wise obligation of clearing member to Clearing Corporation, on a pro-rata basis.

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### ITEM 6: PROCEDURE FOR PAY-IN AND PAY-OUT OF SECURITIES

#### 6.1 Pay-in of securities

Pay-in shall be conducted on the scheduled pay-in day, in accordance with the settlement calendar periodically issued by the Clearing Corporation in this regard. Pay-in timings for Normal T+1 shall be 11:00 am as declared by SEBI (refer SEBI Circular Ref No MRD/DoP/SE/Dep/Cir-18/2005 dated September 2, 2005) for T+1 settlement. Members shall maintain settlement accounts at both depositories viz NSDL and CDSL and provide specific pay-in instructions to depositories for effecting pay-in.

Clearing Members shall take note of SEBI circular SEBI/HO/MIRSD/DoP/P/CIR/2022/119 dated September 19, 2022 regarding Validation of Instructions for Pay-In of Securities from Client demat account to Trading Member Pool Account against obligations received from the Clearing Corporations. As per clause 4.5 of the circular, in case of discrepancies in details like UCC, TM ID, CM ID, ISIN etc. between instruction and obligation, such transfer instructions will be rejected by the depositories. Members are requested to ensure correctness of above details at all MIIs, as any rejection thereof will result into shortage in fulfilment of pay-in obligation. Members are advised to refer to their various depository reports to meet their securities pay-in obligation on settlement day.

Members executing sale trades for non-custodian UPI/ non-UPI clients for Normal T+0 shall provide the pay-in only in from of early pay-in using block mechanism by 1:45 pm. Custodians will be able to provide pay-in of securities for Normal T+0 by 3:30 pm on T day.

#### 6.1.1 Auto Delivery Out

##### 6.1.1.1 Auto-Do for T+1 settlement

For pay-in through depositories, for specific market type, a facility has been provided to members wherein delivery-out instructions will be generated automatically by the Clearing Corporation based on the net delivery obligations of its Clearing Members for specific depositories. These instructions will be released on the Depositories system on T day based on the obligations derived considering deemed custodial confirmation of CP trades / allocated OTRs for members who have opted Auto DO facility. Auto DO instructions shall not be provided by Clearing Corporation with respect to incremental delivery obligation for members/custodian on T+1 day on account of trades rejected by custodians. Members/Custodians shall ensure that they provide manual pay-in instructions for such incremental obligation.

Members are required to provide entire gross sell obligation as security payin to CC. In view of the same members are requested to ensure that delivery out instructions (Auto DO / manual DO) are executed for payin to be done from NSDL pool account.

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### 6.1.1.2 Auto -Do for T+0 settlement

a. Post custodian trade confirmation, Clearing Corporation shall upload auto delivery out instructions for the net deliverable obligations of the custodians before the pay-in cut off at depositories in respect of custodians that have opted for the facility

b. In case of any additional obligations of the clearing member on account of rejection/ non-confirmation of custodial transactions, auto delivery out instructions for such incremental net deliverable obligations for such clearing members only shall be uploaded to depositories.

Example-

- Net sell position of Proprietary obligation = 1000 shares
- Revised obligation on account of custodian trade rejection= 1200 shares

Then

- Member is required to do EPI using block mechanism for its original obligation of 1000 quantity
- Clearing Corporation shall provide Auto Do instruction in member pool for 200 quantity only.

Clearing members desirous of availing this facility shall send a letter in the format provided in **Part C (5)** – ‘Format of letter for Auto Delivery Out’

The features of this facility are intimated vide NSDL Circular No. NSDL/PI/2000/1240 dated July 22, 2000 and CDSL Circular No. CDSL/OPS/DP/SETTL/2672 October 05, 2011.

### 6.1.2 Early pay-in of securities

Clearing Corporation provides a facility to Clearing Members to make early pay-in of securities through NSDL and CDSL. The deadline for providing early pay-in of securities for T+1 settlement shall be till 9:00 pm on trade day while for T+0 settlement shall be 1:45 pm on trade day. Details for making early pay-in are provided in **Item 10**

### 6.2 Pay-out of Securities

Pay-out shall be conducted on the scheduled payout day, in accordance with the settlement calendar issued periodically by the Clearing Corporation in this regard. Pay-out shall be effected by 3:30 p.m in accordance with SEBI circular ref.no: SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/137 dated Oct 10, 2024 for T+1 settlement. In accordance with SEBI circular SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2024/75 dated June 05, 2024, Pay-out shall be made directly to client demat account for Capital Market T+1 and Auction market. The standard operating guidelines for phase 1 of pay-out of securities directly to client demat accounts is provided in Item 22 of Part B.

It shall be mandatory for trading members to update primary demat account in UCC database of Exchanges of all such clients that clear and settle trades with their clearing member. Clearing corporation shall credit pay-out of securities that is identified as primary in Exchange UCC and is verified by Depositories.

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In case of rejection of pay-out by depositories the pay-out shall be credited to member pool. The details of rejection code shall be provided in DeliveryDpo report to member. The details of depository rejection code is provided in **Part C (6)** 'List of Depository Direct pay-out Rejection code'

For Tender offer, Offer for sale and Normal T+0 settlement the pay-out is credited to member pool.

### 6.2.1 Reporting Of Unpaid Securities And Funded Stocks

A facility shall be provided to Self-Clearing member (SCM), Trading cum Clearing member (TM-CM) and Professional Clearing member (PCM) of Capital Market and F&O segment to provide request to release payout under pledge for unpaid/ margin trading facility clients. The applicable procedure and file format is provided in **Part C (7)** "Procedure for reporting of unpaid securities and funded stocks..

Trading/ Clearing members need to maintain Client Unpaid Security Pledge Account (CUSPA) in depository where their client has demat account.

### 6.2.2 Direct pay-out to Beneficiary Account

A facility is provided to the members to directly credit the pay-out to investor's beneficiary account. This shall be applicable for Tender offer, Offer for sale and T+0 settlement. Clearing members shall provide a file to Clearing Corporation for effecting pay out to investors' accounts for a particular settlement type and settlement number. Clearing members have to mention the beneficial owner's account number entitled to receive the payout of securities. The direct payout of securities can be credited to the client's account regardless of the depository in which the securities pay-in is received. In case of a shortage, the quantity credited to the client account will be to the extent of net payout received by the clearing member. Clearing members shall provide a file to Clearing Corporation for effecting pay out to client's accounts as detailed in **Part C (8)**- 'Direct Payout to Investors Account'. The timeline to provide request for direct pay-out to client BO is 3:00 pm for T+0 settlement and 9:30 am for Tender offer and Offer for sale.

The clearing member can provide own settlement account details if the clearing member intends to receive full or part payout of securities, which is not identified for direct client account payout, in the settlement account with specific depository. This information can be provided in the same file. The clearing member shall provide depository participant ID and depository participant client ID if the settlement account is with NSDL or CM Settlement account number if the settlement account is with CDSL.

The direct payout instructions uploaded by a clearing member will be considered for the particular settlement day only for which the file is uploaded. Any release of payout done subsequent to the settlement day as specified above, will be to the pool account of the clearing member

### 6.2.3 Securities Payout to Members Preferred Depository

Where pay-out is credited to member pool, members also have a facility to receive their payout in their preferred depository.

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Members have a facility of preferred depository wherein payout receivable by members can be credited to the specified pool account in either of the depositories viz. NSDL or CDSL.

Members are requested to take note of the following:

1. Members shall ensure that they get their account details updated in case of shifting /change of account etc to ensure that the payout happens to the preferred depository pool account.
2. Members may avail the said facility by providing details in the form of a letter along with the client master report of the respective depository pool account. Also, the same letter has to be provided in case of closure of the said preferred depository pool account along with the client master report of the respective depository pool account.

Please refer format specified **Part C (9)** - 'Format for availing the facility of directing the payout to preferred depository'

3. Members may take note that they shall continue to maintain pool accounts in both the depositories viz NSDL and CDSL.

### 6.3 Failure to deliver

Failure of the seller to deliver securities shall result in buy-in auction for the shares by Clearing Corporation as per auction schedule declared periodically. Auction shall be conducted on T+1 day for both shortages to CC by clearing members and internal shortages of clearing members.

In case of multiple settlements conducted on the same day, as specified by SEBI, the auction session for the first settlement shall be conducted on the same day and settled on the next day. The auction for the second settlement shall be conducted on the next day along with the shortages/auction of that day. The settlement of the same shall happen on the subsequent day.

Auction shall not be conducted where shortages are directly closed-out, where the securities are under corporate actions and for securities under T+0 settlement. Details for close out are provided in **Item 8**.

The auction amount shall be charged to the short delivering member. Auction amount shall be based on the auction rate which is computed based on the auction offer price for auctioned quantity and the close out price for the unsuccessful auction. Failure to procure shares in auction shall be closed out. Details for close out are provided in **Item 8**.

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).

Members are being requested to voluntarily bring to the notice of Clearing Corporation, where an auction profit is being identified by the members at the client level.

The pay-in time for Auction securities settlement will be 08:00 a.m. on Auction settlement date (Auction + 1 Day). The auction funds paying members are required to have clear balance of funds in their clearing account towards obligation by 8:00 am on settlement day.



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Members shall be required to upload details of securities pay-in/pay-out shortages on a daily basis to Clearing Corporation. The detailed procedure and file format for the same has been specified in **Part C (10)** 'Format of uploading securities pay-in / pay-out shortages'

### 6.4 Auction for Internal Shortages

Clearing Corporation shall be identifying pay-in shortages including internal shortages and will conduct auction for internal shortages of the members. A report file CM\_SA\_S\_<DDMMYYYY>\_01.csv shall be provided by clearing corporation to member giving details of securities identified for internal auction and the valuation amount to be paid by the members for the internal shortages.

Auction shall be conducted in respect of internal shortages in capital market segment, physical settlement of equity derivatives.

Additionally, clearing corporation shall provide facility to its clearing member of F&O that are SEBI registered Custodian, to report their internal shortages to clearing corporation to conduct auction. Such members shall provide a list of securities to be auctioned along with trading member and shortage quantity to Clearing Corporation through a file upload. The file format for the same has been specified in **Part C (11)** 'File format for Internal shortage'. The settlement type and settlement number in the request shall be that of Normal market irrespective of the obligation in Capital market or F&O physical segment and series in the request shall be EQ only. The file should be provided prior to 11:00AM on settlement date. Clearing Corporation shall validate the records and provide a return file with status success/reject to the Clearing Members with list of securities identified for auction on account of internal shortage. The file format for the same has been specified in **Part C (11)** 'File format for Internal shortage. Only successful records shall be taken up for further processing.

Clearing Corporation shall debit from the settlement account an amount equal to the valuation of the securities provided towards auction. The price for valuation amount for internal shortages shall be arrived basis the settlement price of the security and additional 20% mark or as specified by Clearing Corporation from time to time. Clearing Members are required to provide valuation amount in their settlement account by 12:00 PM. While Clearing Corporation will identify and provide details of internal shortages and the valuation amount to be paid by member, members shall have internal processes to identify the internal shortages in advance and provide the valuation amount by specified timelines.

In case of successful auction, valuation amount so collected shall be utilized towards auction pay-in on auction settlement day. Excess, if any, shall be returned to clearing member after making necessary adjustments and shortfall, if any, shall be recovered from the clearing member. In case of unsuccessful auction, the entire valuation amount shall be returned to the clearing member on next day. A report CM\_SA\_DTLS\_<DDMMYYYY>.csv shall be provided to members giving details of securities obtained successfully in Auction market for internal shortages.

In case where auction is successful but there is settlement shortage i.e. auction seller fails to deliver the securities on auction settlement day, Clearing Corporation shall conduct financial close out in accordance with the extant procedures.



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Members are requested to note that where auction for internal shortages of members was unsuccessful, NCL shall close-out such shortages by debiting the member at the auction rate and crediting the member at the close out price.

Auction of internal shortage is only a facility and no settlement guarantee shall be provided. There shall be a facilitation fees of 1% on the value of security considering the price of security on day prior to auction. The amount including applicable taxes shall be collected on monthly basis.

Where clearing corporation is not able to obtain securities, member shall close-out such shortages as per guidelines for 'Revised mechanism for auction of internal shortages' specified in point 14 of Item 7 'PAYOUT OF SECURITIES DIRECTLY TO CLIENT DEMAT ACCOUNTS'

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### ITEM 7: PAYOUT OF SECURITIES DIRECTLY TO CLIENT DEMAT ACCOUNTS

#### 7.1 Background

- i. SEBI vide circular reference number SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2024/75 dated June 5, 2024, has mandated that the payout of securities be credited directly to the client account by the clearing corporations w.e.f. October 14, 2024.
- ii. As prescribed in the above referred SEBI circular, the securities for pay-out shall be credited directly to the respective client's demat account by the Clearing Corporations. Further, Clearing Corporations are required to provide a mechanism for Trading Member Clearing Members to identify the unpaid securities and funded stocks under the margin trading facility.
- iii. Pursuant to the para 8 of the said circular, the detailed operational guidelines and implementation standards for the same shall be as follows.

#### 7.2 Segment and market types

- i. To begin with, mandatory client direct payout will be implemented in the equity cash segment (including netted cash and F&O physical settlement).
- ii. The mandatory direct client payout of securities shall be applicable to following market types; Normal T+1, Trade for trade T+1, ITP-SME T+1 and Auction market.
- iii. The implementation of direct payout to clients in Offer for Sale, Tender offer and SLB scheme, T+0 will be done after the implementation is streamlined in the Cash Market segment.

#### 7.3 Mapping of primary demat account

- i. Payouts shall be transferred to the demat accounts identified with Primary flag in the UCC database of the Exchanges and are verified by depositories.
- ii. All trading members are required to make relevant changes in the demat account details and update the Primary indicator for demat accounts for all existing UCC, in the UCC database, as per the procedure and within timelines prescribed by the Exchanges.
- iii. In case the primary indicators for demat accounts are not updated by the trading members by the timelines specified by the Exchange, records where demat account 1 is maintained then such account shall be considered as the primary account and the rest demat accounts if any, shall be considered as secondary demat account.
- iv. The primary/ secondary demat account mapped in the UCC database will be sent to the depositories for verification by the Exchanges.
- v. Only such accounts that are marked as verified primary demat accounts in UCC database by the specified cut-off shall be shared by exchange with Clearing Corporations for releasing the securities payout during settlement. Secondary verified demat accounts shall not be considered for direct pay-out of securities
- vi. The primary and verified account shall be considered as valid if the PAN of the first holder of the demat account in depository matches with the PAN in the UCC database. In case of PAN exempt cases If the DP ID is PAN Exempt on Exchange and Depository and if name of the first holder of the demat account in depository matches exactly with the name in exchange,

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Depository shall provide a positive verification response else negative verification shall be sent by depository.

### **7.4 Demat accounts of clients clearing using custodial participant (CP) Codes and clearing through non-custodian clearing members in F&O segment**

- i. For clients clearing using CP codes through non custodian clearing members in F&O segment, the clearing members will have to provide the primary demat account details of such CP to the Clearing Corporation, at the time of activation of such CP. Clearing Corporation will in turn get these demat accounts verified by the depositories.
- ii. In case of change in demat account of such CPs, clearing members shall intimate Clearing Corporation.

### **7.5 Transfer of securities to client primary demat account by depositories**

- i. Based on the instructions received from Clearing Corporation, the depositories shall transfer the securities pay-out to the primary demat account of the client with hop/skip entries in the clearing member pool and trading member pool account.
- ii. In view of the same Trading members who are clearing their trades with other clearing members shall be required to maintain Trading member pool accounts with both the depositories. Clearing members shall ensure that their Trading members have opened pool accounts in both depositories.
- iii. Some members registered with Clearing Corporation as clearing member but are using services of some other clearing members for clearing trades also need to open TM pool accounts.
- iv. Some members that are clearing member in Capital Market segment but are trading members in F&O segment also need to open Trading member pool account for processing of pay-out pertaining to F&O physical obligations.

### **7.6 Maintenance of client unpaid securities pledgee account (CUSPA) and Client Securities under Margin Funding Account (CSMFA) accounts in depositories**

- i. Clearing Corporation shall provide facility to clearing members to release pay-out to client with pledge in favor of CUSPA in case the client or Trading member is unpaid or to release pay-out with pledge in favor of CSMFA where Trading members are offering Margin trading facility (MTF) to their clients.
- ii. Where Clearing Corporation releases pay-out to clients under Unpaid/ MTF pledge flag based on request from clearing members, depositories shall release the pay-out to client and mark a pledge in favor of CUSPA/ CSMFA account of clearing/trading member, as the case may be.
- iii. Trading Members who do trading for clients other than proprietary need to maintain TM CUSPA accounts with depositories, to create pledge of securities of such clients in favor of the CUSPA a/c in event of shortages by such clients.
- iv. Clearing members (PCM and TM-CM) clearing for other Trading Members need to open CM CUSPA with depositories to create pledge of securities of such trading members/clients in favor of the CUSPA a/c in event of shortages by such trading members/client.

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- v. In case all clients of clearing member and trading member are maintaining primary demat accounts with the same depository, then such clearing/trading member may maintain CUSPA account in such depository only. Otherwise, the clearing/trading member need to maintain CUSPA accounts in both depositories.
- vi. In case of securities indicated to be released with CUSPA pledge by clearing member or trading member, the securities pay-out transferred to the client account shall be automatically pledged in favour of the CUSPA account of the clearing member or trading member, as the case may be. If TM/CM CUSPA account is not present in depository where client account is present, such pay-out shall be credited to clearing member pool account by Clearing Corporation.
- vii. In case trading members are offering MTF to their clients, then such trading members are required to maintain designated TM **CSMFA** account in depository. In case all clients of a trading member are maintaining primary demat accounts with the same depository, then the trading member may maintain **CSMFA** account in such depository only. Otherwise, the trading member shall need to maintain **CSMFA** accounts in both depositories.
- viii. In case of securities indicated as purchased under the MTF, the securities payout transferred to the client account shall be automatically pledged in favour of the TM's **CSMFA** account. If TM **CSMFA** account is not present in depository where client account is present, then such pay-out shall be credited to clearing member pool a/c by Clearing Corporation.
- ix. OTP based authentication by clients to process the pay-out released with MTF (CSMFA) pledge shall be discontinued by depositories for pay-out credited directly by Clearing Corporation. OTP based authentication shall continue only for unsuccessful payout cases where securities payout could not be transferred by Clearing Corporation to the respective client and same has been transferred to pool account of the clearing member.

### 7.7 Identification of unpaid securities and funded stocks under the margin trading facility

- i. A facility shall be provided only to non- custodian clearing members i.e. Self-Clearing Members (SCM), Trading cum Clearing members (TM-CM) and Professional Clearing members (PCM) of Capital Market and F&O segment to upload unpaid/MTF flag files for the identification of unpaid securities and funded stocks under margin trading facility.
- ii. Clearing member can specify following flags:

Flag	Action
C	Pay-out will be released to client account with a pledge in favor of clearing member CUSPA account.
T	Pay-out will be released to client account with a pledge in favor of trading member CUSPA account.
M	Pay-out will be released to client account with a pledge in favor of trading member CSMFA account

- iii. Clearing members shall be required to report unpaid/MTF for a settlement type number till specified time on settlement day.

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- iv. Following rules shall apply for intimation of unpaid/ MTF flag
- a. This facility shall be applicable to settlement type Normal T+1, Trade for trade T+1 and ITP T+1.
  - b. Clearing members shall not report unpaid/MTF flag for Auction market. Flag reported for Normal T+1 shall be made applicable to payout under the respective auction.
  - c. Unpaid / MTF flags shall be reported separately for each settlement number for the above settlement types. These shall not be carried forward for subsequent settlements.
  - d. Clearing members shall not report unpaid/ MTF flag for their UPI clients or their own proprietary accounts as the case may be.
  - e. In case of non-payment by a client to their members such members can report either C or T flag to report unpaid for such clients depending on whether it has opened CM CUSPA or TM CUSPA account in depository.
  - f. In case of clients having margin trading facility arrangement with trading members (TMs, SCM, TM-CMs) such members can report M flag to release pay-out to such clients with pledge in favour of Margin Trading Funding account of the member.
  - g. Member shall provide details of Settlement type, Settlement number, trading member code, client code, symbol, series, quantity and unpaid/ MTF flag in request to Clearing Corporation as per procedure specified by Clearing Corporation.
  - h. In case of non-payment by a trading member to its clearing member (CM-TMs or PCMs), such clearing member shall provide request with flag C.
    - i. If clearing member wants all pay-out due to all clients of the trading member be released in pledge it shall only provide trading member details and keep client code, symbol series and quantity as null.
    - ii. Where clearing member wants all pay-out due to specific clients of the trading member to be released in pledge it shall specify only trading member code and client code but keep symbol series and quantity as null.
    - iii. Where clearing member wants pay-out to be released with pledge for specific client and security, it shall specify trading member code, client code, symbol series and quantity.
  - i. In case trading member clearing with other clearing member wants payout to be released to its client with pledge to TM CSMFA account / TM CUSPA, it shall provide request to its clearing member. Clearing members shall have process at its end to collect such request from its trading members and report the same to CC before deadline.
  - j. Clearing Members can report one or more flag (C, M, T or combination thereof) for a client. The quantity in all such request should not exceed the total receivable obligation of client. In case the total quantities exceed the obligation, the request shall be processed to the extent of obligation.
  - k. Where clearing member has reported multiple flag and short pay-out is provided due to pay-in shortage, Clearing Corporation shall release the available pay-out first with M flag followed by C flag and balance with T flag.
  - l. In case of non-payment by a custodial participant client to its clearing member (PCM or CM-TMs) in F&O segment, such clearing members shall report unpaid flag C only.
  - m. Request received after closure of reporting window shall not be considered.
  - n. Situations arising out of flood/ natural calamities etc would be handled on a case to case basis.

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### 7.8 Payout of securities directly to client demat account

- i. Where the clients are registered with multiple exchanges, TMs need to ensure maintenance of same primary demat account details of such clients across the UCC databases of exchanges.
- ii. In case of clients is registered in both Capital Market and F&O segment and if the demat account is specified in UCC of both Capital Market and F&O segment, the demat account mentioned in the Capital Market segment only would be used by the Clearing Corporation for effecting pay-out. Where a UCC for is registered in F&O segment only, the trading members would need to ensure that the correct demat details is entered into the F&O segment UCC database of exchanges.
- iii. As per point (6) Of aforementioned SEBI circular ‘The processes specified at para 4 above, shall not be applicable to clients having arrangements with custodians registered with SEBI for clearing and settlement of trades’. Accordingly, the direct payout shall be applicable for all trades settled by clearing / trading member.
- iv. , Pay-out for proprietary obligation shall be provided in verified demat account of the proprietary account. If verified demat account is not available such pay-out will be credited in clearing member pool account. Further any incremental receivable obligation over and above proprietary obligation on account of rejection of custodian trade shall be credited in member pool.
- v. To ensure proper netting of trades of clients/ proprietary accounts and to ensure that pay-out pertaining to clients/ proprietary accounts is credited to correct demat account, members are requested to ensure that
  - a. UCC allotted to clients is not same as TM code of the member on any of the exchanges or is not same as UCC code allocated to proprietary account in any of the exchanges.
  - b. UCC allotted to proprietary account shall not be same as TM code of the member on the exchanges.

The same is explained in below example:

A Trading member has TM code 11111 in ‘NSE’ and 2222 in ‘BSE’ and 33333 in ‘MSEI’. Codes, as per below grid, should not be used to create a proprietary or client UCC by the trading member.

Exchange	Proprietary	Client
NSE	2222, 33333	11111, 2222, 33333, Any other code allotted to prop such as OWN, ERROR%
BSE/ MSEI	11111, 2222, 33333	11111, 2222, 33333, Any other code allotted to prop such as OWN, ERROR%

UCC code of client being same as that of proprietary account would render the trade to be considered as proprietary or vice versa and may result in incorrect netting and/ or credit of direct payout to the incorrect entity. Members are requested to ensure that any such proprietary/ client UCC, if existing, shall be deactivated and UCC shall be created with another code conforming to the above guideline.

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- vi. The credit of direct pay-out of securities to clearing member pool account is permitted at NSDL only based on CM BP ID and not based on DP ID-Client ID account linked to aforesaid clearing member pool account. Hence, members are required to open and map a separate demat account as primary account for proprietary UCC, other than DP ID-Client ID account associated to their NSDL clearing member pool account. In future, demat detail submissions for UCC must strictly adhere to this requirement.

### 7.9 Excess Pay-in from clearing member

- i. Post implementation of block mechanism it is expected that pay-in received by Clearing Corporation from clearing member is only to the extent of gross of net sell obligation of their selling clients.
- ii. In case any excess pay-in is received by Clearing Corporation (e.g. due to pay-in validation being done by each depository against client obligation independently), the treatment of such excess pay-in will be as follows:
  - a. The excess pay-in received by Clearing Corporation will be returned to the pool accounts of the clearing members, as is the current practice.

### 7.10 Handling of cases where demat account is not found and/or payout rejected by depositories:

- i. In case, there is no verified primary demat account available in exchange UCC, the payout will be released to the clearing member pool account .  
Further reference to NSE circular NSE/ISC/66165, BSE circular 20250116-37 dated 16 Jan 2025, with regards to direct pay-out, it may be noted that a client dealing exclusively in index derivatives and providing his margin through cash only may not need to have a demat account in the equity derivative segment. In this regard, the trading member has to ensure that the client dealing in index derivatives does not deal in any other product which requires physical delivery and that the client pays his margin only in the form of cash. This would be a part of an arrangement between trading member and the client where a client is desirous of dealing exclusively in index derivatives and undertakes to pay his margin only in the form of cash.
- ii. In case demat account is available but pay-out is rejected by depositories such pay-out shall be released by Clearing Corporation to clearing member pool account.
  - a. In case of rejection of pay-out by depositories/ demat not found/ excess pay-in cases, a report shall be downloaded to trading and clearing members for such demat not found or rejected pay-out. Clearing members shall transfer the pay-out to such clients. Clearing members shall refer same for taking necessary measures to avoid such instances in future.
  - b. In case the standing instruction is not present in the demat account of the UCC for receiving the credit of the securities then depositories reject the credit of security at the end of day if the required receipt in instruction is not provided by the respective client. In such cases where the information of such rejections is received late by Clearing Corporation, the pay-out to clearing member pool account shall be provided by next day.



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### 7.11 Withhold request from Exchanges/ Regulatory/ law enforcement agencies

- i. Where request is received from Exchanges/ regulatory / law enforcement agencies for withhold of pay-out such pay-out shall be withheld by Clearing Corporation and shall be released on receipt of go ahead for release from such authorities. Exchanges shall provide details of withhold at Trading Member-Client-security level for a trade date.

### 7.12 Handing of Corporate action of withheld client pay-out

- i. Till the time the pay-out is withheld at the Clearing Corporation end, all corporate benefits will be tracked at the Clearing Corporation end and will be released to client demat, as and when they arise. Corporate actions such and Right/ Tender offer etc. where client enjoys a right or facility to subscribe to the corporate action shall not be provided by Clearing Corporation to clients, if the Clearing Corporations held the securities on record date specified for the corporate action.
- ii. Corporate actions benefit such as dividend received by Clearing Corporation on account of client pay-out withheld by it, shall be transferred to clearing member of such client. Clearing member shall transfer the same to recipient client.

### 7.13 Auction for internal shortages:

- i. Clearing Corporation shall identify internal shortages by comparing gross sell obligation of clearing member vis-a-vis pay-in received for clearing member for both depositories. The gross sell obligation of clearing member shall be computed as gross of net sell obligation across all clients of a clearing member for a security. Clearing member shall ensure to provide entire gross sell obligation as security pay-in to Clearing Corporation.
- ii. It shall be mandatory for clearing members to do gross pay-in to Clearing Corporation. Where clearing/trading member effects payout to receiving clients on its own and does not provide the same to Clearing Corporation in pay-in, Clearing Corporation shall consider such quantities as short received for internal shortage computation.
- iii. It shall be mandatory for clearing members to pay valuation amount for internal shortages identified by Clearing Corporation as per timelines specified by Clearing Corporation. Where clearing member has not paid valuation amount Clearing Corporation shall not conduct auction for the internal shortage. The price for valuation amount for internal shortages shall be arrived basis the settlement price of the security. While Clearing Corporation will identify and provide details of internal shortages and the valuation amount to be paid by clearing member, clearing members shall have internal processes to identify the internal shortages in advance and provide the valuation amount by specified timelines.
- iv. 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 where the auction by Clearing Corporation was unsuccessful 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. In case auction is not conducted due to receipt of excess payin, the credit shall be given to client who has done excess payin.



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- v. Clearing members shall voluntarily bring to the notice of Clearing Corporation, where an auction profit is being identified by the members at the client level, including internal shortages.

### 7.14 Timelines for various activities linked to client direct payout

In view of direct pay-out to clients the timelines linked to client direct payout is as below:

Activity	Time
Update and verification of primary demat account	5:00 PM on S-1 day
Pay-in cut off at depositories	10:30 AM
Pay-in files from depositories	11:00 AM
Reporting of unpaid/MTF securities*	10:00 AM
Funds Payout	1:30 PM
Final Payout of securities	3:30 PM

\* Any changes in timelines shall be published by Clearing Corporation from time to time.

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### ITEM 8: SETTLEMENT PRICE AND VALUATION PRICE

**In pursuance of Regulations 7.15 and 9.3 of the Capital Market Regulations, valuation price for bad deliveries and for failure to give or take delivery are hereby specified as under:**

#### **8.1 Settlement Price Computation in view of Closing auction Session (CAS)**

8.1.1 When the stock has traded in the CAS session and Equilibrium price determined in any of the Stock Exchanges, Stock Exchanges shall provide the traded quantity in the CAS and the equilibrium price to clearing corporations-

- a) If Equilibrium price & Quantity is provided by more than one Stock Exchange, then VWAP of such prices shall be considered as settlement price.
- b) If Equilibrium price & Quantity is provided by only one Stock Exchange, then the price provided by the said Stock Exchange shall be considered as settlement price.

If such settlement price computed has more than 2 decimals, then same will be rounded to 2 decimals using simple mathematic rounding.

8.1.2 When the stock has not traded in CAS in any of the Stock Exchanges i.e. Equilibrium price is not determined, but the stock has traded during the day, in such scenario Stock Exchange shall provide the Reference Price as the close price.

- a) If reference price is provided by more than one Stock Exchanges, then the simple average of such prices shall be considered as settlement price.
- b) If reference price is provided by only one of the Stock Exchange, then the reference price provided by such Stock Exchange shall be considered as settlement price.

If such settlement price computed has more than 2 decimals, then same will be rounded to 2 decimals using simple mathematic rounding option.

8.1.3 When the stock has not traded in CAS in any of the Stock Exchanges i.e. Equilibrium price is not determined and the stock has not traded during the day as well.

In such scenario the previous trading day's settlement price shall be considered as settlement price for the T Day.

#### **8.2 Valuation Price for failure to deliver**

The valuation price for securities which were not delivered by clearing member vis-a-vis net delivery obligation of the member in the security on the settlement day, shall be the settlement price of such securities, on the immediate trading day preceding the pay-in day for the securities unless prescribed otherwise from time to time by the relevant authority.

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In case of shortages towards net delivery obligation of securities by clearing member to Clearing Corporation in normal market, Clearing Corporation shall collect valuation amount calculated at valuation price which is 120% of the settlement price on the same lines as the valuation amount being collected for internal shortages. The settlement price shall continue to be considered as the valuation price for the purpose of collection of auction difference in case the auction rate being lower than the valuation price.

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### ITEM 9: CLOSING OUT

**In pursuance of Regulation 10 of the NSE Clearing Capital Market Regulations, deemed closing out prices ('squaring off') is hereby specified as under:**

#### **9.1 Closing out where securities cannot be bought-in**

When securities cannot be bought in auction, obligation in such security shall be deemed to be closed out at following procedure, or as declared from time to time.

#### **9.2 Closing out in the case of failure to give delivery**

##### **9.2.1 Closing out in the case of failure to give delivery for Normal Market**

Any shortages in Normal Market that cannot be bought in the Auction Market shall be closed out as specified by SEBI vide Circ. Ref No. SMD/Policy/Cir-03/2002 dated January 30, 2002. Close out shall be at the highest price prevailing across the Exchanges from the day of trading till the auction day or 20% above the settlement price on the auction day, whichever is higher.

##### **9.2.2 Closing out in case of failure to give delivery for 'BL' Market Deals**

Any shortages in the 'Block trades' – BL window shall be directly closed-out on the settlement at the highest price prevailing across the Exchanges on the T day (till settlement -1 day) or 20% above the settlement price on the T day (or settlement -1 day), whichever is higher, or as declared from time to time.

##### **9.2.3 Closing out in case of failure to give delivery for Trade-for-trade – Surveillance (TFT-S) deals**

Any shortages in TFT-S shall be directly closed-out on the settlement at the highest price prevailing across the Exchanges on the T day (till settlement -1 day) or 20% above the settlement price on the T day (or settlement -1 day), whichever is higher, or as declared from time to time.

##### **9.2.4 Closing out in case of failure to give delivery for securities in T+0 settlement**

Any shortages in T+0 settlement shall be directly closed-out on the settlement at 10% above the highest price of the day across all exchanges for T+0 market, or as declared from time to time.

##### **9.2.5 Closing out in case of failure to give delivery in Auction Market**

When the auction seller fails to deliver in part or full on auction pay-in day, the deal shall be closed out at the highest price prevailing across the Exchanges from the day on which the trade was originally executed till the day of auction or 20% over the settlement price on the auction day whichever is higher and will be charged to the auction seller unless otherwise specified.

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### 9.3 Compulsory Close-out

#### 9.3.1 Compulsory Close-out of securities under Corporate Action

In case a company announces any corporate short deliveries, if any, of the shares traded on cum basis shall be directly closed out. The Clearing Corporation shall announce an ex-date and all cum-transactions shall go for auction if the auction pay-out happens on or before Record date / Book closure – 1 business day.

Where auction pay-out cannot be done on or before Record Date/ Book closure – 1 business day, shortages shall be directly closed out at the highest price prevailing across the Exchanges from the day of trading till the day of auction or 10% above the settlement price on the auction day, whichever is higher, or as declared from time to time.

#### 9.3.2 Compulsory Close-out of securities in SME segment

The delivery for securities pay-in shall be done in applicable market lot only. However the market lot of securities shall vary from time to time depending on the market price of the security. In such cases the delivery shall be accepted only in terms of applicable market lot and its whole number multiples in which the security was traded. Anything in excess or short of the market lot shall be rejected and returned to the member. In case of market lot changes, security shortages shall be directly closed out and auction shall not be conducted

### 9.4 Close out price for deleted security

Security for which trading has been discontinued on the Exchange (hereinafter referred to as deleted security), close out shall be the last 26 weeks average trade price on the exchange with a close out mark up of 20% as specified by SEBI vide Circ Ref. No SMD/POLICY/Cir-21/02 dated September 4, 2002.

#### 9.4.1 Deleted security on account of payment of additional call money

In the case of securities for which trading has been discontinued on the Exchange on account of payment of additional call money (hereinafter referred to as deleted security), the security where the respective call money has been paid (hereinafter referred to as new security) will be considered to arrive at the close out price.

#### 9.4.2 Deleted security on account of payment of redemption:

In the case of securities for which trading has been discontinued on the Exchange on account of redemption (hereinafter referred to as deleted security), the security (with the new face value after redemption) introduced for trading by the Exchange (hereinafter referred to as new security) will be considered to arrive at the close out price

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### **9.4.3 Deleted security on account of merger / amalgamation / hive off / scheme of restructuring**

In the case of securities for which trading has been discontinued on the Exchange on account of merger / amalgamation/ scheme of restructuring (hereinafter referred to as 'deleted security'), the security with which the deleted security is merged / amalgamated / hived off / restructured into (hereinafter referred to as 'new security') will be considered to arrive at the close out price.

Settlement price for such 'deleted security' will be the settlement price of the new security on the auction day prevalent on the Exchange.

In case where the price of the 'new security' is not available for the reason of such security not being traded on the Exchange, the settlement price for such deleted security will be at the last 26 weeks average trade price on the exchange

### **9.5 Close Out Price for Government Securities**

In case of short deliveries, unsettled positions shall be closed out on the settlement day at the highest price prevailing across the Exchange from the day of trading till the T day or 5% above the settlement price on the T day, whichever is higher, or as declared from time to time

### **9.6 Close Out Price for Rights Entitlement**

In case of short deliveries, unsettled positions shall be closed out on the settlement day at the highest price prevailing across the Exchange on the T day or 5% above the settlement price on the T day, whichever is higher, or as declared from time to time

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### ITEM 10: LIQUID ASSETS

A clearing member may deposit liquid assets in the form of cash, bank guarantees, fixed deposit receipts and approved securities and any other form of collateral as may be prescribed from time to time.

These liquid assets are segregated as cash component and non-cash component. Cash component shall mean cash, bank guarantees, fixed deposit receipts, units of money market mutual fund, Gilt funds, Government of India Securities, Sovereign Gold Bonds and any other form of collateral as may be prescribed from time to time. Non-cash component shall mean all other forms of collateral deposits like deposit of approved list of demat securities, units of the other mutual funds, corporate bonds and any other form of collateral as may be prescribed from time to time.

The total liquid assets comprise of the cash component and the non cash component. As per SEBI circular MRD/DoP/SE/Cir-07/2005 dated February 23, 2005 wherein the cash component shall be at least 50% of liquid assets. This implies that non cash component in excess of the total cash component would not be regarded as part of total liquid assets.

#### **10.1 Membership Deposit (Security Deposit):**

**In pursuance of Rule 2.3 of Chapter IV of the Rules of NSE Clearing, details of Deposit to be maintained are specified as under:**

Clearing Member is required to meet with the deposit requirements prescribed by the Clearing Corporation at all points of time.

##### **10.1.1 Cash Deposit requirement for Self Clearing Members**

As a part of the membership requirement every self clearing member is required to maintain cash deposit of:

- (a) Rs. 15.00 lakhs in the case of Corporates
- (b) Rs. 6.00 lakhs in the case of Firms/Individuals

##### **10.1.2 Cash Deposit requirement for Trading Cum Clearing Members/Professional Clearing Member**

As a part of the membership requirement every trading cum clearing member/Professional clearing member is required to maintain cash deposit of:

- (a) Rs. 25.00 lakhs in the case of Corporates
- (b) Rs. 16.00 lakhs in the case of Firms/Individuals
- (c) Rs. 25.00 lakhs in case of Professional Clearing Member

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### 10.1.3 Security Deposit requirement for Trading Cum Clearing Members/Professional Clearing Member

As a part of the membership requirement every clearing member is required to maintain a security deposit of:

- (a) Rs. 25.00 lakhs in the case of Corporates
- (b) Rs. 17.50 lakhs in the case of Firms/Individuals
- (c) Rs. 25.00 lakhs in the case of Professional Clearing Member

The same is to be maintained in any one or combination of the following forms:

- i. Cash
- ii. Fixed Deposit Receipts (FDRs) issued by **Approved Banks** as per **Part C (12)- 'List of Approved Banks for issuance of Fixed Deposits Receipts & Bank Guarantees'**, deposited with the Clearing Corporation.
- iii. Bank Guarantee in favour of NSE Clearing Ltd. from Approved Banks.
- iv. Equity shares of companies and units of Exchange traded funds in demat form as per list provided by Clearing Corporation pledged in favour of Clearing Corporation from any any other Depository Participant of NSDL or CDSL.
- v. Government of India Securities/T-Bills/Sovereign Gold Bonds, as per list provided by Clearing Corporation
- vi. Open ended Mutual Funds Units in demat form as per list provided by Clearing Corporation pledged in favour of Clearing Corporation from any other Depository Participant of NSDL or CDSL.

### 10.1.4 Non-fulfilment of Deposit Requirements

Any failure on the part of a clearing member to meet with the deposit requirements as given in 9.1.1, 9.1.2 and 9.1.3 at any point of time, will be treated as a violation of the Rules, Bye-Laws and Regulations of the Clearing Corporation and the Clearing Corporation may, within such time as it may deem fit, advise the Exchange to withdraw any or all of the membership rights of such clearing member including withdrawal of trading facilities of all trading members, without any notice.

If the security deposit falls below the minimum required level at any point of time, the Clearing Corporation may initiate suitable action as given below or as prescribed by the relevant authority from time to time.

- If the security deposit shortage is equal to or greater than Rs. 5.00 lakhs, the trading facility would be withdrawn with immediate effect.
- If the security deposit shortage is less than Rs. 5.00 lakhs, the clearing member would be given one calendar week's time to replenish the shortage and if the same is not done within this timeframe the trading facility would be withdrawn.



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- Penalty as specified in Item 11 shall be levied.

In addition, the outstanding positions of such clearing member and/ or trading members and/ or constituents, clearing and settling through such clearing member, may be closed out forthwith or any time thereafter by the Exchange, at the discretion of the Clearing Corporation, to the extent possible, by placing at the Exchange, counter orders in respect of the outstanding position of such clearing member without any notice to the clearing member and/ or trading members and/ or constituents, and such action shall be final and binding on the clearing member and/ or trading members and/ or constituents. Clearing Corporation may also initiate such other risk containment measures as it deems fit with respect to the open positions of the clearing member and/ or trading members and / or constituents.

Clearing Corporation may, in addition to the foregoing provisions, take additional measures like, imposing penalties, collecting appropriate deposits, invoking bank guarantees/ fixed deposit receipts, realising money by disposing off the securities and exercising such other risk containment measures as it deems fit and may further take such disciplinary action as it may deem fit and appropriate in this regard.

### 10.2 Margin Deposits by the member

**In pursuance of Byelaw 2 of Chapter VIII of the Byelaws and Regulation 3.10 of Chapter 3 of Regulations, the following requirements are prescribed in respect of margin deposits to be provided by the members:**

Clearing members who wish to provide any deposits at any point of time, over and above their minimum deposit requirement as given in 9.1 above towards margin and/ or other obligations, may do so in any one or combination of the following forms:

- 1) Cash
- 2) Fixed Deposit Receipts (FDRs) issued by Approved Banks.
- 3) Bank Guarantee in favour of NSE Clearing Ltd. from Approved Banks.
- 4) Equity shares of companies and units of Exchange traded funds in demat form pledged in favour of Clearing Corporation from any any other Depository Participant of NSDL or CDSL.
- 5) Government of India Securities/T-Bills/Sovereign Gold Bonds, as per list provided by Clearing Corporation
- 6) Open ended Mutual Funds Units in demat form pledged in favour of Clearing Corporation from any any other Depository Participant of NSDL or CDSL.
- 7) Corporate Bonds in demat form pledged in favour of Clearing Corporation from any any other Depository Participant of NSDL or CDSL

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The Clearing Corporation may at its discretion accept fixed deposit receipts, bank guarantees, or approved securities or such other mode as may be approved and subject to such terms and conditions as may be imposed from Clearing Corporation from time to time.

### 10.3 Guidelines for Submission of Deposits

#### 10.3.1 Cash

Clearing members may submit deposit in the form of cash by making the required amount available in their respective clearing bank account and sending an authorization to the Clearing Corporation for debiting the said amount from their clearing account.

Clearing members shall use the facility in NMASS to initiate the cash deposit request.

The benefit of such cash deposit requests shall be subject to bank confirmation from the respective clearing bank. A clearing member who has authorised the Clearing Corporation to debit his clearing account as above shall ensure due performance of the commitment. Non-fulfillment of such obligation will be treated as a violation and/ or non-performance of obligations and shall attract consequences, penalty and/ or penal charges as applicable to violations.

Clearing members shall be permitted to place cash deposit request till 7:30 pm on all settlement days.

#### 10.3.2 Fixed Deposit Receipt

##### 10.3.2.1 Submission of Fixed Deposit Receipt

Clearing members may furnish deposits in the form of FDR as mentioned above, subject to inter-alia, the compliance of the following:

- i. The FDR should be issued in favour of "NCL A/c CLEARING MEMBER NAME".
- ii. Clearing members are required to issue a letter to the Clearing Corporation agreeing that the Clearing Corporation has an irrevocable authority to encash the FDR and to withdraw the FDR amount (including accrued interest) at any time, even prior to maturity of FDR without notice to the member, for recovery/adjustment of Clearing Corporation/Exchange dues. The formats of the letter are given in **Part C (13)** - 'Format of letter by member for submission of FDR to Clearing Corporation'.
- iii. Clearing members are required to submit a letter from the bank issuing the FDR to the Clearing Corporation in the formats given in **Part C (14)** - 'Format of letter to be provided by Bank issuing FDR to the Clearing Corporation'.
- iv. The minimum value of FDR that may be accepted shall be Rs.1 lakh.
- v. The FDR issued in physical form should have validity for a minimum period of 3 months in case of margin deposit and for a minimum period of 12 months in case of security deposit.
- vi. The FDR issued in electronic form should have validity for a minimum period of 7 days in case of margin deposit and for a minimum period of 12 months in case of security deposit.

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- vii. The FDR should be issued by any of the branches of approved banks and should be payable in the cities of: Mumbai, New Delhi, Chennai, Kolkata, Ahmedabad, Bangalore and Hyderabad of the Approved Banks.
- viii. Clearing Corporation shall not accept FDRs from clearing members as collateral, which are issued by the clearing member themselves or banks who are associate of clearing member. For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012
- ix. Clearing member can additionally provide FDR's in electronic formats. The procedure is as below:
  - a. Clearing member approaches and requests the bank to create FDR and mark lien in favour of Clearing Corporation, the process is same as for physical FDR.
  - b. Clearing member submits required documents to the bank for creation of FDR and marking the lien, the process is same as for physical FDR. Additional information to be provided by the clearing member to the bank is given below:
    - Primary Member Code of the Segment
    - Segment for which the FDR is required
    - Security Deposit (SD) or Margin Deposit (MD)
  - c. Bank shall issue the FDR and marks lien in favour of Clearing Corporation
  - d. Bank shall send the FDR information in electronic form to Clearing Corporation
  - e. Clearing Corporation validates and if found correct passes on the benefit of the same to the clearing member
  - f. Clearing Corporation shall send a system generated e-mail and sms to clearing member.
  - g. To get intimation for addition and renewal of instrument through e-mail and sms, clearing members are requested to register their e-mail ids and/or mobile number under NMASS module and subscribe for "Add/Renew Electronic FDR".

Additionally, clearing members shall ensure the following for placing FDR as collateral with Clearing Corporation

- Clearing Member shall ensure that for all FDR lien marked to Clearing Corporation, Clearing Corporation shall have explicit precedence on the FDR funds over every other stakeholder, including over the bank providing the FDR.
- The tenure of FDRs created out of client funds shall not be more than one year and one day, and the FDR should be pre-terminable on demand.
- The principal amount of the FDR shall remain protected throughout the tenure, even after accounting for all possible pre-termination costs.
- Clearing Member shall not avail any funded or non-funded banking facilities based on FDRs created out of clients' funds.

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The list of banks approved for issuance of E-FDR is provided in **Part C (12)** 'List of Approved Banks'.

### 10.3.2.2 Renewal of Fixed Deposit Receipt

In case of renewal of FDRs placed with Clearing Corporation, clearing member shall furnish Clearing Corporation renewal letter, as per the following format(s) provided in Part C, from the respective bank.

- **Part C (15)** Format of letter to be provided by bank for auto renewal of FDR to the Clearing Corporation - when there is change in FDR number.
- **Part C (16)** Format of letter to be provided by Bank for auto renewal of FDR to the Clearing Corporation- when there is no change in FDR number

The procedure of renewal of E-FDR is as below

- a) Clearing member shall request the bank to renew the FDR
- b) Clearing members can also request banks to renew existing physical FDRs in electronic form.
- c) Clearing member shall submit the required documents to the bank for renewal of FDR, the process is same as for physical FDR. Additional information to be provided by the member to the bank is given below.
  - Primary Member Code of the Segment
  - Segment for which the FDR is required
  - Security Deposit (SD) or Margin Deposit (MD)
- d) Bank shall renew the FDR.
- e) Bank shall send the renewed FDR information in electronic form to Clearing Corporation
- f) Clearing Corporation shall validate and if found correct renews the FDR
- g) Clearing Corporation shall send a system generated e-mail and sms to clearing member if subscribed for.

In case the renewed FDR/ fresh FDR is not submitted and whereby the clearing member does not fulfill the security deposit requirements, action as provided in **9.1.3** above shall be applicable.

### 10.3.3 Bank Guarantees

#### 10.3.3.1 Limits

The acceptance of the bank guarantees by the Clearing Corporation shall be subject to the bank-wise and member-wise limits as are stipulated from time to time. The maximum value of bank guarantees that can be given from the issuing bank per member is as provided below:

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Category of member	Applicable total limit per clearing member across all segments (Rs in Crores)	
	Primary Clearing Bank	Other Banks
Professional Clearing Member (PCM) / Custodian / Trading Cum Clearing Members (TM-CM) with net worth =>Rs.500 crores	3500	2800
Professional Clearing Member (PCM) / Custodian / Trading Cum Clearing Members (TM-CM) with net worth <Rs.500 crores	1750	1400
Other categories (Other)	350	280

In addition to the above based on category of the clearing member the below mentioned maximum value of bank guarantee limit shall be applicable across all segments /schemes:

Category of member	Applicable total limit per clearing member across all segments (Rs in Crores)
Professional Clearing Member (PCM) / Custodian / Trading Cum Clearing Members (TM-CM) with net worth =>Rs.500 crores	14000
Professional Clearing Member (PCM) / Custodian / Trading Cum Clearing Members (TM-CM) with net worth <Rs.500 crores	7000
Other categories (Other)	1700

Clearing members are advised to check their applicable limit before getting their bank guarantees issued.

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### 10.3.3.2 Submission of Bank guarantee

At the time of deposit of the bank guarantee, the clearing member is required to ensure the following:

- i. The bank guarantee is strictly as per the formats given in **Part C (17)**- 'Format of Bank Guarantee for Margin Deposit (Fungible) **Part C(18)** 'Format of Bank Guarantee for Margin Deposit and Security Deposit (Non Fungible)', prescribed by the Clearing Corporation,.
- ii. A bank guarantee for security deposit should be issued for a minimum period of 12 months with a specific claim period of at least 3 months. However, where an issuing bank does not provide for a specific claim period beyond the expiry date in the bank guarantee, the members shall submit a bank guarantee for a minimum period of 15 months. The maturity period of such bank guarantee shall be reduced by 3 months, which would be considered as the claim period of the bank guarantee.
- iii. A bank guarantee for margin deposit should have validity for a minimum period of 3 months. In case the issuing bank does not provide for a specific claim period beyond the expiry date in the bank guarantee, the maturity period of such bank guarantee shall be reduced by 7 days, which would be considered as the claim period of the bank guarantee.
- iv. Clearing Corporation shall not accept bank guarantees from clearing members as collateral, which are issued by the clearing member themselves or banks who are associate of clearing member. For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012
- v. While filling the details in a bank guarantee, clearing members shall ensure that:
  - a) No relevant portion is left blank
  - b) All handwritten corrections and blanks are attested by the bank by affixing the bank seal / stamp duly authorised
  - c) All irrelevant portions struck off on the printed format should also be authenticated by the bank by affixing the bank seal / stamp duly authorised.
  - d) Each page of the bank guarantee should bear the bank guarantee number, issue date, stamp of the bank and should be signed by at least two authorised signatories.
  - e) The clearing member should also ensure that the bank guarantee is free from any discrepancy before the same is submitted to the Clearing Corporation.
  - f) The stamp paper should be issued in the name of the clearing member or the bank, no third party stamp papers are permissible
  - g) The stamp paper should not be older than 6 months from the executed date of the bank guarantee/ renewal.
- vi. Clearing member can additionally provide bank guarantee in electronic formats (E-BG). The procedure is as below:
  - a) Clearing members can approach banks empanelled by Clearing Corporation for issuance of E-BG.
  - b) The bank guarantee shall be strictly in the format prescribed by Clearing Corporation.

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- c) Clearing members shall ensure that SFMS message is sent by the issuing bank before the new/renewal BG is submitted to Clearing Corporation.
- d) On successful acceptance of E-BG the same shall be added towards collaterals of clearing members and the amount of bank guarantee shall be available for allocation.
  - Fungible Bank Guarantee shall be available in the collateral pool available for allocation across segments.
  - Non-Fungible Bank Guarantee shall be available in the collateral pool available for allocation for the mentioned segment only.

The list of banks approved for issuance of E-BG is provided in **Part C (12)** ‘List of Approved Banks’.

In case the bank guarantee does not strictly conform to the above-mentioned conditions, the same shall not be accepted by the Clearing Corporation and benefit for the same shall be made available only upon the bank guarantee being strictly in conformity with the prescribed requirements.

### 10.3.3.3 Renewal of Bank guarantee

In case of renewal of bank guarantees, the clearing members shall furnish the renewal document strictly in the prescribed format before the date of expiry / maturity date of the bank guarantee. The format is given in **Part C (19)** - ‘Format of renewal of bank guarantee towards Margin deposit and Security deposit’. The clearing members may also opt to give a fresh bank guarantee in favour of NSE Clearing Limited instead of renewing the expired bank guarantees.

Members can request the banks for renewal of E-BG. Members can also request the bank for renewal of existing BG in Physical form in E-BG using the facility of Hybrid E-BG mechanism.

In case the renewed bank guarantees/ fresh bank guarantees are not submitted within the abovementioned periods whereby the clearing member does not fulfil the security deposit requirements, action as provided in **9.1.3** above shall be applicable.

### Electronic SFMS Message

Clearing members are required to ensure that Banks issuing BG in favour of Clearing Corporation send e-messages through SFMS for all new issuance/renewals of the BG. Clearing members shall ensure that SFMS message is sent by the issuing bank before the new/renewal BG is submitted to Clearing Corporation. The exposure towards new issuance/renewals of the bank guarantees shall be provided only after receipt of the SFMS message by Clearing Corporation. Following beneficiary details of Clearing Corporation shall be provided to issuing banks for sending the e-messages through SFMS

#### Option 1

Field No	Description	Current Value
7034	Name Of Beneficiary And His Details	NSE CLEARING LIMITED EXCHANGE



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		PLAZA, PLOT C-1, G BLOCK, BANDRA KURLA COMPLEX, BANDRA (E), MUMBAI - 400 051
7035	Beneficiary IFSC	XNSE0000001
7036	Beneficiary Branch Name and Address	NSE CLEARING LIMITED

### Option 2

Field No	Description	Current Value
7035	Beneficiary IFSC	ICIC0000004
7036	Beneficiary Branch Name and Address	ICICI BANK LIMITED F.P.HOUSE NARIMAN POINT MUMBAI 215, FREE PRESS HOUSE, NARIMAN POINT, MUMBAI
7037	Sender to Receiver Information	NCL566855614

### 10.3.3.4 Reminder Letters through extranet

Reminder letters are downloaded on a monthly basis through the extranet in respect of the FDRs and bank guarantees those are due for renewal in the following month.

The file naming convention for the same is:

Path: FTP/<TM CODE>/REPORTS.

BG<BG ID>\_ABC/BC\_<TM CODE>\_DDMMYYYY.DAT

FD<FD ID>\_ABC/BC\_<TM CODE>\_DDMMYYYY.DAT

This is being provided as an additional facility only and clearing members are advised to submit the renewals of the bank guarantees and fixed deposit receipts within the stipulated period to avoid any action as provided in 9.1.3 above. The clearing members shall be responsible for the renewal of FDRs/ bank guarantees expiring in the month and any penalties, applicable in case of a security deposit FDR/ bank guarantee not getting renewed/ substitution being provided.

### 10.3.4 Securities

#### 10.3.4.1 Eligible securities

Clearing members are permitted to deposit shares of companies and ETFs as communicated to the clearing members from time to time, in electronic form ('demat securities') in the designated depository accounts maintained through any other depository participants of NSDL or CDSL. These securities shall be pledged in favour of NSE Clearing Limited.

Equity securities/ETF fulfilling following criteria as approved securities as collaterals



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- Equity shares with impact cost of up to 0.1% for an order value of Rupees 1 lakh and
- Traded for at least 99% of days over the period of previous 6 months

The valuation of the securities shall be in accordance with the norms prescribed by the Clearing Corporation from time to time. The securities shall be valued based on the closing price of the security at the Exchange. The value of the securities shall be reduced by such haircut as may be prescribed by the Clearing Corporation from time to time to arrive at the collateral value of the security. Only the value net of applicable haircuts shall be considered as the value of the securities pledged. Valuation of securities shall be done at such periodic intervals as may be specified by the Clearing Corporation from time to time.

A report containing details of closing price and applicable haircut for the respective security shall be downloaded to common folder of member on FTP and on the website. The report nomenclature will be “APPSEC\_COLLVAL\_ddmmmyyyy.csv”.

The quantity of security acceptable by Clearing Corporation from a member shall be restricted in quantity and value terms. The list of approved securities, the acceptable quantity (Market wide limit and member level limit) of the security and applicable hair cut for the respective security shall be as per the Circular issued by Clearing Corporation for the respective month. Further the quantum of each security acceptable shall be restricted to certain percentage of the total margins of the clearing member, and the same shall be specified in list of approved securities.

A report containing security wise utilization of market wide permissible limit shall also be downloaded to common folder of clearing member on FTP. The report nomenclature will be “SEC\_OL\_ddmmmyyyy.csv”

Clearing Corporation may revise the list of approved securities and, the haircuts from time to time. Members who have deposited securities which have been discontinued from the list of approved securities, shall be required to take due care to replace such securities.

### 10.3.4.2 Securities not approved for acceptance

The following securities shall not be accepted as liquid assets:

- a) Partly paid securities
- b) Securities subject to any lock in period, buy back scheme any charge or lien, encumbrance of any kind, or such other limitations or title is questioned before the court or any regulatory body.
- c) Equity shares of clearing member
- d) Corporate bonds issued by clearing member
- e) Equity Shares of associate of clearing member
- f) Corporate bonds issued by associate of clearing member

For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2018

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### 10.3.4.3 Ownership of Securities

#### 10.3.4.3.1 Membership Deposits (Security Deposit)

- Clearing members shall be permitted to provide only “own” securities towards the membership deposit requirements
- Own securities shall include securities owned by member/ spouse, any of the partners/ their spouses or any of the directors, in case of individual, partnership or corporate members respectively, as the sole/ first joint holder, provided no depositor of securities should be a minor as on the date of deposit thereof.
- Clearing members shall provide securities towards membership deposit requirement using the facility of direct pledge in favour of NSE Clearing through any other depository participant of NSDL and CDSL as per **9.3.4.4** and **9.3.4.5**

#### 10.3.4.3.2 Margin Deposits

- Clearing members shall be permitted to provide “own” securities or trading member proprietary securities or client securities towards the margin deposit requirements
- Clearing members can provide own securities using the facility of Margin Pledge facility provided by NSDL and CDSL
- Clearing members can re-pledge client/trading member(TM) proprietary securities only through Margin Pledge facility provided by NSDL and CDSL
- The margin pledge facility shall also be applicable for Custodial Participant (CP) clients of clearing members
- Procedure for providing securities through Margin Pledge facility provided by NSDL and CDSL is detailed in **9.3.4.6**
- The prudential norms (Market wide limits, member wise limits and value based limits) shall be applied on all securities (OWN and Client/TM Proprietary securities) together
  - For Market wide limits, member wise limits, Client/TM Proprietary/CM Proprietary securities pledged/re-pledged, the priority will be on first-in-first-out (FIFO) basis, in other words securities pledged/re-pledged earlier will have a higher priority

### 10.3.4.4 Acceptance of securities through any other depository participant of NSDL

#### 10.3.4.4.1 Registration

- a. Clearing members can use this facility only for pledging own securities towards membership/margin deposit requirements.
- b. Clearing members shall be permitted to pledge own securities through their Proprietary Accounts only. The aforesaid account shall be permitted for pledging of securities across all segments/schemes of the Clearing Corporation.
- c. Clearing member shall submit the following information to the Clearing Corporation:

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- Covering letter as per format provided in **Part C (21)** – ‘Format covering letter for pledge through NSDL’
  - Client master of the designated account
  - Pledge deed as per the specified format
  - For security deposit as per format provided in **Part C (20)** ‘Format of deed of pledge
  - For margin deposit as per format provided in **Part C (20)** ‘Format of deed of pledge
  - List of authorized signatories who are authorized to sign deed of pledge
- d. On submission of necessary documents as specified above the Clearing Corporation shall enable the designated account for acceptance of pledge.

### 10.3.4.4.2 Pledging of securities

- a. Clearing member shall be required to subscribe for SPEED-e facility of NSDL to submit the pledge request in favour of the Clearing Corporation.
- b. Clearing member shall initiate a pledge instruction from the designated account in favour of the requisite beneficial owner account of Clearing Corporation using SPEED-e facility of NSDL.
- c. Clearing members may note that **only** those pledges which are created through SPEED-e facility of NSDL shall be accepted towards collateral purpose.
- d. Details of the Clearing Corporation accounts in whose favour the pledge have to be created for different deposit type are as under:

Segment	Deposit type	DP ID	Account number
Capital Market Segment	Security Deposit	IN001002	10009028
Capital Market Segment	Margin Deposit	IN001002	10009036

- e. Clearing members shall ensure that correct account is selected while initiating the pledge instructions as these pledges will be confirmed automatically in favour of the Clearing Corporation.
- f. Pledge instructions created in favour of the Clearing Corporation for securities which are not accepted as collateral or in favour of segment/type of deposit for which member is not registered shall not be auto confirmed and instruction will remain in the status ‘Pending Pledge Confirmation’. Clearing member shall have to cancel such pledge instructions. Clearing member can request to Depository Participant to cancel the instruction.
- g. Pledge instructions in respect of approved securities and in favour of segment/type of deposit for which member is registered shall be accepted.

### 10.3.4.5 Acceptance of securities through any other depository participant of CDSL

#### 10.3.4.5.1 Registration

- Clearing members can use this facility only for pledging securities towards membership deposit requirements (security deposit)
- Clearing member shall be permitted to pledge only from their proprietary accounts

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- The aforesaid account shall be permitted for pledging of securities across all segments of Clearing Corporation.
- Clearing member shall submit the following information to Clearing Corporation for pledging of securities in favour of Clearing Corporation:
  - Covering letter as per format provided in **Part C (22)** – ‘Format covering letter for pledge through CDSL’
  - Client master of the designated account
  - Pledge deed as per the specified format
    - For security deposit as provided in **Part C(20)** ‘Format of deed of pledge
    - List of authorized signatories who are authorized to sign deed of pledge
- On submission of necessary documents as specified above Clearing Corporation shall enable the designated account for acceptance of pledge.

### 10.3.4.5.2 Pledging of securities

- Clearing member shall initiate a pledge instruction from the designated account in favour of the requisite beneficial owner account of Clearing Corporation
- Clearing member can register the designated account for “easiest” facility provided by CDSL whereby it can electronically submit the pledge request in favor of Clearing Corporation. Alternately, clearing member can also follow the existing procedure of submission of pledge instructions to its DP. Thus, pledge created through “easiest” facility of CDSL or through submission of instruction to the DP by using existing procedure shall be accepted for collateral purpose.
- Details of Clearing Corporation accounts in whose favour the pledge have to be created for different deposit type are as under :

Segment	Deposit type	Account number
Capital Market Segment	Security Deposit	1100001100020303

- Clearing members shall ensure that correct account is selected while initiating the pledge instructions as these pledges will be confirmed automatically in favour of Clearing Corporation.
- Pledge instructions created in favour of Clearing Corporation for securities which are not accepted as collateral or in favour of segment/type of deposit for which clearing member is not registered shall not be accepted by CDSL system.
- Pledge instructions in respect of approved securities and in favour of segment/type of deposit for which clearing member is registered shall be accepted.

### 10.3.4.6 Acceptance of securities through Margin Pledge mechanism

- Clearing Member shall be required to open a separate demat account (“designated account”) with any Depository Participant of NSDL or CDSL.
- The designated account shall have a client sub type of CM – Client Securities Margin Pledge Account or TM/CM – Client Securities Margin Pledge Account in NSDL or CDSL.

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- The aforesaid designated account shall be permitted for pledging/re-pledging of securities across all segments/schemes of Clearing Corporation.
- Clearing Member shall ensure that designated demat account is used for the purpose of pledging/re-pledging securities only as specified in SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020
- Clearing Member shall submit the following information to Clearing Corporation
  - Covering letter as per format provided in **Part C (23)** – ‘Format covering letter for margin pledge/repledge
  - Client master of the designated account
  - Pledge deed as per the format specified in **Part C (20)** ‘Format of deed of pledge
  - Board Resolution with list of authorized signatories authorized to sign the pledge deed
- On submission of necessary documents as specified above Clearing Corporation shall enable the designated account for acceptance of pledge/re-pledge.
- Clearing Members shall refer to provisions provided by Depositories with respect to opening the account and creating margin pledge/re-pledge in favour of Clearing Corporation.
- Pledge instructions in respect of approved securities only shall be accepted
- Details of Clearing Corporation accounts in whose favour the re-pledge have to be created are as under

Depository	DP ID	Account number
NSDL	IN001002	10009132
CDSL	1100001100020926	

- UCC Details, TM Code, CP Code and segment as received in the pledge/re-pledge instructions from depositories shall be considered for allocating such securities towards margin requirement.
- In case of CP clients, clients/clearing member shall ensure that applicable CP code is populated in the pledge/re-pledge instructions as per the procedure prescribed by the depositories.
- The facility of providing securities towards margin deposit through margin pledge mechanism shall be optional in respect of clients settling through Custodians.

### 10.3.5 Government of India Securities

Securities in form of Central Government of India Securities (G-Sec) Treasury bills (T-bills) and Sovereign Gold Bonds (SGB) are also accepted as approved collaterals. G-Sec/ T-Bills/SGB can be provided through E-Kuber or through creation of pledge in demat account.

The procedure for submitting G-Sec/T-Bills/SGB as collateral shall be as under:

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- i. Clearing member/Custodian desirous of providing G-Sec/T-Bills/SGB shall enter into an agreement with the Clearing Corporation as per the format provided in **Part C (24)** - 'Format of agreement for providing G-sec/T-bill as collaterals'.
- ii. Clearing Corporation shall prescribe list of G-Sec/T-Bills/SGB that shall be eligible for acceptance as collateral from time to time.
- iii. G-sec/T-bill/SGB shall be accepted as collateral only in electronic form. Clearing members desirous of providing G-Sec/T-Bills/SGB as collateral shall be required to enter the transaction through its custodian/bank on E-Kuber under Margin Transfer Module. Clearing member shall further be required to put request for addition of GSEC in NMASS under menu option "EMI – GSEC Deposit – Request / Enquiry-Request. Clearing member is required to submit a fax/mail request for addition as per prescribed format in **Part C (25)** 'Format of letter to be given by the member for request of G-Sec / T-bills addition'. Clearing Corporation shall confirm the transaction entered on the E-KUBER, based on the information received from clearing members in NMASS.
- iv. The details of SGL-II account of the Clearing Corporation is as follows:

Name of the Account:	National Securities Clearing Corporation Limited
Member ID	BYA00168
SGL – II A/c No.	SG020168
- v. The benefit of G-Sec/T-bills/SGB provided as collaterals shall be passed on to clearing members on G-Sec/T-Bills/SGB being transferred to the SGL-II account of the Clearing Corporation.
- vi. The G-sec/T-bills/SGB released by the Clearing Corporation shall be entered on E-KUBER under Margin Transfer Module. Clearing member is required to submit a fax/mail request for release as per prescribed format in **Part C (26)** - 'Format of letter to be given by clearing member for request of G-Sec / T-bills release'. Clearing members shall ensure that such transactions are approved on E-KUBER by their custodian/Banks.
- vii. G-Sec/ T-Bills/SGB can be alternatively provided to the Clearing Corporation in dematerialized form, through creation of pledge in demat account, on lines of securities. In this case the process for acceptance of G-Sec/ T-Bills/SGB as collaterals is similar to acceptance of securities as collateral as mentioned in point **9.3.4**
- viii. G-Sec/T-Bills shall be valued daily based on previous day's MTM prices as specified by CCIL. SGBs shall be valued based on the closing price of the same on the Exchange
- ix. A hair cut shall be applied on the value of G-Sec/T-bills/SGB provided as collateral by clearing member. The value after applying the hair cut shall be added to the cash component of the liquid assets of the clearing member. The hair cut shall be as under

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Type and Tenor of Securities	Haircut
Treasury Bills and Liquid Government of India Dated Securities having residual maturity of less than 3 years	2%
Liquid Government of India Dated Securities having residual maturity of more than 3 years	5%
For all other Semi-liquid and Illiquid Government of India Dated Securities	Minimum 10%

The list of approved G-Sec/T-Bills and applicable hair cut for the respective G-Sec/T-Bills shall be as per the Circular issued by Clearing Corporation for the respective month.

- x. Periodic coupon / Redemption payments received on the G-Sec/T-Bills/SGB provided by the member shall be passed on to clearing members by the Clearing Corporation immediately/next working day, upon receipt of relative interest from Reserve Bank of India.

### 10.3.6 Open ended mutual fund units

Units of mutual funds shall be accepted as in dematerialized form as collaterals. The list of eligible open ended mutual fund schemes alongwith the marketwide acceptable quantity and other prudential limits shall be disseminated by the Clearing Corporation on monthly basis alongwith the approved list of securities. The valuation of units of the mutual funds shall be done on daily basis based on the NAV of the mutual fund scheme. The value of the units of the mutual fund shall be reduced by below haircut or haircut as may be prescribed by the Clearing Corporation from time to time.

- Haircut in respect of units of growth plans of overnight mutual fund schemes shall be 5%
- Haircut in respect of units of mutual fund schemes other than units of overnight mutual fund schemes or liquid mutual fund schemes or government securities mutual fund schemes (by whatever name called which invest in government securities) shall be VaR Margin based on  $6\sigma$ , subject to minimum of 9%.

The process for acceptance of mutual fund units as collaterals is similar to acceptance of securities as collateral as mentioned in point 9.3.4

Further the quantum of each security acceptable shall be restricted to certain percentage of the total margins of the clearing member, and the same shall be specified in list of approved securities. A report containing mutual fund schemes wise utilization of market wide permissible limit shall also be downloaded to common folder of clearing member on FTP. The report nomenclature will be "MF\_OL\_ddmmmyyyy.csv".

### 10.3.7 Corporate Bonds

Corporate Bonds shall be accepted in dematerialized form as collaterals. The list of eligible corporate bonds along with the market wide acceptable quantity shall be disseminated by the Clearing



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Corporation on monthly basis. The process for acceptance of corporate bond as collaterals is similar to acceptance of securities as collateral as mentioned in point **9.3.4**

The corporate bonds shall be valued on daily basis on closing price of the bond listed under cash or debt segment of Exchange or the valuation using yield from sovereign yield curve plus published by FBIL and credit spread published by FIMMDA, whichever is lower. A hair cut of 15% shall be applied on the value of corporate bond. The value of the corporate bonds shall be reduced by such haircut.

The total value of corporate bonds provided as noncash portion of the liquid assets shall not exceed 10% of the total liquid assets of the respective clearing member.

A report containing details of valuation for corporate bond shall be downloaded to clearing member in CSV format in common folder of FTP. The report nomenclature will be "CB\_Bhavcopyddmmyyyy.csv".

A report containing details of haircut for corporate bond shall be downloaded to clearing member in CSV format in common folder of FTP. The report nomenclature will be "CB\_Haircut\_ddmmyyyy.csv".

A report containing corporate bond utilization of market wide permissible limit shall also be downloaded to common folder of clearing member on FTP. The report nomenclature will be "CB\_OL\_ddmmmyyyy.csv"

### 10.4 Releases of Liquid Assets

Clearing member may request the Clearing Corporation to release deposits held by the Clearing Corporation. Such requests may be considered by the Clearing Corporation if the Clearing Corporation chooses not to exercise its lien pursuant to the Rules, Byelaws and Regulations and subject to availability after due adjustments for the due fulfilment of all obligations and liabilities arising out of or incidental to any contracts entered into by such clearing member and subject to the bye laws, rules and regulations of the Clearing Corporation or anything done in pursuance thereof.

The web based facility of NMASS is provided for submission of release requests of collaterals. Clearing members may select the desired available collaterals for release. Release requests though NMASS can also be placed using a file upload facility. The format of file is prescribed in **Part C (27)** - 'File Format for Requesting Collateral Releases'.

#### 10.4.1 Release of collateral

The timeline for release of various forms of collaterals shall be as under

Collateral Type	Request Type	Cut-off time for requesting release
Cash/FDR/Bank Guarantee	Immediate	8:00 pm
Cash/FDR/Bank Guarantee	EOD/Value date	8:00 pm
Pledged Securities (Batch 1) *	Immediate	9:00 am



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Pledged Securities (Batch 2)	Immediate	9:30 am
Pledged Securities (Batch 3)	Immediate	10:00 am
Pledged Securities (Batch 4)	Immediate	12:00 pm
Pledged Securities (Batch 5)	Immediate	2:00 pm
Pledged Securities (Batch 6)	Immediate	3:00 pm
Pledged Securities (Batch 7)	Immediate	4:00 pm
Pledged Securities (Batch 8)	Immediate	5:00 pm
Pledged Securities (Batch 9)	Immediate	6:00 pm
Pledged Securities (Batch 10)	Immediate	7:00 pm
Pledged Securities	Immediate/EOD	8:00 pm

In case of request for release of repledge securities towards pay-in requirement clearing members should ensure that such request is made one-day prior to pay-in and not on the pay-in date.

### 10.4.2 Release of cash collateral in designated secondary account

Clearing member may request for release of collateral in any of the designated clearing account. In case a clearing member opts for cash release to the secondary clearing account the following points may be noted

- Clearing member who wish to release cash collateral in designated secondary account shall select the designated secondary bank while raising the release request in NMASS
- Clearing member can raise the request to release cash to its designated secondary account only on an Immediate or End of Day basis. There will be no value date facility for release of cash collateral in designated secondary account.
- The facility shall be available only for cash deposited during the day from the secondary account in the respective segment.

### 10.4.3 Collection of released collaterals

The representative of the clearing members coming to collect released physical FDR/ bank guarantee is required to carry an authorization letter.

The released FDRs/ bank guarantee under immediate release mode can be collected on same working day of the release from regional office where as FDRs/ bank guarantee released under value date release mode can be collected on requested value date of the release from regional office.

For release of E-BG, members shall be handed over the release letter only. For release of E-BG where the original bank guarantee is in physical form, the members can collect the release letter along with original bank guarantee in physical form.

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### 10.4.4 Release of cash collateral towards pay-in

- Clearing Member shall be provided with a facility to request for adjustment of cash collateral deposits allocated to clients/CP/TM Prop /CM Prop in a segment towards their respective funds pay-in obligation in such segment.
- The facility shall be provided in “NMASS-Cash Release towards funds pay-in” module for requests placed within the cut off time for cash release i.e. up to 8:00 PM.
- The amount eligible for adjustment against funds pay-in for CM segment shall be lower of:
  - Requested amount for adjustment of cash collateral towards pay-in
  - Cash collateral to the extent of margins for the settlement due
  - Cash collateral allocated in the segment.
  - Funds pay-in obligation.
- The aggregate of cash available for adjustment as above across all clients/CP/TM Prop /CM Prop shall be allowed to the extent of the available cash collateral deposits of the Clearing member across all clearing segments.
- The releasable amount shall be debited from the cash balance in the respective segment and if sufficient amount is not available then it will be debited from the cash balance of other segments in the below order:
  - Futures & Options segment.
  - Currency Derivatives segment
  - Commodity Derivatives segment
  - Securities Lending and Borrowing Scheme
- The cash allocated amount released as above shall not be reduced in collateral details reported in CC01/02 reports and the same shall be considered for the purpose of monitoring of short allocation.

An illustration to explain the above provision is as below:

	Cash Allocation	Total Margins Blocked	Margins for the settlement due	Release Request	Amount to be released
CM Prop	1000	1000	900	800	800
TM Prop	50	200	100	200	50
TM Client 1	100	100	50	100	50
Total Amount Releasable					900

	CM	FO	CD	Commodity	SLB	Total
Segment wise Balance	300	500	50	60	10	
Amount to be released for Clearing Member	300	500	50	50	0	900

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### 10.4.5 Value date release of cash collateral towards pay-in

- Clearing members may request for unutilized collateral (i.e. collateral in excess of margin blocked) lying with Clearing Corporation in cash form, towards fund pay-in requirements within the segment or other segment by requesting cash release using Value Data release option in NMASS.
- Such value date release shall be credited in the settlement account of the requested segment and can be used to meet the funds pay-in requirement in the requested segment.
- The cash released on account of value date release and cash released towards pay-in shall be populated in Level 7 -Value Date Release in the collateral break up report (COLL\_DTLS)

### 10.5 Transfer of Collaterals

Clearing members shall be permitted to place intra-day transfer request for fungible securities which are re-pledged with Clearing Corporation towards margin deposit using margin pledge re-pledge mechanism provided by NSDL and CDSL.

The modalities of intraday transfer are mentioned below:

- Only securities re-pledged to Clearing Corporation with segment indicator as ALL shall be considered as fungible and shall be eligible for transfer.
- Clearing Member can put the request to transfer fungible security by way of a file upload option available in NMASS - Release - File Upload. The format for transfer file upload is provided in **Part C (28)** - 'File format for transfer of fungible securities'
- The request to transfer shall be processed at pre-defined intervals in batches during the day
- The request to transfer shall be checked for margin sufficiency in the source segment. In case the margin is insufficient then the transfer request shall be partially accepted or get rejected
- The request shall be considered valid only if the CM/CM-TM/ CM- CP in the source segment is also valid in the target segment.
- Transfers requests with Pledge Sequence Number /BP Instruction ID specified by clearing member shall be processed for that particular Pledge Sequence Number /BP Instruction ID only for releasing from source segment

### 10.6 Allocation of Collaterals

#### 10.6.1 Procedure for collateral allocation

- While depositing Cash, FDR, BG or Government Securities provided through the SGL/CSGL route (Hereinafter referred to as "Other forms of collateral"), the Clearing Members (CMs) shall allocate these collaterals into proprietary account of CM, and/or proprietary account of any Trading Member (TM) clearing through the CM, and/or account of any of the clients (including Custodial Participants (CPs)) clearing through the CM, and/or of any of the clients trading through the TM who in turn is clearing through the CM, segment-wise
- The benefit for the other forms of collateral deposited shall be provided by Clearing Corporation only after receiving the allocation of the same from the CM

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- 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 client collateral reporting mechanism. Also, the allocation of collateral shall not be lower than the amount of collateral (except securities collateral re-pledged) reported under the client collateral reporting mechanism as having been passed on by the CM to Clearing Corporation.
- CMs shall also perform the aforementioned checks in respect of the allocation received by them from the TMs clearing through them.
- The total allocation by CM cannot exceed the total other form of collateral deposited by the CM with Clearing Corporation.
- The allocation provided by the CM to Clearing Corporation shall be considered as final by Clearing Corporation for the purpose of granting exposure and utilization during default.
- The detailed procedure for addition and allocation of various forms of collateral (other than securities placed through margin pledge mechanism) is specified in **Part C (29)** - 'Format for allocation of collateral'

### 10.6.2 Collateral Valuation

CMs are required to maintain at least 50% of the total collateral in the form of cash or cash equivalents. For the purpose of monitoring of at least 50% cash-equivalent collateral at the level of CM, the excess cash-equivalent collateral of a client shall not be considered for other client or for proprietary account of TM/CM. However, the excess cash-equivalent collateral of proprietary account of TM/CM shall be considered for clients trading/clearing through them, for the purpose of monitoring minimum 50% cash-equivalent requirement. An example for the same is provided in **Part C (30)** – 'Example for collateral valuation'

### 10.6.3 Change of allocation

CMs shall be permitted to change the allocation of other forms of collateral deposited with Clearing Corporation (including change to another segment where the member is CM). CMs to ensure that the value allocated to any TM/CM/client does not exceed the value of actual collateral received from that TM/CP/client (excluding the securities collateral through margin pledge mechanism and repledge to Clearing Corporation). However, such change of allocation shall be permitted subject to adequacy of available collateral with Clearing Corporation after the change vis-à-vis the margin obligation of CM/TM/CP/Client. An example for change in allocation is provided in **Part C (31)** – 'Example for change in collateral allocation'.

### 10.6.4 Withdrawal/ Maturity of collateral

- Other forms of collateral shall be released only if sufficient amount is available as unallocated collateral. Accordingly, CMs shall ensure that sufficient amount is unallocated prior to placing release request for other forms of collateral
- In case of collateral provided in the form of BGs and FDRs; the value of the matured BG/FDR shall be reduced from CM's collateral as per the existing process. Due to this, the CMs may go into risk reduction mode because of reduction in the collateral limits

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### ITEM 11: MARGINS

**In pursuance of Chapter VI(B) of the Bye Laws pertaining to Clearing and Settlement of deals and Chapter VII of the Bye Laws pertaining to Margins, the following are prescribed for members :**

#### 11.1 Overview:

SEBI vide their circular SEBI/MRD/DoP/SE/Cir-07/2005 dated February 23, 2005, SEBI/MRD/DoP/SE/Cir06/2008 dated March 19, 2008 ,SEBI/MRD/DoP/SE/Cir-08/2009 dated July 27, 2009 and SEBI/HO/MRD2/DCAP/CIR/P/2020/27 dated February 24, 2020 has stipulated the framework of risk management in the capital market segment.

The core of the risk management system is the liquid assets deposited by members with the Exchange/Clearing Corporation. These liquid assets shall cover the following margin requirements:

- a. MTM (Mark To Market) Losses including Intraday Crystallised Mark To Market Losses (ICMTM)
- b. VaR Margins
- c. Extreme Loss Margins

The liquid assets of the member at all points of time shall be adequate to cover all the above requirements

Clearing member shall also maintain at all points of time Interest Free Cash Deposit with Exchange and Membership deposit/ Liquid Networth with the Clearing Corporation at such amounts applicable to member at the time of admission/ transfer/ up-gradation as continued admission condition. However the said amounts will be reckoned for the purpose of 'a to c' above to the extent available.

#### 11.2 Liquid Assets:

The total liquid assets comprise of the cash equivalents and non-cash equivalents. Details as regard the type of collaterals, mode of acceptance and release and the relevant formats are discussed in details in Item- 10 pertaining to Liquid Assets.

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### 11.3 Categorization of securities

#### 11.3.1 Liquidity Categorization of Securities:

The securities shall be classified into three groups based on their liquidity:

Group	Trading Frequency (over the previous six months – see Note A)	Impact Cost (over the previous six months – see Note A)
Liquid Securities (Group I)	At least 80% of the days	Less than or equal to 1%
Less Liquid Securities (Group II)	At least 80% of the days	More than 1%
Illiquid Securities (Group III)	Less than 80% of the days	Not Applicable

#### Notes:

- A. For securities that have been listed for less than six months, the trading frequency and the impact cost shall be computed using the entire trading history of the security.
- B. All SME securities shall be classified under Group III

#### 11.3.2 Monthly Review

The trading frequency and impact cost shall be calculated on the 15<sup>th</sup> of each month on a rolling basis considering the previous six months for impact cost and previous six months for trading frequency. On the basis of the trading frequency and impact cost so calculated, the securities shall move from one group to another group from the first of the next month.

#### 11.3.3 Categorisation of newly listed securities

For the first month and till the time of monthly review as mentioned above, a newly listed security shall be categorised in that Group where the market capitalization of the newly listed security exceeds or equals the market capitalization of 80% of the securities in that particular group. Subsequently, after one month, whenever the next monthly review is carried out, the actual trading frequency and impact cost of the security shall be computed, to determine the liquidity categorization of the security.

In case any corporate action results in a change in ISIN, then the securities bearing the new ISIN shall be treated as newly listed security for group categorization.

#### 11.3.4 Calculation of mean impact cost

The mean impact cost shall be calculated in the following manner:

- a. Impact cost shall be calculated by taking four snapshots in a day from the order book in the past six months. These four snapshots shall be randomly chosen from within four fixed ten-minutes windows spread through the day.

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- b. The impact cost shall be the percentage price movement caused by an order size of Rs.1 Lakh from the average of the best bid and offer price in the order book snapshot. The impact cost shall be calculated for both, the buy and the sell side in each order book snapshot.
- c. The methodology for computation of the impact cost adopted shall be disseminated on the website of the exchange.

The category for each security and applicable period is disseminated to the public at large through the website. Format for the category file of securities is given in **Part D**.

### 11.4 Mark to Market Losses:

Mark to market losses shall be collected in the following manner:

- a. Mark to market loss shall be calculated by marking each transaction in security to the closing price of the security at the end of trading. In case the security has not been traded on a particular day, the latest available closing price at Exchange shall be considered as the closing price. In case the net outstanding position in any security is nil, the difference between the buy and sell values shall be considered for the purpose of calculating the mark to market margin payable.
- b. The mark to market margin (MTM) shall be collected from the member before the start of the trading of the next day.
- c. The MTM shall be collected/adjusted from/against the cash/cash equivalent component of the liquid assets of the member.
- d. The MTM shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including its proprietary position. For this purpose, the position of a client would be netted for each of its various securities and the positions of all the clients of a broker would be grossed.
- e. There would be no netting off of the positions and setoff against mark to market profits across two rolling settlements i.e. T day and T-1 day. However, for computation of mark to market profits/losses for the day, netting or setoff against mark to market profits would be permitted.
- f. The methodology for computation of MTM is also illustrated by way of an example which is placed in **Part C (32)** - 'Methodology for computation of MTM Margin'.
- g. In case of security in TFTS each trade shall be marked to market based on the closing price of that security.
- h. The MTM so collected shall be released on completion of pay-in of the settlement.
- i. The details of all margins (VAR, extreme loss margin and MTM) as at end of each day will be downloaded to members in their respective Extranet directory. The format of the detailed Margin report (CLMG02) has been provided in **Part D**.

#### 11.4.1 Intraday Crystallised Mark to Market Losses

Clearing Corporation shall calculate and levy the Intraday Crystallised Mark to Market Losses (ICMTM) in the following manner:



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- a. ICMTM shall be computed for all trades subject to upfront margining which are executed and closed out on the same trading day.
- b. ICMTM shall be calculated based on weighted average prices of trades
- c. ICMTM shall be adjusted against the liquid assets of the member on a real time basis.
- d. The methodology of computation of ICMTM is illustrated by way of an example which is placed in **Part C (32)** - 'Methodology for computation of MTM Margin'
- e. Crystallised losses at a security level for a client shall be adjusted against the crystallised profit, if any, from another security for the same client to arrive at client level profit or loss. However there will be no setoff against crystallised profits across two rolling settlements.
- f. All client level losses including losses on proprietary positions if any shall be grossed up to arrive at member level ICMTM.
- g. ICMTM shall be included in the end of day MTM computation.
- h. ICMTM shall not be computed in case of security in TFTS.
- i. ICMTM so blocked/ collected shall be released on completion of pay-in of the settlement or early pay-in.

### 11.5 VaR Margin:

#### 11.5.1 Computation of VaR Margin

VaR Margin is a margin intended to cover the largest loss that can be encountered on 99% of the days (99% Value at Risk).

The VaR margin rates shall be as follows for different groups of stocks:

Liquidity Categorization	VaR Margin Rate
Group I	Based on $6\sigma$ , subject to minimum of 9%
Group II	Based on $6\sigma$ , subject to minimum of 21.5%
Group III	50% if traded at least once per week on any stock exchange; 75% otherwise

Note:

1. In case of ETFs that track broad based market indices and do not include ETFs which track sectoral indices, the VaR margin rate shall be 6 sigma, subject to minimum of 6%.
2. In case of Group III the securities shall be monitored on a weekly basis, and the VaR - margin rates shall be increased to 75% if the security has not traded for a week. In case the VaR margin rate is 75% and the security trades during the day, the VaR margin rate shall be revised to 50% from start of next trading day.

#### 11.5.2 Collection of VaR Margin:

- a. The VaR margin shall be collected on an upfront basis by adjusting against the total liquid assets of the member at the time of trade.



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- b. The VaR margin shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including its proprietary position. Example for computation of gross positions of a member is provided **Part C (33)** - 'Example for computation of Gross positions of a member'.
- c. For this purpose, there would be no netting of positions across different settlements.
- d. As specified by SEBI vide Cir. RefNo. MRD/DoP/SE/Cir- 6 /2006 dated June 16, 2006 Intra-day VAR files shall be generated based on the prices at 11.00 a.m., 12.30 p.m., 2.00 p.m., and 3.30 p.m. everyday. Such intra-day VAR files shall be used for margining of intra-day member positions. In addition to the above a VAR file at end of day and begin of day shall be provided.
- e. The VaR margin rates shall be made available in the extranet server and to the public at large through the website
- f. File format for VaR based margin rates is given in **Part D**.
- g. The VaR margin so collected shall be released on completion of pay-in of the settlement.
- h. The details of all margins (VAR, extreme loss margin and MTM) will be downloaded to members in their respective extranet directory. The format of the detailed Margin report (CLMG02) has been provided in **Part D**.

### 11.6 Extreme Loss Margin:

The term Extreme Loss Margin replaces the terms “exposure limits” and “second line of defence” that have been used hitherto. It covers the expected loss in situations that go beyond those envisaged in the 99% value at risk estimates used in the VaR margin.

- a. The Extreme Loss Margin shall be 3.5% for any stock and 2% for ETFs that track broad based market indices and do not include ETFs which track sectoral indices.
- b. The Extreme Loss Margin shall be collected/ adjusted against the total liquid assets of the member on a real time basis.
- c. The Extreme Loss Margin shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including its proprietary position. Example for computation of gross positions of a member is provided in **Part C (33)** - 'Example for computation of Gross positions of a member'.
- d. For this purpose, there would be no netting off of positions across different settlements.
- e. The Extreme Loss Margin collected shall be released on completion of pay-in of the settlement
- f. The details of all margins (VAR, extreme loss margin and MTM) as at end of each day will be downloaded to members in their respective extranet directory. The format of the detailed margin report (CLMG02) has been provided in **Part D**.

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### 11.7 Margins for securities in Trade for Trade-Surveillance market (TFTS)

Upfront margin rates (VaR Margin + Extreme Loss Margin) applicable for all securities in the TFTS shall be 100%.

### 11.8 Margins for securities in T+0 Settlement

Upfront margin rates (VaR Margin, Extreme Loss Margin and Additional Margins) shall be same as applicable for T+1 securities.

### 11.9 Capping of margins

In case of a buy transaction, the VaR margins, Extreme loss margins and mark to market losses together shall not exceed the purchase value of the transaction. In case of a sale transaction, the VaR margins and Extreme loss margins together shall not exceed the sale value of the transaction and mark to market losses shall also be levied.

### 11.10 Margins for Corporate bonds and G-sec

Bonds with credit rating of AAA, AA, or A shall be levied a fixed margin of 10%. Bonds which do not have the said credit rating, the risk management framework applicable for securities shall apply. Government Securities traded in normal market shall be levied a fixed margin of 10%.

### 11.11 Margins for SME securities on Institutional Trading Platform

SME securities on Institutional Trading Platform (ITP) margin rate of 100% shall be applicable on such trades cleared and settled on a gross obligation basis

### 11.12 Additional Margin for highly volatile stock

(i) For securities with intra-day price movement (maximum of [High-Low], [High-Previous Close], [Low-Previous Close]) of more than 10% in the underlying market for 3 or more days

in last one month, the minimum total margins shall be equal to the maximum intra-day price movement of the security observed in the underlying market in last one month. The same shall be continued till monthly expiry date of derivative contracts which falls after completion of three months from date of levy.

(ii) For securities with intra-day price movement (maximum of [High-Low], [High-Previous Close], [Low-Previous Close]) of more than 10% in the underlying market for 10 or more days in last six months, the minimum total margins shall be equal to the maximum intraday price movement of the security observed in the underlying market in last six months. The same shall be continued till monthly expiry date of derivative contracts which falls after completion of one year from date of levy

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### 11.13 Exemption from Margins

- a. In cases where early pay-in of securities is made prior to the securities pay-in, such positions for which early pay-in (EPI) of securities is made shall be exempt from margins. The detailed provision of providing client level EPI of securities has been mentioned in point no. 11.19.
- b. In cases where EPI of funds is made such positions for which EPI of funds is made shall be exempt from margins. The procedure for providing EPI of funds has been detailed in point no. 11.20.

### 11.14 Institutional Transactions

- Institutional transaction means transactions done on behalf of institutional investors. Institutional investors shall include
  - a. Category I and Category II Foreign Portfolio Investors (who are not corporate bodies, individuals or family offices) as per SEBI FPI regulation 2019 (FPI)
  - b. Mutual Funds registered with SEBI. (MF)
  - c. Public Financial Institutions as defined under Section 4A of the Companies Act, 1956. (DFI)
  - d. Banks, i.e., a banking company as defined under Section 5(1)(c) of the Banking Regulations Act, 1949. (BNK)
  - e. Insurance companies registered with IRDA. (INS)
  - f. Pension Funds regulated by Pension Fund Regulatory and Development Authority (PFRDA). (PNF)
- Custodian clearing member of a custodial participants shall apply to the Clearing Corporation for the activation/ deactivation of CP code through Nsccl-MASS.
- Transactions entered into on behalf of custodial participants of above-mentioned categories shall be considered as institutional deals unless not confirmed by the respective custodians in which case the transactions shall be considered as a normal transactions and all applicable margins shall be levied on the members
- Members may also enter “INST” code in the custodial participant code at the time of entering orders on behalf of the institutional clients
- Members are required to allocate the INST trades only to the above-mentioned categories
- In respect of institutional transactions confirmed by the custodians the margins shall be levied on the custodians.
- In respect of institutional transactions rejected/not accepted by the custodians the margins shall be levied on the members who have executed the transactions
- The margins shall be computed and levied at a client (Custodial Participant code) level in respect of institutional transactions and collected from the custodians/members

#### 11.14.1 Risk management framework for Foreign Portfolio Investors (FPI) under the SEBI (Foreign Portfolio Investors) Regulations, 2019

- a) The trades of FPIs shall be margined on a T+1 basis

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- b) However, the trades of Category II FPIs who are corporate bodies, Individuals or Family offices shall be margined on an upfront basis as per the extant margining framework for the non-institutional trades

### **11.15 Risk management for Call auction in Pre-open session:**

All orders received in pre-open session shall be validated at the applicable margins for sufficiency of available capital prior to acceptance of the orders. If the available capital of the member is insufficient to cover the margin requirement of the order placed, the same shall not be accepted for the pre-open session.

### **11.16 Risk Management for Call Auction in Pre-open session for Initial Public Offering (IPO) and Re-listed scrips:**

All orders received in pre-open session shall be validated at the applicable margins for sufficiency of available capital prior to acceptance of the orders. If the available capital of the member is insufficient to cover the margin requirement of the order placed, the same shall not be accepted for the pre-open session.

### **11.17 Release of margins:**

All margins collected for a settlement for a member/custodian shall be released on their individual completion of full obligations of funds and securities by the respective member/custodians after crystallization of the final obligations on T+1 day. Further, members are provided a facility to provide confirmation from their clearing banks towards their funds pay-in obligations on settlement day before prescribed pay-in time. The procedure for the same is detailed in point 11.21.

### **11.18 Margin benefit for offsetting positions for F&O Physical settlement:**

- The positions in stocks derivative contracts that are converted to settlement by delivery on expiry in F&O segment and obligations in the underlying Capital Market segment shall be allowed margin benefit to the extent of offsetting positions.
- Such margin benefit shall be allowed only if the offsetting positions in a security at clearing member-trading member-client (UCC) are common across Capital Market and F&O segments.
- Margin benefit shall be provided on total margins in Capital Market segment and on delivery margins in F&O Segment.
- The margins on the residual positions (post netting) shall continue to be applicable in the respective segments.

### **11.19 Early Pay-in of Securities for Margin Exemption**

As stated in point 11.13 above, in cases where EPI of securities is made, such positions shall be exempt from margins.

In case of offsetting positions with F&O Physical settlement, benefit Early pay-in of securities shall be first provided in Capital Market segment. Residual Benefit early pay-in of securities, if any, shall

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then be considered towards net sell obligations in F&O segment under the same Clearing member-Trading member-Client at such security level

### 11.19.1 Procedure for making EPI of shares

#### 11.19.1.1 EPI through Pool account

Members can make the EPI of securities through either of the depositories viz NSDL and CDSL.

In NSDL, members shall deliver the securities to their CM Pool Account and execute irreversible delivery out instructions through their Depository Participant (DP), for the particular settlement.

In CDSL, members shall deliver the securities to their CM Pool Account and provide the Early pay-in instruction as per procedure defined by CDSL.

Above mentioned facility is not applicable for settlement type 5.

Members are requested to contact their respective DP's for details on procedure to be followed for doing early pay-in at the depository.

EPI of SME securities shall be done in applicable market lot only.

In addition, the following facility is being provided to all members making EPI of securities.

- i. Members shall receive a report on the extranet server at regular intervals through out the day, detailing the EPIs made by the members and received by the Clearing Corporation. Such details shall be provided intra-day on an incremental basis.
- ii. Further members may make EPI of securities even before execution of the trade and provide details of clients to whom such EPI shall be allocated. This shall ensure that on execution of trade the benefit of EPI is available to the respective clients. However it will be subject to receipt of securities from depositories.
- iii. Members shall make EPI only in respect of settlement type 'M' and 'Z'.
- iv. Members shall provide the details of the clients to whom EPI benefit is to be provided through a file upload. Members can upload of client details file during the day through NMASS. Members shall receive return file providing details of successful and rejected records on the extranet server. Members can modify the client and quantity details by uploading an incremental file. The procedure of providing client details for EPI of securities to the Clearing Corporation including the file formats has been provided in **Part C (34)** - 'Format for Client level early pay-in files for securities'.

#### 11.19.1.2 EPI through Client account using block mechanism

In addition to EPI from pool account members can mark EPI of securities from the client account as per the facility provided by Depositories

Modalities for EPI from client account is as under:

- i. Clearing Corporation shall receive client details like UCC, Trading Member, Clearing Member Code, market type, settlement number from the respective source depositories where EPI of securities is marked.

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- ii. Margin benefit shall be provided considering the client details provided by the respective depositories. Accordingly, members should not provide client allocation details to Clearing Corporation in CLNTEPI file for EPI marked in the client account using block mechanism.
- iii. In case EPI of securities from client account is made towards getting margin benefit for Block Deals, members will be required to provide instruction for allocation to series “BL”. The details of allocation viz. client code, settlement number, security symbol, quantity should be provided on the email risk\_ops@nsccl.co.in with subject line as: EPI Allocation for Block Deal.
- iv. EPI of securities received in excess of obligation through the client account shall be reversed in the source client account on T Day.
- v. As required by depositories, Clearing Corporation shall share delivery obligation at client level (including UCC, PAN, TM and CM Code) for the specified market types on the T Day to depositories

SEBI vide its circular SEBI/HO/MIRSD/DoP/P/CIR/2022/109 dated August 18, 2022 and has made the facility of block mechanism mandatory for all Early Pay-In transactions. Further SEBI vide its circular SEBI/HO/MIRSD/DoP/P/CIR/2022/143 dated October 27, 2022, has specified that block mechanism shall not be applicable to clients having arrangements with custodians registered with SEBI for clearing and settlement of trades.

### 11.19.2 Facility to download EPI Exception report in NMASS

- A facility shall be provided in NMASS to view and download details of exception epi i.e. EPI instructions containing invalid details.
- An EPI instruction shall be considered as Exception if it has incorrect information such as Invalid ISIN, invalid TM code, invalid CM code, invalid settlement type etc.
- If an EPI is received after the pay-in deadline such EPI shall be shown in EPI exception report as ‘inactive settlement’.
- The report can be downloaded from EPI EXCEPTION tab under EPI menu in NMASS.
- Members can download the file from 8:00 am onward on Trade Day till T+1 and the details of exception EPI shall be available for 2 working days.
- Super admin will have to give access of ‘EPI EXCEPTION’ service to its users.

### 11.20 Early Pay-in of Funds for Margin Exemption

As stated in point 11.13 above, in cases where EPI of funds is made such positions shall be exempt from margins.

In case of offsetting positions with F&O Physical settlement, benefit Early pay-in of securities shall be first provided in Capital Market segment. Residual amount of EPI of funds, if any, shall be considered towards net buy obligations in F&O segment under the same Clearing Member-Trading member-Client at such security level.

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### **11.20.1 Procedure for making EPI of funds shall be as under:**

- i. Members / Custodians shall make EPI of funds through a screen-based request in the NMASS. The benefit for the same shall be provided on confirmation of funds from the respective Clearing Bank.
- ii. Members/Custodians may provide EPI of funds from any of their clearing accounts.
- iii. EPI of funds shall be allocated at client level or at client-security level. The allocation can be revised through a screen-based request or through the file upload facility.
- iv. Members/Custodians can make EPI of funds along with details of client-security allocation before execution of a trade and shall be able to avail the benefit of EPI of funds on execution of the trade.

The detailed procedure for making early pay-in of funds is given below.

#### **11.20.1.1 Request for early pay-in of funds**

- a. Members/Custodian shall provide request for EPI of funds in NMASS under the Funds EPI menu.
- b. Members/Custodians shall select the settlement type, settlement number and Bank and enter the amount of EPI.
- c. Members/Custodians shall have the option to select the bank account from any of the settlement bank accounts of the members/custodians.
- d. On submission of the request the same shall be forwarded to respective banks for confirmation
- e. Members/Custodians shall be able to view the status of the early pay in requests made on the same screen. On confirmation by the Bank the status of the request shall be changes as 'Accepted' and the benefit of EPI of funds shall be provided.

#### **11.20.1.2 Allocation of early pay-in of funds at client and security level**

- a. Members/Custodians can add, delete or modify the allocation details.
- b. Allocation of EPI of funds is optional. The allocation can be made at a client level or at a client security level if the EPI of funds is to be allocated against a specific client-security combination.
- c. In case where the member wishes to avail the EPI of funds benefit before execution of trade (on the T Day), the member shall be compulsorily required to provide client –security level allocation in such a case.
- d. The request for allocation received from Members/Custodians on NMASS member interface for further providing benefit of early pay-in of funds (EPIF) at a client level or at a client security level shall be considered and allocated in the priority of First-in, First Out (FIFO) basis.
- e. The allocation once assigned by Clearing Corporation at a client level or client security level will not change until a request for modification to the existing allocation details has been received from the Member/Custodian.



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- f. Further with respect to file upload facility available to Members/Custodians for providing request for allocation at a client level or at a client security level:
- Incremental details for allocation (either request for first-time allocation or request for modification to existing allocation details) can be provided in the latest file upload instead of providing all existing allocation details already assigned by Clearing Corporation that the member/custodian desires to continue.
    - *Request for first-time allocation at client level or client-security level:*

The request for fresh allocation shall be assigned by Clearing Corporation based on the details in such file without any change in existing allocation details already assigned by the Clearing Corporation.
    - *Request for modification to existing allocation assigned by Clearing Corporation at client level or client-security level:*

The request for modification to existing allocation details by Member/Custodian shall be considered as a fresh allocation request
  - Any request to update the existing allocation assigned by Clearing Corporation without any change in the value of the fields in the record shall be ignored.
- g. The file upload facility shall be available as follows:
- Member/Custodian can provide allocation details through the file upload mechanism. The file structure is explained in **Part C (35)** - 'Format for client level early pay-in files for funds'.
  - It is to be noted that a file upload is a request for allocation only and a separate EPI request must be put for bank confirmation for margin benefit.
  - Return file will be displayed on the upload screen itself along with the reason for rejection, if any.
  - A report with details of allocation requested for early pay-in of funds at client level or at or at client-security level shall be made available to the Members/Custodians at end of the day. The file structure is explained in **Part C (35)** - 'Format for client level early pay-in files for funds'.

### 11.20.1.3 Margin exemption for EPI of funds

- a. Where the member/custodians have provided client-security allocation, benefit for early pay-in of funds shall be allocated against the net buy position of the specified client-symbol combination and any residual amount after such allocation will not be utilized for other positions.
- b. Only client-wise allocations provided will be allocated in the descending order of the security wise net buy value under the client and any residual amount after such allocation will not be utilized for other clients.
- c. Benefit for EPI of funds shall be provided subject to confirmation of the funds from the respective clearing bank of the member/custodian.



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### 11.21 Procedure for making full pay-in of funds on Settlement day

As stated in point 11.17 above members are provided a facility to provide confirmation from their clearing banks towards their funds pay-in obligations on settlement day for T+1 settlement before prescribed pay-in time. The procedure for the same is as given below:

- i. Clearing members/Custodians can request funds pay-in confirmations from the clearing bank on settlement day using the menu 'Full pay-in' provided in NMASS
- ii. Clearing members/Custodians shall request confirmation of full funds pay-in obligations from the clearing bank for the settlement due on the current day. If the clearing members/custodians have already provided any early pay-in of funds prior to settlement day then they shall request confirmation of balance funds pay-in obligation. The funds pay-in amount (after considering early pay-in, if any) would be automatically populated on selection of settlement number & settlement type.
- iii. The clearing bank of the members shall be required to confirm the full pay-in amount. On confirmation by the clearing bank it shall be considered as fulfillment of funds pay-in obligation for the purpose of margin release.
- iv. The clearing bank shall be required to provide the amount confirmed to Clearing Corporation towards funds pay-in at the stipulated time of funds pay-in for the settlement.

### 11.22 Shortfall of Margins

In case of any shortfall in margin:

- The trading facility of the members shall be withdrawn with immediate effect.
- Penalty for violation on account of margin violation be levied on a monthly basis as specified in **Item 13**

### 11.23 Effect of failure to pay margins

Non-fulfilment of either the whole or part of the margin obligations shall be treated as a violation of the Rules, Bye-Laws and Regulations of the Clearing Corporation. The violation shall attract actions as specified under Item 13. In addition and without prejudice to the foregoing, the Clearing Corporation may, within such time as it may deem fit, advise the Exchange to withdraw any or all of the membership rights of the clearing member including the withdrawal of trading facilities of all trading members and/ or clearing facility of custodial participants clearing through such clearing members, without any notice.

In addition, the outstanding positions of such clearing member and/or trading members and/ or constituents, clearing and settling through such clearing member, may be closed out forthwith or any time thereafter by the Exchange, at the discretion of the Clearing Corporation, to the extent possible, by placing at the Exchange, counter orders in respect of the outstanding position of clearing member without any notice to the clearing member and/ or trading member and/ or constituent, and such action shall be final and binding on the clearing member and/ or trading member and/ or constituent. Clearing Corporation may also initiate such other risk containment measures as it deems fit with respect to the open positions of the clearing member and/ or trading member and / or constituent.

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Clearing Corporation may, in addition to the foregoing provisions, take additional measures like, imposing penalties, collecting appropriate deposits, invoking bank guarantees, encashment of fixed deposit receipts, realising money by disposing off the securities and exercising such other risk containment measures as it deems fit and may further take such disciplinary action as it may deem fit and appropriate in this regard.

### 11.24 Maintaining Capital Cushion

As per SEBI directive the Exchange/ Clearing Corporation has build an administrative mechanism to encourage members to hold capital cushions while operating

The following methodology has been adopted by the Clearing Corporation to monitor members who have high capital utilisations

- At the end of each calendar month, members who have exceeded 90% of utilization of capital towards margin utilization during the market hours for more than 7 days in the current month shall be identified.
- The capital required to bring the capital utilization to a level of 85% at the time of violating the trigger point of 90% on each of those occasions shall be noted for the members. The highest of such amounts for the identified members during the month shall be called for as additional capital.
- The requirement shall be communicated to members on the first day of the subsequent month and the same shall be updated in NMASS under CPC module.
- The members can provide the amount required as capital cushion by un-allocating the amount from the existing collateral and submit the request for capital cushion in NMASS.
- No benefit towards margin, etc shall be available to the member on the amount of additional capital so collected.
- In case of non- payment of additional capital within the stipulated time limit a penalty as applicable for funds shortage shall be levied for the period of default.
- The additional capital so collected shall be retained with the Clearing Corporation for a period of one calendar month.
- In case a member is liable to provide additional capital in the subsequent month, the amount of additional capital shall be recomputed, and the excess /deficit shall be refunded /called for.
- The amount of additional capital shall be informed to the members on the first day of the subsequent month vide a letter in the extranet directory.
- The letter of intimation of additional capital shall be available to members in the extranet directory /< TM ID>/REPORTS.
- The naming convention of the letter shall be as under.  
Letter for partial release - C\_CPC\_PRL\_<MEMCODE>\_DDMMYYYY.TXT  
Letter for Full release - C\_CPC\_FRL\_<MEMCODE>\_DDMMYYYY.TXT  
Letter for Additional capital cushion- C\_CPC\_REQ\_<MEMCODE>\_DDMMYYYY.TXT
- The provisional amount of additional capital to be provided along with the number of days when the member has crossed 90% of margin utilization shall be intimated to the member on a

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daily basis vide a report in the extranet directory. The report shall be available to members in the extranet directory /< TM ID>/REPORTS. The naming convention of the report shall be as under. P\_C\_CPC\_<MEMCODE>\_DDMMYYYY.TXT

### 11.25 Margins from the Client

Trading Members (TMs) /Clearing Members (CMs)/ shall be required to mandatorily collect minimum 20% upfront margin in lieu of VaR and Extreme Loss Margins from the client upfront

It shall be mandatory for all TMs /CMs to report details of such margins collected to the Clearing Corporation. The procedure for reporting of client margin is detailed in **Item 12**

### 11.26 Blocking of Margins and Monitoring

- The procedure for blocking of margins only specifies the order of blocking of collateral available with Clearing Corporation.
- The terms “Client Collateral”, “TM Collateral”, “CP Collateral” and “CM Collateral” shall mean the total of the allocated collateral value plus the value of securities collateral provided through margin pledge/re-pledge by any individual client, TM, CP and CM respectively to Clearing Corporation.
- The TM/CM collateral shall mean the proprietary collateral of the TM/CM only and shall not include the collateral of any of their clients.
- On receipt of a trade from a client account, the margin shall first be blocked from the value of the client collateral. If the client collateral is not sufficient, the residual margin shall be blocked from the TM proprietary collateral of the TM of such client. If the TM proprietary collateral is also not sufficient, then the residual margin shall be blocked from the CM proprietary collateral of the CM of such TM.
- In case of a trade from the proprietary account of a TM, the margin shall first be blocked from the TM proprietary collateral, and in case such collateral is not sufficient, then the residual margin shall be blocked from the CM proprietary collateral.
- Margins based on trades from proprietary account of the CM shall be blocked from the proprietary collateral of the CM only.
- Example of blocking of margins is provided at **Part C (36)** - ‘Example for blocking of margins’

For monitoring of the risk reduction mode (90% utilization) and margin violation, the following procedure shall be adopted:

- TM level risk reduction mode: Client margin in excess of 90% of the client collateral shall be identified for each client under a TM. The total of such client margin in excess of 90% of the client collateral, plus the proprietary TM margin shall be assessed against the TM proprietary collateral for monitoring of TM level risk reduction mode.
- CM level risk reduction mode: Sum of client margin in excess of 90% of the client collateral for each client under a TM plus the proprietary TM margin, in excess of 90% of TM proprietary collateral shall be calculated as TM margin in excess of 90% of TM collateral. Sum of such margin for each TM clearing through a CM, plus sum of client margin/CP margin in excess of 90% of the client/CP collateral for each client/CP clearing through such CM, plus

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the proprietary CM margin shall be assessed against the proprietary CM collateral for monitoring of CM level risk reduction mode.

- Example for monitoring of risk reduction mode is provided at **Part C (37)**- 'Example for monitoring of risk reduction mode.

### 11.27 Close out of Positions

An online facility to close – out open positions of members, whose trading facility is withdrawn for any reason, is provided. On disablement, trading members may be allowed to place close-out orders through this facility. Only orders which result in reduction of existing open positions at the client level shall be accepted through the close-out facility in the normal market.

Apart from the above, members shall not be allowed to:

- Create any fresh position when in the close-out mode.
- Place close out orders with custodial participant code.
- Close out open positions of securities in trade for trade segment.

This facility does not dilute the powers of the Clearing Corporation to close-out under its Bye-Laws, Regulations and Circulars. Further the relevant authority may require the members to reduce/close-out open positions to such levels and for such securities as decided by the relevant authority from time to time.

### 11.28 Risk Reduction mode at 90%

Member shall be compulsorily placed in risk reduction mode when 90% of the member's capital is utilised towards margins. When a member moves into risk reduction mode -

- All unexecuted orders shall be cancelled
- Fresh orders placed by members to reduce open positions shall be accepted.
- Fresh orders placed by members that increase open positions shall be checked for sufficiency of margins and orders that do not satisfy sufficiency of margins will be rejected.
- Fresh orders can be placed for immediate or cancel (IOC) only
- Members will be able to trade in normal mode as and when the utilisation goes below 85%.

Additionally, when the member is in risk reduction mode

- Members shall not be allowed to place orders with custodial participant code
- Client and Custodial Participant code modification shall not be permitted

### 11.29 Voluntary Close out Facility

Members are provided an additional risk management facility – the Voluntary Close out facility to enhance the risk management capabilities. This facility enables members to voluntarily define a limit beyond which all the orders would get risk managed.

Members desirous of availing the facility shall define a margin utilization limit within set band in NCMS-CM i.e. Upper limit to move into Risk Reduction mode and Lower limit to move out of Risk

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Reduction mode. The limits can be modified intra-day provided the member is not in the Risk reduction mode. Member shall be allowed to modify the lower limit in the risk reduction mode.

### 11.30 Cross Margining

As per SEBI Circular Ref No: SEBI/DNPD/Cir- 44 /2008 dated December 02, 2008 and CIR/MRD/DP/ 26 /2012 dated September 26, 2012, cross margin benefits shall be provided. The salient features of the cross margining are as under:

1. Cross margining benefit shall be available across Capital market and F&O segment
2. Cross margining benefit shall be available to all categories of market participants
3. For client/entities clearing through same clearing member in Capital Market and F&O segments, the clearing member shall only be required to intimate client details through a file upload through NSCCL -MASS
4. For client/entities clearing through different clearing member in Capital Market and F&O segments they shall be required to enter into necessary agreements for availing cross margining benefit.

The detailed procedure in respect of cross margining is as under:

#### 11.30.1 Positions eligible for cross-margin benefit

Cross margining shall be available across Capital Market and F&O segment and to all categories of market participants. The positions of clients in both the Capital Market and F&O segments to the extent they offset each other shall be considered for the purpose of cross margining as per the following priority

- a. Index futures and constituent stock futures in F&O segment
  - b. Index futures and constituent stock positions in Capital Market segment
  - c. ETF and constituent stock futures in F&O segment
  - d. ETF and constituent stock positions in Capital market segment
  - e. Index futures and ETF in Capital market segment
  - f. Stock futures in F&O segment and stock positions in Capital Market segment
- i. In order to extend the cross margin benefit as per (a) and (b) above, the basket of constituent stock futures/ stock positions shall be a complete replica of the index futures. Clearing Corporation shall specify the number of units of the constituent stocks/ stock futures required in the basket to be considered as a complete replica of the index on the website of the exchange from time to time.
  - ii. In order to avail the cross margin benefit as per I and (d) above, the constituents and the number of units of the constituent stocks/ stock futures required in the basket to be considered as a complete replica of the ETF shall be the same as that of the respective underlying Index specified by the Clearing Corporation on the website of the Exchange from time to time.

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- iii. The number of units shall be changed only in case of change in share capital of the constituent stock due to corporate action or issue of additional share capital or change in the constituents of the index.
- iv. The positions in F&O segment for the stock futures and index futures shall be in the same expiry month to be eligible for cross margining benefit.
- v. The position in a security shall be considered only once for providing cross margining benefit. E.g. Positions in Stock Futures of security A used to set-off against index futures positions shall not be considered again if there is a off-setting positions in the security A in Capital Market segment.
- vi. Positions in option contracts shall not be considered for cross margining benefit.
- vii. The positions in ETFs and constituent stocks shall be in the same settlement number to be eligible for cross margining benefit.
- viii. Positions in constituent stocks in T+0 settlement shall not be eligible for cross margining benefit.
- ix. Clearing Corporation may revise the list of eligible ETFs and minimum quantity required from time to time.
- x. An example of computation of offsetting positions has been provided in **Part C (38)** - 'Example of computation of offsetting positions'

### 11.30.2 Entities/clients eligible for cross margining

The clearing member shall inform the Clearing Corporation the details of client to whom cross margining benefit is to be provided. The cross-margining benefit shall be available only if clearing members provide the details of clients in such manner and within such time as specified by the Clearing Corporation from time to time.

### 11.30.3 Client/entity settling through same clearing member in both Capital Market and F&O segment

- i. The clearing member shall ensure that the code allotted (code used while executing client trade) to client/entity in both Capital Market and F&O segment is same
- ii. The clearing member shall inform the details of clients to whom cross margining benefit is to be provided through a file upload facility provided in NSCCL -MASS.
- iii. The details of file to be uploaded i.e. file naming convention, file format has been provided as in **Part C (39)** - 'Format of files to be uploaded by the clearing member giving client wise details'.

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### 11.30.3.1 Client/entity settling through different clearing member in Capital Market and F&O segment

- i. In case a client settles in the Capital Market segment through a trading member / custodian and clears and settles through a different clearing member in F&O segment, then they shall be required to enter into necessary agreements.
- ii. In case where the client/entity settles through Custodian in Capital market segment, then the client/entity, custodian and the clearing member in F&O segment shall enter into a tri-partite agreement as per the format provided in **Part C (40)**- 'Format of agreement between member, custodian & constituent'.
- iii. In case where the client/entity clears and settles through a member in Capital Market segment, and a different clearing member in F&O segment, then the member in Capital Market segment and the clearing member in F&O segment shall enter into an agreement as per the format provided in **Part C (41)** - 'Amendment agreement to the clearing member – trading member agreement'. Further, the client/entity shall enter into an agreement with the member as per the format provided in **Part C (42)** - 'Agreement between member and client'.
- iv. The clearing member in the F&O segment shall intimate to the Clearing Corporation the details of the client/entity in F&O segment along-with letter from trading member/custodian giving details of client/entity in Capital Market segment who wish to avail cross margining benefit. The details to be provided have been specified in **Part C (43)** - 'Details to be provided by F&O clearing member in case where client/entity is clearing through different members in Cash and F&O segment'.

### 11.30.3.2 Client/entity wanting cross margin benefit in Capital market segment only

Further the member in Capital Market segment shall be required to provide only the details of the clients in case it wants to avail the cross margining benefit in respect of positions in Index based ETFs and Constituent Stock only. The details to be provided by the members in this regard are stipulated in **Part C (44)** - 'Format of letter to be provided by member of CM segment for availing cross margin benefit to client for position in Capital Market segment only'.

### 11.30.4 Facility of maintaining two client accounts

As specified by SEBI, a client may maintain two accounts with their respective members to avail cross margin benefit only. The two accounts namely arbitrage account and a non-arbitrage account may be used for converting partially replicated portfolio into a fully replicated portfolio by taking opposite positions in two accounts. However, for the purpose of compliance and reporting requirements, the positions across both accounts shall be taken together and client shall continue to have unique client code.



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### 11.30.5 Computation of cross margining benefit

- i. The computation of cross margining benefit shall be done at client level on an online real time basis and provided to the trading member / clearing member / custodian, as the case may be, who, in turn, shall pass on the benefit to the respective client.
- ii. For institutional investors the positions in Capital Market Segment shall be considered only after confirmation by the custodian on T+1 basis and on confirmation by the clearing member in F&O segment.
- iii. The positions in the Capital Market and F&O segment shall be considered for cross margining only till time the margins are levied on such positions.
- iv. While reckoning the offsetting positions in the Capital Market Segment, positions in respect of which margin benefit has been given on account of early pay-in of securities or funds shall not be considered.
- v. The positions which are eligible for offset shall be subject to spread margins. The spread margins shall be 25% of the applicable upfront margins on the offsetting positions or such other amount as specified by the Clearing Corporation from time to time.
- vi. The difference in the margins on the total portfolio and on the portfolio excluding off-setting positions considered for cross margining, less the spread margins shall be considered as cross margining benefit.

### 11.30.6 Provisions in respect of default

In the event of default by a trading member / clearing member / custodian, as the case may be, whose clients have availed cross margining benefit, Clearing Corporation may:

- i. Hold the positions in the cross margin account till expiry in its own name.
- ii. Liquidate the positions / collateral in either segment and use the proceeds to meet the default obligation in the other segment.
- iii. In addition to the foregoing provisions, take such other risk containment measures or disciplinary action as it may deem fit and appropriate in this regard.

### 11.30.7 Additional reports

- i. All margin reports downloaded shall have details after providing cross margining benefit.
- ii. A report (XM01) providing details of cross margin benefit and off-setting positions at client level shall be provided to members as per the format specified in **Part D**.



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### **11.31 Pay-in of funds/securities prior to scheduled pay-in day**

The relevant authority may require members to pay-in funds and securities prior to the scheduled pay-in day for funds and securities. The relevant authority shall determine from time to time, the members who shall be required to pay-in funds and securities prior to the pay-in day. The relevant authority shall also determine securities and funds which shall be required to be paid in and the date by which such pay-in shall be made by the respective member.

The member would be required to make early pay-in of funds and securities within the time specified by the relevant authority.

### **11.32 Imposition of additional margins**

The relevant authority may require members to make payment of additional margins at any time on such securities and at such rates as decided from time to time. This will be in addition to the daily margins which are or may be imposed from time to time.

### **11.33 Dissemination of Client level Position to Member:**

The Client Level Positions shall be disseminated to all members through the detail margin report (CLMG02) which shall detail the client wise margin obligation.

These files will be made available for the custodians in their respective sub-directories and on the extranet server for the members. File format for Detail Margin Report (CLMG02) is provided in **Part D**.

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### ITEM 12: CLIENT MARGIN/SHORT ALLOCATION REPORTING

#### 12.1 Collection and Reporting of Margins

- Trading Members (TMs) /Clearing Members (CMs) shall be required to mandatorily collect minimum 20% upfront margin in lieu of VaR and Extreme Loss Margins from their clients/TMs.
- The TMs/CMs will have time till 'T+2' working days to collect other margins (except minimum margins) from their clients/TMs. (The clients/TMs must ensure that the VaR margins and ELM are paid in advance of trade and other margins are paid as soon as margin calls are made by the TMs/CMs.) The period of T+2 days has been allowed to TMs/CMs to collect margin from clients taking into account the practical difficulties often faced by them only for the purpose of levy of penalty and it should not be construed that clients have been allowed 2 days to pay margin due from them.
- If the TMs/CMs has collected adequate initial (upfront) margins from the client to cover the potential losses over time till pay-in, TMs/CMs need not collect Mark To Market losses (MTM) from the client/TMs. Otherwise, TMs/CMs shall be required to collect MTM from their clients/TMs by T+2 day.
- If pay-in (both funds and securities) is made by T+2 working days, the other margins would be deemed to have been collected
- TMs/CMs shall be required to report a single consolidated value comprising of, minimum margin, additional margins and MTM collected

##### 12.1.1 Intra-day margin reporting

- Clearing Corporation shall send minimum 4 snapshots of client wise margin requirement to TM/CM/Custodians for them to know the intraday margin requirement per client/TM/Custodial Participant. The snapshots would be randomly taken in pre-defined time windows
- The client wise margin file (MG-12/13) provided by Clearing Corporation to TMs/CMs/Custodian shall contain the end of day margin requirements of the client/TM/Custodial Participant as well as the peak margin requirement of the client/TM/Custodial Participant, across each of the intra-day snapshots
- The TM/CM/Custodian shall have to report the margin collected from each client/TM/Custodial Participant, as at EOD and peak margin collected during the day

##### 12.1.2 Procedure for Reporting of Margins

##### 12.1.3 Files to be provide to members

- Clearing Corporation shall provide client /TM/CP wise details of end of day margins as well as the peak margin requirement on a daily basis to TMs/CMs/Custodian namely MG12 for CMs/Custodian and MG 13 for TMs.

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- The format of the files to be downloaded are provided in Part D.

### 12.1.4 Files to be submitted by the member

- TMs/CMs/Custodian shall be required to be upload reporting files through the NSCCL – MASS using the client margin file upload menu. (NSCCL –MASS >Client Margin>File upload).
- TMs/CMs/Custodian shall be able to upload client margin reporting files at any time during the day through NSCCL –MASS
- The facility of uploading the files through the extranet server in the directory /CMFTP/C/COLAT/UPLD shall also be available to TMs/CMs
- The name of the file to be uploaded by the TMs shall be C\_MRG\_TM\_\_nn.CSV and that by the CMs/Custodian shall be C\_MRG\_CM\_\_nn.CSV where: is the trade date, TM = Trading Member, CM = Clearing Member/Custodian and ‘nn’ is the batch number of the file
- TMs/CMs/Custodian are requested to take note of the following whilst uploading the client margin reporting files:
  - TMs/CMs/Custodian are not required to provide member code in the file name
  - TMs/CMs/Custodian are required to provide batch number in every file they upload starting with 01. Thereafter subsequent files are required to have incremental batch numbers viz 02, 03 etc up to maximum of 99. This would enable TMs/CMs/Custodian to send multiple files for the same trade date with incremental batch numbers. Where multiple files are uploaded by the TMs/CMs/Custodian for a trade day, the information of client margin collected as provided in the file with latest batch number for the trade date would be considered as final by the Clearing Corporation.
  - If a member uploads a file with incorrect name, such files shall not be picked up by the Clearing Corporation. In case of files uploaded through the extranet the same file shall be renamed as “.failed” in the respective member folder in order to facilitate members to ascertain file upload failure.
  - Zero byte uploaded through the NSCCL –MASS shall not be accepted. In case of zero byte files uploaded through the extranet the same file shall be renamed as “.failed” in the respective member folder.
  - In case the files are made by customised software at user end, TMs/CMs/Custodian may note that a new line character has to be present in the last record in order to ensure proper processing.
  - TMs/CMs/Custodian are requested to refer to the return file every day for the short reporting of margins and initiate necessary corrective actions to ensure that the margins are collected and reported upfront.
- TMs/CMs/Custodian may note the following procedure for providing client margin details:
  - Each row of the margin file MG12 shall provide the details of VaR +ELM margin, minimum margin, additional margins and MTM losses for a proprietary account of

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trading member and custodian participants. The files shall contain end of day total actual margin, end of day total margin to be collected and peak of intra-day margin for each associated Trading Member/Custodial Participant

- Each row of the margin file MG13 shall provide the details of VaR +ELM margin, minimum margin, additional margins, MTM losses, end of day total actual margin, end of day total margin to be collected and peak of intra-day margin for reporting purpose for a specific client code, as per the code entered by the members at the time of order entry.
- In case of a mark to market profit for a client/TMs/CPs the value for MTM losses shall be populated as zero.
- TMs/CMs/Custodian are required to add a comma and report a single consolidated value comprising of the actual amount collected from that client/TMs/CPs as the case may be for end of day margin.
- TMs/CMs/Custodian are required to add another comma after the amount of end of day margins reported and report the peak margin amount collected from that client/TMs/CPs as the case may be
- This figure for amount collected (end of day and peak), appended by TMs/CMs/Custodian should not be negative.
- TMs/CMs/Custodian are required to ensure that no information provided in the file is modified. Any modification shall result in such record being rejected by the Clearing Corporation.

### 12.1.5 Return files to the members

- A return file shall be generated for all files uploaded by the TMs/CMs/Custodian for client margin reporting with the correct naming convention. TMs/CMs/Custodian can download return file through NSCCL –MASS using the client margin file download menu. The return file for member shall also be placed in the extranet directory /CMFTP/C/COLAT/DNLD for TMs/CMs.
- In case of any errors in the file, TMs/CMs/Custodian would be able to correct the same and upload the same with incremental batch number anytime prior to sign off date
- Two types of return files are generated for the members
  - a) Rejected Files - where the whole file has been rejected
  - b) Processed File Records - where some or all records in the file have been rejected

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### a) Rejected Files

- File Naming convention: C\_MRG\_TMF\_MEMBERCODE\_\_nn.CSV for TMs and C\_MRG\_CMF\_MEMBERCODE\_\_nn.CSV for CMs/Custodians Some reason for which a file may be rejected are mentioned as under
- File loaded after the sign off date - TMs/CMs/Custodian shall be permitted to upload client margin reporting file up to T+5 working days. Such files would be rejected with the reason “File is not being processed as file upload date is greater than sign off date”.
- File loaded for future date - If the uploaded file is for December 12, 2019 on December 11, 2019, then the return file would indicate the rejection reason as ‘File is not being processed as file date is greater than system current date’.
- Uploads file for an invalid day - If a TMs/CMs/Custodian is not required to report the client margin file for a day (say Saturday, Sunday, holiday etc.) and still uploads the same, then the return file would be rejected with the message ‘File is not being processed as the TMs/CMs/Custodian code is invalid for the file date’.
- TMs/CMs/Custodian uses non-serial batch number in file name - If the batch number provided by the TMs/CMs/Custodian for a trade date is not in sequence, for example if the member has uploaded two files for the trade date December 12, 2019 with file names C\_MRG\_TM\_12092019\_01.CSV and C\_MRG\_TM\_12092019\_03.CSV, the second file would be rejected with error message ‘File is not being processed as file batch number is not proper. Last successful batch no for the day was 01’.
- File in wrong format - If the TMs/CMs/Custodian has provided a file which cannot be read by the system for example- non csv file, then return file would be rejected with the message ‘File is not being processed as the file is not in format’.

### b) Processed File Records –

- File Naming Convention: C\_MRG\_TMR\_MEMBER CODE\_\_nn.CSV for TMs and C\_MRG\_CMR\_MEMBER CODE\_\_nn.CSV for CMs/Custodian
- After processing of client margin file, each record would have a reason code indicating acceptance/ rejection, as the case may be. The details of reason codes are as follows:

<i>Reason Code</i>	<i>Description</i>
01	Record size does not match for e.g. extra comma in the record
02	Date in record does not match with file date
03	Record is altered i.e. matching record does not exist in MG-13/MG-12 file. Possible error in date/ client code/ margin amount
04	Record pertains to proprietary position for trading member
05	Record pertains to proprietary position for clearing member

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06	Margin amount collected is negative or non numeric.
07	Insufficient Margin
08	Sufficient Margin

- For reason codes 01 to 06, the difference amount, would not be indicated in the return file. However, for reason codes 07 and 08, the difference amount would be indicated.
- If the record contains multiple errors for e.g. reason code 01 as well as 06, the reason code which is the lowest in number would appear against the record i.e. reason code 01.

### 12.1.6 Custodial Transactions

- TMs/CMs/Custodian shall be exempted from collecting upfront margins in respect of Institutional transactions. Institutional transactions shall mean transactions done on behalf of Institutional investors as specified in point 10.11
- In respect of non-institutional custodial transactions, the margin collection and reporting shall be done by the Custodians for the margins applicable
- In respect of custodial transactions not allocated/rejected/not accepted by the custodians, such positions shall be considered as own transactions of the TMs who have executed the transactions and the margins shall be levied on such TMs

### 12.1.7 Early Pay-in of Securities and Funds

- TMs/CMs/Custodian shall be exempted from collecting upfront margins in respect of positions for which early pay-in of securities/early pay-in of funds (EPI) is made prior to the settlement. For such cases the margins shall be reduced to the extent of EPI received
- Only in cases where TMs/CMs/Custodian have provided details of client/TMs/CPs for allocation of EPI shall be considered for exemption of margin reporting
- In case where TMs/CMs/Custodian have made EPI but not provided allocation of EPI for client/TMs/CPs, such EPI shall not be considered while generating end of day client margin reporting files for TMs/CMs/Custodian
- TMs/CMs/Custodian may refer to point 10.16 and 10.17 for detailed provision of providing client level EPI allocation

### 12.2 Deemed allocation and Short Allocation monitoring

- CMs shall ensure that sufficient collateral is allocated to TM Prop/CP/clients to cover their margin requirements. However, if the margin applicable at Clearing Corporation for a TM Prop/CP/client in a segment exceeds the collateral allocated to the TM Prop/CP/client plus the securities collateral re-pledged to Clearing Corporation (from that TM Prop/CP/client's account) in the respective segment, then the proprietary collateral of the TM/CM shall be

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blocked (including re-pledged/pledged securities and allocated collateral). Such margin blocked from the proprietary collateral towards a TM Prop/CP/client's margin shall be deemed to have been the collateral allocated to that TM Prop/CP/client. This provision shall include deemed allocation of TM's proprietary collateral towards client margins and deemed allocation of CM's proprietary collateral towards TM Prop/CP/client margins.

- CMs shall ensure that allocated collateral plus value of securities collateral re-pledged to Clearing Corporation for a TM Prop/CP/client is at all times greater than or equal to the minimum margin collection requirement for the respective TM Prop/CP/client in the respective segment.
- In case where the allocated collateral plus the securities collateral re-pledged to Clearing Corporation in respect of a TM Prop/CP/client, is falling short of minimum margin collection requirement in the respective segment same shall be considered as short allocation and shall be subject to penalty.

### 12.2.1 Monitoring of short allocation

- Minimum client margin collection requirement less Client collateral value in the segment (only where client margins are greater than client collateral value) shall be considered short allocation. For this purpose, minimum client margin collection will mean margins required to be collected on upfront basis, excluding margins which can be collected by T+1.
- Client collateral value in the segment for this purpose shall be collateral value allocated by the CM to the client in the segment + value of securities repledged at Clearing Corporation for that client in the segment (value shall be before applying all prudential norms of Clearing Corporation other than 50:50 requirement).
- Such monitoring of short allocation shall happen intraday at the time of peak margin snapshot and at end of day.
  - Client level short allocation shall be computed intra-day based on the peak margin snapshot in the segment and client collateral value in the segment at the time of the respective peak margin snapshot. Details shall be provided in C\_SA01/02\_P\_DDMMYYYY Y\_i01/02/i03/i04
  - Client level short allocation shall be computed at end of day based on the EOD minimum upfront margins required to be collected and client collateral value at EOD. Details shall be provided in C\_SA01/02\_DDMMYYYY
- Margins on positions due to be settled on the day shall be excluded from the snapshot taken for the purpose of peak margins and for monitoring intraday short allocation.
- While assessing the intraday/EOD short allocation, Clearing Corporation will check for availability of excess collateral (allocation and value of pledged securities over and above minimum margin) in other segments for the same TM-UCC (whether with same clearing member or otherwise) or CP. Clearing Corporation shall reduce such excess collateral available in other segments from the intraday/EOD short allocation before calculation of applicable penalty. For this purpose, the snapshots across segments for the same time window shall be considered e.g. shortfall for snapshot 1 will be checked against excess deposit in other



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segment in snapshot 1 only and will not be offset against excess deposit in any other snapshot or at EOD.

- The maximum amount of short allocation across all snapshots and EOD shall be considered as short allocation and the same shall be provided after considering excess collateral in other segments, if any in C\_SA04/05/\_<member code>\_DDMMYYYY. The information on the snapshot number/EOD which has been considered as maximum amount shall be provided in the snapshot field.
- The value of collateral above the prudential norms shall be updated under the field "Total Non-Cash Collateral" in SA04/SA05/SA06 report
- In case of instances of Intraday/ EOD short allocation; members shall have an opportunity to report amount of client collateral available with permitted reasons. In case of such reporting, penalty will not be applicable
- Members shall have an opportunity to report amount of client collateral available against such segment wise short allocation due to below mentioned reasons, along with reason codes:

Reason Code	Particulars
01	Excess collateral available in another CC
02*	Value of securities EPI has been done by end of day to CC in CM Segment
03	Trades executed in wrong client code codes (Applicable only for intra-day shortfall where snapshot field is other than E)
04	Trades done on behalf of NRI clients
05	Allocation request submitted to CC however allocation request accepted later (Applicable only for intra-day shortfall where snapshot field is other than E)
06	Securities are repledged by CM to CC in the depository but not yet processed by CC. (Applicable only for intraday shortfall where snapshot field is other than E)
07	EPI of funds done by custodian by end of day to CC in respect of marginable CP Code (Applicable only for intra-day shortfall where snapshot field is other than E)

\* Members can only report margins for securities sold for which EPI has been done subsequent to sale by on the T Day. Please note that value of credit entry posted in client ledger in lieu of successful EPI to CC should not be reported

- Such reporting shall be done by TMs for clients and by CMs for TM proprietary and CP clients.
- In case false reporting, penalty as applicable on false margin reporting will be applicable



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- Clearing Corporation shall compute revised short allocation amount after adjusting for the aforementioned reporting.

### 12.2.2 Reporting of short allocation

#### 12.2.2.1 Files to be provide to members

- Clearing Corporation shall provide client /TM/CP wise details of highest short allocation on a daily basis to TMs/CMs/Custodian namely SA05 for CMs/Custodian and SA04 for TMs.
- The format of the files to be downloaded are provided in Part D.

#### 12.2.2.2 Files to be submitted by the member

- TMs/CMs/Custodian shall be required to be upload reporting files through the NSCCL – MASS using the client margin/SA file upload menu. (NSCCL –MASS >Client Margin/SA Reporting>File upload).
- TMs/CMs/Custodian shall be able to upload client margin reporting files at any time during the day through NSCCL –MASS
- The name of the file to be uploaded by the TMs shall be C\_SA\_TM\_<DDMMYYYY>\_nn.CSV and that by the CMs/Custodian shall be C\_SA\_CM\_<DDMMYYYY>\_nn.CSV where: is the trade date, TM = Trading Member, CM = Clearing Member/Custodian and 'nn' is the batch number of the file
- TMs/CMs/Custodian are requested to take note of the following whilst uploading the short allocation reporting files:
  - TMs/CMs/Custodian are not required to provide member code in the file name
  - TMs/CMs/Custodian are required to provide batch number in every file they upload starting with 01. Thereafter subsequent files are required to have incremental batch numbers viz 02, 03 etc up to maximum of 99. This would enable TMs/CMs/Custodian to send multiple files for the same trade date with incremental batch numbers. Where multiple files are uploaded by the TMs/CMs/Custodian for a trade day, the information of client margin collected as provided in the file with latest batch number for the trade date would be considered as final by the Clearing Corporation.
  - If a member uploads a file with incorrect name, such files shall not be picked up by the Clearing Corporation.
  - Zero byte uploaded through the NSCCL –MASS shall not be accepted.
  - In case the files are made by customised software at user end, TMs/CMs/Custodian may note that a new line character has to be present in the last record in order to ensure proper processing.
  - TMs/CMs/Custodian are requested to refer to the return file and initiate necessary corrective actions.
- TMs/CMs/Custodian may note the following procedure for providing short allocation details:

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- TMs/CMs/Custodian are required to add a comma and report the collateral available amount.
- TMs/CMs/Custodian are required to add another comma after the amount of collateral available amount and specify the reason code. Permitted Reason codes shall be as specified above. For Reason Code 01, CC code needs to be specified by adding additional comma after reason code in following manner: -
  - For ICCL – IC
  - For NCCL – NC
  - For MCXCCL – MX
- For other reason code a comma needs to be added after reason code
- This figure for collateral available appended by TMs/CMs/Custodian should not be negative.
- TMs/CMs/Custodian are required to ensure that no information provided in the file is modified. Any modification shall result in such record being rejected by the Clearing Corporation.
- For each reason code, collateral available amount needs to be mandatorily mentioned, failing which shortfall shall be calculated considering collateral available as '0'.
- If there are more than one reason code applicable for a record as per SA04/ SA05, then for each reason code, separate row should be uploaded

### 12.2.2.3 Return files to the members

- A return file shall be generated for all files uploaded by the TMs/CMs/Custodian for client margin reporting with the correct naming convention. TMs/CMs/Custodian can download return file through NSCCL –MASS using the client margin/SA reporting file download menu.
- In case of any errors in the file, TMs/CMs/Custodian would be able to correct the same and upload the same with incremental batch number anytime prior to sign off date
- Two types of return files are generated for the members
  - a) Rejected Files - where the whole file has been rejected
  - b) Processed File Records - where some or all records in the file have been rejected

#### a) Rejected Files

- File Naming convention: C\_SA\_TMF\_MEMBERCODE\_nn.CSV for TMs and C\_SA\_CMF\_MEMBERCODE\_nn.CSV for CMs/Custodians. Some reason for which a file may be rejected are mentioned as under
- File loaded after the sign off date – TMs/CMs/Custodian shall be permitted to upload short allocation reporting file up to T+5 working days. Such files would be rejected with the reason “File is not being processed as file upload date is greater than sign off date”.

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- File loaded for future date - If the uploaded file is for December 12, 2023 on December 11, 2023, then the return file would indicate the rejection reason as 'File is not being processed as file date is greater than system current date'.
- Uploads file for an invalid day - If a TMs/CMs/Custodian is not required to report the client margin file for a day (say Saturday, Sunday, holiday etc.) and still uploads the same, then the return file would be rejected with the message 'File is not being processed as the TMs/CMs/Custodian code is invalid for the file date'.
- TMs/CMs/Custodian uses non-serial batch number in file name - If the batch number provided by the TMs/CMs/Custodian for a trade date is not in sequence, for example if the member has uploaded two files for the trade date December 12, 2023 with file names C\_MRG\_TM\_12092023\_01.CSV and C\_MRG\_TM\_12092023\_03.CSV, the second file would be rejected with error message 'File is not being processed as file batch number is not proper. Last successful batch no for the day was 01'.
- File in wrong format - If the TMs/CMs/Custodian has provided a file which cannot be read by the system for example- non csv file, then return file would be rejected with the message 'File is not being processed as the file is not in format'.

### b) Processed File Records –

- File Naming Convention: C\_SA\_TMR\_MEMBER CODE\_\_nn.CSV for TMs and C\_SA\_CM MR\_MEMBER CODE\_\_nn.CSV for CMs/Custodian
- After processing of client margin file, each record would have a reason code indicating acceptance/ rejection, as the case may be. The details of reason codes are as follows:

<b>Reason Code</b>	<b>Description</b>	<b>Success/ Rejected Flag (S/R)</b>
01	Record size does not match for e.g. extra comma in the record	R
02	Date in record does not match with file date	R
03	Record is altered i.e. matching record does not exist in SA-04/SA-05 file. Possible error in date/ client code/ margin amount	R
04	Invalid Reason code specified in the member file	R
05	Invalid CC code/CC code not provided for reason code 01/ CC code provided for reason code other than 01	R
06	Amount is non-numeric	R
00	Collateral reported by member under specified reason code in file is less than, equal or greater than Short Allocation reported by CC	S

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- If the record contains multiple errors for e.g. reason code 01 as well as 06, the reason code which is the lowest in number would appear against the record i.e. reason code 01.

### 12.3 Sign-off date

The cut off day upto which a TMs/CMs/Custodian may report client margin/short allocation details to the Clearing Corporation is referred to as the sign off date. It shall be 5 working days after the trade date i.e. TMs/CMs/Custodian shall be allowed to upload client margin/short allocation reporting file up to T+5 working days

### 12.4 Shortage computation

The margins reported/short allocation shall be compared in the following manner:

(a) EOD margin obligation of the client/TM/Custodial Participant shall be compared with the respective client/TM/Custodial Participant margin available with the TM/CM at EOD.

AND

(b) Peak margin obligation of the client/TM/Custodial Participant, across the snapshots, shall be compared with respective client/TM/Custodial Participant peak margin available with the TM/CM during the day

AND

(c) Highest of intraday/EOD short allocation amount (after considering excess collateral across segments and the reporting for valid reason codes if any)

Higher of the shortfall in collection of the margin obligations at (a), (b) and (c) above, shall be considered for levying of penalty.

### 12.5 Non-reporting/ non submission of client margin

All instances of non-reporting of client margins by the TMs/CMs/Custodian shall be treated similar to and as 100% short reporting of client margins and accordingly penalties shall be imposed.

### 12.6 Penalty for short / non-reporting of client margin/short allocation

Penalty shall be levied in case of short/ non-reporting/short allocation by TMs/CMs/Custodian as specified by the Clearing Corporation from time to time.

### 12.7 No Margin Liability

TMs/CMs/Custodian who have no margin liability i.e. all margins are zero, shall not receive any margin file. If the clients/TMs/CPs of TMs/CMs/Custodian do not have any margin liability i.e. where all margins are zero for a client, such clients shall not be reflected in MG 12 /MG 13 files and SA04/SA05 files.

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### ITEM 13: CHARGES AND PENALTIES

**In pursuance of Regulations 7.15, 7.16, 9.3, 9.5, 9.8, 9.9A, 12.14 and 15 of the NSE Clearing Capital Market Regulations the applicable penalties are hereby specified as under:**

#### 13.1 Funds Shortages

Members failing to fulfil their funds obligations (including STT/ Stamp duty obligation and Capital Cushion requirement) by the scheduled date and time (all markets including the valuation debit raised on account of securities shortages) to Clearing Corporation shall be subjected to the following penalty structure:-

S. No	Type of Non-fulfilment	Penalty Charge % per day	Action
a)	Value Rs. 5 lakhs or more	0.07	The trading facility of the member shall be withdrawn immediately and securities pay out shall be withheld.
b)	Value less than Rs. 5 lakhs	0.07	If in the last three months, the member is short over Rs. 2 lakhs on six or more than six occasions, the trading facility of the member shall be withdrawn and securities pay out shall be withheld*

\*In case, the member is disabled on account of (b) above, on making good the shortage amount, the member shall be permitted to trade subject to its providing a deposit equivalent to its cumulative funds shortage as the 'funds shortage collateral'. Such deposit shall be kept with the Clearing Corporation for a period of ten settlements and shall be released only if no further funds shortages are reported for the member in next ten consecutive settlements. Members may further note that there shall not be any margin benefit or any interest payment on the amount so deposited as 'funds shortage collateral'. The amount may be provided by way of cash, fixed deposit receipts, or bank guarantee, equivalent to the cumulative funds shortage.

#### **Recovery of funds due through liquidation of securities withheld:**

The funds defaulting member will be allowed such time as may be permitted by the relevant authority depending upon the facts of the case to bring in the amount in default. If funds are not brought at any time by the defaulting member, the Clearing Corporation at its discretion will proceed to close out securities in the normal / auction market. If the member does not bring in the amount by the time permitted by the relevant authority, and continues to default thereafter, the relevant authority would be constrained to initiate suitable action including withdrawal of his trading facility, appropriation of his capital / deposits with the Exchange / Clearing Corporation and/or declare him a defaulter.

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### 13.2 Securities Shortages:

Members failing to fulfil their securities deliverable obligations to Clearing Corporation shall be subjected to the following penalty structure:-

S. No	Type of Non-Fulfilment	Penalty Charge % per day	Action
(a)	Security Shortage	0.05	The valuation amount of the shortage will be considered as funds shortages where shortage confirmation is not received from the bank and penal action as prescribed for "Funds Shortage" point "12.1" above shall be applicable

### 13.3 Margin Shortages

Following penalty shall be levied on a monthly basis in respect of margin violations

Instances of Disablement	Penalty to be levied
1st instance	0.07% per day
2nd to 5th instance of disablement	0.07% per day +Rs.5000/- per instance from 2 <sup>nd</sup> to 5 <sup>th</sup> instance
6th to 10 <sup>th</sup> instance of disablement	0.07% per day+ Rs. 20000 (for 2 <sup>nd</sup> to 5 <sup>th</sup> instance) +Rs.10000/- per instance from 6 <sup>th</sup> to 10 <sup>th</sup> instance
11th instance onwards	0.07% per day +Rs. 70,000/- (for 2 <sup>nd</sup> to 10 <sup>th</sup> instance) +Rs.50000/- per instance from 11 <sup>th</sup> instance onwards. Additionally, the member will be referred to the Member Committee for suitable action

Instances as mentioned above shall refer to all disablements during market hours in a calendar month. The penalties shall be collected from the clearing member of the respective trading member. The concerned clearing member may in turn recover such amount of penalty from the concerned trading member.

### 13.4 Security Deposit Shortages

Members not fulfilling the security deposit requirement for continued membership shall be subjected to the following penalty structure:-

S. No	Type of Non-Fulfilment	Penalty Charge % per day	Action
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(a)	Value Rs. 5 lakhs or more	0.07	The trading facility of the member shall be withdrawn
(b)	Value less than Rs. 5 lakhs	0.07	The member shall be given a week's time to replenish the shortfall in security deposit failing which the trading facility of the member shall be withdrawn.

### 13.5 Non-allocation / rejection of institutional trades

Institutional Trades (INST), not allocated to valid CP codes, allocated to non related FPIs and in case of rejection/non-confirmation of any institutional/non-institutional trades by Custodians or PCM a penalty of 0.10% of the unallocated / rejected / unconfirmed value or Rs. 10,000/- whichever is lower per settlement shall be levied.

Penalties shall not be imposed on transactions where custodial non-confirmation is for any of the following exceptional circumstances as per SEBI Circ. Ref No MRD/DoP/SE/Cir- 17/2005 dated September 2, 2005:

- Total connectivity failure to the exchange/STP. (Specific connectivity issues of the custodians and members shall not be considered as valid exceptions)
- International holidays that may be decided upfront by the stock exchanges in consultation with the custodians
- Closing down of national/international centers due to calamities

### 13.6 Trade for Trade Segment

S No	Types of default	Penalty Charge
a.	Non settlement of trade	0.5% of the trade value
b.	Cancellation of trade	Rs. 1000/- per trade per side
c.	Failure to settle within the stipulated time	Rs. 500/- per trade per day, subject to maximum of 2.50 times the value of the trade for each side with a ceiling of Rs. 10000/-
d.	Failure to report within the stipulated time	Rs. 500/- per trade per day subject to maximum of 2.50 times the value of the trade for each side with a ceiling of Rs. 5000/-

In addition to the above, a penal interest at the rate of 7 basis points for each day of default shall be levied on the members who have not paid the penalty imposed on them.



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### 13.7 Short / non-reporting of client margin/short allocation

The following penalty shall be levied in case of short reporting/allocation by trading/clearing member per instance.

Short collection for each client	Penalty percentage
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5%
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1.0%

If short/non-collection/short allocation of margins for a client continues for more than 3 consecutive days, then penalty of 5% of the shortfall amount shall be levied for each day of continued shortfall beyond the 3rd day of shortfall.

If short/non-collection/short allocation of margins for a client takes place for more than 5 days in a month, then penalty of 5% of the shortfall amount shall be levied for each day, during the month, beyond the 5th day of shortfall.

All instances of non-reporting are treated as 100% short reporting for the purpose of levy of penalty.

In case of short reporting/short allocation by trading member the details of penalty at client/constituent level shall be provided as per the penalty report specified in Part E. In case of short reporting/short allocation by clearing member the details of penalty at trading member/constituent level shall be provided as per penalty report specified in Part E.

The above penalties shall be collected from the clearing member by debiting the settlement account with designated primary clearing bank on a monthly basis. Penalty applicable for the trade dates of the calendar month shall be collected by the tenth working day of the subsequent calendar month.

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### ITEM 14: CORE SETTLEMENT GUARANTEE FUND

#### 14.1 Core Settlement Guarantee Fund

Clearing Corporation has established the Core Settlement Guarantee Fund (Core SGF) for Capital Market segment based on the norms provided under SEBI circular no. CIR/MRD/DRMNP/25/2014 dated August 27, 2014.

The Minimum Required Corpus (MRC) of the Core SGF shall be arrived based on the stress test methodology prescribed by SEBI. Clearing Corporation shall compute the MRC for capital market segment which shall be subject to the following;

- a. The MRC shall be fixed for a month.
- b. By 15th of every month, Clearing Corporation shall review and determine the MRC for next month based on the results of daily stress tests of the preceding month. Clearing Corporation shall also review and determine by 15th of every month, the adequacy of contributions made by various contributors and any further contributions to the Core SGF required to be made by various contributors for the next month.
- c. For every day of the preceding month, uncovered loss numbers shall be estimated by the various stress tests for credit risk conducted by the Clearing Corporation for the segment and highest of such numbers shall be taken as worst-case loss number for the day.
- d. Average of all the daily worst case loss numbers determined in (3) shall be calculated.
- e. The MRC for next month shall be higher of the average arrived in at step (4) and the segment MRC as per previous review.

#### 14.2 Contribution to Core SGF

The contribution to Core SGF for Cash Market Segment from various contributors shall be as follows;

- a. Clearing Corporation contribution to core SGF will be minimum 50% of MRC of each segment. Clearing Corporation shall make this contribution from its own funds. Clearing Corporation contribution to core SGFs will be considered as part of its net worth.
- b. Exchange contribution to Core SGF will be minimum 25% of MRC (can be against transfer of profits by Exchange as per Regulation 33 of SECC Regulations).
- c. The total contribution from members to Core SGF for each segment will not be more than 25% of MRC of the respective segment. No exposure shall be available to members on their contribution to Core SGF. The member may bring this contribution in the form of cash, bank fixed deposits or central government securities. The required contributions of each member shall be assessed pro-rata based on the risk they bring to the system.

Clearing Corporation may collect member contribution either upfront or staggered over a period of time. In case of staggered contribution, the remaining balance shall be met by the Clearing Corporation to ensure adequacy of total Core SGF corpus at all times. Such contribution shall be available to Clearing Corporation for withdrawal as and when further contributions from members are received.

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### **14.3 Penalties levied by Clearing Corporation**

Any penalties levied by Clearing Corporation (as per Regulation 34 of SECC Regulations) shall be credited to Core SGF.

### **14.4 Interest on Core SGF cash contribution**

Interest on cash contribution to Core SGF shall also accrue to the Core SGF and pro-rata attributed to the contributors in proportion to their cash contribution.

### **14.5 Penal Charges for Utilisation of Core SGF**

In the event of a member failing to meet his obligations to the Clearing Corporation, the Clearing Corporation may, at its discretion, utilise the Core SGF to the extent and in such manner as necessary.

The member shall be required to immediately pay the amount so utilised and also pay a penal charge at the rate of 0.07 % per day computed on the amount outstanding from the day on which monies are due to be paid until the day all obligations including shortfall in deposits are fulfilled.

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### ITEM 15: DELIVERY UNITS

**In pursuance of Regulation 7.6.1, 7.6.2 and 8.1 of the Capital Market Regulations, delivery units are prescribed as under:**

#### **15.1 Delivery unit for Regular Market Deals**

Delivery unit for Regular Market Deals in depository mode shall be the lot size prescribed for each security of the Capital Market Segment.

#### **15.2 Delivery unit for Regular Market Deals in Depository Mode**

Delivery unit for Regular Market in depository mode shall be lot size one (1) for each security of Capital Market Segment.

#### **15.3 Delivery unit for BL Market Deals in Depository Mode**

Delivery unit for BL Market Deals in depository mode shall be lot size one (1) for each security of Capital Market Segment.

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### ITEM 16: INFORMATION VIA SMS

A facility wherein information in respect of some of the activities can be received through SMS is provided to members/ custodians.

The salient features of the SMS Alert facility are as mentioned below:

- Members/ custodians can avail this facility in order to receive instant updates by way of SMS in respect of certain activities / information.
- Members/ custodians can access the SMS application through a menu option in NMASS under the super admin login. Members shall first register a user for the service, (under Registration) and then subscribe the user to a specific message (under Subscription).
- Members/ custodians can register multiple mobile numbers (Maximum 5 numbers per member) for receiving SMS by registering multiple users with a flexibility to modify or deregister users.
- Members/ custodians have the flexibility to subscribe to or unsubscribe any message alerts.
- Subscription to multiple message alerts for single mobile number or subscription to single message alert by multiple mobile numbers is also permitted.
- Members/ custodians can replicate the subscriptions done for one user to another user.

This alert facility is only an additional facility provided to the members/ custodians for receiving the Alert / Information. The members/ custodians shall verify the information received by way of alert and not rely solely on such Alerts / Information for any purpose. Clearing Corporation shall not be liable for any delay or any other interruption which may occur due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shut down, breakdown of communication services or inability of Clearing Corporation to send the Alert / Information. Irrespective of whether the member has received the Alert / Information or not, the member shall be required to adhere to all the Rules, Byelaws and Regulations and Circulars and all other requirements laid down by Clearing Corporation from time to time.

Members/ custodians are requested to ensure that the mobile numbers of only the concerned officials are registered and updated on regular basis in order to prevent the messages from being sent to unconcerned people.

Further, in order to ensure continuous and uninterrupted flow of information to members / custodians via SMS, alert messages are sent by Clearing Corporation/ Exchange through multiple service providers.

Members/ custodians, who have subscribed for the alerts and have also activated 'Do Not Disturb' facility with their mobile service provider, may receive SMS alerts on their mobile depending on which service provider is in force when the SMS alerts are sent. Members / custodians who have opted for the 'Do Not Disturb' facility and hence do not wish to receive SMS alerts may deregister from the SMS alert facility.

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### ITEM 17: ELECTRONIC REPORTING

#### 17.1 Reports to members/custodians

Refer Part D and Part E for list of reports downloaded to members / custodians:

#### 17.2 NSE Clearing Management System (NCMS):

Clearing Corporation has provided an interface – NSE Clearing Management System (NCMS) to members which facilitates modification of custodian participant (CP) during trading hours. Members can allocate institutional trades marked with the generic CP code ‘INST’ (OTR), through this interface and also view the confirmation status of CP and OTR transactions marked for confirmation by custodians..

The trades executed on various Exchanges will be available for allocation to trading members and for confirmation to Custodians on the designated Clearing Corporations .

Members may refer circular NSE/CMPT/15102 dated June 29, 2010, in order to familiarise themselves with the operations of this interface. For activation of the user for NCMS, members may provide a request as per format specified in **Part C (45)** - ‘Format of Letter requesting activation of user in NCMS’.

#### 17.3 Timelines for activities in NCMS and upload / download of files

##### 17.3.1 Cut off timings for modifications/allocations through NCMS

Process	File	Day	Timings
Modification of CP code (T+1 settlement)	CP	T	Upto 4.15 p.m.
Modification of CP code (T+0 settlement)	CP	T	Upto 1.45 p.m.
INST allocation for securities	OTR	T	Upto 8:00 PM

##### 17.3.2 Timelines for custodian trade confirmation-

Process	Day	Timings
Cut-off time for confirmation on T day by custodian (T+1 settlement)	T	07:30 p.m.
Cut-off time for confirmation on T+1 day by custodian (T+1 settlement)	T+1	07:30 a.m.
Cut-off time for confirmation on T day by custodian (T+0 settlement)	T	02:45 p.m.
Time for Auction trade confirmation on T day by custodians	T	3:30 p.m. to to 04:15 p.m.

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### T+1 Settlement

- Obligation reports for securities eligible for T+1 settlement shall be downloaded on T day EOD and shall be generated based on deemed custodial confirmation for CP / OTR trades. The final obligation flag shall be 'N' for all records in obligation reports downloaded on T day
- On T+1 day, Final Obligations will be downloaded by 09:00 AM, after the closure of Trade Confirmation window for Custodians. These reports will be generated based on actual confirmations / Rejections of CP / OTR trades by the Custodian.
- On T+1 day, final obligation reports shall be downloaded only to members/ Custodians wherein there is a change in obligations on account of transactions rejection/ non-confirmation by custodians. The final obligation flag shall be 'Y' for all records in obligation report downloaded on T+1 day
- In case there is no change in the obligations for the member/ Custodian, additional final obligation report shall not be downloaded again on T+1 day. Member are requested to consider reports downloaded on T day towards final obligation.

### T+0 Settlement

- In case of trades executed in 'Family account' CP code, Trade confirmations shall be done by the custodians at Family Account CP code level to clearing corporations (CCs).
- Post trade confirmation by custodians, obligations shall be provided by CCs at the CP code level (family or individual as applicable) and settle at the Custodian level.
- Custodians shall ensure to carry out the settlement to the end investor i.e. to the individual CP code within the day
- Obligation reports for securities eligible for T+0 settlement shall be downloaded on T day around 02:30 pm and shall be generated based on deemed custodial confirmation for CP / OTR trades. The final obligation flag shall be 'N' for all records in obligation reports downloaded on T day
- Final Obligations will be downloaded by 03:15 pm, after the closure of Trade Confirmation window for Custodians. These reports will be generated based on actual confirmations / Rejections of CP / OTR trades by the Custodian only if there is a change in obligations on account of transactions rejection/ non-confirmation by custodians. The final obligation flag shall be 'Y' for all records in obligation report.

### 17.4 Details of files uploaded/ downloaded by members through NCMS:

#### Instructions for files uploaded through NCMS

1. Members may directly upload the CP and OTR files in NCMS or do screen based modifications and allocations through the same.
2. The screen based modifications and files uploaded by the members would generate response messages in NCMS. In case of file upload a return file would be generated with the indication of the success/rejection of the file and the individual records as given hereunder.
  - In case any or all the detail records are successful a return file would be provided with an indicator 'S' confirming that the file was successfully uploaded. At the detail record level an



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indicator S / R would be provided indicating whether the detail record was successful or rejected respectively. In case a detail record is rejected then an error code would be appended.

- In case of an error in the file name or the control record, the uploading of the file will fail.
  - In case a file is rejected because all the detail records are rejected then the return file would be provided with an indicator 'R' confirming that the file has been rejected and hence has not been uploaded. In the detail records an indicator R would be provided indicating an error in the detail record and an error code would be appended.
  - Members are requested to save the response messages generated in NCMS and check the same.
  - The return files would be generated in the specified path at the member's end.
  - Members may refer **Part C (46)** - 'List of Error/Rejections Codes for NCMS' for the list of rejection codes in NCMS.
3. All files/ screen based modification or allocation entries shall have to be submitted before the cut off time as specified by Clearing Corporation.
  4. The members shall be responsible for all data provided to the Exchange/Clearing Corporation.

### 17.4.1 CP code modification

Members can modify CP codes on the trade day during trading hours up to cut off time as stipulated by the Clearing Corporation/Exchange from time to time. Currently the cut-off time for CP code modification has been stipulated as 4:15 p.m on the respective trade date. CP code modification is not permitted in respect of trades in Auction market.

In respect of CP trades done on capital market segment of BSE Limited the field "Participant Code" in NCMS shall be populated as under:

Category	Participant Code
Institutional Client (INST)	INST (INST)
Other categories	<Blank>

Members can modify the above mentioned participant code in NCMS from INST to <Blank>

The latest picture post modification shall be considered as the final for computation of obligation/ margins/ STT etc. Members shall be able to do modifications through screen based and file upload facility of NCMS.

Members shall ensure that whenever the client category is modified from Institutional Client (INST) to other categories, necessary modifications shall be made in participant code as per table above to avoid levy of penalty on account of Non-allocation.

Refer **Part C (47)** 'File structure for CP Code modification' and **Part C (48)** 'File structure for return file for CP Code modification'.

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### 17.4.1.1 Status of CP records rejected/not acted upon by custodians:

Members shall be able to check status of order wise CP trade confirmation using screen-based facility in NCMS-CM Order Inquiry Screen. Facility shall also be available to download the trade information status in csv file in NCMS-CM. Refer **Part C (49)** 'Format of file for status of CP Confirmation'

### 17.4.2 Obligation Transfer Request – OTR files

This facility allows members to execute institutional orders with a single code 'INST'. For all orders executed on a given trade day (T day), members may give a break-up of obligations by different institutional clients latest by the T day as per defined time lines as given in Item 15.3.1 above. If the members fail to furnish the breakup of the obligations by the cut-off time margins shall be applicable on such trades and such obligations shall be reverted to the member.

1. Members must identify all such orders by a specifically designated CP code - 'INST'. Members may place this designated CP code either at the time of order entry or during modification of CP code through the file upload and screen based facilities provided in NCMS.
2. This designated CP code shall be used by members only for institutional clients and members are advised to ensure strict compliance with the same.
3. Members who have executed trades using 'INST' code should generate the data file through NCMS during the time stipulated by the Clearing Corporation. This file shall contain exchange wise, settlement wise, security wise, obligation data.
4. Members may allocate the OTR transactions to valid CP codes by way of screen based allocations or file upload in NCMS. It is mandatory to provide the contract note number in respect of each allocation.
5. Members shall first download OTR in NCMS and then generate the OTR file from their local database during the time provided by the Clearing Corporation.
6. All screen based allocations/un-allocations and files uploaded by members will generate response messages in NCMS stating the success/reject status of each record along with the rejection code.
7. Members are requested to note the following procedure in case members are desirous of modifying the allocated CP code at a later point of time. Members may upload OTR files sending the original record quoting the 'OTR' number, quantity as 0 and value as 0. In case of screen based un-allocation members have to select the allocated record and send the same instruction. This shall indicate the nullification of the previous allocation. Modification requests not adhering to the above procedure will be rejected. Subsequently members can send in fresh records for allocation quoting the new CP code, obligation quantity and value. Members may either choose to send in fresh allocations in the same file or in a separate file or do screen based allocations. Members may note that changes to the CP code are permissible only if the custodian has not already confirmed acceptance of the same.
8. The OTR allocations for INST trades in SME securities shall be done in applicable market lot only.
9. The allocation information is communicated to the respective custodians at the end of each day for the purpose of confirming such requests. The custodian confirmation/rejection information is disseminated as an information record to the members.

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10. At the end of the time limit stipulated for custodial confirmations, records that have not been allocated to institutions, records that are rejected by custodians and records that are not responded by custodians shall be reverted to member obligations for settlement. All such cases shall also be subjected to margins/penalties etc. as per procedure. Records that are confirmed by custodians shall be custodians' obligations for settlement.
11. There is no facility to execute trades in INST code for securities in T+0 settlement

Refer **Part C (50)** 'OTR file generated from NCMS database by members', **Part C (51)** OTR Allocation file to be uploaded by members in NCMS and **Part C (52)** 'OTR allocation return file'.

### 17.5 OTR allocation for Foreign Portfolio Investor (FPI)

As per SEBI FPI regulations 2019, FPIs have been categorised into two categories, based on the information provided by Custodians.

- Entities getting registered as FPIs under the new FPI regime shall be allotted unique CP code upon receiving application of activation from the custodian.
- For FPIs that are corporate bodies, individuals or family, OTR facility shall not be available, in the same manner as for other non-institutional CP codes.
- For FPI other than corporate bodies, individuals or family, Members shall use the OTR facility for allocation of institutional trades to only related FPIs.
- Allocation to non-related FPIs shall be treated as violation and penalty in line with the penalty for non-allocation of institutional trades may be levied for such violations.
- Members shall provide details of related FPIs to the Clearing Corporation through file upload facility provided in Nsccl -MASS.
- A menu "FPI Client Mapping – File Upload" has been provided in Nsccl -MASS to upload "Related FPI/FII" details as per file format give below.
- Members shall ensure that additions/modification of related FPI/FII shall be uploaded only through Nsccl -MASS by OTR cut off time.
- Post OTR allocation:
  - a. Clearing Corporation shall detect violations, if any, in allocation to non-related FPI/FII
  - b. In case of violation a violation letter '<MemberCode\_FPI\_DDMMYYYY.doc' shall be downloaded on extranet under "MemLtrs" folder.
  - c. Members shall be provided a file '<MemberCode>\_FPI\_ClientMapping\_DDMMYYYY.csv' containing all the FPI mapping details uploaded by member and which are considered for detecting violations. The file shall be downloaded on extranet under "Reports" folder.

Refer **Part C (53)** for 'Format for providing information regarding related FPIs' and **Part C (54)** for 'Format of return file for information of related FPIs'

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### Other details:

1. The file upload facility shall be available from 8:00 AM to 09:00 PM
2. Members shall ensure that in the file nomenclature “DDMMYYYY” shall be current date.
3. Clearing Corporation shall process the files at an interval of 30 minutes
4. A return file shall be generated and downloaded on NSCCL -MASS under menu “FPI Client Mapping – File Download”
5. Member can replace the file uploaded on NSCCL -MASS before generation of return file

### 17.6 Allotment of CP Code

- Custodians shall log in to NSCCL -MASS for application of CP Code/UCC.
- The application of codes shall be through a file upload. Please refer to **Part C (55)** - File format for application of custodial participant code in NSCCL -MASS
- Applications submitted through the facility shall be processed and the CP code/UCC shall be generated and provided to Custodians.
- The CP codes issued shall be unique and shall be activated effective from next trading day.
- The Custodians shall perform KYC of the clients and maintain necessary documentation of client for whom CP code/ UCC is applied.
- In case custodians wish to apply for ‘Family Account’ CP code for T+0 settlement following points shall be noted-
  - i. Name of the client field specifically suffix with “FAMILYAC”
  - ii. PAN and SEBI registration no. shall be mentioned as “FAMIL9999Y”.
  - iii. Family account shall consist only of Non-Marginable CP codes.
  - iv. It shall be the responsibility of the Custodian to maintain the audit trail of any inclusion/ exclusion in Family account.

### 17.7 Post Trade allocation data for INST trades

Members are required to report CP code for each of their ‘INST’ trade executed on any of the exchanges. The CP code shall be reported depending on allocation done by member for the INST trade. The reporting shall be required to be done against orders corresponding to such INST trades.

#### 17.7.1 File to be uploaded by Trading Member

Member shall be required to report CP code and quantity against combination of Order number, Exchange code, Symbol, series and buy/sell flag. INST trade for which no allocation is done by the member or the INST trade for which allocation was done by member but not accepted by custody (i.e. DVP trades), member should provide ‘INST’ as CP code in reporting file. Members shall refer C\_memcode\_T\_TRD\_DDMMYYYY\_<Exchange code>.csv file (hereafter referred as trade report) downloaded by Clearing Corporation for each Exchange to identify INST orders for reporting. The format of the file to be uploaded is provided in **Part C (56)** ‘File Format for upload of Post Trade Allocation Data’

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The facility to upload the file shall be made available to member through extranet. Member shall be able upload file from T+1 day till T+5 day, anytime during the day. File uploaded before T+1 or after T+5 for a trade date shall be rejected.. During this period, member can upload multiple files either full or incremental.

A record shall be checked at Order number, Exchange code, Symbol, series, buy/sell flag and CP code combination. In case member reports revised quantity for record in subsequent file, the latest quantity shall be considered. If a file contains duplicate record, then 2nd record shall be rejected. If member wants to change CP code, it shall send the previous record with zero quantity and new record with correct CP code.

If an order is completely allocated to one CP, there shall be single record of CP with full traded quantity against the order number. If an order is split among multiple CP, there shall be corresponding records for each CP with quantity as allocated to each CP. An indicative example of reporting where multiple orders are allocated to multiple CP is provided in **Part C (57)** 'Example for upload of Post Trade Allocation Data' The file shall be uploaded as per timelines defined. If file is uploaded after the cut-off time, then it shall be rejected with proper error in return file.

### 17.7.2 . Return file to Trading Member

A return file shall be provided with details of success and rejected records. The return file shall be downloaded to member to Extranet. The return file shall be downloaded as and when generated. The format of the return file is provided in **Part C (58)** 'File Format of return file for Post Trade Allocation Data'

### 17.8 Facility on N-MASS for custodians for auction trade confirmation

- A facility is provided in Nsccl -MASS for custodians trades executed in Auction market with custodial participant (CP) code
- Super admin will have to give access of 'AUCTION TRADE' service to users.
- The order file can be generated for trade confirmation. The file can be generated multiple times and shall contain all records including which are already confirmed or rejected.
- Custodians need to mention the confirmation / rejection flag as 'Y' / 'N' in last field.
- Approve All functionality is also available for all auction trades. Same can be opt during confirmation / rejection timing window.
- Screen based confirmations can be done by custodians during provided window
- Auction Order file format is as per format specified in **PART C (59)**. The Auction trade confirmation file format is as specified in **Part C (60)**

### 17.9 Nsccl –MASS (NMASS)

NMASS is the information gateway for members to communicate online with Clearing Corporation. NMASS application facilitates-

- Single Sign on (SSO) enabling access to multiple applications with one set of login credentials.
- Dashboard Widgets allowing members to view segment wise information with respect to margin, collaterals, etc

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- For activation of NMASS, members are requested to submit the application to Clearing Corporation in format as per **Part C (61)** – Format for activation of NMASS
- Premium services are available in NMASS which are chargeable in the following manner annually. In case the premium services are availed for less than a month the charges shall be computed on pro-rata basis.

Number of users who has been assigned Premium services	Monthly Charges (Rs)
Upto 2 users	NIL
Each additional user beyond 2 user ids	Rs.2500

- Members shall exercise caution while assigning role access pertaining to the services clearly demarcated as “Chargeable Premium Services” in the NMASS application thereby ensuring careful mapping of premium services to admin/ user ids.
- User IDs with special characters (Example- ‘@’, ‘-’, ‘.’, etc) except ‘\_’ will not be able to login.
- The ‘Remember Me’ feature shall not be available, and users shall not get an option from the browser to save the password.
- Right click on login form is disable

### 17.10 API facility for NCMS

An API facility is also available in the NCMS-CM interface for Custodians and members. The API shall be for Trade download and actions inquiry (modifications/approvals/rejections performed on CP trades) for CM segment. The latest API specifications are available in our circular no NCL/CMPT/71456 dated November 25, 2025.

### 17.11 Member interface of another Clearing Corporation

In case of any major software problem in its Risk Management System Clearing Corporation may switch to Risk Management software of other Clearing Corporation under the two-way portability – SaaS (Software as a Service) model. The clearing members will need to use the interface provided by other Clearing Corporation for the purpose of give-up/take-up of CP trades, view their positions, margins, collateral limit utilization details and collateral allocation. The clearing members can use following links to access the interface provided by other Clearing Corporation

RTRMS Link : <https://isrm.connect2nsccl.com/stocks/jsp/rms/>

Collateral Link : <https://isrmcoll.connect2nsccl.com/application/applogin/login.aspx>

Extranet Link : [https://isrmxnet.connect2nsccl.com/Extranet\\_Login.aspx](https://isrmxnet.connect2nsccl.com/Extranet_Login.aspx)

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### **17.12 Information of Inactive Custodial Participant Codes to Trading Members**

A facility has been provided to Custodians to disseminate information regarding Custodial Participant (CP) Codes for which clearing and settlement activities shall not be carried out by Custodians.

List of inactive CP codes provided by all custodians are made available to members in a file – ‘CM\_InactiveCP\_ddmmyyy.csv’. File format is as provided in **Part C (62)**.

Return file format for Custodians is provided in **Part C (63)**.



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### ITEM 18: PRIVITY OF CONTRACT

**In pursuance of Bye Law 11(2) of Chapter VI of the Bye Laws pertaining to Clearing and Settlement of Deals, the cases to which the said section shall apply are specified herein:**

Settlement Obligations of capital market segment clearing members for giving and receiving delivery and paying and receiving funds arising out of Regular Market Deals, and LP Deals as specified under Item 2 of this circular unless specifically excluded by the relevant authority from time to time.

Pursuant to the above the following settlement obligations are specifically excluded:

Settlement obligations arising out of any deal where in the opinion of the Clearing Corporation or the specified Stock Exchange there are prima facie suspicion of fraud, wilful misrepresentations, malpractice or are subject to any investigation by the relevant authority of either the Clearing Corporation or the Specified Stock Exchange or by any statutory authority or are deals which are not properly executed in accordance with the respective Bye Laws, Rules and Regulations of the Specified Stock Exchange.

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### ITEM 19: SECURITIES TRANSACTION TAX

**In pursuance the Regulations 2.6, Collection of securities transaction tax shall be as under:**

#### **19.1 STT Computation:**

Members may note that the following procedure shall be adopted by the Exchange in respect of the calculation and collection of STT:

1. Securities Transaction tax (STT) shall be applicable on transactions executed on exchange, as specified in circulars issued by Exchanges from time to time.
2. STT shall be determined at the end of each trading day.
3. STT calculation in Cash Market Segment shall be done as per methodology provided in circular Download No. NSE/CMTR/5588, dated November 10, 2004. In case of change in methodology the same shall be specified by way of circular issued by Exchange from time to time
4. All the transactions shall be identified based on the client code placed by the members at the time of order entry on the trading system of the Exchange and as may be modified by the member using the client code modification facility provided by the Exchange within the prescribed time viz. during trading hours and upto the trade modification close time on the respective trading day. In respect of proprietary transactions the member code shall be deemed to be the client code.
5. Members may note that the value of taxable securities transaction shall be determined with respect to the trade executed under a particular client code. Therefore the Exchange shall only reckon the client code entered by the member while placing the order or as may be modified within the prescribed time. It is therefore imperative that members exercise extreme caution and diligence while entering the client code at the time of entering an order.
6. Institutional trades executed with/ modified to 'INST/INST1' Custodian Participant (CP) code or with the actual CP code (institutional category) upto the CP code modification cut off time on T day, shall be treated as delivery based transactions and STT computed accordingly.
7. Members should ensure to put the actual CP code for trades executed for institutional entities which are exempt from STT. For the same, members are requested to ensure that for such transactions, the correct CP code is entered by the CP code modification cut-off time on the trade date (T day).
8. There shall be no change in computation of STT on account of Net Settlement of Capital Market segment and Futures & Options (F&O) segment upon expiry of stock derivatives

#### **19.2 Information to members**

A report named '*STT\_NCL\_CM\_0\_CM\_membercode\_YYYYMMDD\_F\_0000.csv*' and '*STT\_NCL\_CM\_0\_TM\_membercode\_YYYYMMDD\_F\_0000.csv*' shall be provided to the members

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at the end of each trading day. This report shall contain information on the total STT liability, trading member wise STT liability, client wise STT liability and also the detailed computations for determining the client wise STT liability.

Additionally a report for 'List of securities on which STT is not applicable' (*file format in part D*) and a report for 'List of Equity Oriented Funds (*file format in part D*) on which prescribed STT is applicable', shall be made available to member in common /clearing folder on Extranet.

### 19.3 Client code modification

As explained above, since the Exchange shall be reckoning the client code entered by the members, members are advised to carry out client code modification, if any, within the prescribed time viz. during trading hours and up to the trade modification close time on the respective trading day. The Exchange shall not entertain any request for modification thereafter.

### 19.4 Pay-in of funds

Members shall be required to pay the STT, along with the pay-in obligation. The STT amount shall be collected as per the timelines stipulated for the funds pay-in. A separate transaction shall be created and the monies shall be collected from the settlement account of members through their clearing banks as per the process currently followed in respect of settlement obligations.

### 19.5 Failure to pay funds

Non payment of STT shall be treated as fund shortage for the purpose of all consequential actions against the member.

### 19.6 Information to clients

The contract note should specify the total securities transaction tax for the transactions mentioned therein. Securities Transaction Tax (STT) and tax amounts shall be mentioned as a consolidated figure on the Contract note. However details of trade wise STT shall be provided by the members on an annual or periodic basis to clients on their specific request if the same is not provided in the contract note or along with the contract note.

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### ITEM 20: STAMP DUTY

#### 20.1 Stamp Duty collection

- Stamp duty shall be collected on transactions executed on stock exchanges and received for clearing and as specified in circulars issued from time to time.
- Stamp duty shall be determined at the end of each trading day
- All the transactions shall be identified based on the client code placed by the members at the time of order entry on the trading system of the Exchanges and as may be modified by the member using the client code modification facility provided by the Exchanges within the prescribed time viz. during trading hours and upto the trade modification close time on the respective trading day. In respect of proprietary transactions the member code shall be deemed to be the client code.
- Members may note that the value of taxable securities transaction and the applicable State/Union Territory (UT) shall be determined with respect to the trade executed under a particular client code. Therefore, the Clearing Corporation shall only reckon the client code entered by the member while placing the order or as may be modified within the prescribed time. It is therefore imperative that members exercise extreme caution and diligence while entering the client code at the time of entering an order. If the state/UT of the client is not available then the state of the trading member through whom the transaction was executed will be considered.
- All institutional trades shall be treated as delivery based transactions and stamp duty shall be computed accordingly.
- Clearing Corporation shall not be collecting stamp duty in respect of clients from State of Sikkim

There shall be no change in computation of Stamp duty on account of Net Settlement of Capital Market segment and Futures & Options (F&O) segment upon expiry of stock derivatives

#### 20.2 Stamp Duty computation

##### 20.2.1 Computation of stamp duty at security-client level:

##### 20.2.1.1 Computation of stamp duty on debentures:

- a. Aggregate of all the buy trades executed for the day for each security for a client code shall be taken to arrive at the following values:
  - I. Total Buy Quantity (BQTY): This is the sum of the quantity of all buy trades for the client
  - II. Total Buy Value (BVAL): This is the sum of the trade value (Trade quantity \* Trade price for each trade) of all buy trades for the client

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- b. Stamp Duty shall be calculated by applying the prescribed rate: Stamp Duty on Buy Value (SDBVAL) = BVAL \* Stamp Duty Rate on debentures. The value so computed shall be rounded off to two decimals.

### **20.2.1.2 Computation of stamp duty on securities other than debentures settled on net obligation basis:**

- a. For securities other than debentures settled on net obligation basis stamp duty will be applicable on delivery basis and non-delivery basis:
- Total Buy quantity (BQTY): This is the sum of the quantity of all buy trades for the client for a security
  - Total Sell quantity (SQTY): This is the sum of the quantity of all sell trades for the client for a security
  - Total Buy Deliverable Quantity (BDQTY): This is the sum of the quantity of all buy trades for the client determined using FIFO method where  $BDQTY = BQTY - SQTY$  if  $BQTY > SQTY$
  - Total Buy Non-Deliverable Quantity (BNDQTY): This is the quantity which is lower of the two quantities namely total buy quantity and total sell quantity for the client for a particular day. For the purpose of arriving at buy quantity as well as value thereof FIFO method (First in First Out) will be applied.
  - Total Buy Deliverable Value (BDVAL): This is the sum of the trade value (BDQTY (as per III above) \* Trade price for each trade) of all buy trades for the client
  - Total Buy Non-Deliverable Value (BNDVAL): This is the sum of the each trade in BNDQTY (as per IV above) \* Trade price for that trade of all buy trades for the client
- b. Stamp Duty shall be calculated by applying the prescribed rate:
- Stamp Duty on Buy Non-Deliverable Value (SDBNDVAL) = BNDVAL \* Stamp Duty Rate for securities other than debentures on non-delivery basis. The value so computed shall be rounded off to two decimals.
  - Stamp Duty on Buy Deliverable Value (SDBDVAL) = BDVAL \* Stamp Duty Rate for securities other than debentures on delivery basis. The value so computed shall be rounded off to two decimals.

### **20.2.1.3 Computation of stamp duty on securities other than debentures settled on gross obligation basis:**

- a. Aggregate of all the buy trades executed for the day for each security for a client code shall be taken to arrive at the following values:
- Total Buy quantity (BQTY): This is the sum of the quantity of all buy trades for the client
  - Total Buy Value (BVAL): This is the sum of the trade value (Trade quantity \* Trade price for each trade) of all buy trades for the client

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- b. Stamp Duty shall be calculated by applying the prescribed rate: Stamp Duty on Buy Value (SDBVAL) = BVAL \* Stamp Duty Rate on securities other than debentures on delivery basis. The value so computed shall be rounded off to two decimals.

### 20.2.1.4 Computation of stamp duty on transactions in Auction Market:

- a. Stamp duty will be applicable on the short delivering member (buyer in auction) on whose behalf auction is conducted
- b. Aggregate of all the trades executed for the day for each security for a client code shall be taken to arrive at the following values:
- Total Buy quantity (BQTY): This is the sum of the quantity of all buy trades for the client.
  - Total Buy Value (BVAL): This is the sum of the trade value (Trade quantity \* Weighted Average price for Auction) of all buy trades for the client, being the auction consideration.
  - Since securities are bought by Clearing Corporation on behalf of the members, the Clearing Member/Custodian Code will be the client code.

### 20.2.2 Computation of stamp duty at client level:

The total stamp duty liability for a client will be arrived at by summing up the total stamp duty for each security in various settlements arrived at as above and rounded off to the nearest rupee i.e. value with 50 paise and above will be increased to one rupee and value less than 50 paise it shall be ignored.

### 20.2.3 Computation of stamp duty at trading member level:

The total stamp duty liability for a trading member will be arrived at by summing up the total stamp duty for each client.

### 20.2.4 Computation of stamp duty at clearing member level:

The total stamp duty liability for a clearing member will be arrived at by summing up the total stamp duty for each trading member.

## 20.3 Information to members:

- Reports shall be provided to trading and clearing members at the end of trading day.
- These reports shall contain information such as stamp duty liability, client wise stamp duty liability, trading member wise stamp duty liability, clearing member wise stamp duty liability and also the detailed computations for determining the client wise stamp duty liability.
- File format is available in **Part E**.

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### **20.4 Pay-in of funds:**

Clearing Members shall be required to pay the stamp duty, as part of and along with the pay-in obligation. The stamp duty amount shall be collected as per the timelines stipulated for the funds pay-in. A separate transaction shall be created and the monies shall be collected from the settlement account of members through their clearing banks as per the process currently followed in respect of settlement obligations.

### **20.5 Failure to pay funds:**

Non-payment of stamp duty shall be treated as fund shortage for the purpose of all consequential actions against the member.



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### ITEM 21: NON-SETTLEMENT RELATED PAYMENTS

Clearing Corporation shall provide a facility for non-settlement related payments from Custodians to Trading Members in the Cash Market segment.

The process flow for Non-Settlement related payment is mentioned below:

- The custodians shall upload a file with the information including the amount of non-settlement payments as provided in **Part C (64)** – Format for upload of non settlement related payments
- Custodians can upload files by 7.00 PM on the previous working day before the settlement day of the settlement for which payments are to be made
- Based on the amount payable, Clearing Corporation shall initiate the respective debit transactions for the Custodians, and then initiate the credit transactions for the Trading Members
- Clearing/Trading Members will receive a report of the details of transactions payable to them as intimated by the custodians. Report format in **Part C (65)** – Format for download of non-settlement related payments
- In case the trading members are not self-clearing members, the payments shall be made to the respective clearing member
- The payments made under the aforementioned payment facility shall not be comingled with the settlement obligations of the custodians/members and will not be guaranteed by Clearing Corporation.
- The payments to clearing members shall be made subject to realization from custodians. Clearing Corporation shall not have any responsibility whatsoever in respect of these payments or any disputes related thereto.

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### ITEM 22: TRADING SUPPORTED BY BLOCKED AMOUNT

#### 22.1 Operating Guidelines

SEBI vide its circular reference number SEBI/HO/MRD/MRD-PoD-2/P/CIR/2023/99 dated June 23, 2023 (“SEBI Circular”) has decided to introduce a supplementary process for trading in secondary market based on blocked amount in investor’s bank account (“Facility”). Pursuant to the para 7 of the said circular, the detailed operational guidelines for the Facility shall be as follows:

##### Segment

1. To begin with, the Facility shall be available in the equity cash segment.
2. The Facility may also be offered by Trading Members (TM)s, at their choice, to their clients trading in multiple segments. In case of such clients:
  - 2.1 Cash market segment: Procedures as outlined in the operating guidelines shall be applicable.
  - 2.2 Other segments: Existing procedures shall be applicable.

##### Registration for the Facility

3. In accordance with the aforesaid SEBI Circular, availing this Facility will be at investors discretion, and offering the Facility will be at the option of TMs.
4. On a pilot basis, TMs can offer the facility to a limited number of clients.
5. The facility shall not be available for clients availing the margin trading facility (MTF).
6. The said Facility shall be extended to resident individuals and Hindu undivided families (HUFs) only. The individuals and HUFs settling their trades with their respective TMs shall only be eligible to avail the Facility. If such investors have appointed a Custodian clearing member to clear their trades, they shall not be eligible to avail the Facility. Exchanges shall allow only these categories of investors to register for the said Facility.
7. Exchanges shall provide a mechanism in the UCC database to the clients who wish to enroll for the said Facility. At the time of registration, the TM shall be required to provide one primary bank and demat accounts for the client. Funds and securities pay-out due to the client, if any, will be provided by the CC in the primary bank and primary demat accounts respectively. Exchanges shall also provide a mechanism for maintenance of additional bank accounts for the registered client. The client may create Structured Unified Payments Interface (UPI) block in favor of the CC using any or all among the primary or additional bank accounts maintained.
8. PAN shall be mandatory for availing the facility. Exchanges vide UPI/NPCI shall verify that the permanent account number (PAN) maintained in the UCC database with the PAN of the first holder with the bank where the clients account is held (for primary as well as additional accounts). Exchanges shall similarly verify the PAN maintained in the UCC database with the PAN of the first holder in the demat account with the depositories. Only after successful validation of both Bank and Demat accounts, will the client be allowed to avail the said Facility. Accounts wherein

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PAN details are not available with the banks / depositories accounts cannot be registered and would not be able avail the Facility.

9. Exchanges shall also provide a mechanism for a client to de-register from the Facility. Deregistration from the Facility shall be subject to the approval of the designated clearing corporation (CC) of the clearing member (CM) of the TM in the equity cash segment. A TM may deregister a client at the request of such client, or in case the client does not meet the conditions set by the TM for participation in the Facility.
10. The TM may register a client using the UCC database of all exchanges. CCs shall receive data from all exchanges and shall only consider the latest available data.
11. Registration received by 15:00 hours on a “T” day and subject to successful validation will be effected from T+1 day (BOD).
12. De-registration requests received by 15:00 hours on a “T” Day and subject to successful validation will be effected from T Day itself. In case of registration request, the trades done on account of the client on “T” will be settled as per the prevalent process, while trades done on “T+1” day will be settled under the Facility.
13. Any deregistration request received by the clearing corporation from Exchanges on “T” day shall be made effective on “T” day itself. If the Member submits a deregistration request for a UCC code to the Exchange on “T” day and receives a successful deregistration notification from the CC via API, the UCC will be considered as "Not Opted for UPI Block facility" from “T” day itself. The de-registration requests shall also be subject to CC approval.

### Creation of UPI Block in favor of the CC

14. The CC shall appoint one or more sponsor banks for the purpose of integration with the UPI platform. The CC shall provide the validated virtual payment address(es) (VPAs) of the accounts maintained with the sponsor bank.
15. TMs desirous of providing the Facility shall put in place appropriate systems to integrate with UPI applications and to allow the client to initiate a request for UPI block in favor of the CC, in accordance with the standards and procedures specified by National Payments Corporation of India (NPCI) – UPI from time to time. The clients will initiate the request in the TM’s application/online portal. The TMs shall assign a unique reference number (refID) as per the guidelines provided by the CC. The block can be created in favor of any of the valid VPAs provided by the CC.
16. The block created in favor of CC shall be with an expiry of 30 years from the date of creation. Other restrictions such as amount, number of instructions etc. specified by NPCI or the customer’s bank, as the case may be, shall be applicable.
17. Upon successful block creation in the UPI system and receipt of such information from the respective sponsor bank, the CC shall add the block as collateral. The CC shall intimate addition of the block, using application program interface (API) specification provided by CC, to the TM as well as the CM of the TM. The TM will confirm successful creation of the block to the client.

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In case of any failures during block creation, the same shall also be intimated to the TM/CM, with appropriate response codes as received from UPI/Sponsor bank.

18. The CC shall provide an API mechanism to enquire the status of the block using refID. If the TM does not receive intimation of block creation within 5 minutes, the TM should query the status of the block using the API.
19. As specified in the SEBI Circular, the block will support multiple debits, and can be used towards margin as well as settlement related obligations of the client.
20. In case the CC receives a block from non-registered accounts or otherwise not meeting the required conditions (e.g., bank exposure limit of CC being breached), such block shall be released by the CC and not added to the collateral. The CC shall intimate the TM and CM of the TM regarding such release.

### Collateral management

21. Clients registered for the facility shall be permitted to provide collateral only in the form of UPI block, or group I equity shares from the approved list of securities published by the CC.
22. Collateral provided through UPI block shall be treated as cash-equivalent collateral without any haircut.
23. The CMs shall not be permitted to allocate any collateral to the clients using the Facility. The CC shall calculate the value of collateral for UPI clients by considering the amount of UPI block and value of re-pledged securities.
24. The prudential norms for acceptance of collateral for securities shall continue to apply, and clients using the Facility shall receive benefit of re-pledged securities subject to such norms. For the purpose of calculation of short allocation penalty, full value of collateral of the clients, even if exceeding prudential limits will be considered. For removal of doubt, this provision is only for penalty calculation and the proprietary collateral of the TM/CM will be used as per the existing practice in case of shortfall of client collateral after considering prudential norms. Illustration: Suppose a client has pledged stock A to an SCM who has onward repledged it to the CC. However, the prudential limit (member-wise or overall) for stock A is exhausted and therefore no benefit is provided against repledged securities. The member is also not allowed to allocate collateral since the client is using the Facility. In such a case, the member will be permitted to execute trades on behalf of the client to the extent of UPI block plus value of repledged securities. If the margin exceeds the amount of UPI block available, the same will be blocked from the proprietary collateral of the member. Although repledged securities are not available towards margin requirements, CC will consider their value while calculating short allocation. If the minimum margin collection requirement does not exceed the value of UPI block and repledged securities, the same shall not be considered as short allocation.
25. In case of short allocation, members shall have an opportunity to report amount of client collateral available against such segment wise short allocation only due to below mentioned reasons (other reasons cannot be reported for clients using the Facility):

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Reason Code	Particulars
02	Value of securities sold for which EPI has been done by end of day to CC
03	Trades executed in wrong client code codes (Applicable only for intra-day shortfall where snapshot field is other than E)
05	UPI block successfully created however accepted later (Applicable only for intra-day shortfall where snapshot field is other than E)
06	06 Securities are repledged by CM to CC in the depository but not yet processed by CC. (Applicable only for intraday shortfall where snapshot field is other than E)
08*	Credit in lieu of successful early pay-in of securities to CC

\*The reason code “08” shall be available only for the clients using the Facility and shall not be available to other clients.

26. UPI block can be created in favor of CC by the clients only from their accounts with the banks that form part of the approved list of banks for acceptance of UPI block. CC shall monitor its exposure towards banks inclusive of UPI block amount, in addition to other exposure. In case the exposure of CC to a bank exceeds the limit set by the CC, the CC shall not accept any additional UPI block from the next day onwards. Any new blocks sought to be created shall be released and not added to collateral.

### Release of UPI Block

27. Request of release of UPI block can be made to CC by the CM using the API provided by the CC. The CC shall perform necessary validations and process the release requests on immediate basis.
28. The TM/CM may require maintenance of UPI block based on their risk management requirements which may be more conservative than CC’s requirements. Upon request by CM, the CC shall release the UPI block based on adequacy of clearing member collateral.

### Risk management

29. In the prevailing framework, client collateral (comprising of allocation and value of repledged securities) is assessed against the client margins. For clients using the Facility, client level collateral shall be considered as (including value of UPI Block and group I securities provided by client that are re-pledged to CC). There shall be no change in rest of the risk management procedures.
30. CCs shall put in place appropriate systems so that the UPI block can be utilized towards margin requirements as well as pay-in requirements.

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### Calculation of obligations on account of clients using the Facility

31. The funds obligations on account of clients using the facility shall be arrived at as follows:
  - 31.1 Considering all the cash market positions to be settled on net basis (e.g., normal market, SME market), a single net funds obligation will be arrived at for client.
  - 31.2 Considering all the cash market positions to be settled on gross basis (e.g., trade for trade securities), if any, one pay-in obligation for gross settlement and/or one pay-out obligation for gross settlement will be arrived at for each direct clearing client.
  - 31.3 If the funds obligation for net settlement is a pay-in obligation, the same can be set off against funds pay-out for the gross settlement. Conversely, if the funds obligation for net settlement is a pay-out obligation, the same can be set off against the funds pay-in for the gross settlement.
  - 31.4 There will be no set off between the pay-in and pay-out transactions for gross settlement.
  - 31.5 There will be no set off across clients who have opted for the Facility.
  - 31.6 The STT, stamp duty and TM charges (see para 48-50) payable by the client will also form part of the obligation. The STT, stamp duty and TM charges shall be consolidated with the funds obligations of client in the following order:
  - 31.7 If the client has any pay-out due, then the STT/stamp duty/TM charges payable will be set off against the pay-out transaction of the client.
  - 31.8 Residual amount of STT/Stamp duty/TM charges, if any, will be added to the pay-in transaction of the client
  - 31.9 Thus, for each client, there can be up to one pay-in transaction and up to one pay-out transaction in the cash market segment.
32. The securities obligations for the clients using the Facility, shall be calculated on a net or gross basis, as per the settlement procedure applicable for that security. The net settlement will involve netting of trades done by the same client in the relevant security, and there will be no set-off against clients. Settlement of obligations on account of clients using the Facility
33. The clients using the Facility shall be required to ensure availability of sufficient amount of UPI block to the extent of their funds pay-in obligation by 8:00 PM on the trade date, or such time as specified by the CCs. The actual debit to the client account and receiving the funds in CC's account shall be effected after 8:00 PM on the trade date.
34. The CC shall debit one or more UPI blocks, fully or partially, to the extent of funds pay-in obligation of the client (inclusive of STT/Stamp duty/TM charges). The CC shall instruct the relevant sponsor bank for this purpose, who will in turn receive the money on behalf of CC through the UPI system.
35. The clients using the Facility shall be required to ensure provision of adequate early payin of securities using the early pay-in block functionality provided by depositories by 8:00 PM on the trade date. The securities shall not be debited on the trade date and the CC shall receive the securities as per prevailing procedure.

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36. The securities must be provided by the cut-off time, and any securities accepted after the cutoff shall not be considered by the CC towards settlement. On failure to provide securities through early pay-in block mechanism by 8:00 PM, the same shall be considered as short delivered and CC shall initiate the shortage handling process. Any securities provided subsequently, using early pay-in through block mechanism or otherwise, subsequent to the CC having initiated the shortage handling process, shall be reversed to the client's account.

### Handling of shortages

37. In case of funds shortage, i.e., if funds pay-in requirement on account of trades executed by clients cannot be met through the UPI block by the cut-off time, the same shall form part of the consolidated funds pay-in obligation of the clearing member (net or gross, as the case may be). This shall also include the STT and stamp duty requirements but exclude the TM charges.
38. In case of securities shortage, i.e., if adequate securities are not provided as early pay-in through block mechanism by the cutoff time, the CC shall treat the securities as short delivered and calculate the valuation debit amount in lieu of securities. The valuation debit amount will be:
- 38.1 First adjusted against the pay-out due to the client
- 38.2 Any residual amount will be recovered by debit to the UPI block of the client to the extent of availability.
- 38.3 Any residual amount shall be recovered from the CM.
39. The CC shall conduct auction to purchase the securities delivered short. Incremental amount of auction pay-in over the valuation debit amount shall be recovered from the UPI block, and any residual amount shall be debited to the CM.
40. In case of shortfall on account of reasons such as attachment or debit freeze on customer account the obligation shall devolve on the respective clearing member. Obligations to be settled by clearing members
41. The CM obligations shall be calculated as per the prevailing process and shall include obligations on account of proprietary trading, trading by clients not using the Facility, and the obligations on account of clients using the Facility to the extent of funds or securities shortage. Pay-out of funds and securities to the clients using the Facility
42. Any funds pay-out due to the clients using the Facility shall be provided by the CC directly in the primary bank of the client, as maintained in the UCC database.
43. CC will instruct depositories to transfer any securities pay-out to the clients using the Facility to the primary demat account of the clients as maintained in the UCC database. Depositories shall transfer the securities to client primary demat account along with appropriate entries recorded in the CM/TM pool account. The CM/TM will not have control over such securities at any time.

### Recovery of shortages by Member

44. The following procedure shall be followed in case of funds shortage:
- 44.1 CC shall provide pay-out to the client primary demat account and instruct the depository to auto-pledge the securities to the CM's "client unpaid securities pledgee account".



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- 44.2 CC shall maintain the shortage amount of client. The obligation shall devolve on TM's CM, who will settle the same with the CC.
- 44.3 If client provides additional UPI blocking subsequently, the CC shall debit the amount to the extent of shortfall and provide the same to the CM.
- 44.4 In case client fails to provide the amount, then CM can invoke and sell the shares. Out of the pay-out due to the client, amount to the extent of shortfall shall be paid to the CM who fulfilled the obligation. The remaining funds, if any, shall be paid out to the client. If the sale proceeds are not sufficient to meet the shortfall, then the short amount of the client will be revised to the extent of sale proceeds, which will continue to be maintained by the CC till recovered completely. Such shortfall amount may adjusted towards any future funds pay-out, or any UPI block created in future, and revised appropriately.
- 44.5 Alternatively, the CM may also recover the shortfall by selling securities provided by client through the margin pledge mechanism. CMs shall use the respective client's UCC to sell such securities. CM shall invoke the margin pledge towards the delivery obligation of the client. On invocation, the securities shall be marked for early pay-in using the block mechanism in the client's demat account. As per the process described, the securities will be used towards pay-in obligation of client. The pay-out due to the client will be first utilized towards the shortfall amount and residual amount if any, shall be credited to the client's account, similar to the process described earlier.
- 44.6 The shortage amount of the client, as maintained above, will be reset to zero if the client de-registers from the Facility. The members should take due care while de-registering clients, since the shortage amount will be made zero and outstanding UPI blocks will be released.
- 45. The following procedure shall be followed in case of securities shortage:
  - 45.1 Funds pay-out will not be provided to the client. The amount will be utilized by CC towards auction pay-in/valuation debit.
  - 45.2 If the funds pay-out due to the client is greater than valuation debit, the same shall still be retained for utilization towards auction pay-in/square-off.
  - 45.3 If valuation debit is in excess of funds pay-out, such additional amount will be debited from block amount of client. In case of shortfall, the same will be collected from clearing member.
  - 45.4 Auction will be conducted to buy the short securities by the CC (except in cases of direct closeout).
  - 45.5 Auction pay-in, in excess of valuation debit (due to auction success or close-out, as the case may be) will be debited first from remaining pay-out due, if any, followed by the client block amount. In case of shortfall, the same will be collected from the clearing member. In case the auction debit is less than valuation price, the difference will be credited to Core SGF.



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- 45.6 In case of any shortfall collected from CM, the short amount of client will be maintained and in case any blocking is done in future, the block will be debited to the extent of shortfall and provided to the CM.

Illustration: Consider a scenario when a share sold for Rs. 100 was not delivered and last closing price available on settlement day was Rs. 105. In such a case, the CC will not provide the pay-out of Rs. 100 to the client and in addition will debit Rs. 5 from the block amount of the client. In case the blocked amount is insufficient, then CC will debit this amount to CM. The CC will then attempt to purchase the share through auction.

### Client payout that could not be credited

46. In case the CC is unable to process funds payout to a bank account of the client for any reason, the same will be withheld with the CC until the resolution of the problem. The payout will not be provided to the member. The CC will maintain a designated account for such retained payout. Similarly, in case of inability to process securities pay-out to the depository account of the client, such payout shall be withheld by the CC in its pool account. The clients will be expected to rectify the issue with the account or request the TM to update the primary account details in the UCC database. The CC will periodically attempt to credit the payout to the primary account.

### Release of unutilized blocks

47. In case of a client having created UPI block in favor of the CC, but not having trading activity for a quarter, any outstanding UPI blocks for such clients shall be released by the CC at the end of the quarter. Change in CM of TM
48. In case of change of CM by TM, the collateral allocation for the remaining UPI blocks shall be migrated under the new CM. Any shortfall of obligation corresponding to the prior trading day will be settled by the old CM. Upon shifting, the residual short amount maintained for the client, will be reset. Change of designated CC by CM
49. Upon change in CC by CM, the UPI blocks shall not be re-assigned to the new CC. The old CC will release all UPI blocks in its favor. CM will continue to be responsible to fulfill any shortfall of obligation corresponding to the prior trading day. Upon change in designated CC, the residual short amount maintained for the client will be reset. Trading Member charges
50. Following options shall be available for the member for collection of charges other than trade obligations, stamp duty and STT.
- 50.1 Option 1: Collect the charges directly from the client
- 50.2 Option 2: Collect the charges using an optional mechanism provided by CC.
51. The features of aforementioned optional mechanism (Option 2) shall be as under:
- 51.1 The mechanism will be optional. TM charges will not be debited if not specified by the TM. TM shall opt for the said facility by informing the clearing corporation as per the format given in **Part C (66)** - Format of letter for trading member charges for clients opted for trading supported by blocked amount

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- 51.2 The charges will be expressed as a percentage of gross turnover, which shall be specified by the TM. The charges may be modified by the TM only once per month
- 51.3 In case where the actual charges are lower than the fixed charges, TMs can provide client-wise data of actual charges in terms of rupees on a daily basis. The cut-off time to provide the said details shall be 6:00 PM. The same shall be provided as per format specified in **Part C (67)** - File format for providing actual charges on daily basis by trading member to Clearing Corporation. The response file shall be generated upon fetching and processing of file provided by member as per the format specified in **Part C (68)**
- 51.4 Lower of the actual charges reported by TM and charges calculated on the fixed percentage shall be debited
- 51.5 In case the member does not provide the data for actual charges by the cutoff time, then the charges calculated based on the fixed percentage specified by TM shall be debited.
- 51.6 The charges shall be inclusive of brokerage as well all other fees and levies (except STT/stamp duty) that the TM wishes to recover from the client. The CC shall debit UPI blocks to the extent of obligation arising out of purchase/sale of securities, STT, stamp duty and TM charges.
- 51.7 The fixed percentage of each TM will be publicly disclosed by the CC on [https://www.nsclindia.com/ Clearing & Settlement/ Capital Market/ Trading supported by Blocked Amount/ UPI\\_TM\\_Charges](https://www.nsclindia.com/Clearing%20&%20Settlement/Capital%20Market/Trading%20supported%20by%20Blocked%20Amount/UPI_TM_Charges)
- 51.8 TM charges applicable for a client for a given day will be calculated and adjusted from pay-out due to the client or debited from UPI block to the extent of availability. In case of such charges exceeding the pay-out for the client and/or available UPI blocking after debit of settlement obligations, there will be no devolvement of such dues to the CM of the TM, unlike the case of regular pay-in obligations. However, the same will be reflected in funds shortage amount for the client and the same may be recovered any time in future, except de-registration of client, change of CM by TM, change of CC by CM etc.
- 51.9 Settlement of client-level obligations arising out of trades, STT and stamp duty will take priority over TM charges.
- 51.10 For T+0 settlement, TM charges based on fixed percentage shall be collected from the client on T+0. While providing the actual charges trading members should ensure to provide client-wise data of actual charges for both T+0 and T+1 trades in the file by 6:00 PM. In case actual charges are lower than the fixed percentage the excess amount shall be returned to client account on T+1 day after netting any other settlement obligation.
52. The TM charges collected from the clients will be paid out to the CM of respective TMs along with the pay-out. TM charges for T+0 and T+1 shall be settled to clearing member of the trading member on T+1.
53. For T+0 settlement clients using the trading supported by block amount facility shall be required to ensure availability of sufficient amount of UPI block to the extent of their funds pay-in

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obligation by 1:45 PM on the trade date, or such time as specified from time to time. In case of funds shortage, i.e., if funds pay-in requirement on account of trades executed by clients cannot be met through the UPI block by the cut-off time, the same shall form part of the consolidated funds pay-in obligation of the clearing member. This shall also include the STT and stamp duty requirements but exclude the TM Charges.

### 22.2 Technical Specifications

The technical specification describing the web API to access and exchange data between clearing members and Clearing Corporation is provided in our circular no NCL/CMPT/63735 dated September 04, 2024.

### 22.3 Changes in reports

Additional reports as provided in Part D shall be provided to clearing members and trading members for clients trading supported by blocked amount.

The data for clients who have opted for trading supported by blocked amount in secondary market shall be excluded from the following existing reports respectively

#	Report Name
1	UDIFF Delivery Report
2	UDIFF Obligation Report
3	Daily Funds Statement (DFND)
4	Bank Summary Report (DFNS)

The data for clients who have opted for trading supported by blocked amount in secondary market shall be included in following reports-

1	Client Final Obligation Report (DCFOBG)
2	Client Funds Obligation Report (DCFUND SOBG)
3	Client Securities Obligations Report (DCSECOBG)
4	Client Funds Debit Report (DCDEBIT)
5	Client Funds Shortage Report (DCFSHRT)
6	Client Securities Shortage Report (DCSSHRT_R & DCSSHRT_D)
7	Client Auction Square off Report (DCASQR_R & DCASQR_D)
8	Client Allocation Details (DCCADT)
9	Client Funds Pay-out Rejection Report (DCREJECT)
10	Epi reversal in UPI client account (DCEPIREV)
11	Trading member wise UPI client wise obligation (DCDEPO)
12	Client Block Create (DCBLOCKCREATE)
13	Client UCC Details (DCUCC)
14	Client Outstanding Shortages Report (DCSHRT).

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15	Client funds payout report (DCCREDIT)
16	UDIFF DeliveryDpo

### 22.4 List of Banks

#### List of empanelled sponsor banks

1. HDFC Bank Ltd
2. ICICI Bank Ltd

#### List of Customer Banks

1. HDFC Bank Ltd
2. ICICI Bank Ltd
3. Canara Bank Ltd.
4. IndusInd Bank Ltd.
5. Punjab National Bank
6. Axis Bank Ltd
7. Union Bank of India