NATIONAL SECURITIES CLEARING CORPORATION LIMITED

DEPARTMENT : NSCCL CAPITAL MARKET	
Download Ref No : NSE/CMPT/22650	Date : January 31, 2013
Circular Ref. No : 0037/2013	

All Members/Custodians

Sub: Offer for Sale–Clearing & Settlement

In continuation to our circular no: NSE/CMTR/22641 dated January 30 2013 with respect to the 'Revised scheme - Offer for Sale through Exchange Platform' and circular no: NSE/CMPT/21752 dated September 21, 2012 members are requested to note the following:

Cash Collaterals:

- Collaterals for the Offer for Sale (OFS) shall be provided as early pay-in (EPI) of funds for the settlement type as 'H' and settlement number as specified for the respective OFS security. The procedure for providing EPI of funds shall be same as being done currently through the Collateral interface for Members (CIM) in Capital market segment. The EPI of funds confirmed by the primary clearing bank shall be considered as collaterals for order validation. The primary clearing banks shall not be able to confirm the funds placed by the members / custodians post OFS bidding period.

- Collaterals provided by members as EPI of funds in excess of order value and for unallocated bids shall be released on T day (T being the day of OFS) after download of obligations.

Risk Management:

- 100% of the order value in cash shall be collected from the Trading Members for non-institutional investors at the order level for every buy order.
- Institutional investors have an option to either pay 100% upfront margins or pay no margins. In case of upfront margins, the same shall be collected from the Custodians on confirmation of the order on T day. In case of rejection / non confirmation of institutional orders by the Custodians for upfront margin orders, such orders shall be cancelled and will accordingly lapse.
- For all Institutional bids where no upfront margin is paid, the custodian shall confirm the bids by 1:00 p.m. on T+1. In case of rejection / non confirmation of such institutional orders by the Custodians, the obligation to fulfil the settlement will fall on the trading member.
- These funds shall not be utilized against any other obligation of the trading member or co-mingled with other segments.
- Only valid orders shall be considered for determining indicative price and for final allocation. Sufficiency of funds shall be checked in case of order modifications. For all CP orders, order modification shall remove the custodian confirmation and the revised order shall be sent to the custodian again for confirmation.

Clearing & Settlement:

- NSCCL is providing an interface 'NSCCL Clearing Management System (NCMS)-IPO' to custodians and members to facilitate online order inquiry and confirmation. Through this interface members would be able to view the confirmation status of CP orders which are marked for confirmation by Custodians. This interface would enable custodians to carry out confirmations through screen based and file upload facilities. The executable (NCMSIPOsetup.exe) can be downloaded from http://www.connect2nse.com/.

- Members shall input valid CP code for institutional investors.

- In case of institutional orders with upfront margins (as indicated during order entry in the OFS bidding platform), the custodians shall conclude the confirmation of bids with the available funds not later than the end of the OFS close session. The settlement type shall be 'H' for these orders.

- In case of institutional orders with no upfront margins (as indicated during order entry in the OFS bidding platform), the custodians shall conclude the confirmation of bids not later than 1300 hrs on T+1. The settlement type shall be 'T' for these orders.

- The settlement of funds and securities shall be effected through the existing settlement bank accounts and securities pool accounts of capital market segment on T+1 day (settlement type 'H') and T+2 day (settlement type 'T'). There shall be no netting of settlement.

- Following is the activity schedule for OFS:

Activity	Day / Timings
Securities transfer by seller	T – 1 working day by 5:00 p.m.
Trading	T
Custodial Confirmation for upfront margin orders (settlement type 'H')	T (not later than the end of OFS close session.)
Custodial Confirmation for no upfront margin orders (settlement type 'T')	T+1 not later than 1.00 p.m.
Final Obligation Report download	T & T+1
Funds pay in	T+1 & T+2 working day by 10:00 a.m.
Funds shortages intimation by Custodian / Trading member	T+2 working day by 11:00 a.m.
Securities & Funds pay out	T+1 & T+2 working day by 12:30 p.m.

- The securities client direct payout facility being currently provided in the Cash Market Segment shall be applicable for buy orders in the OFS also. Members may provide a separate file for settlement type ('H' for T+1 & 'T' for T+2) and settlement number wherein the OFS records for client direct payout shall be provided. The format for client direct payout file will be similar to that provided for capital market segment.

- The applicable Securities transaction tax (STT) shall be collected on respective settlement day from the primary settlement account of the member maintained with the clearing bank.

- Excess pay-in of shares shall be released to the selling member on T+2 day.

- Funds payout shall be made to the selling member after completion of pay-in on the respective settlement day.

- The following reports shall be downloaded to all Members / Custodians:
  - Order Status Report (Allocation report) giving order wise confirmation and allocation status shall be downloaded on T day after custodian confirmation. The report format is attached as Annexure.
  - Provisional obligation report for T+2 day settlement shall be downloaded on T day.
  - Final obligation report for T+1 and T+2 day settlement shall be downloaded on T & T+1 day after custodial confirmation respectively.
  - Securities Transaction Tax (STT) report shall be downloaded on T day after custodian confirmation.
  - The payout records of OFS shall be included in Demat Final Receipt Statement (DFRS) downloaded in the capital market segment on T+1 & T+2 day.
  - DFND reports being currently provided in capital market segment shall also include transactions related to OFS.

The format for following reports will remain same for OFS as currently being provided in the capital market segment:

1. Final obligation report

Naming convention:
<Member Code>_FOBG_<Settlement type settlement number>_<DDMMYYYY>.csv
Where DDMMYYYY is the report date

2. Provisional obligation report

Naming convention:
<Member Code>_DOBG_<Settlement type settlement number>_<DDMMYYYY>.csv
Where DDMMYYYY is the report date

3. Member-wise STT report

Naming convention:
OFS_<Member code>_DDMMYYYY.csv
Where DDMMYYYY is the report date

- Handling of default in pay-in:
  - In case of default in pay-in by any investor, 10% of the order value shall be charged as penalty from the investor and collected from the broker. This amount shall be credited to the Investor Protection Fund of the stock exchange. In such a case, on the settlement day the Custodian / Trading member shall be required to inform NSCCL by way of fax on the shortage details.

- Security deposit by seller: Seller shall be required to transfer shares to specified account of NSCCL on the T-1 day by 5 p.m.

You are advised to take note of the above.

For any further clarifications and queries kindly contact the help desk team.

For National Securities Clearing Corporation Ltd,

Nagendra Kumar
Asst. Vice President
nagendrak@nse.co.in

Annexure:

Order Status Report
Naming convention: Order_OFS_<Member Code>_DDMMYYYY.csv
Where DDMMYYYY is the report date

Sr. No.	**Attribute**	**Description**
1	Member type	
2	Member Code	
3	Symbol	
4	Order No	
5	Client Category	MF/INS/OTH
6	PAN No	
7	Client	Client code / CP code
8	Order Status	Confirmed / Un-confirmed /Rejected (in respect of CP orders)
9	Bid Qty	
10	Bid Price	
11	Total Bid Amount	Bid Qty * Bid Price
12	Allotted Qty	
13	Allotted Price	
14	Settlement Type	H / T
15	Settlement No	