

Common Queries on Submission of Associate details by Clearing Members

1) Why are the associate and group details required to be submitted to NCL

SEBI Circular No SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/65 dated May 29, 2024 relating to Norms for acceptable collaterals and exposure of Clearing Corporations provides as follows:

Quote

3.6 Restriction on Exposure to instruments of TM/CMs' Own Group: CCs shall not accept collateral including FDs, BGs, equity, or debt securities issued by CMs/TMs themselves or their group or associate entities. A Declaration to that effect will be given by CMs/TMs mentioning all their group/associate entities to CCs

Unquote

2) What is the definition of Associates for the above requirement

For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2018."

Regulation 2 (b) of Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2018 defines "Associate" as follows -

(b) "associate" in relation to a person shall include another person:

- (i) who, directly or indirectly, by himself, or in combination with other persons, exercises control over the first person;
- (ii) who holds control of at least twenty percent of the total voting power of the first person;
- (iii) who is a holding company or a subsidiary company of the first person
- (iv) who is a relative of the first person;
- (v) who is a member of a Hindu Undivided Family wherein the first person is also a member;
- (vi) such other cases where the Board is of the view that a person shall be considered as an associate based on the facts and factors including the extent of control, independence, conflict of interest;

3) What is the definition of Group for the above requirement

"Group Companies", shall include such companies (other than promoter(s) and subsidiary/subsidiaries) with which there were related party transactions, during the period for which financial information is disclosed, as covered under the applicable accounting standards, and also other companies as considered material by the board of the issuer."

4) What about the details that we have submitted in compliance with circular NCL/CMPL/62689 dated June 28, 2024

Members may note that the associate declaration submitted to NCL in compliance with Circular no. NCL/CMPL/62689 dated June 28, 2024, shall be migrated to the new portal. The same have been updated in the system in the category CMA and CMS, as applicable.

Members are required to review the associate details displayed on the portal. In case if the category is required to be changed for the existing data submitted, the same may be done as guided in the portal.

Any change in Clearing Members group and Associate Entities pursuant to the initial submissions, shall be informed to the Clearing Corporations **within 7 working days** of the occurrence of the change. The members shall be required to submit the changes as guided by the User Manual provided in this Circular.

5) My associate entity is a foreign entity and does not have PAN

In such cases, Clearing members are required to declare the entity as an associate, however the PAN Number shall not be mandatory field for such declaration.

6) The ISIN/symbol which member wants to declare is not appearing in the dropdown for selection

Members may send email to membership@nsccl.co.in for addition of the same in the masters. On receipt of confirmation from NCL, member may proceed with addition of the record in the system.

7) Can member edit the existing details submitted

Members can delete or add record in the Portal. There is no option to edit/change the associate details already submitted.