



PART B
DETAILED CONSOLIDATED CIRCULAR

- ITEM 1: PARTICIPANT ELIGIBILITY
- ITEM 2: UNIQUE CLIENT ID
- ITEM 3: ELIGIBLE SECURITIES
- ITEM 4: ORDER MATCHING PLATFORM
- ITEM 5: CLEARING DAYS AND SCHEDULED TIME
- ITEM 6: CLEARING AND SETTLEMENT
- ITEM 7: PROCEDURE FOR RECALL AND REPAY OF SECURITIES
- ITEM 8: ACTION ON SHORTAGES
- ITEM 9: LIQUID ASSETS
- ITEM 10: MARGINS
- ITEM 11: POSITION LIMITS
- ITEM 12: ADJUSTMENTS FOR CORPORATE ACTIONS
- ITEM 13: ROLLOVER IN SLBS
- ITEM 14: DEALINGS WITH CLIENTS
- ITEM 15: TRANSACTION CHARGES
- ITEM 16: SELF TRANSACTION



ITEM 1: PARTICIPANT ELIGIBILITY

All clearing members of National Securities Clearing Corporation Limited (NSCCL) including Banks and Custodians, hereinafter referred to as 'Participant', are eligible to participate in Securities Lending and Borrowing Scheme (SLBS). In order to become eligible to participate in SLBS, clearing members have to register as participants in SLBS.

For this purpose, the eligible persons are required to follow the registration procedure as specified by NSCCL. The format of agreement to be executed between Participant and NSCCL is enclosed in **Part C**¹

Participants desirous of lending or borrowing securities can do so either on their own account or on behalf of their clients. Prior to undertaking lending or borrowing of securities on account of clients, the Participant shall mandatorily share the rights and obligation document for SLB as provided in **Part C**² with each client. The 'Rights and obligation document for Securities lending and Borrowing scheme' shall be attached as addendum to Annexure IV- 'Rights and Obligation document' of uniform documentation specified in NSE circular no. NSE/INSP/18677 dated August 22, 2011.

The Participant shall apply to NSCCL for allotment of a unique client ID for each client who desires to participate in SLBS.

1.1 Procedure for Participant registration

Following is required to be registered as a Participant -

- i. Application in writing to NSCCL on letter head of the clearing member
- ii. Agreement with NSCCL as specified above.
- iii. Minimum deposit of Rs. 10 lakhs to be given as demand draft favouring National Securities Clearing Corporation Ltd.
- iv. Fulfill such other conditions as may be prescribed by NSCCL
- v. Open an account with CDSL for SLBS settlement. Acknowledged copy of the undertaking letter (as per Format in **Part C**³) addressed to CDSL to be provided to NSCCL.

1.2 Circumstances under which person shall cease to be Participant

A person shall cease to be a Participant, if one or more apply:

¹ Refer 'Format of Participant and NSCCL Agreement'

² Refer 'Rights And Obligations document for SLBS'

³ Refer 'Format for intimation of CDSL pool account to the Clearing Corporation of SLBS'



1. by resignation
2. by death
3. by surrender of membership of NSE /NSCCL
4. by expulsion in accordance with the provisions contained in the Byelaws, Rules and Regulations of the stock exchange and / or Clearing Corporation of which it is a member
5. by being declared a defaulter in accordance with the provisions contained in the Byelaws, Rules and Regulations of the of the stock exchange and / or Clearing Corporation of which it is a member
6. by dissolution in case of partnership firm
7. by winding up or dissolution of such company in case of a limited company



ITEM 2: UNIQUE CLIENT ID

2.1 Unique Client ID

Participants desirous of lending or borrowing securities can do so either on their own account or on behalf of their clients. The participant shall request for allotment of Unique Client IDs for client's as per following procedure.

2.2 Procedure for allotment of Unique Client ID

As required under the Securities Lending and Borrowing scheme of SEBI, Unique IDs are allotted to all clients who have registered with a Participant who in turn has registered with NSCCL for the purpose.

It is mandatory for the Participants to use the Unique Ids while placing orders on behalf of their clients under SLBS.

In order to facilitate allotment of Unique IDs, the following electronic application process has been put in place:

1. Participants who have entered into an agreement with the NSCCL as required under the scheme will only be allowed to electronically apply for Unique IDs for the clients.
2. Participants can apply for Unique IDs for any of their clients only after completing KYC formalities.
3. Participants shall not enter orders on behalf of their clients under the SLBS unless they have obtained Unique ID.
4. Participants are required to login on UCI Online using the following url: <https://www.connect2nse.com/MemberPortal/>. Participant can create user id for UCI login, using Member Portal. The Admin id and password for Member Portal will be provided by membership.
5. Participants are required to select the SLB segment on successful login to UCI Online to upload client code details for the SLB segment. The client code details can be uploaded through Insert or Upload details on UCI Online.
6. Structure for the file to be uploaded is provided in Annexure D in the User Manual available on UCI Online in the "Help" menu.
7. Subsequently, a file containing Unique IDs allotted by NSCCL for all successful records shall be provided on the following path UCI Online>Download>Unique ID for SLB



8. For all clients, Participants are required to collect, verify PAN details before applying for Unique IDs.
9. In addition, for all institutional clients (that is FIIs, Mutual Funds, Domestic Financial Institutions, Banks, Insurance Companies etc), Participants also have to provide Unique Client Code (UCC) allotted by NSCCL/BSE, along with PAN.
10. Institutional clients who do not have Unique Client Code (UCC) allotted by NSCCL/BSE may be advised to immediately approach NSCCL/BSE through their custodian for the same.

2.3 Mandatory use of Unique Client ID

It is mandatory for the participants to use the Unique Ids while placing orders on behalf of their clients under SLBS

2.4 Client code Modification Facility

A facility of client code modification to facilitate the correction of client code is being made available in SLB Scheme with effect from August 18, 2016. Participants, who desire to correct the client codes and/or CP Codes shall upload file as given in **Part C**⁴.

The file shall be uploaded up to 4:00 pm on trade day or as per cut off time stipulated by the NSCCL from time to time. Client code/CP Code modification shall be done for each transaction at order level. The facility shall not be applicable for modification of client codes/CP code of Repay, Recall, Rollover transactions. Further the facility cannot be used to modify any proprietary transactions. It may be noted that the said facility has been provided to allow modifications of client code only to rectify a genuine error in entry of client code at the time of placing/modifying the related order. NSCCL may take disciplinary action for client code modification as may be decided from time to time. Participants are required to take adequate precautions while placing the orders.

Notwithstanding the above, an exceptional charge shall be levied on the use of client code modification facility. The said charge shall be levied on a monthly basis on all client code modifications of non- institutional trades.

a' as % of 'b' Penalty as % of 'a'	a' as % of 'b' Penalty as % of 'a'
≤ 5	1
> 5	2

Where,
i

⁴ Refer Client Code & CP Code modification file



a= Value (Lending Fee) of non-institutional trades where client codes have been modified by a trading member in SLB scheme during a month. b= Value (Lending Fee) of non-institutional trades of the trading member in the SLB Scheme during the month.

The exceptional charges collected from a Participant for a month shall be subject to minimum of Rs.500 per month



ITEM 3: ELIGIBLE SECURITIES

Securities lending and borrowing is permitted in dematerialized form only. Following securities are presently allowed for transactions in SLBS.

1. Securities available for trading in F&O segment of NSE
2. Index based ETF that has traded on at least 80% of the days over the past 6 months and its impact cost over the past 6 months is less than or equal to 1%.
3. Scrips that fulfill the following criteria:
 - (a) Scrip classified as 'Group I security' as per SEBI circular MRD/DoP/SE/Cir-07/2005 dated February 23, 2005;
AND
 - (b) Market Wide Position Limit (MWPL) of the scrip, as defined at para 12 (a) of Annexure 2 of the MRD/DoP/SE/Dep/Cir-14/2007 dated December 20, 2007, shall not be less than Rs.100 crores;
AND
 - (c) Average monthly trading turnover in the scrip in the Cash Market shall not be less than Rs.100 crores in the previous six months.

NSCCL announces the list of securities eligible under SLBS from time to time. Currently list of eligible securities is reviewed on monthly basis.



ITEM 4: ORDER MATCHING PLATFORM

NSCCL provides an automated, screen based, order matching platform to the participant to execute lending and borrowing transactions. The Participant is allowed to put Borrow/Lend/Recall/Repay orders.

Details of the order matching platform being provided for SLBS transactions are enclosed as in **Part C⁵**.

⁵ Refer 'Features & user navigation of Order Matching Platform'



ITEM 5: CLEARING DAYS AND SCHEDULED TIME

5.1 Tenure of SLBS transactions

The tenure of lending and borrowing is up to a maximum period of 12 months. Currently, the transactions are based on fixed monthly tenures with specified reverse leg settlement dates and the tenure ranging from 1 month up to 12 months. The reverse leg settlement date is the first Thursday of the respective month or such other day as specified by NSCCL from time to time. If the first Thursday is not a working day then the reverse leg settlement shall happen on the next working day. Accordingly the return of securities by borrower shall be scheduled on the respective reverse leg settlement date. The reverse leg settlement date shall be identified by the security series number assigned to it. The respective series shall be available for SLBS transactions upto 3 working days prior to the corresponding reverse leg settlement date. The reverse leg settlement dates and the available tenures shall be announced by NSCCL from time to time.

Rollover contracts in SLBS: Refer Item 13 for Rollover Contracts

5.2 Lending and Borrowing Calendar

The settlement calendar with respect to SLBS for a lending and borrowing transaction is mentioned below:

Activities	Timings/ schedules
Transaction (T) Day	
SLBS transaction session	9:15am – 3:30 p.m
CP code modification	4:00 p.m
Custodial confirmation	6:00 p.m
Final obligation to Participants/ Custodians	7:00 p.m
T+1 day	
Pay-in of securities/funds first leg (Settl Type L)	9:30 am
Pay- out of securities/funds first leg	11:30 am
Reverse leg Settlement day	
Pay-in of securities of reverse leg (Settl Type P)	9:30 am
Pay-out of securities/funds of reverse leg	11:30 am
Buy-in auction for failure of borrower to return securities	2:00 pm
Auction obligation download	4:30 pm
Reverse leg Settlement day + 1 day	
Pay-in of securities for auction settlement (Settl Type Q)	9:30 am
Pay-out of securities/funds for auction settlement	11:30 am



ITEM 6: CLEARING AND SETTLEMENT

6.1 Transactions cleared and settled by Custodians

Custodians wishing to provide clearing and settlement of SLBS transactions are required to provide a minimum interest free deposit of Rs. 10 lakhs to NSCCL. The deposit shall be by way of a demand draft payable at Mumbai, favouring National Securities Clearing Corporation Ltd.

Custodians are required to maintain accounts with both depositories i.e. NSDL & CDSL. The pool account currently used by Custodians in NSDL for effecting securities pay-in and pay-out in the Capital Market segment is used for settlement under SLBS. In case of CDSL the custodian is required to open an account with CDSL for SLB settlement. Acknowledged copy of the undertaking letter addressed to CDSL as specified in **Part C**³ shall be provided to NSCCL.

The Custodians are required to take Custodial Participant (CP) codes for those clients whose SLBS transactions they would like to clear and settle. Custodians shall log in to Collateral Interface for Members (CIM) application on Connect2NSE (C2N) platform by using their existing log-in details for mapping of CP Codes.

The CP codes mapped shall be activated with effect from the next trading day. The Custodians shall continue to perform KYC of the clients and maintain necessary documentation of client for whom CP code is activated. The facility to deactivate CP code is also provided through Collateral Interface for Members (CIM) application on Connect2NSE (C2N) platform. Acceptance of deactivation request shall be subject to approval by NSCCL.

In case of Custodial Participant wish to shift from one Custodian to another Custodian, application shall be made to clearing corporation by both Custodian as per request letter provided in **Part C**⁶. NSCCL shall allot a CP code and intimate the same to the Custodian.

Where participants have input transactions for clients which shall be cleared and settled by Custodians the same shall be indicated by a CP code. Custodians are required to confirm transactions of their clients by the specified time on the lending/ borrowing day.

The client transactions shall be confirmed on the basis of the CP code enabled for SLBS. Margins and other levies shall become applicable to the Custodians on confirmation of

⁶ Refer 'Format of application for activation / deactivation of custodial participant code'



the transactions by the Custodians. The custodians shall be required to adhere to the specified procedures for clearing and settlement as specified by NSCCL from time to time and shall be bound by the NSCCL rules, regulations, byelaws as amended from time to time.

6.2 CP code modification:

CP code modification shall be allowed through file upload till 4.00 p.m. on the transaction date (T day) or as per the timing stipulated by NSCCL from time to time. The details of file to be uploaded including structure of the file for purpose of CP code modification are enclosed in **Part C⁴**.

6.3 Clearing

NSCCL shall compute obligations based on the transactions executed on the order matching platform. All obligations shall be on a gross basis i.e. there shall be no netting of transactions. Transactions under SLBS segment shall be identified based on different settlement types as intimated by NSCCL for the first leg and reverse leg settlements.

6.4 Auto Delivery

Auto Delivery Out in NSDL: A facility has been provided to Participants/ Custodians wherein the securities made available in the pool account shall be automatically utilized towards the pay-in delivery obligations. The facility shall be provided only to those Participants/ Custodians who have requested for the said facility. Participants/ Custodians desirous of availing this facility shall send a letter to NSCCL in the format provided in **Part C⁷**.

6.5 Settlement

6.5.1 First leg:

The first leg of the transactions across all series including early recall/repay transactions shall be settled on T+1 day on a gross basis. The obligation for a borrow transaction and an early recall transaction shall be the lending fee. The obligation for a lend transactions and an early repay transaction shall be the securities agreed to lend/relend. In case of early repay transactions, the securities transferred by the Participants/ Custodian in NSCCL repayment account shall be automatically utilized towards pay-in of the respective transaction on T+1 day.

In case of early recall/ repay transaction, the existing position for which early recall/repay transaction has been executed shall cease to exist on successful completion of the first leg settlement of the transaction.

⁷ Refer Letter Letter format for Auto Delivery Out



6.5.2 Reverse leg:

The reverse leg settlement shall be conducted on the reverse leg settlement date of the respective series. Participants/ Custodians who have a borrow position shall return the securities on the reverse leg settlement date as specified by NSCCL for the respective series. In case of early pay-in of securities in reverse leg in the NSCCL repayment account which have not being further lent, the securities shall be automatically utilized towards pay-in on the respective reverse leg settlement date.

6.5.3 Funds Settlement

The pay-in and pay-out of funds shall be through the designated bank accounts of the Participants/ Custodian. For this purpose the existing bank account currently used by Participant for settlement of funds in the Capital Market segment shall be the designated bank account for giving effect to funds debits/credits under SLBS.

6.5.4 Securities Settlement:

Participants/ Custodians shall be required to maintain accounts with both depositories i.e NSDL and CDSL. The pool account currently used by Participants/ Custodians in NSDL for effecting securities pay-in and pay-out in the Capital Market segment shall be used for settlement under SLBS.

In case of CDSL, Participants/ Custodians shall require to open a separate settlement account for effecting securities pay-in and pay-out under SLBS.

6.5.5 Client direct payout facility:

The facility of crediting the payout of securities directly to clients account shall be made available to the Participants/ Custodians. In order to avail of this facility, Participants/ Custodians are required to provide a file in the specified format containing details of the beneficiary accounts to which direct credit is to be given. The format for the file to be uploaded is provided in **Part C⁸**.

6.5.6 Preferred Depository:

The “Facility of directing the pay-out to Preferred Depository” has been extended to the Participants of Securities Lending and Borrowing Scheme for SLB first leg and SLB reverse leg settlement. Under this facility, all the Participants of SLBS can now specify the pool account in either of the depositories viz. NSDL or CDSL wherein they want the pay out to be done.

Participants/Custodians are requested to take note of the following:

⁸ Refer ‘File structure for Direct Payout to Client’



- The securities pay-out shall be after giving effect to any client direct payout instructions which may have been provided by Participants/Custodians for the respective security for the respective settlement.
- In the event of a failure of a client pay-out instruction at the depository, the pay-out shall be effected to the respective depository pool account.
- Participants/Custodians shall ensure that they get their account details updated in case of shifting /change of account etc. to ensure that the pay-out happens to the preferred depository pool account.
- Participants/Custodians may avail the said facility by providing details in the form of a letter as enclosed in Annexure I. Also, the same letter has to be provided in case of closure of the said preferred depository pool account.
- Participants/Custodians may take note that they shall continue to maintain pool accounts in both the depositories viz., NSDL and CDSL. format for the file to be uploaded is provided in **Part C**⁹

⁹ Annexure For Preferred Depository



ITEM 7: PROCEDURE FOR RECALL AND REPAY OF SECURITIES

Participants/ Custodians shall take note of the following with regards to recall/repay requests

- i. Participants can enter recall/repay requests only if they have existing reverse leg positions i.e. only after successful completion of the first leg settlement of the original SLBS transaction. The request can also be made for partial quantity.
- ii. Participants can enter recall/repay requests till three working days prior to the reverse leg settlement date of the respective SLBS transaction or as per the timelines specified by NSCCL.
- iii. In case of repay, the participant/ Custodian shall first transfer the securities in NSCCL repayment account with the depositories NSDL and provide details of client specific allocation of the early pay-in of securities. Participant can enter repay request on trading system, after successful allocation of early pay-in of securities to specific clients as per allocation details provided. The procedure for transfer of securities into NSCCL repayment account (early pay-in of securities for reverse leg) is provided in **Part C¹⁰**.
- iv. The lending fee for recall/repay requests shall be at market determined rates. Therefore participants shall quote the lending fee per share that they wish to forego/accept for the balance tenure of lending/borrowing at the time of entering recall/repay requests.
- v. Custodial transactions in case of recall shall be confirmed by the custodian as per the existing procedure. In case of repay, the custodial transaction shall be automatically confirmed. Custodial participant code modification shall not be allowed in case of recall/repay transactions.
- vi. The orders shall only be entered for the eligible securities list for recall/ repay. The eligible securities for recall/repay shall be announced along with the existing eligible securities list for SLBS.
- vii. Recall/ Repay requests shall not be permitted during the period of corporate actions i.e. for shorter tenure and also during the shutdown period for corporate actions. The period of corporate action shall be announced by NSCCL from time to time.
- viii. Repay/ Recall requests shall be facilitated on a best effort basis. In case of EPI of securities in Reverse Leg, if the repay request is not successful till the reverse leg date, the borrower shall have to forego the lending fee for the balance period. If the participant does not wish to further lend the securities and only wants the benefit towards margins, the participant/ Custodian shall transfer the securities in the NSCCL repayment account as per procedure specified above.

¹⁰ Refer 'Procedure for Early pay-in of securities for Reverse Leg'



ITEM 8: ACTION ON SHORTAGES

8.1 Securities pay-in shortages by the lender in first leg settlement

In case of lender fails to deliver the security the transaction shall be closed out at a price which shall be higher of:

- 25% of closing price of the security on T+1 day (closing price for the security in the capital market segment of NSEIL), or
- (Maximum trade price of the security in the capital market segment of NSEIL from T to T+1 day) - (T+1 day closing price of the security in capital market segment of NSEIL)

8.2 Securities pay-in shortage by the borrower in reverse leg settlement

Failure to deliver securities shall result in a buy-in auction on the reverse leg settlement day. The auction settlement for the same shall be conducted on Auction + 1 day.

In case of no-offer in buy-in auction/failure to deliver in auction settlement the transaction shall be closed out at a price which shall be higher of

- Maximum trade price in the capital market segment of NSEIL from (reverse leg settlement day – 1 day) to reverse leg settlement day, or
- 25% above the closing price of the security in the capital market segment on the reverse leg settlement day.

An additional report shall be downloaded to participants and custodians in case of security shortage in first leg and reverse leg settlement. The Format of the report is provided in Part D 11- Security shortage Report (SHRT).

8.3 Fund Shortages

In the event of funds shortage by the borrower, the SLBS transactions shall be cancelled, or such other action as may be decided by NSCCL. Accordingly, securities shall be returned to the lenders along-with lending fees.

Actions in case of funds shortages shall also be applicable to recall/repay transactions.

8.4 Close out for rejection/ non-confirmation of rollover transaction by Custodian

Refer item 13.5 for Close out for rejection/ non-confirmation of rollover transaction by Custodian

8.4 Fines and Penalties

In all cases of shortages, NSCCL may initiate various actions including withdrawal of access to the order matching platform, withhold of the securities/funds pay-out due to the Participant or any other action as may be intimated by NSCCL from time to time.



NSCCL shall impose fines and penalties on the Participants for defaults in delivery / return of securities, or payment of fund obligations or payment of margin or violation of unique client code or any other reason as may be specified by NSCCL from time to time.



ITEM 9: LIQUID ASSETS

A Participants/ Custodian, may deposit liquid assets in the form of cash, bank guarantees, fixed deposit receipts and any other form of collateral as may be prescribed from time to time.

9.1 Collaterals by the participants/custodians

Participants may provide collateral in form of:

- i) Cash
- ii) Fixed Deposit Receipts (FDRs) issued by **Approved Banks**¹¹.
- iii) Bank Guarantee in favour of National Securities Clearing Corporation Ltd. from **Approved Banks**.
- iv) Government of India Securities/T-Bills as per list specified by clearing corporation.
- v) Equity shares of companies and units of Exchange Traded funds in demat form deposited with Approved Custodians, as per list provided by Clearing Corporation.

NSCCL shall not accept Fixed Deposit Receipts (FDRs) and Bank Guarantees from members as collateral, which are issued by the member themselves or banks who are associate of member. Explanation - for this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012

9.2.6 Securities

9.2.6.1 Eligible securities

Participants are permitted to deposit approved securities as communicated to the participants from time to time in electronic form ('demat securities') in the designated depository accounts maintained with the approved custodians in this regard. These securities shall be pledged in favour of National Securities Clearing Corporation Limited.

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

¹¹ Refer 'List of Approved Banks for issuance of Fixed Deposit Receipts' in Part C



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

The quantity of security acceptable by NSCCL from a participant 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 NSCCL for the respective month.

Further the quantum of each security acceptable shall be restricted to certain percentage of cash equivalent collateral placed by member in the particular segment, with NSCCL 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_ddmmyyyy.csv”

NSCCL may revise the list of approved securities and, the haircuts from time to time. Participants 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.

9.2.6.2 Securities not approved for acceptance

The following securities shall not be accepted as liquid assets:

1. Partly paid securities
2. 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.

9.2.6.3 Ownership of Securities

The securities that may be deposited, shall be subject to the legal and beneficial ownership of the participant / spouse, any of the partners/ their spouses or any of the directors, in case of individual, partnership or corporate respectively, as the sole/ first joint holder, provided no depositor of securities should be a minor as on the date of deposit thereof.

In case of reconstitution / restructuring or any change in the partners /directors of the clearing member, as applicable, a Participant shall be required to replace the securities belonging to such outgoing partners /directors immediately. The custodians shall be required to exercise due care for such replacement of securities and reporting thereof to the NSCCL.

9.2.6.4 Opening of accounts:

Participants are required to open a separate depository account with the approved Custodians for the purpose of deposit of securities. Participants who are interested in



availing of this facility may get in touch with the Approved Custodians to ascertain the modalities with regard to deposit of securities.

9.2.6.5 Marking of pledge

Participants may provide demat securities by marking a pledge of the securities in favour of NSCCL. The Participant shall be required to submit all such documents as may be required by NSCCL and the Approved Custodians from time to time including the Deed of Pledge as per the specified format in **Part C**¹².

Participants shall give the necessary pledge instruction(s) to the Custodian for the securities to be pledged in favour of NSCCL. Once the securities are accepted and duly pledged by the Custodian, the Custodian shall inform NSCCL the valuation of the securities after adjusting the relevant hair cut percentages. On the basis of the Custodian's advice, benefit towards security pledged shall be provided to the participant.

9.2 Guidelines for Submission of Collaterals

9.2.1 Cash

Participants/ Custodians 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. The same shall be provided through a web based facility called Collateral Interface for Members (CIM) which enables the Participant/ custodians to log in through internet. Participant/ custodians shall log in through specific user-ids and passwords into CIM. To obtain a Login User ID, Participant/ custodians are required to send their request to the Clearing Corporation in the format provided in **Part C**¹³.

The benefit of such cash deposit requests shall be subject to receipt of bank confirmation with the correct details from the respective clearing bank by NSCCL. A participant who has authorized NSCCL 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 specified by NSCCL from time to time.

9.2.3 Fixed Deposit Receipt

9.2.3.1 Submission of Fixed Deposit

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

¹² Refer 'Format of deed of pledge for Participants for deposit of securities for Margin deposit

¹³ Refer 'Format of letter requesting activation of account in Collateral Interface for Members'



- i. The FDR shall be issued in favour of "NSCCL A/c Participant/ Custodian name" and shall be deposited with NSCCL.
 - ii. Participants are required to issue a letter to NSCCL agreeing that NSCCL 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 Participant/ Custodian, for recovery/adjustment of its dues. The format of the letter is given in **Part C¹⁴**.
 - iii. Participant/ Custodians are required to submit a letter from the bank issuing the FDR to NSCCL in the format given in **Part C¹⁵**.
 - iv. The minimum value of FDR that may be accepted shall be Rs.1 lakh. The FDR shall have a validity period of minimum 3 months.
 - v. The FDR shall be payable at any of the branches of approved banks situated in cities of: Mumbai, New Delhi, Chennai, Kolkata, Ahmedabad and Hyderabad. The list of approved banks is **Part C¹⁶**.
 - vi. Participant/ custodians can additionally provide FDR's in electronic formats. The Procedure is as below:
 - a. Participant/ custodian approaches and requests the bank to create FDR and mark lien in favour of NSCCL, the process is same as for physical FDR.
 - b. Participant/ custodian 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 Participant/ custodian to the bank is given below:
 - a. Participant/ custodian Code of the Segment
 - b. Segment for which the FDR is required
 - c. Margin Deposit (MD)
 - c. Bank issues FDR and marks lien in favour of NSCCL
 - d. Bank sends the FDR information in electronic form to NSCCL
 - e. NSCCL validates and if found correct passes on the benefit of the same to the Participant/ custodian
 - f. NSCCL sends a system generated e-mail and sms to Participant/ custodian.
 - g. To get intimation for addition and renewal of instrument through e-mail and sms, Participant/ custodians are requested to register their e-mail ids and/or mobile number under CIM module and subscribe for "Add/Renew Electronic FDR" under CIM-Email or CIM-SMS.
- The List of banks approved for issuance of E-FDR is provided in **Part C¹⁷**.

9.2.3.2 Renewal of Fixed Deposit Receipt

¹⁴ Refer 'Format of Letter to be given by the Participant along with FDR towards Collateral'

¹⁵ Refer 'Format of Letter to be given by the Bank issuing FDR towards Collateral'

¹⁶ Refer 'List of Approved Banks for issuance of Fixed Deposit Receipts'

¹⁷ Refer 'List of Approved Banks For Issuance Of FDRS in Electronic form'



In case of renewal of FDRs, the Participant/ custodians shall furnish the renewal documents strictly in the prescribed format. The format of the letter to be given by the Participant/ custodian is given in **Part C¹⁸**. The format for letter to be given by the Bank in case of renewal where there is change in FDR number and the format for letter to be given by the Bank in case of renewal where the FDR number is not changed is given in **Part C¹⁹**.

The procedure of renewal of E-FDR is as below

- i. Participant/ custodian requests bank to renew the FDR
- ii. Participant/ custodian can also request banks to renew existing physical FDRs in electronic form.
- iii. Participant/ custodian submits 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 Participant/ custodian to the bank is given below.
 - a. Participant/ custodian Code of the Segment
 - b. Segment for which the FDR is required
 - c. Margin Deposit (MD)
- iv. Bank renews the FDR.
- v. Bank sends the renewed FDR information in electronic form to NSCCL
- vi. NSCCL validates and if found correct renews the FDR
- vii. NSCCL sends a system generated e-mail and sms to Participant/ custodian.

9.2.4 Bank Guarantees

9.2.4.1 Renewal of Bank guarantee

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

Net worth of the banks	Participant/ Custodian-wise limits
Rs. 100 crores <= NW < Rs.500 crores	Rs 5 Crore
Rs. 500 crores <= NW < Rs.1000 crores	Rs 10 Crore
Rs. 1000 crores <= NW < Rs.2000 crores	Rs 15 Crore
Rs. 2000 crores <= NW < Rs.3000 crores	Rs 20 Crore
NW >= 3000 crores *	

¹⁸ Refer 'Format of Letter to be given by the Participant along with FDR towards Collateral'

¹⁹ Refer 'Format of the letter to be given by the Bank issuing the FDR on renewal (in case of auto renewal where the old FDR no. is changed)/' Format of the Letter to be given by the Bank issuing the FDR on Renewal (In case of Auto-renewal where the old FDR No. is same)



*Over Rs. 3000 crores, for each Rs.1000 crores of net worth, an incremental limit of Rs.5 crores per participant/ custodian is allowed.

Based on the category of the member the above limits shall be subject to a maximum amount as mentioned below:

Category of member	Applicable total limit per clearing member across all segments
Professional Clearing Members in F&O segment / Custodian Clearing Members in Capital Market	Rs. 200 crores
Trading Cum Clearing Members in F&O segment	Rs.100 crores
Other categories of the members	Rs. 50 crores

Further, the maximum value of bank guarantees that can be issued by the primary clearing bank on behalf of their clearing member shall be as under:

Category of member	Applicable total limit per clearing member across all segments
Professional Clearing Members in F&O segment / Custodian Clearing Members in Capital Market	Rs.250 crores
Trading Cum Clearing Members in F&O segment	Rs.125 crores
Other categories of the members	Rs.62.50 crores

In addition to the above based on category of the 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
Professional Clearing Members in F&O segment / Custodian Clearing Members in Capital Market	Rs. 1500 crores



Trading Cum Clearing Members in F&O segment	Rs. 750 crores
Other categories of the members	Rs. 500 crores

Participant/ custodian are advised to check their applicable limit before getting their bank guarantees issued. Additionally, at the time of deposit of the bank guarantee, the Participant/ custodian is required to ensure the following:

- i. The bank guarantee is strictly as per the format prescribed by the NSCCL. The format of bank guarantee is provided in **Part C²⁰**.
- ii. The bank guarantee shall have a validity period of minimum 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.
- iii. While filling the details in a bank guarantee, Participant/ custodians 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 authorized
 - c) All irrelevant portions struck off on the printed format should also be authenticated by the bank by affixing the bank seal / stamp duly authorized.
 - 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 authorized signatories.
 - e) The Participant/ custodian shall also ensure that the bank guarantee is free from any discrepancy before the same is submitted to NSCCL.
 - f) The stamp paper shall be issued in the name of the Participant/ custodian or the bank, no third party stamp papers are permissible
 - g) The stamp paper shall not be older than six months from the executed date of the bank guarantee/ renewal.

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

9.2.4.2 Renewal of Bank guarantee

In case of renewal of bank guarantees, the Participant/ custodians shall furnish the renewal document strictly in the prescribed format before the date of expiry / maturity date of the bank guarantee. The format for renewal of bank guarantee is provided in **Part**

²⁰ Refer 'Format of Bank Guarantee'



C²¹. The Participant/ custodians may also opt to give a fresh bank guarantee in favour of NSCCL instead of renewing the expired bank guarantees.

9.2.4.3 Reminder Letters through extranet

Reminder letters shall be downloaded on a monthly basis through the extranet in respect of the Bank Guarantees and Fixed deposit receipts those are due for renewal in the following month. This is being provided as an additional facility only and Participant/ custodians are advised to submit the renewals of the bank guarantees and fixed deposit receipts within the stipulated period. The Participant/ custodians shall be responsible for the renewal of Bank Guarantee and fixed deposit receipts expiring in the month.

9.2.5 Government of India Securities as Collaterals

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

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

- i. Participant/ custodian desirous of providing G-Sec/T-Bills shall enter into an agreement with NSCCL as per the format as specified in **Part C**²².
- ii. NSCCL shall prescribe list of G-Sec/T-Bills that shall be eligible for acceptance as collateral from time to time.
- iii. G-sec/T-bill shall be accepted as collateral only in electronic form. The Participant/ custodians desirous of providing G-Sec/T-Bills as collateral shall be required to enter the transaction through its custodian/bank on E-Kuber under Margin Transfer Module by 3.30 pm. The Participant/ custodians shall further be required to put request for addition of GSEC in Collateral Interface for Participant/ custodians (CIM) under menu option “EMI – GSEC Deposit – Request / Enquiry-Request. The participant is required to submit a fax request for addition as per prescribed format in **Part C**²³. Participant/ custodian. Participant/ custodian NSCCL shall confirm the transaction entered on the E-Kuber, based on the information received from Participant/ custodian through fax.
- iv. The details of NSCCL - SGL-II account is as follows:
 - a. Name of the Account: National Securities Clearing Corporation Limited
 - b. Member ID BYA00168
 - c. SGL – II A/c No. SG020168

²¹ Refer ‘Format of Renewal of Bank Guarantee’

²² Refer ‘Format of agreement for placing G-Sec/T-Bills as collaterals’

²³ Refer ‘Format of letter to be given by the member for request of G-Sec / T-bills addition’



- v. The benefit of G-Sec/T-bills provided as collaterals shall be passed on to the Participant/ custodian on G-Sec/T-Bills being transferred to the SGL-II account of NSCCL
- vi. For release of G-Sec / T-bills, the Participant/ custodian shall send request to NSCCL as per the format as provided in **Part C**²⁴. The release of G-Sec/T-Bill shall be processed only at end of day. The G-sec/T-bill released by NSCCL shall be entered on E-Kuber under Margin Transfer Module. The Participant/ custodian shall ensure that such transactions are approved on E-Kuber by their custodian/Banks.
- vii. G-Sec/ T-Bill can be alternatively provided to NSCCL in dematerialized form through creation of pledge in demat account.
- viii. The valuation of G-Sec/T-Bill shall be based on previous day's MTM prices as specified by CCIL.
- ix. A hair cut of 10% shall be applied on the value of G-Sec/T-bill provided as collateral by the Participant/ custodian. The value after applying the hair cut shall be added to the cash component of the liquid assets of the Participant/ custodian.
- x. Periodic coupon / Redemption payments received on the G-Sec/T-Bills provided by the Participant/ custodian shall be passed on to the Participant/ custodian by NSCCL immediately/ next working day, upon receipt of relative interest from Reserve Bank of India.

9.3 Release of Collaterals

Participant/ custodian may request NSCCL to release collateral held by them. Such requests may be considered, if NSCCL chooses not to exercise its lien and subject to availability after due adjustments for the due fulfillment of all obligations and liabilities arising out of or incidental to any transactions entered into by such Participant/ custodian and subject to the agreement between NSCCL and Participant/ custodian or anything done in pursuance thereof, or as per circulars issued by NSCCL from time to time.

The web based facility of Collaterals Interface for Participant/ custodians (CIM) is provided for submission of release requests of collaterals. The Participant/ custodians may select the desired available collaterals for release. Release requests though CIM can also be placed using a file upload facility. The format of file is prescribed in **Part C**²⁵.

9.3.1 Collection of released collaterals submitted to NSCCL

The representative of the Participant/ custodians coming to collect released FDR/ BG is required to carry an authorization letter. The released FDRs/ BGs under immediate

²⁴ Refer 'Format of letter to be given by the member for request of G-Sec / T-bills release'

²⁵ Refer 'File format for requesting collateral releases'



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

9.4 Transfer of Collateral

Participant/ custodians are permitted to avail the minimum deposit of Rs. 10 lakhs provided in SLB scheme as collaterals towards margins in Capital Market, Futures & Options and Currency derivatives segment.

Participant/ custodians may specify the amount and the segment where they wish to avail the benefit as per the formats specified in **Part C**²⁶.

Participants shall be permitted to transfer collaterals from/to SLBS to/from other segment on an intraday basis using the facility provided in Collateral Interface for Member (CIM). The modalities for intraday transfer are mentioned below:

- The facility of intra-day transfer shall be available for Cash (CHQ) and Fixed Deposit Receipt (FDP) provided towards margin deposit
- Transfer request received from the members via CIM shall be treated as request from the members and no separate transfer letter need to be submitted
- Intra-day transfer shall be subject to maintenance of minimum deposits as per regulatory requirement and current applicable parameters
- Participants may verify the details of the request for transfer and its status in CIM under menu option “Collateral Release – New Request/inquiry- Transfer Inquiry”.

²⁶ Refer ‘Format of Letter for shifting of minimum deposit from SLB Scheme to ____ segment’/ Refer ‘Format of Letter for shifting of minimum deposit of SLB Scheme from ____ segment’



ITEM 10: MARGINS

All transactions under SLBS shall be subject to margins. Following margins shall be applicable for transactions under SLBS

10.1 Margins on Borrow transaction on Transaction Day (T Day)

The borrower shall be levied only a fixed percentage of Lending fee as margins on T day. The fixed percentage shall be 100% or as may be specified by NSCCL from time to time.

10.2 Margins on Lend transaction on T Day

The following margins shall be levied on the Participants for lend transactions on T Day:

1. Mark to Market Margins (as specified in **10.3.3**)
2. Fixed percentage of lending price. The fixed percentage shall be 25% or as may be specified by NSCCL from time to time.

No margins shall be levied on lend transactions if early pay-in of securities has been received from the lender.

10.3 Margins for Reverse Leg transactions

No margins shall be levied to the lender of securities for the reverse leg transaction.

The borrower of securities shall be levied following margins in respect of reverse leg transactions:

1. Value at Risk Margins
2. Extreme Loss Margins
3. Mark to Market Margins
4. Fixed percentage (100%) of lending price

10.3.1 Value at Risk Margin (VaR Margin)

- VaR margin rate as applicable to the security in the capital market segment shall be applicable in the SLBS.
- The VaR margin shall be collected on upfront basis by adjusting against the collateral of the Participant/ Custodian.
- The VaR margin shall be collected on the gross open position of the Participant/ Custodian. The gross open position for this purpose would mean the gross of all positions across all the clients of a Participant/ Custodian including its proprietary position



- VaR margin rate for each security shall be disseminated to the Participants/ Custodians through the Extranet and on the website of the Exchange at www.nseindia.com.
- The VaR margin so collected shall be released on completion of pay-in of the respective settlement.

10.3.2 Extreme Loss Margin

- Extreme Loss margin rate as applicable to the security in the capital market segment shall be applicable in the SLBS
- The Extreme Loss margin shall be collected on (T+1) on upfront basis by adjusting against the collateral of the Participant/ Custodian.
- The Extreme Loss margin shall be collected on the gross open position of the Participant/ Custodian. The gross open position for this purpose would mean the gross of all positions across all the clients of a Participant/ Custodian including its proprietary position
- The Extreme Loss margin so collected shall be released on completion of pay-in of the respective settlement.

10.3.3 Mark to Market Margin

- Mark to market loss shall be calculated by marking each transaction in security to the closing price of the security at the end of day in the capital market segment of NSEIL. In case the security has not been transacted on a particular day in the capital market segment, the latest available closing price at the NSE shall be considered as the closing price.
- The mark to market margin (MTM) shall be collected from the Participant/ Custodian before the start of the SLBS session of the next day.
- The MTM margin shall also be collected/ adjusted from/against the collateral deposited by the Participant/ Custodian.
- The MTM margin shall be collected on the gross open position of the Participant/ Custodian. The gross open position for this purpose would mean the gross of all positions across all the clients of a Participant/ Custodian including its proprietary position.
- There would be no netting off of the positions and setoff against MTM profits across two settlements. However, for computation of MTM profits/losses for the day, netting or setoff against MTM profits would be permitted.
- The MTM margin so collected shall be released on completion of pay-in of the respective settlement.

10.3.4 Fixed Percentage of lending price



- A fixed percentage of lending price shall be levied as margin on the Participant/ Custodians for the borrow transaction. The fixed percentage shall be 100% of the lending price or as may be specified by NSCCL from time to time.
- This shall be collected upfront basis by adjusting against the collateral of the Participant/ Custodian after first leg settlement. In case Participant/ Custodian fails to bring the Lending price, the corresponding SLB transactions shall be cancelled and no pay-out of securities shall be provided to Borrower.
- This shall be collected on the gross open position of the Participant/ Custodian. The gross open position for this purpose would mean the gross of all positions across all the clients of a Participant/ Custodian including its proprietary position
- The margin so collected shall be released on completion of pay-in of the respective settlement.
- The lending price shall be the previous day closing price of the security in the capital market segment of NSEIL

10.4 Margins for Early Recall/ Early Repay and Rollover transactions

- In case of early repay request being successful no margins shall be levied on such transaction.
- In case of early recall transactions the lending fee shall be levied as upfront margins.
- Refer Item 13.3 for margin for Rollover Transactions

10.5 Exemption from margins

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.

10.5.1 Procedure for making early pay-in of securities for first leg transaction

Early pay-in of securities facility to avail margin benefits shall be made available to all Participants/ Custodians. Participants/ Custodians can make early pay-in through either of the depositories viz. NSDL and CDSL. Participants/ Custodians desirous of making early pay-in of securities through CDSL need to open a separate SLBS EPI account. Early pay-in of security can be made only for the first leg. The format for application to open SLBS EPI account for CDSL is enclosed in **Part C**²⁷. The early pay-in received shall be allocated to the clients with delivery positions on a random basis.

Additionally, Participants/ Custodians can specify the clients in respect of which early pay-in benefit should be provided. For this Participants/ Custodians shall provide Client EPI instruction file for First Leg as per format specified in **Part C**²⁸. On receipt of early

²⁷ Refer 'Format of letter from Participants/Custodians for opening SLBS EPI account for CDSL'

²⁸ Refer 'Format of client file for Early pay-in of securities for first leg transaction'



pay-in of securities from depositories, and successful processing of Client EPI instruction file, the same shall be allocated to clients for whom the details have been provided.

10.5.2. Procedure for making early pay-in of securities for reverse leg transaction

Early pay-in of securities for the reverse leg settlement shall be made as per the procedure specified in **Part C**²⁹. Participants/ Custodians or their constituents who are desirous of getting the margins released and would not like to further re-lend the securities shall also transfer the securities in the early repayment account. NSCCL shall allocate the securities deposited in the NSCCL early repayment account towards pay-in on the respective reverse leg settlement date.

10.6 Margins for Custodial transactions

In respect of transactions entered by a Participant which is to be settled by a custodian, the margins from the time of transactions till confirmation by the custodian shall be levied on the Participant. On confirmation of the said transactions by the custodian, the custodian shall be levied the margins applicable on such transactions.

In case of rejection by the custodian, the margins on the transaction rejected shall continue to be levied on the Participant.

10.7 Short fall of margins

In case the borrower fails to meet the margin obligations, NSCCL shall obtain securities and square off the position of such defaulting borrower, failing which there shall be a financial close-out.

10.8 Margins from the Client

Participants/ Custodians should have a prudent system of risk management to protect themselves from client default. Margins are likely to be an important element of such a system. The same shall be well documented and be made accessible to the clients and NSCCL. However, the quantum of these margins and the form and mode of collection are left to the discretion of the Participants/ Custodians.

²⁹ Refer 'Procedure for Early pay-in of securities for Reverse Leg'



ITEM 11: POSITION LIMITS

11.1 Market Wide Position Limits for SLBS transactions:

Market Wide Position Limits for SLBS transactions shall be 10% of the free-float capital of the company in terms of number of shares i.e. 10% of the number of shares held by non-promoters in the relevant security.

NSCCL shall specify the market wide position limits on the last working day of the month which shall be reckoned for this purpose during the next month.

The market wide position limit shall be monitored on the combined position across exchanges.

Violation of such limits shall attract action as specified by NSCCL from time to time.

11.2 Participant wise Position Limits for SLBS transactions:

The Participant position limits in a security shall be lower of:

- 10% of the market-wide position limits (in terms of number of shares)
- OR
- Rs. 50 crores

NSCCL shall specify the Participant wise position limits on the last working day of the month which shall be reckoned for this purpose during the next month.

Violation of such limits shall attract action as specified NSCCL from time to time.

11.3 Position Limits For Institutional Investor for SLBS transactions:

The position limit applicable for Institutional Investor in a security is same as of a Participant i.e. lower of 10% of the market-wide position limits or Rs. 50 crore.

Following are defined as Institutional investor:

- i. Foreign Institutional Investors registered with SEBI.
- ii. Mutual Funds registered with SEBI.
- iii. Public Financial Institutions as defined under Section 4A of the Companies Act, 1956.
- iv. Banks, i.e., a banking company as defined under Section 5(1) (c) of the Banking Regulations Act, 1949.



- v. Insurance companies registered with IRDA.
- vi. Pension Funds regulated by Pension Fund Regulatory and Development Authority (PFRDA).

11.4 Client Level Position Limits

The client level position limits for a security for each specific client shall not be more than 1% of the market-wide position limits.

NSCCL shall specify the client wise position limits on the last working day of the month which shall be reckoned for this purpose during the next month.

11.4.1 Unique Client ID Position Monitoring

The client level positions limits shall be monitored at the unique client code level based on the PAN allotted to the Participants. The client level position limits shall be applicable on the combined positions for the same clients transacting through different participants, as well.

In all the above cases, Participants shall ensure that client-level position limits are kept within the permissible limits. In the event of a violation, the Participant shall be required to ensure that the client does not take fresh positions.

Violation of such limits shall attract action as specified by NSCCL from time to time.

11.5 Position Limit communication to Market

Position Limits applicable for the next month are computed and informed to market participants on the last trading day of the month. These limits shall be applicable from the first Thursday of the month i.e. after the reverse leg settlement of the subsequent month.



ITEM 12: ADJUSTMENTS FOR CORPORATE ACTIONS

12.1 Adjustment for Corporate Actions

In case of any corporate actions during the tenure of lending/borrowing the following procedure would be followed by NSCCL depending upon the type of corporate actions.

- i. **Dividend:** The dividend amount received on the borrowed shares shall be collected from the borrower and paid out to the lender on book closure start date or record date plus one working day as the case may be. In case of early pay-in of securities in reverse leg of securities where the securities have not been further lend the dividend amount shall be collected from the borrower and passed on to the lender. This amount shall be paid back by NSCCL to the borrower on receipt of such dividend.
- ii. **Stock split:** The positions of the borrower would be proportionately adjusted and the lender would receive the revised quantity of shares at the time of reverse leg
- iii. **Other corporate actions:** In case of other corporate actions such as bonus/ merger/ amalgamation / open offer etc, the transactions shall be foreclosed two working days prior to the ex-date. The lending fee shall be returned by the lender on a pro-rata basis which shall be returned to the borrower by NSCCL.

12.2 Foreclosure of Transactions

Transactions in securities where there is a corporate action of other than dividend and stock split shall be foreclosed two days prior to ex date.

The lending fees for the balance period shall be collected on pro rata basis from the lenders based on the lending fees received by them. The amount so collected shall be passed on to the borrowers in the ratio of their contribution to the pro rata lending fees receivable by them based on the lending fees paid by them.

In case of foreclosure of transactions, NSCCL shall specify the settlement schedule for the purpose of pay-in/pay-out of transactions from time to time. NSCCL shall provide 'SLB Foreclosure report' (Foreclosure_SLB_YYYYMMDDD.csv) on website under daily report. The report shall be give details of shut period, foreclosure date and settlement number of corporate actions resulting in foreclosure of transaction. Participants/ Custodians shall track corporate action as per announcement date and ensure that Security and funds obligation are met on Foreclosure date and Foreclosure settlement number mentioned in the report.

12.3 Shut Period

The shut period for all corporate actions in respect of securities shall be as given below or as specified by NSCCL from time to time.



- i. In case of dividend or stock split corporate actions, the shut period start date shall be Ex-date minus 1, excluding settlement holidays.
- ii. For other corporate actions, resulting in foreclosure, shut period start date shall be Ex-date-7 days, excluding settlement holidays or as defined by NSCCL from time to time. Foreclosure amount computation shall be done as per the existing methodology.
- iii. The shut period end date for all corporate actions shall be Book closure start date or record date of the corporate action.
- iv. During shut period no transactions, including rollover shall be allowed in the security



ITEM 13: ROLLOVER IN SLBS

SEBI vide circular CIR/MRD/DP/ 30 /2012 dated November 22, 2012, issued guidelines for introduction of Rollover in Securities Lending and Borrowing Scheme. The features of Rollover is as follows:

13.1 Rollover Contracts

- i. As stipulated by SEBI, rollover shall be allowed for a period of 3 months i.e. the original contract plus 2 rollover contracts. For example- Rollover of positions in June (06) series shall be allowed to July (07) or August (08) series only.
- ii. Twenty four new contracts for rollover shall be introduced. The rollover contract shall be identified by a 2 digit alphabetical series. Each rollover series represents a source series, which participant wants to rollover and the target series. The details of rollover series are provided in **Part C**³⁰.
- iii. At any point in time rollover contracts shall be available only for near month series. Rollover contract for near month series shall be introduced from next day of expiry of previous monthly series. For example -Rollover from June (06) to July (07)-JL or from June (06) to August (08)-JA shall be available from next day of expiry of May (05).
- iv. The last trading day of rollover contracts shall be the 4th working day prior to expiry of respective near month series, excluding settlement holidays. For example: the last trading day of rollover contracts JL & JA shall be 4th working day, excluding settlement holidays, before expiry of June (06) series.
- v. In case of corporate actions in a security resulting in foreclosure, no rollover shall be allowed from or to the series getting foreclosed, of the security. For example-
 - a. If foreclosure date of a security is 16th July 2015, series starting from August (08) are foreclosed. In this condition rollover shall be allowed from June (06) to July (07), but shall be disallowed from June (06) to August (08).
 - b. If foreclosure date of a security is 16th May 2015, series starting from June (06) are foreclosed. In this condition no rollover shall be allowed from June (06) to July (07) or June (06) to August (08).
- vi. In case of dividend or stock split corporate actions, the shut period start date shall be Ex-date minus 1, excluding settlement holidays.
- vii. For other corporate actions, resulting in foreclosure, shut period start date shall be Ex-date-7 days, excluding settlement holidays or as defined by NSCCL from time to time. Foreclosure amount computation shall be done as per the existing methodology.
- viii. The shut period end date for all corporate actions shall be Book closure start date or record date of the corporate action.
- ix. During shut period no transactions, including rollover shall be allowed in the security.

³⁰ Refer 'List of Rollover series'



13.2 Rollover order Validation

- i. To execute Lend rollover, participant shall select order type 'Lend' and the appropriate rollover series.
- ii. To execute Borrow rollover, participant shall select order type 'Borrow' and the appropriate rollover series.
- iii. Rollover shall be allowed for existing reverse leg positions only.
- iv. As rollover shall be restricted to maximum 2 month over original expiry, the rolled-over and the non-rolled over positions shall be identified by rollover indicator in following manner. The information of rollover indicator shall be provided in additional 'Additional Final Delivery/ Fund obligation report for reverse leg' as per format in Part D³¹

Reverse leg positions	Rollover indicator
Fresh Lend/Borrow transaction which can be rolled over to one month or two months	Null
Lend/Borrow positions which are rollover by one month and can be further rolled over by one more month	1
Lend/Borrow positions which are rollover by two months and cannot be further rolled over	2

- i. Recall/Repay orders can be placed upto the extent of available reverse leg Lend position in all indicators. Further Repay orders can be placed to the extent of EPI of securities only.
- ii. Lend rollover orders can be placed for one month or two month rollover to the extent of available reverse leg lend position (as per point 4)
- iii. Borrow rollover orders can be placed for one month or two month rollover to the extent of available reverse leg borrow position (as per point 4). Further no borrow rollover shall be allowed in the reverse leg borrow position to the extent of EPI provided against such reverse leg borrow position.

13.3 Margins

- i. Lend rollover transactions for clients other than custodial participants: No margin
- ii. Lend rollover transactions for Custodial Participant clients: Margin as per VaR rate of the security shall be levied upfront on participant. The Margin will be levied on participant member till custodial confirmation. No margin shall be levied on custodian, post confirmation.
- iii. Borrow rollover transactions for clients other than custodial participants: Rollover fee shall be levied upfront on participants. The margin will be levied till settlement on T+1.

³¹ Refer 'Additional Final delivery/ fund obligation report for reverse leg'



- iv. Borrow rollover Transactions for Custodial Participant clients: Rollover fee shall be levied upfront on participant till custodial confirmation. The margin will be levied on custodian, post confirmation, till settlement on T+1.
- v. Margin report:
 - a. The rollover margin details shall be provided to participant/ custodians in existing detailed margin report (MG02). The rollover transactions shall be margined in settlement type L and identified by 'series' of rollover transaction.
 - b. Lending price payable by participant/ custodians s on T+1 for normal borrow transactions of T day, shall be provided in MG01 report. The format of MG01 is attached in **Part D**³².

13.4 Obligation to Participants and Custodians

- i. No CP code modification shall be allowed for rollover transaction
- ii. The rollover obligation shall be provided to Participant/ Custodians in existing obligation reports for first leg. The rollover transactions shall be identified by 'series' of rollover transaction. There is no change in structure of such reports.
- iii. In case of Custodial Participant transactions the provisional obligation shall be sent to both Participant and Custodians. Post confirmation of rollover Obligation by Custodian, the final obligation shall be sent only to Custodian.

13.5 Close out for rejection/ non-confirmation of rollover transaction by Custodian

- i. In case of rejection/ non-confirmation of rollover obligation by Custodian, rollover transactions shall be cancelled and a close out shall be levied on the participant. The Close out amount shall be paid to the counter party Participant/ Custodian of the transaction. The close-out amount shall be computed as follows:
 - a. Rejection of Lend rollover: Close out to lending participant shall be VaR rate on closing price of the security on Trading day.
 - b. Rejection of Borrow rollover: Close out to borrowing participant shall be rollover fee of the transaction.
- ii. A report shall be provided to both the counter parties of such transaction, for the close out amount to be paid or received. The report format and location is provided in **Part D**³³.

13.6 Settlement and action for settlement shortages

- i. The fund obligations shall be settled on T+1 on existing lines, in settlement type 'L' (First leg) and respective settlement number, as communicated in monthly settlement circular.
- ii. In case of Fund shortage by borrower, rollover transaction shall be cancelled and applicable close out amount shall be passed on to the lender.

³² Refer 'Consolidated margin Report (MG01)

³³ Refer 'Rollover close out debit credit report (ROCO)'



- iii. Based on successful rollover transactions, obligations shall be rolled over to corresponding expires and indicators '1' or '2' shall be assigned to such rolled over deliveries.
- iv. The indicator information shall be provided to participant/ custodians under separate field 'Rollover indicator' in the report provided in Part C. The report shall be provided from 25th May 2015.



ITEM 14: DEALINGS WITH CLIENTS

14.1 Confirmation memo

Participants shall issue confirmation memos as per the format specified in **Part C³⁴** for all the transactions executed on order matching platform, on the date of transaction and shall maintain proof of delivery of the same to the clients.

Participants may also issue confirmation memos in digital format with the consent of the client. It should be in encrypted, non tamperable format and digitally signed as per the IT Act, 2000 and shall be delivered to the email id provided by the client. Further, logs of the same should be preserved.

14.2 Funds and Securities:

14.2.1 Client's Funds and Securities:-

Participants/ Custodians shall route clients' funds / securities through client bank / constituents demat account only. Clients' funds / securities shall be used for the purpose of respective clients only.

14.2.2 Receipt and delivery of Securities

Participants/ Custodians shall ensure that securities are received from / delivered to the respective clients' demat accounts only.

14.2.3 Receipt and Payment of Funds

Participants/ Custodians shall ensure that funds shall be received from / paid to the respective clients' bank accounts only. Further, receipt and payment of funds should be made by account payee crossed cheques / demand drafts or by way of direct credit in to the bank account through EFT or any other mode allowed by RBI.

14.3 Quarterly Statement of accounts for funds and securities

Participants/ Custodians shall send complete statement of accounts for both funds and securities in respect of each of its clients in such periodicity not exceeding three months (calendar quarter) within a month of the expiry of the quarter. The statement shall also state that the client shall report errors, if any, in the statement within thirty days of receipt thereof, to the participant.

³⁴ Refer 'Format of Confirmation Memo'



14.4 Books of accounts, Records and Documents

Participants shall maintain and preserve books of account, records and registers separately as may be necessary and make them available to NSCCL as and when required.

14.5 Processing Charges

Participants shall charge processing charges within the limit as may be prescribed by NSCCL / SEBI from time to time.

14.6 Arbitration

All claims, differences or disputes between the Participants and their clients arising out of transactions in SLBS shall be subjected to arbitration mechanism as intimated by NSCCL from time to time.



ITEM 15: TRANSACTION CHARGES

NSCCL vide its circular ref no. NSE/CMPT/32478 had levied Transaction charges on monthly basis on the transactions executed in Securities Lending & Borrowing Scheme at the rate of 2.5% of the Lending Fee, on each instance of fresh Lend, Borrow and Rollover transactions, to both Lending and Borrowing Participants.

In order to encourage market participation in SLB Scheme, Incentive structure as follows was introduced:-

Slabs (*Value of Total lending fees in Rs)	Current Rate (%)	Incentive rate (%)	Effective Rate (%)
Upto 10 lacs	2.50%	0.50%	2.00%
Above 10 lacs less than 50 lacs	2.50%	0.75%	1.75%
Above 50 lacs - 1 crore	2.50%	1.25%	1.25%
Above 1 crore	2.50%	2.00%	0.50%

*Value of total lending Fees shall be the monthly aggregate of lending fee pertaining to both borrow and lend transactions executed by a Participant.

The above incentive is applicable on all fresh lend and borrow transactions. The incentive shall not be applicable for rollover transactions i.e. Rollover trades shall be charged @2.5%. The incentive structure is applicable for a period of 1 year from date of implementation i.e. 01st March, 2017.



ITEM 16: SELF TRANSACTIONS

Self-Transactions would be transactions resulting from matching between a buy and a sell order entered in the same order book by a Participant for the same client code originating from same or different trading terminals of the Participants. This includes proprietary and client transactions. Participants are notified to ensure non-execution of Self-Transactions in the Securities Lending & Borrowing Scheme of National Securities Clearing Corporation Ltd.
