



PART B
DETAILED CONSOLIDATED CIRCULAR

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ITEM 1: CLEARED AND NON CLEARED DEALS

In pursuance of Regulation 3.3 of the NSCCL 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 NSE:

1. Deals in the Normal market including deals executed in
 - a. Regular Normal market
 - b. Trade for Trade-Surveillance market (TFTS),
 - c. Inter Institutional Market (hereinafter referred to as IL Market deals),
 - d. Block Trade window (hereinafter referred to as BL market deals)
 - e. Qualified Foreign Investor (QFI) deals
 - f. Deals executed in the SME Market
 - g. Deals executed in the Z category securities
2. Deals executed in the Auction Market
3. Deals executed on the Limited Physical Market (hereinafter referred to as LP Market deals).

1.2 Non Cleared Deals

Non Cleared Deals are deals other than cleared deals which are executed on the Capital Market Segment of the NSE 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.



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

In pursuance of Regulations 4.3 and 4.4 of the NSCCL 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. Currently all settlements are on a T+2 day rolling basis, in accordance with SEBI Circular Ref. No. D&CC/FITTC/CIR-20/2003 dated March 4, 2003.

2.1 Normal Market deals

Deals executed in the normal market in equity shares, warrants, dividends, bonds etc. and including transactions in Trade for Trade, Inter-institutional and Block deal transactions.

2.1.1. Regular normal market deals

Transactions shall be executed in series 'EQ' and settlement type 'N'. Settlement can be only in dematerialised mode 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) Transactions in this segment shall be settled under settlement type 'W'. Transactions shall be cleared and settled on a trade for trade basis and there shall be no netting of transactions. Settlement Guarantee shall be provided. Settlement shall be in dematerialised mode only.

2.1.3 Inter-Institutional Market (IL) Deals

Inter-Institutional Deals executed on behalf of institutional investors shall be cleared and settled on a net obligations basis within the sub-segment. Settlement of all transactions shall compulsorily be done in dematerialised mode only. All trades shall be settled under settlement type 'N' and series 'IL'. Settlement Guarantee shall be provided.

2.1.3.1 Eligible clients for IL deals

- a) Only FIIs shall be permitted to place sell orders.
- b) Buy orders can be placed by FIIs, DFIs, Banks, Mutual Funds, Insurance Companies, Pension Funds and such other institutions as may be approved from time to time.
- c) Where RBI has stipulated collective limits for FIIs, NRIs, PIOs etc in certain securities, these entities shall be permitted to place orders on both buy and sell sides.

2.1.4 Block deals



Block Deals shall be executed in a special window and shall be cleared and settled on a net obligations basis within the sub-segment. All trades shall be settled under settlement type 'N' and series 'BL'. Settlement of all transactions shall compulsorily be done in dematerialised mode only. Settlement Guarantee shall be provided.

2.1.5 Qualified Foreign Investors (QFI) Deals:

The QFIs can execute their transactions in the 'EQ' segment of Normal settlement type 'N' and the clearing and settlement of such transactions shall be carried out by the capital market trading member. However, as per clause 8.17 of the SEBI circular no. CIR/IMD/FII&C/3/2012 dated January 13, 2012; QFI may purchase equity shares of companies in the caution list in the normal market provided a prior approval of the depositories has been taken in this regard. In case the QFI wishes to purchase the equity shares of the companies in the caution list without the prior approval of the depositories than such transactions have to be executed in a separate segment.

The Exchange has introduced a separate series 'IQ' for this separate sub segment. The procedure for clearing & settlement of QFI transactions in the 'IQ' series are as follows:

- QFI transactions in IQ series executed on behalf of Qualified Foreign Investors shall be cleared and settled on a net obligations basis within the sub-segment. Settlement of all transactions shall compulsorily be done in dematerialized mode only. All transactions in IQ series shall be settled under settlement type 'N'. Settlement Guarantee shall be provided.
- A capital market member may trade and settle the transactions done on behalf of QFIs based on the client codes. The assessment and collection of STT on such trades (EQ and IQ segment) will have to be at the rate applicable to delivery based transactions.
- All other provisions viz. confirmation timings, penalties, shortages etc. pertaining to IL series shall apply mutatis mutandis to IQ series.

2.1.6 Trade for trade (TT) market deals

TT Market deals shall be under series 'BT' and settlement type 'Z'. Deals shall be settled on a trade for trade basis directly between the parties to the transaction and reported to the Clearing Corporation. Details for reporting are as given in Item 3. 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.

2.1.7 SME Market deals

A Platform available to emerging corporate to raise capital from HNIs and Institutional Investor. The settlement type shall be 'N'. The clearing & settlement provisions applicable in



the Capital Market segment shall apply mutatis mutandis to the clearing & settlement of SME securities. All the clearing members in CM segment shall be active for SME settlement.

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

- Settlement shall be on T+2 basis.
- There shall be no risk management for trades executed in this segment.
- Transaction shall be settled under settlement type 'G' and shall be cleared and settled on a trade for trade basis.
- There shall be no auction/financial close-out in the event of shortage/failure to meet securities/funds delivery obligation.

2.1.8 Auction market deals

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 obligations basis. Settlement of all transactions shall compulsorily be done in dematerialised mode and settlement guarantee shall be provided.

2.1.9 Limited Physical Market Deals

Limited Physical (LP) Market Deals shall be settled on a trade for trade basis and settlement obligations shall arise out of every deal. Deals shall be in series 'BT' and settlement type 'O'. Deliveries shall be only in physical form

2.1.10 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. The settlement type shall be 'W'.

Settlement of all transactions shall compulsorily be done in dematerialised mode and settlement guarantee shall be provided.

2.1.11 Trades executed in LS series

Trades executed in "LS" series shall be cleared and settled on a net obligations basis within series. Settlement shall be compulsorily done in dematerialised mode. All trades shall be settled under settlement type 'N' and settlement guarantee shall be provided. Trades executed in LS series shall be settled on a T+2 rolling basis. Shortages, if any, shall be compulsorily closed-out at the highest price prevailing in the Exchange from the day of trading till the T+1 day or 20% above the official closing price on the T+1 day, whichever is higher. All other provisions regarding settlement of trades applicable to Capital Market Segment shall also be applicable mutatis-mutandis to this series.



ITEM 3: PROCEDURE FOR SETTLEMENT OF NON CLEARED DEALS

In pursuance of Regulation 5.1 to 5.7 of the NSCCL Capital Market Regulations the procedure for settlement of non cleared deals is specified as under:

3.1 Procedure for Settlement of TT Market Deals in the Capital Market segment

3.1.1 Settlement Obligations for TT Market deals have to be settled within 2 working days (T + 2 day basis) from the date of deal directly between the buying and selling clearing members.

3.1.2 The exchange of securities and funds has to take place directly between the buying and selling clearing members

3.1.3 The selling clearing member is required to render delivery of securities to the office of the buying clearing member in exchange for funds which may be paid by means of Cheque/Demand Draft/Pay-order by the buying clearing member or by such other means which enable the selling clearing member to realise the funds on the same day as the exchange of securities.

3.1.4 Settlement details must be reported by Custodian and/or TM clearing members to the Clearing Corporation in the formats prescribed as Form No: NSEF 07A or 07B respectively within 24 hours of the settlement.

3.1.5 The delivery of securities in settlement of TT Market deals can be the following units in marketable lot, or in certificates of denomination of 1000 shares, or certificate of the denomination of the traded quantity.

3.1.6 The choice of deciding on the denomination of certificates will rest with the delivering clearing member.

3.1.6.1 TM Clearing members will receive a report of Settlement Obligations for TT Market deals at the end of the day.

3.1.6.2 Custodian Clearing Members will receive a report of Settlement Obligations for the TT Market deals executed on behalf of their clients at the end of the day.

3.1.6.3 Custodian Clearing Members are required to confirm TT Market deals executed on behalf of their clients for settlement purpose within the settlement periods specified by the relevant authority from time to time. In case the custodian clearing member does not confirm the deal, the responsibility to settle the deal will shift to the TM Clearing Member who executed the deal.



3.2 Non-settlement of TT trades

3.2.1 In case a member expresses inability to settle the trade either by paying funds or delivering securities, then the trade will be deemed closed-out at the highest price prevailing in the NSE in Normal Market from the trading day till the date of settlement or 20 % above the official closing price in the Normal Market on the date of settlement of such trade, whichever is higher.

3.2.2 In case of non rectification/replacement of any bad delivery, the trade will be deemed closed-out at the highest price prevailing in the NSE in Normal Market from the trading day till the date of settlement or 20% above the official closing price in Normal Market on the date of settlement of such trade, whichever is higher.

3.2.3 The defaulting member shall pay the difference between the settlement prices and close out price within 5 working days from the date of settlement to the counterparty failing which the amount of difference shall be debited by Clearing Corporation to the account of the defaulting member. On recovery of the said amount, the credit thereof shall be given to the receiving member.

3.2.4 If the defaulting party does not pay the difference, the aggrieved party can refer the matter to the clearing corporation for suitable actions.

3.2.5 The defaulting party shall further pay a penal charge of 0.5 % of the traded value to Clearing Corporation. The penal charges shall be debited to the clearing accounts of the members and will be transferred to the core Settlement Guarantee Fund.

3.3 Cancellation of Trades

In case a deal executed in TT segment is cancelled by a Clearing Member, a penal charge of Rs.1000 for each cancellation of a trade shall be levied. If a clearing member is buying as well as selling member, Rs.2000 shall be collected as charge for cancellation of Trade. The cancellation charges shall be levied without prejudice to any disciplinary action including referring the matter to Disciplinary Action Committee.

3.4 Failure to report settlement of TT trades

Where a member fails to report settlement of the TT trades within 24 hours of the settlement date, a processing fee of Rs. 500 /- per trade per day subject to maximum of 2.50 times the value of the trade for each side with a ceiling Rs. 5000/- shall be levied for late reporting of a trade on such a member even though the trades are settled by the settlement date.

3.5 Failure to settle TT trades on the settlement date

3.5.1 Members shall seek prior approval of the Clearing Corporation to grant extension of the settlement date, if due to unavoidable circumstances they would be not able to settle the



trades by the settlement date. The relevant authority may, if satisfied that such circumstances exist in its absolute discretion, approve any such extension of settlement date.

3.5.2 Where a member fails to obtain prior approval from Clearing Corporation for extension of the settlement date of the TT trades, a processing fee of Rs. 500 /- per trade per day subject to maximum of 2.50 times the value of the trade for each side with a ceiling Rs. 10000/- shall be levied for late settlement of a trade.

3.5.3 Where a member establishes to the satisfaction of the relevant authority that the failure to settle is on account of non-payment of funds or non-delivery of securities by the counter-party member and that he has fulfilled his part of obligation in full and in time, the relevant authority in such cases may not impose the penal charges on such a member.



ITEM 4: CLEARING DAYS AND SCHEDULED TIME

In pursuance of Regulation 6.2 of the NSCCL 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:

4.1 Settlement in Physical Deliveries through Clearing House

Delivering members shall deliver all documents to the Clearing House during its regular business hours from 9.30 am to 10.30 am on the settlement day. Receiving members will be allotted specific time slots on settlement day to collect the documents from the Clearing House at Mumbai.

4.2 Settlement in Depository Clearing System

The delivering member shall complete delivery instructions for transfer of securities to CM Clearing Pool Account on settlement day in accordance with SEBI Circular Ref No MRD/DoP/SE/Dep/Cir-18/2005 dated September 2, 2005. The depositories shall facilitate transfer of such securities to 'NSCCL Settlement Pool account' by 11.00 am.

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.

The delivery for securities of SME segment for pay-in shall be done in applicable market lot only.

4.3 Clearing Bank

The paying member shall have clear funds in his settlement account on settlement day, 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 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.



ITEM 5: 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:

5.1 Depository Account

The members shall operate a clearing account with a 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.

5.1 Procedure for shifting of CDSL pool account

In case a clearing member wishes to shift the CDSL 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 in **Part C**¹.

¹ Refer 'Format for intimation of CDSL pool account to the Clearing Corporation'
Regd. Office : Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051



ITEM 6: 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:

6.1 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 in **Part C²**.

6.2 Maintenance and operation of clearing account

6.2.1 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 exclusively for clearing operations i.e., for settling funds obligation, payment of margins, penal charges, etc as may be specified by the Clearing Corporation from time to time.

6.2.2 Additional Clearing Account

- Further, every clearing member shall be able to maintain and operate additional clearing accounts with the designated clearing banks, exclusively for the purpose of enhancement of collaterals in the form of cash through CIM and for providing EPI of funds through CIM.
- All the credits and debits other than collateral enhancement and EPI of funds as specified by the member shall be routed through the primary clearing account.

6.3 Operation of clearing accounts

- Clearing members shall irrevocably authorize, as per the format given in **Part C³**, 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 and furnish to the Clearing Corporation an acknowledged copy of the same along with the account particulars issued by the clearing banks.

² Refer 'Designated Clearing Banks'

³ Refer 'Format of Authorisation Letter to be submitted by the Member to the Clearing Bank for Operation of Clearing 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 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.

6.4 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.
- The Clearing Corporation would thereon issue a letter of introduction to the other designated clearing bank
- 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 6.3 above.



- The Clearing Corporation shall thereon communicate the date from which the new primary clearing account shall be operational. The clearing members are required to intimate the Clearing Corporation whether they wish to continue the existing primary clearing account as one of the additional clearing accounts or discontinue the existing primary clearing account after the change in primary clearing bank. In the event of the clearing members wishing to discontinue the existing primary clearing account, the Clearing Corporation shall communicate the date after which the existing primary clearing account may be closed by the clearing member.
- In the event of the clearing members wishing to continue the existing primary clearing account as one of the additional clearing account, the clearing member shall be required to provide the letter from clearing bank confirming continuance of account as additional clearing account along with the letter as mentioned in 6.3 above for such additional clearing account.



ITEM 7: PROCEDURE FOR PAY-IN AND PAY-OUT OF SECURITIES

7.1 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 shall be fixed as declared by SEBI (refer SEBI Circular Ref No MRD/DoP/SE/Dep/Cir-18/2005 dated September 2, 2005) Members shall maintain settlement accounts at both depositories viz NSDL and CDSL and provide specific pay-in instructions to depositories for effecting pay-in

7.1.1 Auto Delivery Out

For pay-in through NSDL / CDSL 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. These instructions will be released on the T+1 day and the securities in the Clearing Members' pool accounts will be marked for pay-in.

Clearing members desirous of availing this facility shall send a letter in the format provided in **Part C**⁴.

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.

7.1.2 Early pay-in of securities

NSCCL provides a facility to Trading Clearing Members to make early pay-in of securities through NSDL and CDSL. Details for making early pay-in are provided in Item 11 under point no 11.16

7.2 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 1:30 p.m in accordance with SEBI Circular No MRD/DoP/SE/Dep/Cir-18/2005 dated September 2, 2005.

Payout shall be to the member's pool account.

⁴ Refer 'Format of letter for Auto Delivery Out'



7.2.1 Direct pay-out to Beneficiary Account

A facility is provided to the members to directly credit the pay-out to investor's beneficiary account. 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**⁵.

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

7.2.2 Securities Payout to Members Preferred Depository

In addition to the direct delivery of securities to the client account, Members also have a facility to receive their payout in their preferred depository.

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. The securities payout shall be after giving effect to any client direct payout instructions which may have been provided by clearing members for the respective security for the respective settlement. In the event of a failure of a client payout instruction at the depository, the payout shall be effected to the respective depository pool account.
2. 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.

⁵ Refer 'Direct Payout to Investors Account'



3. Members may avail the said facility by providing details in the form of a letter as enclosed in **Part C**⁶ 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.
4. Members may take note that they shall continue to maintain pool accounts in both the depositories viz NSDL and CDSL.

7.3 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. Currently auction shall be conducted on T+2 day and settled on T+3 day. 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. The short delivering member shall not be allowed to offer in the auction for the respective security. Auction shall not be conducted in respect of those sub-segments where shortages are directly closed-out and where the securities are under corporate actions.

The auction amount shall be charged to the short delivering member. Failure to procure shares in auction shall be closed out. Details for close out are provided in **Item 9**.

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

Pay-in and payout for auction shall happen along with Normal. The pay-in time for Auction securities settlement will be 09:30 a.m. on Auction settlement date (T+3). The auction paying members are required to have clear balance of funds in their clearing account towards obligation by 8:30 am on settlement day.

⁶ Refer 'Format for availing the facility of directing the payout to preferred depository'



ITEM 8: 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 Valuation Price for Bad Delivery

The valuation price for securities which constitute bad deliveries, shall be the closing price of such securities, on the trading day preceding the settlement day unless prescribed otherwise from time to time by the relevant authority. For the purpose of this clause, the closing price shall be the price as announced by the Specified Stock Exchange and the day of valuation shall be the day as decided by the relevant authority of the Clearing Corporation from time to time.

8.2 Valuation Price for failure to deliver

The valuation price for securities which were not delivered on the settlement day for securities, shall be the closing 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. For the purpose of this clause, the closing price shall be the price as announced by the Specified Stock Exchange and the day of valuation shall be the day as decided by the relevant authority of the Clearing Corporation from time to time.



ITEM 9: CLOSING OUT

In pursuance of Regulation 10 of the NSCCL 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 the Clearing Corporation is satisfied that securities cannot be bought in auction, obligation in such security shall be deemed to be closed out at the following price, 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 in the Exchange from the day of trading till the auction day or 20% above the official closing price on the auction day, whichever is higher.

9.2.2 Closing out in case of failure to give delivery for 'IL' and 'BL' Market Deals

Any shortages in the 'Inter Institutional' – IL segment and 'Block trades' – BL window shall be directly closed-out on the settlement at the highest price prevailing in the Exchange from the day of trading till the T+1 day or 20% above the official closing price on the T+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 in the Exchange from the day of trading till the T+1 day or 20% above the official closing price on the T+1 day, whichever is higher, or as declared from time to time.

9.2.4 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 in the Exchange from the day on which the trade was originally executed till the day of closing out or 20% over the official closing price on the close out day whichever is higher and will be charged to the auction seller unless otherwise specified.



9.3 Compulsory Close-out

9.3.1 Compulsory Close-out of securities under Corporate Action

‘No delivery’ is abolished in respect of all types of corporate actions for securities traded in the compulsory dematerialised mode.

In case a company announces any corporate action for securities in compulsory dematerialised mode, then, as specified by SEBI vide Cir. Ref No MRD/DoP/SE/Cir-07/2009 dated July 21, 2009 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 payout happens on or before Record date / Book closure – 1 business day. Shortages shall be directly closed out at the highest price prevailing in the Exchange from the day of trading till the day of closing out or 10% above the official closing price on the auction day, whichever is higher, or as declared from time to time.

The no-delivery period shall continue to be applicable in case of securities deliverable in physical form.

Members may kindly note that security in Limited Physical Market shall be withdrawn from trading, ten days prior to book closure/record date and re-enabled for trading ten days after the book closure/record date.

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 Closing out in the case of non rectification/replacement

9.4.1 Closing out in the case of non rectification/replacement for bad delivery

At the highest price prevailing in the Exchange from the day of trading till the day of the closing out or 20% above the official closing price on the auction day, whichever is higher.

9.4.2 In the case of non rectification/replacement for objection cases

In the case of non rectification / replacement for objection cases at 20% above the official closing price on the auction day



9.5 Rectified / Replaced bad deliveries

9.5.1 Rectified / replaced bad deliveries reported as bad delivery (Rebad delivery)

Rectified / replaced shares reported as bad delivery (Rebad delivery) shall be closed out at the highest price prevailing in the Exchange from the day on which the trade was originally executed till the day of the closing out or 10% above the official closing price on the auction day whichever is higher.

9.5.2 Company objection cases reported as bad delivery

Rectified /replaced company objection reported as bad delivery shall be closed out at 10% above the official closing price on the auction day.

9.6 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.

9.6.1 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 closing price.

Company objections received in the 'deleted security' will be required to be reported in the new security symbol / series. In case the 'new security' is not available for the reason of such security not being introduced for trading on the Exchange / trading being discontinued on the Exchange, company objections will be required to be reported in the 'deleted security' and close out price will be at the last 26 weeks average trade price on the Exchange.

9.6.2 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 closing price.

Company objections received in the 'deleted security' will be required to be reported in the new security symbol / series and members will be entitled to claim redemption amount as corporate benefit.



In case the 'new security' is not available for the reason of such security not being introduced for trading on the Exchange / trading being discontinued on the Exchange on account of full redemption, company objections will be required to be reported in the 'deleted security' and the close out price will be at the last 26 weeks average trade price on the exchange.

9.6.3 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 closing price.

Closing price for such 'deleted security' will be the official closing 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 close price for such deleted security will be at the last 26 weeks average trade price on the exchange

In case, where more than one security (hereinafter referred as 'additional securities') is being given by the company in lieu of the 'deleted security', the claim of company objection lodged for such 'deleted security' shall be settled as follows:

- (i) If such 'additional securities' are traded on the Exchange, in the ratio in which they have been issued by the company.
- (ii) If any one or more of these 'additional securities' are not traded on any Stock Exchange, no claim shall arise, for such security not traded.
- (iii) If any one or more of these 'additional securities' are not traded on the Exchange but traded on some other Stock Exchanges, the relevant closing price of such securities shall be the closing price on the regional exchange, to be notified by Clearing Corporation.

Members may claim such 'additional securities' as corporate benefit.

In case of securities undergoing scheme of amalgamation/ restructuring wherein the exchange ratio agreed to by the companies are in fractions/decimals, claim of company objection shall be settled as follows:

- (a) The no. of shares (arrived at as per the exchange ratio after excluding the fraction/decimal portion) of the new scrip
- (b) The fractional part, to be claimed as corporate benefit, which will be squared up as per the valuation given in **Annexure 17.1 of Part C** (rounded off to the nearest rupee).



9.7 Close out price for bonds

9.7.1 In case of failure to give delivery, non rectification/replacement of bad delivery, rectified/replaced bad delivery subsequently reported as re-bad, auction non-delivery, and auction delivery reported as bad delivery, closing out price will be the highest rate prevailing on the Exchange from the first day of the relevant trading period till the day of closing out or the close out mark up of 20% shall be applicable.

9.7.2 In case of non rectification / replacement of company objection and rectified/replaced company objections reported as bad delivery, closing price will be 5% over the official closing price on the auction day.

9.8 Compulsory closing-out of company objections reported against Suspended Members and Surrendering Members

9.8.1 Suspended Members and Surrendering Members shall be allowed to replace the company objection reported against them only in the dematerialised form and not in the physical form.

9.8.2 The non-rectified/replaced shares shall be compulsorily closed out at the 19th day closing price without any mark-up.

The 'Suspended Members/Surrendering Members' shall be intimated by the Exchange/Clearing Corporation from time to time.

9.9 In the case of an auction bad delivery

An auction delivery reported as bad delivery shall be closed out at the highest price prevailing in the Exchange from the day on which the trade was originally executed till the day of closing out or 10% over the official closing price on the close out day, whichever is higher and will be charged to the auction seller unless otherwise specified.

9.10 Closing Out for LP Deals

9.10.1 In the case of failure to give delivery

At 20% over the actual trade price

9.10.2 In the case of non rectification/replacement for bad delivery

At 10% over the actual trade price

9.10.3 In the case of non rectification/replacement for objection cases

At 20% above the official closing price in regular Market on the auction day.



ITEM 10: LIQUID ASSETS

A 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 and Gilt funds 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 and 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 Liquid Net worth:

In pursuance of Rule 2.3 of Chapter IV of the Rules of the Clearing Corporation, details of Security Deposit to be maintained as Liquid Net worth are specified as under:

The Member is required to meet with the liquid net worth requirements prescribed by the Clearing Corporation at all points of time.

10.1.1 Cash Deposit requirement for Members

As a part of the membership requirement every 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
- (c) Rs. 25.00 lakhs in case of Professional Clearing Member

10.1.2 Security Deposit requirement for Members

As a part of the membership requirement every 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**⁷, deposited with **Approved Custodians**⁸ or with the Clearing Corporation.
- iii. Bank Guarantee in favour of National Securities Clearing Corporation Ltd. from **Approved banks**.
- iv. Equity shares of companies and units of Exchange traded funds in demat form deposited with **Approved Custodians**, as per list provided by Clearing Corporation.
- v. Government of India Securities/T-Bills, as per list provided by Clearing Corporation
- vi. Open ended Mutual Funds Units 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

10.1.3 Non-fulfilment of Deposit Requirements

Any failure on the part of a member to meet with the deposit requirements as given in 10.1.1 and 10.1.2 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 member including withdrawal of trading facility, 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 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.

In addition, the outstanding positions of such member and/ or constituents, 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 member without any notice to the member and/ or constituents, and such action shall be final and binding on the member and/ or constituents. The Clearing Corporation may also initiate such other risk containment measures as it deems fit with respect to the open positions of the member and / or constituents.

⁷ Refer 'List of Approved Banks for issuance of Fixed Deposits Receipts & Bank Guarantees' in Part C

⁸ Refer 'List of Approved Custodians' in Part C



The 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:

Members who wish to provide any deposits at any point of time, over and above their minimum deposit requirement as given in 10.1.1 above towards margin and/ or other obligations, may do so in any one or combination of the following forms:

- i) Cash
- ii) Fixed Deposit Receipts (FDRs) issued by Approved banks.
- iii) Bank Guarantee in favour of National Securities Clearing Corporation Ltd. from Approved banks.
- iv) Equity shares of companies and units of Exchange Traded funds in demat form deposited with Approved Custodians, as per list provided by Clearing Corporation.
- v) Government of India Securities/T-Bills, , as per list provided by Clearing Corporation
- vi) Open ended Mutual Funds Units in demat form deposited with Approved Custodians, as per list provided by Clearing Corporation.
- vii) Corporate Bonds in demat form deposited with Approved Custodians, as per list provided by Clearing Corporation.

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.

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

10.3 Guidelines for Submission of Deposits

10.3.1 Cash

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. The same can be provided through a web based facility called Collateral Interface for Members (CIM) which enables the members to log in through internet. Members shall log in through specific user-



ids and passwords into CIM. To obtain a Login User ID, members are required to send their request to the Clearing Corporation in the format provided in **Part C**⁹.

The benefit of such cash deposit requests shall be subject to bank confirmation from the respective clearing bank. A 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.

10.3.2 Fixed Deposit Receipt

10.3.2.1 Submission of Fixed Deposit Receipt

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 either in favour of: "Custodian Name" (as the case may be) - A/c MEMBER NAME" in case to be deposited with Approved Custodians list provided in **Part C**¹⁰ or "NSCCL A/c MEMBER NAME" in case to be deposited with the Clearing Corporation.
- ii. Members are required to issue a letter to the approved custodian/ Clearing Corporation agreeing that the approved custodian/ 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 NSCCL/NSEIL dues. The formats of the letter are given in **Part C**¹¹.
- iii. Members are required to submit a letter from the bank issuing the FDR to the approved custodian/Clearing Corporation in the formats given in **Part C**¹².
- iv. The minimum value of FDR that may be accepted shall be Rs.1 lakh. The FDR 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.
- v. 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 and Hyderabad. The list of Approved Banks is provided in **Part C**¹³.
- vi. Member can additionally provide FDR's in electronic formats. The Procedure is as below:

⁹ Refer 'Format of letter requesting activation of account in Collateral Interface for Members application'

¹⁰ Refer 'List of Approved Custodians'

¹¹ Refer 'Format of letter by member for submission of FDR to custodian' or 'Format of letter by member for submission of FDR to Clearing Corporation'

¹² Refer 'Format of letter to be provided by bank issuing FDR to the custodian' or 'Format of letter to be provided by Bank issuing FDR to the Clearing Corporation'

¹³ Refer 'List of banks approved for issuing Bank Guarantees and FDRs,



- a. Member approaches and requests the bank to create FDR and mark lien in favour of NSCCL, the process is same as for physical FDR.
- b. 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 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 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 member
- f. NSCCL sends a system generated e-mail and sms to member.
- g. To get intimation for addition and renewal of instrument through e-mail and sms, members 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 C**¹⁴

10.3.2.2 Renewal of Fixed Deposit Receipt

- i. In case of renewal of FDRs placed with Clearing corporation, the clearing member shall furnish Clearing Corporation the following renewal letter, as provided in **Part C**, from the respective bank.
 - Format of letter to be provided by Bank for Auto renewal of FDR to the Clearing Corporation - when there is change in FDR number
 - 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
- ii. In case of renewal of FDRs placed with Custodian, the clearing member shall furnish Clearing Corporation the following renewal letter, as provided in **Part C**, from the respective bank.
 - Format of letter to be provided by bank for auto renewal of FDR to the custodian - when there is change in FDR number.
 - Format of letter to be provided by Bank for auto renewal of FDR to the Custodian - when there is no change in FDR number
- iii. The procedure of renewal of E-FDR is as below
 - a. Member requests bank to renew the FDR
 - b. Members can also request banks to renew existing physical FDRs in electronic form.

¹⁴ Refer 'List of Approved Banks for Issuance of FDR in Electronic form
Regd. Office : Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051



- c. Member 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 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 renews the FDR.
- e. Bank sends the renewed FDR information in electronic form to NSCCL
- f. NSCCL validates and if found correct renews the FDR
- g. NSCCL sends a system generated e-mail and sms to member.

In case the renewed FDR/ fresh FDR is not submitted and whereby the member does not fulfill the security deposit requirements, action as provided in 10.1.3 above shall be applicable.

10.3.3 Bank Guarantees

10.3.3.1 Submission of Bank guarantee

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:

Net worth of the issuing bank *	Applicable total limit per clearing member across all segments
Rs. 100 crores <= NW < Rs.200 crores	Rs 5 Crore
Rs. 200 crores <= NW < Rs.500 crores	Rs 10 Crore
Rs. 500 crores <= NW < Rs.1000 crores	Rs 15 Crore
Rs. 1000 crores <= NW < Rs.2000 crores	Rs 25 Crore
Rs. 2000 crores <= NW < Rs.3000 crores	Rs 35 Crore
>=3000 crores **	

*In respect of bank guarantees issued by the designated Clearing Banks, the maximum value of bank guarantees that can be accepted from each of these designated clearing banks shall be set at the next higher slab in which they would have ordinarily been, compared with their net worth.

**Over Rs. 3000 crores, for each Rs.1000 crores of net worth, an incremental limit of Rs.10 crores per member 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

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



Additionally, at the time of deposit of the bank guarantee, the member is required to ensure the following:

- i. The bank guarantee is strictly as per the **Formats for Fungible Bank guarantee**¹⁵ and **Format for Non Fungible Bank guarantee**¹⁶, prescribed by the Clearing Corporation, provided in part C.
- ii. Where member is submitting Fungible Bank Guarantee, it shall submit letter to clearing corporation as per prescribed format in **Part C**¹⁷, specifying the segment where benefit needs to be provided.
- iii. 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.
- iv. 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.
- v. While filling the details in a bank guarantee, 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 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.

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.

¹⁵ Refer 'Format of Bank Guarantee for Margin Deposit and Security Deposit (Fungible)'

¹⁶ Refer 'Format of Bank Guarantee for Margin Deposit and Security Deposit (Non Fungible)'

¹⁷ Refer 'Format of Clearing Member Letter for submission of Fungible Bank Guarantee to NSCCL '



10.3.3.2 Renewal of Bank guarantee

In case of renewal of bank guarantees, the 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**¹⁸. The members may also opt to give a fresh bank guarantee in favour of National Securities Clearing Corporation Limited instead of renewing the expired bank guarantees.

In case the renewed bank guarantees/ fresh bank guarantees are not submitted within the above mentioned periods whereby the member does not fulfil the security deposit requirements, action as provided in 10.1.2 above shall be applicable.

10.3.3.3 Reminder Letters through extranet

Reminder letters are downloaded on a monthly basis through the extranet in respect of the Bank Guarantees and Fixed deposits 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 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 10.1.2 above. The 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/ BG not getting renewed/ substitution being provided.

10.3.4 Securities

10.3.4.1 Eligible securities

Members are permitted to deposit shares of companies and ETFs as communicated to the members from time to time, in electronic form ('demat securities') in the designated depository accounts maintained with the Approved Custodians, as per list provided in **Part C**¹⁹, in this regard. These securities shall be pledged in favour of National Securities Clearing Corporation Limited.

Currently, securities forming part of VaR Margin Group 1 in the Capital Market segment shall be accepted as approved securities.

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

¹⁸ Refer 'Format of renewal of bank guarantee towards Margin deposit and Security deposit'

¹⁹ Refer 'List of Approved Custodians'



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 by the custodians 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 on FTP and on website. The report nomenclature will be “APPSEC_COLLVAL_ddmmyyyy.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 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_ddmmmyyyy.csv”

The 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) Members whose company shares are acceptable as approved securities shall not be permitted to place the same towards their liquid assets requirement.

10.3.4.3 Ownership of Securities

The securities that may be deposited shall be subject to the beneficial ownership of the 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.

In case of reconstitution / restructuring or any change in the partners /directors of the member, as applicable, a member 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 Clearing Corporation.

10.3.4.4 Opening of accounts:

Members are required to open a separate depository account with the authorized Custodians for the purpose of deposit of securities. Members 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.

10.3.4.5 Marking of pledge

Members may provide demat securities by marking a pledge of the securities in favour of the Clearing Corporation. The member shall be required to submit all such documents as may be required by the clearing corporation and the authorised custodian from time to time including the Deed of Pledge as per the specified formats as mentioned in **Part C**²⁰.

Members shall give the necessary pledge instruction(s) to the Custodian for the securities to be pledged in favour of the Clearing Corporation. Once the securities are accepted and duly pledged by the Custodian, the Custodian shall inform the Clearing Corporation the valuation of the securities after adjusting the relevant margin percentages. On the basis of the Custodian's advice, benefit towards securities pledged shall be provided to the member.

10.3.5 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 CSGL account.

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

- i. Member/Custodian desirous of providing G-Sec/T-Bills shall enter into an agreement with the Clearing Corporation as per the format provided in **Part C**²¹.
- ii. Clearing Corporation 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 members 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 member shall further be required to put request for addition of GSEC in

²⁰ Refer 'Format of deed of pledge for clearing members for deposit of securities for security deposit' / 'Format of deed of pledge for clearing members for deposit of securities for margin deposit'

²¹ Refer 'Format of agreement for placing G-Sec/T-Bills as collaterals'



Collateral Interface for Members (CIM) under menu option “EMI – GSEC Deposit – Request / Enquiry-Request The member is required to submit a fax request for addition as per prescribed format in **Part C**²². Clearing Corporation shall confirm the transaction entered on the E-KUBER, based on the information received from members in CIM.

- iv. The details of SGL-II account is as follows:
 - v. Name of the Account: National Securities Clearing Corporation Limited
 - vi. Member ID: BYA00168
 - vii. SGL – II A/c No. SG020168
- viii. The benefit of G-Sec/T-bills provided as collaterals shall be passed on to the members on G-Sec/T-Bills being transferred to the SGL-II account of the Clearing Corporation.
- ix. For release of G-Sec / T-bills, the member shall put the request for release of GSEC in Collateral Interface for Members (CIM) under menu option “Collateral Release-New request / Inquiry – Release request”. The G-sec/T-bill released by the Clearing Corporation shall be entered on E-KUBER under Margin Transfer Module. The member is required to submit a fax request for release as per prescribed format in **Part C**²³. The members shall ensure that such transactions are approved on E-KUBER by their custodian/Banks.
- x. G-Sec/ T-Bill can be alternatively provided to NSCCL 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-Bill as collaterals is similar to acceptance of ‘SECURITIES’ as collateral.
- xi. G-Sec/T-Bill shall be valued daily based on previous day’s MTM prices as specified by CCIL.
- xii. A hair cut of 10% shall be applied on the value of G-Sec/T-bill provided as collateral by the member. The value after applying the hair cut shall be added to the cash component of the liquid assets of the member.
- xiii. Periodic coupon / Redemption payments received on the G-Sec/T-Bills provided by the member shall be passed on to the 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 as Collaterals

Units of mutual funds are also accepted as in dematerialized form as approved collaterals through approved custodians.

²² Refer ‘Format of letter to be given by the member for request of G-Sec / T-bills addition’

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



The list of eligible open ended mutual fund schemes alongwith the marketwide acceptable quantity shall be disseminated by NSCCL 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 VaR margin computed using NAV of the mutual fund scheme and exit load. The total value of mutual funds units provided as non cash portion of the liquid assets shall not exceed 25% of the total liquid assets of the respective member.

10.3.7 Corporate Bonds as Collaterals

Corporate Bonds are also accepted in dematerialized form as approved collaterals through Approved custodians. The list of eligible Corporate Bonds along with the market wide acceptable quantity shall be disseminated by NSCCL on monthly basis.

The valuation of the Corporate Bonds and haircut applicable shall be in accordance with the norms prescribed by the Clearing Corporation from time to time. The value of the Corporate Bonds shall be reduced by such haircut.

The Corporate Bonds shall be valued on daily basis on closing price of the bond listed under cash or debt segment of NSE or the valuation using yield from sovereign yield curve plus credit spread published by FIMMDA, whichever is lower. A hair cut of 15% shall be applied on the value of Corporate Bond provided as collateral by the member. Only the value net of applicable haircuts shall be considered as the value of the Corporate Bonds pledged. Valuation of Corporate Bonds shall be done by the custodians at such periodic intervals as may be specified by the Clearing Corporation from time to time.

The total value of Corporate Bonds provided as non cash portion of the liquid assets shall not exceed 10% of the total liquid assets of the respective member.

A report containing details of valuation for corporate bond shall be downloaded to 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 member in CSV format in common folder of FTP. The report nomenclature will be “CB_Haircut_ddmmyyyy.csv”.

10.4 Releases of Liquid Assets

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 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 Collaterals Interface for Members (CIM) is provided for submission of release requests of collaterals. The members may select the desired available



collaterals for release. Release requests through CIM can also be placed using a file upload facility. The format of file is prescribed in **Part C**²⁴.

10.4.1 Collection of released collaterals submitted to NSCCL

The representative of the members coming to collect released FDR/ BG is required to carry an authorization letter.

The released FDRs/ BGs under immediate 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.

10.5 Transfer of Collaterals.

An additional facility is being provided in the Collateral Interface for Member (CIM) to enable members to transfer collaterals from one segment to other segment on an intraday basis. Members shall be required to put a transfer request in CIM and specify the segment where the collateral is to be transferred.

The intra-day transfer facility shall be available for margin deposits provided in form of Cash and Fixed Deposit Receipts and Bank guarantee only. Further, as per membership circular download reference no.

NSE/MEMB/13696 dated December 16, 2009, members shall also be able to request to avail excess Interest Free Security Deposit over the minimum amount stipulated regulatory in the other segments as collateral towards the margin requirements using the said facility.

The modalities of intraday transfer are mentioned below:

- i. The facility of transfer of collaterals shall be available to clearing members.
- ii. The facility of intra day transfer shall be available for Instrument Type Cash (CHQ) and Fixed Deposit Receipt (FDP) and Bank guarantee (BGN).
- iii. Member shall request for transfer of collaterals in Collateral Interface for Members (CIM) under menu option “Collateral Release – New Request/inquiry - Transfer Request”.
- iv. 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 for Instrument Type Cash (CHQ) and Fixed Deposit Receipt (FDP)) and Fungible Bank guarantee (BGN)..
- v. In case of non fungible Bank guarantee the member is further required to submit a letter to Clearing Corporation requesting for the same, the format of the letter is specified **Part C**²⁵ and an amendment letter executed on a Rs. 100 Stamp paper from the respective bank as per format of the amendment letter is specified in **Part C**²⁶ in addition to transfer request placed on CIM.

²⁴ Refer ‘File format for requesting collateral releases’

²⁵ Refer ‘Format of Member Letter for shifting Non Fungible Bank Guarantee’

²⁶ Refer ‘Format of Bank amendment letter for shifting Non Fungible Bank Guarantee’



- vi. Intra day transfer shall be subject to maintenance of minimum deposits as per regulatory requirement and current applicable parameters.
- vii. Member may verify the details of the request for transfer and its status in CIM under menu option “Collateral Release – New Request/inquiry- Transfer Inquiry”.



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 and SEBI/MRD/DoP/SE/Cir-08/2009 dated July 27, 2009 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
- b. VaR Margins
- c. Extreme Loss Margins
- d. Base Minimum Capital: Base Minimum Capital shall be Rs.10 lakhs or such other amount as may be specified by the relevant authority from time to time.

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

Member shall also maintain at all points of time Interest Free Cash Deposit with NSEIL and Interest Free Cash Deposit and Security Deposit with NSCCL 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 d' above to the extent available.

The base minimum capital shall be blocked from the interest free cash deposit placed by the member with the Exchange/Clearing Corporation.

11.2 Liquid Assets:

The total liquid assets comprise of the cash equivalents and other liquid assets. 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.

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 3 and VAR margins shall be computed as applicable to Group 3 securities.

11.3.2 Monthly Review

The trading frequency and impact cost shall be calculated on the 15th 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.
- 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 members on the extranet server and to the public at large through the Exchange website www.nseindia.com. 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 NSE 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 margin shall be collected/adjusted from/against the cash/cash equivalent component of the liquid net worth deposited with the Exchange.
- d. The MTM 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. 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 MTM profits across two rolling settlements i.e. T day and T-1 day. However, for computation of MTM profits/losses for the day, netting or setoff against MTM profits would be permitted.
- f. The methodology for computation of MTM margin is also illustrated by way of an example which is placed in **Part C**²⁷.
- 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 margin so collected shall be released on completion of pay-in of the settlement.
- i. The details of all margins (VAR, extreme loss margin and mark to market) as at end of each day will be downloaded to members in their respective Extranet directory. The format of the detailed Margin report (MG02) has been provided in **Part D**.

11.5 VaR Margin:

11.5.1 Computation of VaR Margin

²⁷ Refer 'Methodology for computation of MTM Margin'
Regd. Office : Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051



VaR Margin is a margin intended to cover the largest loss that can be encountered on 99% of the days (99% Value at Risk). For liquid securities, the margin covers one-day losses while for illiquid securities; it covers three-day losses so as to allow the Clearing Corporation to liquidate the position over three days. This leads to a scaling factor of square root of three for illiquid securities.

For liquid securities, the VaR margins are based only on the volatility of the security while for other securities, the volatility of the market index is also used in the computation.

Computation of the VaR margin requires the following definitions:

- **Security sigma** means the volatility of the security computed as at the end of the previous trading day. The computation uses the exponentially weighted moving average method applied to daily returns in the same manner as in the derivatives market.
- **Security VaR** means higher of 7.5% or 3.5 security sigma. Security VaR for broad based ETFs based on Indices shall be higher of 5% or 3 times ETF sigma.
- **Index sigma** means the daily volatility of the market index (S&P CNX Nifty or BSE Sensex) computed as at the end of the previous trading day. The computation uses the exponentially weighted moving average method applied to daily returns in the same manner as in the derivatives market.
- **Index VaR** means higher of 5% or 3 index sigma. The higher of the Sensex VaR or Nifty VaR would be used for this purpose.

The VaR Margins are specified as follows for different groups of securities:

Liquidity Categorization	One-Day VaR	Scaling factor for illiquidity	VaR Margin
Liquid Securities (Group I)	Security VaR	1.00	Security VaR
Less Liquid Securities (Group II)	Higher of Security VaR and three times Index VaR	1.73 (square root of 3.00)	Higher of 1.73 times Security VaR and 5.20 times Index VaR
Illiquid Securities (Group III)	Five times Index VaR	1.73 (square root of 3.00)	8.66 times Index VaR

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.
- 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 C²⁸**.

²⁸ Refer 'Example for computation of Gross positions of a member'
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- c. For this purpose, there would be no netting of positions across different settlements.
- d. As specified by SEBI vide Cir. Ref No. 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 Exchange website www.nseindia.com
- 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 mark to market) will be downloaded to members in their respective extranet directory. The format of the detailed Margin report (MG02) 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 for any security shall be higher of:
 - 5 % or
 - 1.5 times the standard deviation of daily logarithmic returns of the security price in the last six months. This computation shall be done at the end of each month by taking the price data on a rolling basis for the past six months and the resulting value shall be applicable for the next month.
- 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 C²⁹**.
- 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 mark to market) as at end of each day will be downloaded to members in their respective extranet directory. The format of the detailed margin report (MG02) has been provided in **Part D**.

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%.

²⁹ Refer ‘Example for computation of Gross positions of a member’



11.8 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.

11.9 Margins for Corporate bonds

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 existing risk management framework shall be applicable.

11.10 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 EPI would be allocated to clients having net deliverable position, on a random basis. However, members shall ensure to pass on appropriate early pay-in benefit of margin to the relevant clients. Additionally, members can specify the clients to whom the early pay-in may be allocated. The detailed provision of providing client level early pay-in of securities has been mentioned in point no. 11.16
- b. In cases where early pay-in of funds is made such positions for which early pay-in (EPI) of funds is made shall be exempt from margins. The procedure for providing early pay-in of funds has been detailed in point no. 11.17

11.11 Institutional Transactions

- Institutional transaction means transactions done on behalf of institutional investors. Institutional investors shall include
 - a. Foreign Portfolio Investors as per SEBI FPI regulation 2014 and. (FPI). Refer 11.11.1
 - 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 clearing corporation for the activation/ deactivation of CP code through Collateral Interface for members (CIM).



11.11.1 File structure for application of Custodial Participant Code

File naming convention:

C_<MEMBERCODE>_CPCODE_YYYYMMDD.Tnn

Where,

MEMBER CODE- Primary code of Custodian

YYYYMMDD- current date

nn- Batch number of the file

File format shall be as under

Column No.	Headers	Field Characteristics	Details
1	Custodial Participant Category	CHAR(11)	
2	FPI III category type	CHAR(1)	‘Y’ – FPI category III, who are Corporate bodies, Individuals or Family offices ‘N’ - FPI category III, <u>other than</u> Corporate bodies, Individuals or Family offices Keep field blank for other categories.
3	Investment Category	CHAR(1)	‘Y’ – FPIs registered with SEBI as Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks ‘N’ – FPIs not registered in any of above categories Keep field blank for other categories.
4	CP code of main FPI	CHAR(12)	Only in case of client category – LNK-FPI-I, LNK -FPI-II & LNK -FPI-III
5	Client Name	CHAR(300)	
6	Permanent Account Number	CHAR(10)	



Column No.	Headers	Field Characteristics	Details
7	Client Registration No / Passport No in case of NRI/ PIO	CHAR(25)	
8	Compliance officer	CHAR(30)	Compliance officer of Custodian
9	Country	CHAR(25)	Country of Origin/ residence
10	UCC Generated	CHAR(10)	UCC allotted by any of the Exchanges (Mandatory for - FPI-I, FPI-II, FPI-III, MF, PNF, INS, DFI, BNK. MFSCH, PNSCH & INSCH) Blank – If UCC not allotted to any of the above categories ‘NA- Other client Categories
11	POA (in case of UCC)	CHAR(1)	Y - If UCC not allotted (Mandatory for - FPI-I, FPI-II, FPI-III, MF, PNF, INS, DFI, BNK. MFSCH, PNSCH & INSCH) NA- If UCC provided/ Other client Categories
12	Net worth Declaration	CHAR(2)	‘NA’ – For all client categories



- In case of Custodial Participant wish to shift from one Custodian clearing member to another Custodian clearing member, application shall be made to clearing corporation by both Custodian clearing members as per request letter provided in **Part C³⁰** for deactivation and activation of custodial participant code.
- Transactions entered into on behalf of custodial participants i.e. carrying custodial participant code 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 categories
- Reporting and other procedures regarding Institutional transactions, including allocation of INST trades is provided in Item 26 (**26.4.3**)
- As specified by SEBI vide Circ. Ref No. MRD/DoP/SE/Cir- 06 /2008, March 19 2008 all institutional transactions shall be margined in the capital market segment from T+1 day subsequent to confirmation of the transactions by the custodians.
- 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

11.11.2 Risk management framework for Foreign Portfolio Investors (FPI) under the SEBI (Foreign Portfolio Investors) Regulations, 2014

- FPIs have been categorised into three categories, namely I, II and III. The existing FIIs/FII sub-accounts/QFI shall be classified into one of the three 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.
- Margins shall be levied on upfront basis for existing FII/ FII sub-account/QFI that are corporate bodies, individuals or family offices and new FPIs that are corporate bodies, individuals or family offices, in the same manner as marginable CP codes.

11.12 Retail Professional Clearing Member/ Custodian:

In case of transactions which are to be settled by Retail Professional Clearing Members (PCM)/ Custodian , all the trades with PCM/CP code shall be included in the trading member’s positions till the same are confirmed by the PCM/Custodian. Margins shall be collected from respective trading members until confirmation of trades by PCM/Custodian.

³⁰ Format of application for activation / deactivation of custodial participant code” in Part C.



On confirmation of trades by PCM/Custodian, such trades will be reduced from the positions of trading member and included in the positions of PCM/Custodian. The PCM/Custodian shall then be liable to pay margins on the same.

11.13 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.

The existing risk management framework shall be applicable for trades resulting from pre-open session and trades during the normal market session.

11.14 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.

For IPO scrips with an issue size greater than Rs.250 crores, orders received in pre-open session shall be validated at the applicable margins for sufficiency of available capital prior to acceptance of the orders. For IPO scrips with issue size upto Rs.250 crores and Re-listed scrips orders received in Pre Open Session shall be validated at 100% of order value prior to acceptance of the orders. Further, such scrips shall be available for trading in Trade for Trade Segment for first 10 days from commencement of trading.

The existing risk management framework shall be applicable for trades resulting from pre-open session and trades during the normal market session.

11.15 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 11.18.

11.16 Early Pay-in of Securities for Margin Exemption

As stated in point 11.10 above, in cases where early pay-in of securities is made, such positions for which early pay-in (EPI) of securities is made are exempt from margins. The EPI is allocated to clients having net deliverable position, on a random basis. However,



members are required to ensure to pass on appropriate early pay-in benefit of margin to the relevant clients.

11.16.1. Procedure for making early pay-in of shares

Members can make the early pay-in 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, for the particular settlement.

In CDSL, members have to open separate early pay-in account with CDSL through NSCCL. Members shall be required to send a request for opening an early pay-in account to NSCCL in the format specified in **Part C**³¹.

Early pay-in of securities of SME segment shall be done in applicable market lot only.

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

In addition, the following facility is being provided to all members making early pay-in of securities.

- i. Members shall receive a report on the extranet server at regular intervals through out the day, detailing the early pay-ins 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 early pay-in of securities even before execution of the trade and provide details of clients to whom such early pay-in shall be allocated. This shall ensure that on execution of trade the benefit of early pay-in is available to the respective clients. However it will be subject to receipt of securities from depositories.
- iii. Members shall make early pay-in only in respect of settlement type 'N' and 'W'.
- iv. Members shall provide the details of the clients to whom early pay-in benefit is to be provided through a file upload. Members can upload of client details file during the day through "Collateral Interface for Members (CIM)". 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.

³¹ Refer 'Format for Client level early pay-in files for securities'



The procedure of providing client details for early pay-in of securities to Clearing Corporation including the file formats have been provided in **Part C**³².

11.17 Early Pay-in of Funds for Margin Exemption

As stated in point 11.10 above, in cases where early pay-in of funds is made, such positions for which early pay-in (EPI) of funds is made are exempt from margins.

11.17.1 Procedure for making early pay-in of funds shall be as under:

- i. Members / Custodians shall make early pay-in funds through a screen-based request in the Collateral Interface for Members (CIM). The benefit for the same shall be provided on confirmation of funds from the respective Clearing Bank.
- ii. Members/Custodians may provide early pay-in of funds from any of their clearing accounts.
- iii. Early pay in of funds may 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 early pay-in of funds along with details of client-security allocation before execution of a trade and shall be able to avail the benefit of early pay-in of funds on execution of the trade.

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

i. Request for early pay-in of funds

- a. Members/Custodian shall provide request for early pay-in of funds in Collateral Interface for Members (CIM)' under the menu EMI- Funds EPI menu
- b. Members/Custodians shall select the settlement type, settlement number and Bank and enter the amount of early pay in.
- 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 bank 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 early pay-in of funds shall be provided.

ii. Allocation of early pay-in of funds at client and security level

- a. Members/Custodians can add, delete or modify the allocation details.

³² Refer 'Format for Client level early pay-in files for securities'



- b. Allocation of early pay-in of funds is optional. The allocation can be done at a client level or at a client security level if the early pay-in of funds are to be allocated against a specific client-security combination.
- c. In case where the member wishes to avail the early pay in 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 existing file upload facility shall also be available with added features as follows:
 - Member/Custodian can provide allocation details through the file upload mechanism. The file structure is explained in **Part C**³³.
 - The details provided in the file upload shall overwrite the existing allocation details stored in the system that could have got created either through an earlier file or through the screen based request.
 - It is to be noted that a file upload is a request for allocation only and a separate Funds EPI request has to 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

iii. Margin exemption for early pay-in of funds

- a. Where the member/custodians has 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. Where the Members/Custodians has provided early pay in of funds and no allocation request has been provided, the amount shall be allocated to the clients with net buy positions value in descending order
- d. Benefit for early pay-in of funds shall be provided subject to confirmation of the funds from the respective clearing bank of the member/custodian

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

As stated in point 11.16 above 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 as given below:

³³ Refer 'Format of files to be uploaded by the member/custodian giving client wise details of early pay-in of funds'



- i. Members/Custodians can request for funds pay-in confirmations from the clearing bank on settlement day using the menu 'EMI-Full pay-in' provided in 'Collateral Interface for Members (CIM)'- an online facility provided to Members/Custodians.
- ii. Members/Custodians shall request for confirmation of full funds pay-in obligations from the clearing bank for the settlement due on the current day. If the members/custodians have already provided any early pay-in of funds prior to settlement day then they shall request for 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.

11.19 Shortfall of Margins

In case of any shortfall in margin:

- The members shall not be permitted to trade with immediate effect.
- Penalty for violation on account of margin violation be levied on a monthly basis based on slabs mentioned below :-

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

Instances as mentioned above shall refer to all disablements during market hours in a calendar month. The penal charge of 0.07% per day shall be applicable on all disablements due to margin violation anytime during the day.

11.20 Effect of failure to pay margins

Non-payment of either the whole or part of the margin amount due will be treated as a violation of the Bye Laws of the Clearing Corporation and will attract penal action. Without prejudice to the foregoing, the Clearing Corporation may, within such time as it may deem



fit, advice the Exchange to withdraw any or all of the membership rights of member including the withdrawal of trading facilities without any notice.

In the event of withdrawal of trading facilities, the outstanding positions of the member may be closed out forthwith or any time thereafter by the Exchange, at the discretion of Clearing Corporation, to the extent possible, by placing at the Exchange counter orders in respect of the outstanding position of the member without any notice to the member, and such action shall be final and binding on the member

11.21 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 utilisation of capital towards margin utilisation during the day for more than 7 days in the current month shall be identified
- The capital required to bring the capital utilisation 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.
- Additionally if a member has a margin violation on account of trades from pre-open session, then the amount required for capital cushion shall be computed as the amount required for bringing capital utilisation to a level of 80% at the time of violating the trigger point of 90% on that occasion in pre-open session instead of 85%.
- The requirement shall be communicated to members on the first day of the subsequent month.
- The members shall be required to provide the amount of additional capital in the form of Cash, FDRs and Bank Guarantees within three working days
- 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 utilisation shall be intimated to the member on a 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

11.22 Margins from the Client

Members 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 the Exchange/Clearing Corporation. However, the quantum of these margins and the form and mode of collection are left to the discretion of the members.

11.23 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.



11.24 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 Cash 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 Cash and F&O segments, the clearing member shall only be required to intimate client details through a file upload through Collateral Interface for Members (CIM)
4. For client/entities clearing through different clearing member in Cash 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:

11.24.1 Positions eligible for cross-margin benefit

Cross margining shall be available across Cash and F&O segment and to all categories of market participants. The positions of clients in both the Cash 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 www.nseindia.com from time to time.
 - ii. In order to avail the cross margin benefit as per (c) 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 www.nseindia.com from time to time.
 - 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. Clearing corporation may revise the list of eligible ETFs and minimum quantity required from time to time.
- ix. An example of computation of offsetting positions has been provided in **Part C**³⁴.

11.24.2 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.

11.24.2.1 Client/entity settling through same clearing member in both Cash 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 Cash 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 Collateral Interface for Members (CIM).
- iii. The details of file to be uploaded i.e. file naming convention, file format has been provided as in **Part C**³⁵.

11.24.2.2 Client/entity settling through different clearing member in Cash 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**³⁶.
- 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

³⁴ Refer 'Example of computation of offsetting positions'

³⁵ Refer 'Format of files to be uploaded by the clearing member giving client wise details'

³⁶ Refer 'Format of agreement between member, custodian & constituent'



enter into an agreement as per the format provided in **Part C**³⁷. Further, the client/entity shall enter into an agreement with the member as per the format provided in **Part C**³⁸.

- iv. The clearing member in the F&O segment shall intimate to NSCCL the details of the client/entity in F&O segment alongwith 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**³⁹.

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

Further the member in CM 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**⁴⁰

11.24.3 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.

11.24.4 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 Cash 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.

³⁷ Refer 'Amendment agreement to the clearing member – trading member agreement'

³⁸ Refer 'Agreement between stock broker & client'

³⁹ Refer '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'

⁴⁰ Refer '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'



- 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.

11.24.5 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.

11.24.6 Additional reports

- i. All existing 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**.

11.25 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.

11.26 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.

11.27 Dissemination of Client level Position to Member:



The Client Level Positions shall be disseminated to all members through the detail margin report (MG02) 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 (MG02) is provided in **Part D**.

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 in to 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

- 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 ie Upper limit to move into Risk Reduction out mode and Lower limit to move out of Risk 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.



ITEM 12: 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 NSCCL Capital Market Regulations the applicable penalties are hereby specified as under :

12.1. Funds Shortages

Members failing to fulfil their funds obligations (including STT 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 & 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 the 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.

12.2 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

12.3 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 nd to 5 th instance
6th to 10 th instance of disablement	0.07% per day+ Rs. 20000 (for 2 nd to 5 th instance) +Rs.10000/- per instance from 6 th to 10 th instance
11th instance onwards	0.07% per day +Rs. 70,000/- (for 2 nd to 10 th instance) +Rs.10000/- per instance from 11 th instance onwards. Additionally, the member will be referred to the Disciplinary Action Committee for suitable action

Instances as mentioned above shall refer to all disablements during market hours in a calendar month. The penal charge of 0.07% per day shall be applicable on all disablements due to margin violation anytime during the day.

12.4. 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
(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.
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12.5. 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

12.6. Invalid IL trades:

- Penalties shall be applicable as per the provisions of the normal market. Additional penalties shall be imposed if trades are executed by ineligible clients as under:
 - If the selling client is not eligible - the trade shall be compulsorily closed out and a penalty of Rs.25000 shall be imposed.
 - If the buying client is not eligible - a penalty at the rate of 1% of the value of the trade or Rs 1 lakh whichever is lower shall be imposed.

12.7. Failure to give Good Delivery:

A processing fee for delayed good delivery or bad delivery will be levied on the value of securities in bad/fake delivery. In case of bad deliveries rectified, delayed good delivery processing charges will be at the rate of 0.09 % per day computed from the day on which securities were originally due to be brought in up to the day on which the securities are replaced/rectified.

In case of bad deliveries not rectified, bad delivery processing charges will be @ 0.09% per day computed from the day on which securities were originally due to be brought in up to

- (i) the day on which the securities are brought in or
- (ii) till auction settlement is completed or
- (iii) where auction is partially successful or not successful and the deal is deemed closed out or



- (iv) When the deal is squared off and the corresponding funds adjustments are completed, whichever is later.

In case of auction bad deliveries and rectified / replaced objection cases which are reported as bad delivery, the penal interest will be 0.09% per day from the rectification date till the date of closing out.

12.8. Incorrect claim for corporate benefits:-

Type of Default	Charges
Wrong claims of dividend, bonus, interest etc.	Rs. 100/- per claim
Same set of shares reported twice under objection	10% of value of shares reported under objection subject to a minimum of Rs. 5,000/- per claim

12.9. Incorrect undertaking

Incorrect undertaking on form 6-I	10% of the value of shares reported under objection, subject to a minimum of Rs. 5,000/- per claim.
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12.10. Late withdrawal of company objection:

Processing fee for late withdrawal at the rate of Rs. 2 per share subject to a minimum of Rs.200/- shall be levied for all withdrawals where a member has not withdrawn the invalid/incorrect objection/corporate benefits claim on the scheduled withdrawal date, for the following reasons:

- The shares under objection have not been introduced by the member on the Exchange, however he is not able to produce the delivery slip / delivery details statement on the scheduled withdrawal day.
- Where the IM had not approached the Clearing House on the scheduled withdrawal date on account of oversight/mistake.

Members wanting to avail 'late' withdrawals will be required to affix pre-paid coupons for the late withdrawal fee, at the time of reporting the same. Acceptance of such late withdrawals shall be subject to approval only.

12.11. 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.

12.12. Charges for rectification of errors committed by Clearing Members

A processing fee penal charge shall be levied for rectification of error that has been committed by the clearing member. The fee for all such error rectification that results in credit greater than Rs. 1,000 / - to be passed on to the clearing member, would be levied on the clearing member receiving the benefit.

Amount of credit received by the clearing member	Rectification charges to be levied (Amount in Rs.)
Rs. 1000 to Rs. 10,000	100
> 10,000	1000

The processing fee will be required to be paid in advance by the clearing member, by way of a cheque, drawn in favour of 'National Securities Clearing Corporation Limited'.



ITEM 13: CORE SETTLEMENT GUARANTEE FUND

13.1 Core Settlement Guarantee Fund

NSCCL 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. NSCCL shall compute the Minimum Required Corpus (MRC) for cash market which shall be subject to the following;

1. The MRC shall be fixed for a month.
2. By 15th of every month, NSCCL shall review and determine the MRC for next month based on the results of daily stress tests of the preceding month. NSCCL 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.
3. For every day of the preceding month, uncovered loss numbers shall be estimated by the various stress tests for credit risk conducted by the NSCCL for the segment and highest of such numbers shall be taken as worst case loss number for the day.
4. Average of all the daily worst case loss numbers determined in (3) shall be calculated.
5. The MRC for next month shall be higher of the average arrived in at step (4) and the segment MRC as per previous review.

13.2 Contribution to Core SGF

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

1. NSCCL contribution to core SGF will be minimum 50% of MRC of each segment. NSCCL shall make this contribution from its own funds. NSCCL contribution to core SGFs will be considered as part of its net worth.
2. NSEIL contribution to core SGF will be minimum 25% of MRC (can be against transfer of profits by NSEIL as per Regulation 33 of SECC Regulations).
3. 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 CMs on their



contribution to core SGF. The required contributions of individual CMs shall be assessed pro-rata based on the risk they bring to the system.

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

Penalties levied by NSCCL

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

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.

13.3 Penal Charges for Utilisation of Core SGF

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

The Clearing 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.



ITEM 14: GUIDELINES FOR GOOD / BAD DELIVERY

14.1 In pursuance of Regulation 7.1 of the NSCCL Capital Market Regulations, it is hereby notified that the Guidelines for Good/Bad Delivery as presented below shall be used as guidelines for determining good/bad delivery.

SEBI APPROVED

GOOD/BAD DELIVERY NORMS

14.1.1 TRANSFER DEEDS

No	Description	Good/Bad
1.	Transfer Deeds in the prescribed form and printed with the words "For the _____ Stock Exchange." Stock Exchange emblem may or may not be printed. Month and year of printing may or may not be put on the reverse of the Transfer Deed.	Good
2.	Mutilated Transfer Deed with the signatures of the transferor, witness, Directors and officer of the Company/ distinctive numbers/any material portion badly torn overwritten, or defaced	
	Typical Cases :	
	A) Material portion defined here only pertains to the material portions at the time of delivery and not prospective one. For a buyer Consideration column, Specimen signature column, Name, Address, Occupation will also be the Material portion.	
	Material portion includes of transferor's name and signature, company name, folio no., certificate number, distinctive nos., number of shares, name and signature of the transferee, specimen signature of transferee	
	B) Transfer Deed torn in the prospective material portion · Torn and pasted with self-adhesive tape on which the required Details can be filled in without any difficulty.	Good
	· Transfer Deed torn in non material portion and held together by a transparent tape	Good
	· Transfer Deed torn end-to-end in any angle.	Bad
3.	Transfer Deeds with correction like erasure, overwriting, alteration or crossing out in the material portion	Good if properly authenticated under the full signatures of



		all the transferor												
	Under noted corrections / alterations are not considered as correction in material portion :													
	A) Minor spelling mistake in the following fields are valid without the transferor's authentication provided the word can be properly identified : a. Name of the Company. b. Number of shares in words c. Names of the Shareholders <table border="0"> <tr> <td>Illustration</td><td>Good</td><td>Bad</td></tr> <tr> <td>Telco</td><td>Teelco</td><td>Tisco</td></tr> <tr> <td>Fifty</td><td>Feefty</td><td>Feeftteen</td></tr> <tr> <td>Ramesh</td><td>Rameesh</td><td>Rajesh</td></tr> </table>	Illustration	Good	Bad	Telco	Teelco	Tisco	Fifty	Feefty	Feeftteen	Ramesh	Rameesh	Rajesh	Good
Illustration	Good	Bad												
Telco	Teelco	Tisco												
Fifty	Feefty	Feeftteen												
Ramesh	Rameesh	Rajesh												
	B) Erasure, overwriting, alteration or crossing out in one or two characters in folio numbers.	Good												
	C) Erasure, overwriting, alteration or crossing out in one or two characters of ' Distinctive Numbers.'	Good if certificate number does contain any erasure, overwriting alteration, or crossing out.												
	D) Erasure, overwriting, alteration or crossing out in one or two characters of ' Certificate Number '.	Good if distinctive number does not contain many erasure, over writing, alteration, or crossing out												
	E) Erasure, overwriting , alteration or crossing out in Number of Shares in figures	Good if Number in words does not contain any erasure, overwriting, alteration, or crossing out.												
	F) Erasure, overwriting, alteration or crossing out in one or two characters in Number of shares in Words.	Good if Number of Shares in Figures does not contain any erasure, overwriting, alteration,												
	G) List of certificates numbers and distinctive numbers and distinctive numbers attached to transfer deed signed by all the transferors	Good												
4.	If the name of the transferor (s) in the share certificate & the	Bad												



	name in the transfer deed(s) differs materially.	
	A) Addition or Deletion of 1 or 2 alphabets.	Good
	B) Krishna Chandra Chelura - C C Krishna	Bad
	C) Ashok Gupta - Gupta Ashok	Good
	D) Corporation - Corpn/Corp.	Good
5.	Transfer Deeds signed as 'Choonilal' whereas in share certificate the name is spelt as 'Chunilal'.	Good
	Other than any apparent difference in seller's signature must be accepted.	
	In case of apparent difference like S Rao signing as David.	Bad
	In case S Rao signing as Subhash since the first letter of the signature matches with the initial.	Good
6.	Transferor's signature in English, Hindi or any one of the Scheduled languages in India. Assamese, Bengali, Gujarati, Hindi, Kannada, Kashmiri, Malayalam, Marathi, Oriya, Punjabi, Sanskrit, Tamil, Telugu and Urdu - as per Constitution of India - English Schedule (Articles 314 (I) and 451).	Good
7.	Signature of the Transferor is in an Indian language other than the Scheduled languages of India or when the Transferor has affixed his thumb impression. If attested by any person authorised to attest signatures under the Seal/Stamp of his office	Good
8.	Transfer Deeds in respect of joint holdings signed by all the joint holders in any order. Provided the signatures are against the relative names filled up in the Transfer Deed.	Good
9.	Transfer Deeds without the name of the Company, name(s) of Transferor(s), Folio No., share certificate no., Distinctive no., and number of shares being written.	Bad
10.	In one lot with one Transfer Deed name on one certificate reading as "Ramesh C Talati" and on another certificate as "Ramesh Chunilal Talati" but Register Folios same on both.	Good
	In one lot, separate transfer deeds are required for each registered folio.	Good
	If the transferor's name is identical and folios are different and there is only one transfer deed.	Good
11.	In one lot with one Transfer Deed names on different certificates reading as Ramesh Chunilal Talati and Talati Ramesh Chunilal but Register Folio is same.	Good
12.	Income Tax Authority or Collector signs as Transferor. (Number and Date of the relative Order necessary).	Good



13.	Instead of Executor's signature, his Agent's signature is put on the Transfer Deed. (Number and Date of Registration of Power of Attorney necessary).	Good
14.	Executor's signature without his rubber stamp.(Number and Date of Registration of Power of Attorney necessary).	Good
15.	In the case of Units transfer deed in the name of a Minor and signed by natural Guardian. (In the case of Court Guardian, a court order is required).	Good
	Shares cannot be held in the name of a Minor unless accompanied by Court Order granting permission for sales/purchase which is beneficial to the Minor.	Good – If accompanied by the relevant Court Order for sale.
16.	Unless the transfer deed is duly certified and countersigned by the Official Assignee.	Good
17.	Transfer deeds signed under Power of Attorney where the power given is subject to conditions	Bad
	Transfer deed signed by Director of the Company and Under Board Resolution not mentioned on the front or the reverse of the transfer deed. (Stamp of Introducing member is not required to be affixed on the reverse of the transfer deed)	Good
	Transfer deed signed by an authorised signatory	Good only if PA stamp of the introducing Member is mentioned on the reverse of the Transfer Deed.
	Transfer deed signed by an authorised signatory of a custodian and the PA registration no. is mentioned on face or the reverse of the transfer deed. (Stamp of Introducing member is not required to be affixed on the reverse of the transfer deed)	Good
	Where the transfer deeds are signed by an authorised signatory under a Board Resolution and the stamp UNDER BOARD RESOLUTION is mentioned on the face or the reverse of the transfer deed. (Stamp of introducing member is not required to be affixed on the reverse of the transfer deed)	Good
18.	Transfer Deed signed by a custodian on behalf of a client · In the signature column the custodian does not put the stamp as 'Constituted Attorney' on behalf of the transferor	Bad
	Transfer Deed signed by a Custodian on behalf of the client and in the signature column puts the stamp ' By Constituted Attorney to the transferor ' with the P/A number given on the face or reverse of the TD with the stamp and signature of the	Good



	custodian. (Stamp of introducing member is not required to be affixed on the reverse of the transfer deed)	
19.	Shares sold by FIIs and transfer deed signed by a Custodian on behalf of the FII.(Copy of RBI approval is not required to be attached)	Good
20.	In case of GDR	
	· Photocopies of the RBI approval attached to the deliveries ; - OR · If RBI approval number and date is mentioned on the transfer deed and attested by the introducing member	Good Good
21.	Consideration amount and date of execution of the transfer deeds are filled in.	Bad
22.	Transfer Deeds signed by or on behalf of a Company against which liquidation proceedings are pending.	Bad
	· Unless the Transfer Deed is certified and countersigned by the Liquidators.	Good
23.	The name of the delivering broker with his SEBI Registration number and date not mentioned at the back of the Transfer Deed.	Bad
	In case the shares are delivered to the Clearing House by the Custodian and the Transfer deed bears the stamp of Custodian along with the Clearing Number of the Broker on whose behalf the shares are delivered.	Good
	The date should be the pay-in date/ delivery date only.	
24.	Shares held by a TRUST and Signed on the Transfer Deed as 'NAME OF TRUST - PROPRIETOR'.	Bad
	TD signed as "NAME OF TRUST - TRUSTEE"	Bad
	Shares held in the name of a trust, if accompanied by a copy of the resolution or the relevant portion of the trust deed authorising the trustees to transact in securities on behalf of the trust.	Good
25	If shares held are duly registered by the company in the name of the HUF (Shares held by HUF and signed by KARTA)	Good
26	Transferor's signature witnessed by a person but his full name not given. as long as the name and address of the witness are perfectly legible.	Good
	Witness name, address and signature is in a language other than	Good



27.	English specified by the Ministry of Finance. Assamese, Bengali, Gujarati, Hindi, Kannada, Kashmiri, Malayalam, Marathi, Oriya, Punjabi, Sanskrit, Tamil, Telugu and Urdu - as per Constitution of India - English Schedule (Articles 314 (I) and 451).	
	If signed in a language other than specified by the Ministry of Finance.	Bad
28.	Attestation stamp in any one of the Scheduled languages in India. Indian languages: Assamese, Bengali, Gujarati, Hindi, Kannada, Kashmiri, Malayalam, Marathi, Oriya, Punjabi, Sanskrit, Tamil, Telugu and Urdu - as per Constitution of India - English Schedule (Articles 314 (I) and 451).	Good
29.	Transferor's signature attested by a Bank official · only the designation mentioned.	Bad
	· If the name, Designation of the attesting authority signing along with the complete address is given.	Good
30	Attestation by Gram Panchayat or a Surpanch or Village Magistrate or Village Munsiff under his seal.	Good
31.	Signature attested by any person authorised to attest signatures with his full name and address with the Official Seal/Stamp of his office.	Good
32.	Transferor's signature is attested by a Notary Public.(The necessary seal, rubber stamp, adhesive stamps as prescribed for such attestation should be affixed in cases where Notary attestation is required i.e. In cases where Rectification of objections is required due to signature differences).	Good
33.	Transfer Deed is signed by the transferor · Signature is clearly of a name different than the name of the transferor. · If signature is same for two different shareholders under two different Transfer Deeds.	Bad Bad
34.	Marketable lot with more than five transfer deeds. Upto five transfer deeds used to make a marketable lot.	Bad Good
35.	New shares which are issued on prorata basis and old shares standing in the folio and name of same transferor and accompanied by one transfer deed for a marketable lot. (The new share dividend declared for the previous year i.e. the	Good



	old new compensatory value (ONCV) would be payable on the entire market lot).	
36	Company's name has been changed but it has not been corrected on the share certificate.	Good
37	Abbreviated name of a Company filled up in the transfer deed.If from the abbreviated name the identity of the company can be ascertained. The name of the Company should be identifiable., e.g. TELCO, TISCO, L&T, etc.	Good
38.	Exact position of TDs to be attached on top of the certificate.TD should be placed on the top of the share certificate.	
39.	Transferor and witness is the same.	Bad
40.	Transfer Deeds in the prescribed form and name of a particular Stock Exchange filled in or not.	Good
41.	Transfer Deed not in the prescribed form.	Bad
42.	Witness and attesting authority identical.	Good
43.	Transfer Deeds bearing signatures of witnesses, the address of the witness being in a different city or town or Centre other than that of Transferor or Transferee.	Good
44.	Prescribed Authority (ROC) seal overlapping and stamped twice.Even if the signature of the Registrar of Companies is partly printed and the date stamp is also partly printed but both the signature and the date should be apparent	Good
45	The Endorsement of the Prescribed Authority (e.g. Registrar of Companies) bears the same date as the date from which the Register of Members of the Company is closed	Good
46.	If the Endorsement of the Prescribed Authority (e.g. Registrar of Companies) bears a date prior to the date of issue of share certificate or the date of allotment of shares. Provided the Endorsement of the Prescribed Authority bears a date of or after the date from which the Register of Members of the Company closed last.	Good
47	Transfer Deed endorsed by the Prescribed Authority on a date prior to closure of the Register of Members of the Company delivered after the date of closure of Register of Members.	Bad
48	Transfer Deeds accompanying debenture certificates or any other permissible listed security (other than equity) whether date-stamped by the Prescribed Authority or not. Provided for the convertible portion a separate date-stamped Transfer Deed is delivered.	Good
49	Transferor's signature on the transfer deed with the date on which he has signed.	Good
50	Witness is a Non-Resident and the address given is of a foreign	Good



	country.	
51	Distinctive numbers range "To" partly filled in the transfer deed. e.g. 4589201 - 300 etc.	Good
52	In the case of mutual funds, the ROC stamp and signature are missing (except in case of Schemes of Unit Trust of India).	Good
53	Certificates with multiple folios per market lot attached to separate transfer deed (subject to guideline no. 35 above).	Good
54.	Logo of the Stock Exchange on the reverse of the transfer deed missing.	Good
55	Attestation of the transferor's signatures is not mandatory.except in the case where the transfer has been returned by the company due to SIGNATURE DIFFERENCE.	Good
56	Units issued with the terms 'either or survivor', if signed by all holders If signed by any one of the holders	Good Good
57	Transferor's signature on the transfer deed is facsimile signature for Registered custodians.	Good
58.	Certified Transfer Deed Provided the name and address of the Transferor the distinctive numbers of the shares covered by the Transfer Deed and date of certification are given.	Good
59.	Any erasure or alteration in the Certified Transfer Deed. When authenticated by an authorised signatory of the Company.	Good
60.	Certified Transfer Deeds and share certificates delivered in part for bargains in market trading unit.	Good
61	In case of shares under lock in-period, if the transfer deed date is prior to the lock-in period last date but the date of introduction into the market is after the last date of lock-in period. If the transfer deed date is prior to the lock-in period last date and the date of introduction into the market is before the last date of lock-in period.	Good Bad
62.	Some companies allot record numbers for shares issued by them apart from distinctive number ranges. For these shares, if record number is filled up along with distinctive number ranges on the transfer deed.	Good
62A	If only the record number has been filled up instead of distinctive number ranges on the transfer deed.	Bad
	Transfer deeds (dated June 01, 1997 and thereafter) bearing	Bad



62B	rubber stamps on the reverse thereof other than those of members of the stock exchanges/clearing house/clearing corporations, SEBI registered sub-brokers and Remisiers registered with the stock exchanges.	
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14.1.2 SHARE CERTIFICATES

No	Description	Good/Bad
63	Name of the company or emblem is not readable on the common seal or there is no common seal on the share certificate.	Good
64	The last date for payment of call has expired and the call has not been paid or if the call has been paid, the necessary Call Receipt has not been attached. The call payment receipt with the stamp of the Bank before or on the due date if attached to the securities good delivery for three months from the last date of call payment or next book closure announced by the company whichever is later. All call payment receipts after due date must be endorsed as ' cheque / draft realised ' by the Bank / Co / Registrars. Where the closure of the register of members fall within the period of 3 months from the due for payment of call money, call money receipt valid until the closure of Register of Members occurring after the first such closure	Bad Good. Good Good
65	All securities with stickers issued by the companies in lieu of endorsement	Good
66	If call money paid but not endorsed on share certificate even after the book closure but transfers affected after the call payment date.	Bad
67	If the final call is endorsed but the initial or the initial and the second call not endorsed. (i.e. if marked "FULLY PAID")	Good
68	In case of fully convertible debentures, after the debentures have been converted into equity, if the call money endorsement has been done only for the equity portion and not for the debenture portion or vice versa.	Good
69	Call paid endorsements made by the company with call amount and signature of the Authorized Signatory with or without the Rubber stamp of the Company and date of payment of the call.	Good
70	In the case of partly paid shares, when a call has been made but not paid and delivery effected during the period of ten days before the last date fixed for payment.	Bad
	If the call receipts are attached to the documents	Good
71	Application Receipts and Call money receipts not bearing bank stamps and payment details .	Bad



72	Any significant correction, erasure, overwriting, crossing out or alteration in the quantity of the shares, in the last registered holders name or in any material particulars on the share certificate.	Bad
	Unless the Authorised Signatory who has signed on the certificate, authenticates the correction Or the correction is initialed and authenticated by any other officer under the Company's rubber stamp.	Good
73	Certificates badly torn as is not to be in a deliverable condition or share certificate torn through and through or badly torn as to obliterate or render illegible or create the impression of cancelling the numbers or directors or other signature or the date or any other particulars or if it is written upon or damaged or mutilated by advertisements, printing, rubber stamp or otherwise or if a material part of the certificate be torn out or cut off.	Bad
74	Share certificates defaced or mutilated in portion:	Bad
	The following will be considered as material portion in the case of share certificate:	
	(I) Share certificate torn end to end and pasted with transparent self-adhesive tape	Bad
	(ii) Where shares have been transferred to a new holder and if torn at the original holders name portion	Good
	(iii) Folio number and name overwritten in one or two characters and not authenticated by the authorised signatory	Good
	iv) If the share certificate is torn at the company name portion but is decipherable	Good
	(v) Corrections in transfer Number or Date of transfers, if legible and not authenticated.	Good
	vi) Share Certificates with bar codes not concealing any material information.	Good
75	If the name of the Company has been disfigured in the body of the share certificate so as to affect it materially.	Bad
	If the name of the company is identifiable.	Good
76	Certificates in the case of UNITS discharged by the transferor for purpose of repurchase and then cancelled by him and initialed.	Bad
77	Share certificate contains one name but the transfer deed consists of two signatures.	Bad
	If both the signatures on the transfer deed are identical in nature or can be identified as signature of the same person. If the transferor has signed twice but has struck off the 2nd signature	Good
78	Share certificate contains name of one transferor but transfer deed contains two names and signatures respectively.	Bad



79	Preferential/promoters quota shares under lock-in period delivered which are not transferable.	Bad
80	Share certificate issued without the signature of Secretary/Authorised signatory. If the shares are transferred subsequently and the authorised signatory has signed against such transfer.	Bad Good.
81	Signature missing in the initial column but signed by Authorised signatory in the required column on the reverse of the certificate.	Good
82	Endorsement effected on the reverse of the certificate and struck off and again endorsed.	Good subject to proper authentication by the Company by putting a round stamp of the Company.
83	Certificate with company's old registered office crossed out and new address stamped without authentication.	Good
84	Certificate without mentioning the place of issue.	Good
85	Revenue stamp affixed on the certificate concealing any material portion of the certificate. Provided any material portion like locking period date, NRI details are not affected	Good
86	Revenue stamps affixed/impressed by the Company on the share certificate has come off.	Good
87	Any alteration or erasure or correction without initials in the transfer endorsement on the back of the share certificate as for example made in the year 1960 and subsequently the shares have again been transferred by the Company, say in 1961.	Good
88	Share certificates with irrelevant or extraneous rubber stamp or writings on the scrip. Provided the rubber stamp or the writings does not affect any material portion of the scrip.	Good
89	Increase or decrease of the Capital and if the certificate does not carry the endorsement on the face of the certificate.	Good
90	Absence of holder's discharge on the Letter of Allotment.	Good
91	Share Certificate and Transfer Deed not attached together.	Bad
92	Shares standing in the name of Non-Resident Individuals. Provided the declaration stamp as per the RBI guideline is affixed and countersigned by the introducing member	Good
	Name of the holder printed in two lines which looks like joint holding or	Good



93	one line of address printed and looking like second holder.	
94	Lock in period mentioned in the certificate, without specific date of release of lock in.	Bad
95	Shares issued in the name of Sole Proprietor/ Partnership firm signed by the Proprietor/Partner. Units/debentures issued in the name of Sole Proprietor/ partnership firm signed by the Proprietor/partner	Bad Good
96	In case the shares of a company are not pari passu with the existing equity shares of the company in two financial years then new share dividend declared for the previous year i.e. the old new compensatory value(ONCV) for two years has to be paid. The full dividend declared will have to be paid (interim + final)	

14.1.3 MISCELLANEOUS

No.	Description
97	Validity period of Company Objection by the last buying broker to be notified to the exchange/introducing broker is 12 months from the date of the objection memo.
98	Objections must be accompanied with Share Certificates.
99	Shares lodged for transfer after book closure (but before one year from the date of stamping the transfer deed) are returned under objection can be lodged as company objection.
100	Where the shares have been duly transferred by the company in the name of the transferee, and thereafter the company sends a letter informing transferee that the shares have been transferred based on fraudulent documents, such cases can be lodged as company objection subject to the following conditions and procedure : · In cases where the company has transferred certificates which are fake and later sends a letter informing that the shares have been transferred on fraudulent certificates, such cases will NOT be treated as company objections and company will be responsible for the transfer. · In cases where the shares are under stop transfer, stay order, non transferable (lock - in period) or shares are partly paid and the company has transferred the shares and later sends a letter informing that the shares have been transferred on fraudulent documents, such cases will NOT be treated as company objections and the company will be responsible for the transfer. · In cases where the certificates are genuine but the transfer deed is forged (i.e. the company has transferred the shares in good faith) the shares can be accepted as company objection. In such cases the company should necessarily enclose the copies of both sides of the transfer deeds based on which shares were transferred by the company in favour of the holder and which later on has been found to be based on forged documents, and all subsequent transfers thereafter alongwith the objection. Procedure : (In order to simplify the understanding of the procedure, the following illustration has been used :



	A -- > B -- > C -- > D -- > X -- > Y -- > Z The shares were first sold through 'A' in the market. After passing through 'B' and 'C' the shares were lodged by 'D' to the company for transfer. After receiving the shares duly transferred from the company in his name 'D' sold the shares in the market. These shares after passing through 'X' and 'Y' are finally sent by 'Z' to the company for transfer in his / her name. After receiving the shares from the company duly transferred in his name, 'Z' has received a letter from the company stating that the shares transferred in the name of 'D' were based on fraudulent documents. · 'Z' will report the objection along with the company objection against 'D' · 'D' will rectify /replace the shares within 21 days as per the BDC procedures · 'D' may in turn lodge the bad delivery for rectification through the BDC against 'A' The validity period of reporting such cases will be 36 months from the date of latest transfer by the company (in the above example 36 months from the date the shares were transferred in the name of 'Z'). The company will also furnish copies of both sides of transfer deed based on which shares were transferred in favour of 'Z' and 'D' along with the objection memo.
101	In case of joint holding, and in the event of death of any of the holders, transfer can take place on the basis of the death certificate accompanying the transfer deed only for a period of two years from the date of the death or ensuing book closure, whichever is later. The Introducing member of a recognised Stock Exchange may certify / attest copy of the death certificate and also issue an identity certificate in case where the name of the deceased on the share certificate is not identical with the name of the death certificate.
102	While rectifying objections due to signature differences, a fresh signature by the transferor along with attestations is mandatory if the same transfer deed or a fresh transfer deed along with attestation is mandatory. Clarification : Members are required to submit fresh transfer deeds duly attested for all signature difference cases (even in case of signature difference of authorised signatory, fresh transfer deed signed by a different authorised signatory also needs to be attested).
103	In case Rights/Bonus shares tendered as corporate benefits are reported as bad delivery, if it is odd lot, the value of shares based on the rate prevalent on the day of reporting bad delivery will be paid.
104	Rectification/replacement of transfer deed under objection should be in market lot only (even if transfer deed under objection is submitted in non-market lot)
105	If Jumbo transfer deed is submitted as company objection, original transfer deeds need not be returned by the receiving member
106	When documents are returned under signature difference, the transfer deed can be attested by the introducing member. If the introducing member is a corporate, the Director or authorised signatory can attest the transfer deed, under his company's stamp, with SEBI Registration Number .
107	For reporting as company objections, the transferee portion of the transfer deed should be duly filled in.



108	For reporting fake/forged shares as company objection, the following documents are required: A. If they are returned as objection from the company due to the above reason : · company objection memo stating that the shares are fake/forged · copies of both sides of the transfer deeds · copies of both sides of the share certificates B. Otherwise one of the following documents are required : · public notice given by the company/registrar · notification from any stock exchange · letter of intimation from the company to stock exchange
109	For reporting missing/lost/stolen shares as objection the following documents are required: A. If they are returned as objection from the company due to above reason : · company objection memo stating that the shares are missing/lost/stolen accompanied by a copy of Court Order or FIR or copy of acknowledged police complaint · copies of both sides of the transfer deeds · copies of both sides of the share certificates B. Otherwise one of the following documents are required : · public notice given by the company / registrar · notification from any stock exchange · letter of intimation from the company to stock exchange. Clarifications : 1. In cases where duplicate shares have been issued to a third party under the provisions of Section 108 (1) A of the Companies Act, the company should also provide the name and address of the third party to whom the duplicate shares have been issued along with the date of request for duplicate shares by the third party. 2. In cases where the companies have issued duplicate certificates for missing/lost/stolen shares, the receiving member is not required to submit FIR/ court order copies, while reporting company objections.
110	Attestation is required where signature of transferor is in an Indian language other than the Scheduled languages in India or when the transferor has affixed his thumb impression (guideline no. 7). In other cases, attestation is compulsory only when shares come under objections due to signature difference. Hence guideline Nos. 28, 29, 30, 31 & 32 apply only to transfer deeds which come under objection due to signature difference. In cases where the seller delivers the shares in market lots but the receiving member lodges the shares for transfer with a jumbo transfer deed and the receiving member is not in a position to return all the original transfer deeds submitted with each market lot whilst reporting company objection, the receiving member is required to give an undertaking indemnifying the introducing member in the event of the said original transfer deed(s) being misused at any future date in the prescribed form 6J.

14.1.4 ADDITIONAL GOOD/BAD DELIVERY NORMS



S.No.	Description	Good/Bad
1.	Securities with transfer deeds bearing the name/rubber stamp of the defaulter/surrendering member/expelled member as an introducing member/delivering member on the Exchange	Bad
2.	Securities with transfer deeds bearing the name/rubber stamp of defaulter of some other exchange as an introducing/delivering member and notified as bad delivery by the Exchange	Bad
3.	Delivery of underlying shares of GDR/ADR in physical mode	Bad
4.	Delivery of shares by institutional investors viz. domestic financial institutions, banks, mutual funds, pension funds, foreign institutional investors and overseas corporate bodies in physical mode after a specified date	Bad
5.	Delivery of shares of a scrip by any investor, falling under the list of compulsory trading and settlement in demat mode in Regular Market, after a specified date	Bad
6.	Delivery of shares by an individual/HUF in LP Market exceeding 500 shares on a trade day	Bad
7.	Delivery of shares by any person other than individual/HUF in LP Market	Bad
8.	All share certificates bearing the stamp "surrendered for dematerialisation"	Bad
9.	Validity of objection where SEBI Approved Good/Bad Delivery Norm 97 and Norm 100 are applicable	Norm 97 is enforceable



ITEM 15: FORMAT OF MEMBERS STAMP

In pursuance of Regulation 6.12.1 of the Capital Market Regulations, members are required to affix a stamp bearing the name and SEBI registration number (Code) of the clearing member and other details on the reverse of the transfer form in respect of the securities delivered to the clearing house. Members are required to use one of the formats specified below.

The formats of the stamp to be affixed on the reverse of the transfer form are given below:

Format 1

Member Name :

SEBI Reg. No. : Pay-in Date :
Settl.Type & No. : Client A/c. No.:

Format 2

Member Name :

SEBI Reg. No. : Pay-in Date :
Settl.Type & No. :

Delivery No. : Client A/c. No. :

The dimensions of the stamp shall not exceed 4 inches by 2 inches.

Members are required to use either Format 1 or Format 2 as given above for all securities delivered through the clearing house. All details prescribed in Format 1 and Format 2 are mandatory with the exception of the details pertaining to Client A/c. no. which is optional. In case members are not using the Client A/c. no. field, the same has to be filled in as 'XXXX'.

Members proposing to use Format 2 are required to intimate the same to the clearing house in writing failing which it shall be assumed that they shall be using Format 1.

Members are required to give seven days prior notice to the clearing house in writing in case they propose to change from one format to another at a future date.

Any violation in the use of the above formats shall be treated as bad delivery.



ITEM 16: 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:

16.1 Delivery unit for Regular Market Deals

Delivery unit for Regular Market Deals in non-depository (physical) or in depository mode shall be the lot size prescribed for each security of the Capital Market Segment of the NSE.

16.2 Delivery in prescribed units for Regular Market Deals in Non-Depository Mode

One certificate for the exact quantity of the delivery unit or two or more certificates making up in the aggregate the delivery unit accompanied by one or more transfer deed subject to not more than five transfer deeds for the exact delivery unit shall be delivered in settlement of settlement obligations in securities for the Regular Market Deals.

16.3 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 of the NSE.

16.4 Delivery unit for LP Market Deals

Delivery unit for LP Market Deals shall be equivalent to the size of the deal or 500 shares, whichever is lower.

16.5 Delivery in prescribed units for LP Market Deals

One certificate for the exact quantity of the delivery unit or two or more certificates making up in the aggregate the delivery unit accompanied by one or more transfer deed subject to not more than five transfer deeds for the exact delivery unit shall be delivered in settlement of settlement obligations in securities for the LP Market Deals.

16.6 Delivery unit for IL & BL Market Deals in Depository Mode

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



ITEM 17: BAD DELIVERY CELL

In pursuance of Regulation 10 and 12 of Capital Market Regulation, procedures for handling intra exchange and inter Exchange Company objections through Bad Delivery Cell (BDC) are given below:

Contents:

17.1: Procedure for handling Local Exchange Objections

- 17.1.1 Procedure to be followed by the Member for reporting Local Exchange Objections to the BDC of the local exchange
- 17.1.2 Incorrect reporting of Company Objections
- 17.1.3 Non Rectification of Shares or Bad delivery of rectified/replaced shares submitted Under Objection.
- 17.1.4 Second Time Objections.
- 17.1.5 Corporate Benefits

17.2: Procedure for handling Inter Exchange objections

- 17.2.1 Procedure to be followed by a Member for reporting Inter Exchange objections to Bad Delivery Cell (in case the shares have been transacted on more than one exchange).
- 17.2.2 Incorrect reporting of Company Objections
- 17.2.3 Non Rectification of Shares or Bad delivery of rectified/replaced shares submitted Under Objection.
- 17.2.4 Second Time Objections.
- 17.2.5 Corporate Benefits.

17.3: General Instructions.

Terminology:

The terms used to explain the procedure for reporting objections to Bad Delivery Cell are defined below:

BDC	Bad Delivery Cell
First Introducing Exchange (FIE)	The exchange where the shares were first introduced
Local Exchange (LE)	The exchange where the shares were traded for the last time before they were sent for transfer to the company.
First Introducing Member (FIM)	The member who has introduced the shares on the First Introducing Exchange.
Last Introducing Member (LIM)	The member who introduced the shares on the local exchange
Receiving Member (RM)	The last member of the local exchange who has finally received the shares before sending them for transfer to the company.



Previous Member (PM)	The member from whom LIM purchased the shares. (i.e. the member who has delivered the shares to the LIM)
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17.1. Procedure for handling Local Exchange Objections

17.1.1 Procedure to be followed by the Member, for reporting Local Exchange (LE) objections to the BDC, where, the RM and the FIM are of the same exchange.

1. The shares under objection are required to be lodged by the RM of the LE with the BDC in the prescribed form BDC-1A. Claims for corporate benefits (if any) should also be made in Form BDC- 1A. RMs will be required to report such objections to the BDC on the days specified by the exchange (see schedule)

2. The following documents are required to be lodged:

- Form BDC - 1A in triplicate
- Original Transfer Deed
- Share Certificates
- Original Company Objection Memo or Certified copy of the memo.
- In case of fake / forged /stolen / missing shares, all documents as given in SEBI Good /Bad Delivery guidelines no. 108 / 109. (as per Item 14)

3. All the documents as given in point 2 are required to be lodged by the RM with the BDC in a sealed plastic pouch. Form BDC-1A is required to be submitted in triplicate, of which one copy should be attached on the pouch, and the remaining two copies should be attached to the documents and placed inside the pouch.

4. The BDC will give an acknowledgement to the RM on the third copy of Form BDC - 1A which is attached outside the pouch. This acknowledgement will be given by using a rubber stamp and will bear the words “subject to verification / counting ”.

5. The BDC will retain one copy of Form BDC - 1A for its records, while the copy of Form BDC - 1A attached to the documents will be handed over to the FIM.

6. If all the shares (pertaining to the same company), have been introduced by the same FIM, then the RM must report this as one objection (i.e. in one form BDC-1A). On the other hand, if the shares have been introduced in the exchange by more than one FIM, then the RM must report the objections separately for each FIM using a separate form BDC-1A and in separate pouches.

7. The BDC will allot a unique serial number (BDC Inward No.) to each objection case reported by the RM.



8. The BDC will verify/count the documents enclosed by the member. If the contents of the pouch are not in order, the same will be returned to the RM of the exchange.

9. a. In the event that the BDC is not equipped to carry out the verification/counting the BDC will sort the documents first introducing member wise and handover the documents to the FIM within 24 hours of receipt of such objections.

b. The FIM will count the securities on the counter and give an acknowledgement to the BDC for the number of securities received. The verification for the correctness of the objection will be done later. During the process of verification, if the FIM finds that the objection is incorrect, he will return the objection to the BDC within seven days along with form BDC-3A. The BDC will give an acknowledgement on form BDC-3A to the FIM.

c. If the BDC is satisfied with the claim of the FIM regarding the invalidity of the objection, then the documents will be returned to the RM. If the BDC finds that the objection is valid then the FIM will be required to accept and rectify the objection.

10. The BDC will sort all the objections received, in the order of FIM.

11. The BDC will forward the pouch containing the objections to the FIM within three days of receipt of such objections. The FIM will acknowledge the receipt of such objections by affixing his rubber stamp and initials on the copy of Form BDC - 1A retained by the exchange. The BDC will stamp the date by which the shares are to be rectified or replaced by the FIM (i.e. 21 days from the date of submitting objection to FIM). The stamp will be put on form BDC 1A in a different colour while giving acknowledgement copy to the FIM.

12. The FIM will enclose the following documents while rectifying / replacing the shares under objection.

- Prescribed Form BDC - 2A in triplicate
- Rectified / replaced shares
- Benefits (if any) due
- Copy of Form BDC - 1A
- Copy of the company objection memo
- Cheque for value of transfer stamps and/or corporate benefits

13. The FIM will hand over the documents mentioned in point 12 above in a plastic pouch on the rectification day to the BDC. The BDC will return one copy of Form BDC - 2A to the FIM, acknowledging the receipt of rectified shares by affixing a rubber stamp bearing the words " subject to verification/counting ". One copy of Form BDC - 2A will be retained by the BDC and the last copy of Form BDC - 2A along with the rectified documents will be returned to the RM.

14. In the event of closeout, the cheque shall be in favour of the RM who has reported this objection to the BDC for rectification.



15. The BDC will handover the rectified/replaced shares/ cheque and corporate benefits to the RM within seven days of the rectification day.

16. If the FIM fails to rectify / replace the shares under objection by the prescribed rectification day the exchange will auction/close out the transaction as per the closeout procedure laid down in Para 17.3.1.

17.1.2 Incorrect reporting of Company Objections

1. If the FIM finds that the objection /corporate benefits has been reported wrongly against him, the FIM will report such cases to the BDC by filling in form BDC - 3A and will return the shares received under objection to the BDC along with copy of form BDC 1A.

2. If no such objection has been raised by the FIM within seven days of receiving the objection, it will be understood that the FIM has accepted the objections / corporate benefits reported against him and will be required to rectify / replace the shares by the rectification day.

3. The BDC will return the shares wrongly reported as objection back to the RM.

4. In case of invalid claim for Corporate Benefits the FIM must submit only the form BDC - 3A duly authorised by the BDC official (Verification Officer) of the Exchange along with a copy of form BDC - 1A. In such cases the FIM shall retain the shares and rectify the same within the stipulated time. The BDC will verify the validity of claim for Corporate Benefit. If the claim is found to be invalid, the BDC will forward one copy of form BDC-3A to the RM.

17.1.3 Non Rectification of Shares or Bad delivery of rectified/replaced shares submitted Under Objection

1. If the RM finds that the shares received after rectification or replacement are not good delivery, the RM will report such cases in prescribed form BDC - 4A (in triplicate) to the BDC along with a copy of Form BDC-1A and 2A within 48 hours of receipt of such shares.

2. If the RM finds that the benefits claimed by him are not settled then the RM will accept the rectified shares and will report only the unsettled claim to the BDC.

3. The BDC will verify the shares/benefits and if the shares/benefits are found to be bad delivery/unsettled then the BDC will straightaway close - out such cases (without going through auction) as per the closeout procedures laid down Para 17.3.1. The FIM will be intimated that the deal is being closed out and that his account will be debited accordingly.

17.1.4 Second Time Objections

1. In the case where same shares are rectified and if the rectified shares are again returned under objection by the company these shares will be deemed as "Second time objections" and the shares will be straightaway closed out (without going through the auction process) as



per the closeout procedure in Para 17.3.1. However, in the cases where shares have been replaced or procured under auction and these shares again come under objection, these shares will not be considered as second time objections and will be treated as fresh objections and dealt with accordingly.

2. The RM will report the shares under second time objection to the BDC in the form for second time objections. Form for Second Time Objections will be the same format as BDC - 1A/1B but will be of a different colour (pink colour) and have the words “SECOND TIME OBJECTION” written in bold on the top of the form.

3. The following documents are required for reporting second time objections.

- Fresh copy of form for Second Time objections (in triplicate)
- Transfer deed and share certificates returned by the company
- Company objection memo
- A copy of Form BDC - 1A and 2A which have been used for reporting the first time objection.

4. The documents mentioned in point three above are required to be submitted in a plastic pouch.

5. All the Second Time objections will be straightaway closed out without going through the auction process (see close out procedures in Para 17.3.1)

17.1.5 Corporate Benefits

1. Members are required to claim corporate benefits while submitting the bad delivery to BDC in form BDC - 1A. Once the claim for benefits has been made by a member, the member cannot refuse to accept the corporate benefits.

2. If the market rate of the corporate benefit is less than the cost of procurement of the benefit then such benefit may not be taken up for settlement.

3. If the member is not in a position to submit the corporate benefit in the form of shares then he should submit a cheque as per the valuation given in Annexure 17.1 of **Part C** along with form BDC - 2A.

4. Rectified/replaced shares shall be accepted by the BDC only if they are accompanied with the corporate benefits (either in the form of shares or equivalent value in the form of cheque in favour of the receiving member) claimed as per form BDC-1A.

17.2 Procedure for handling Inter Exchange objections.

17.2.1 Procedure to be followed by a Member for reporting Inter Exchange objections to BDC (in case the shares have been transacted on more than one exchange)



The procedure has been split into two parts:

In Part 1 the RM will approach BDC of LE and submit his objections using form BDC-1A ,which will have to be rectified by the LIM as per the procedures laid down for handling local exchange objections.

In the Second Part, LIM may opt for any of the following two options:

Option 1: In case of Inter Exchange objections the LIM may handover the documents under objection to the PM (who has delivered the shares to him) directly without going through the BDC.

Option 2: LIM can approach the BDC of the LE for rectification / replacement of the shares under company objection. In that case the BDC of LE will forward the shares to the BDC of the FIE who will in turn forward the same to the FIM. The detailed procedure in case of Option 2 will be as under:

1. The shares under objection are required to be lodged by the LIM with the BDC of the LE in the prescribed Form BDC - 1B in quadruplet. Claims for corporate benefits (if any) should also be made in Form BDC- 1B.

2. The following documents are required to be enclosed.

- Form BDC - 1B (in quadruplet)
- Original Transfer Deed
- Share Certificate
- Company Objection Memo or Certified copy of the memo.
- In case of fake / forged /stolen / missing shares, all documents as given in SEBI Good /Bad Delivery guidelines no. 108 / 109.(as per Item 14)

3. Two sets of photo copies of the documents mentioned in point 2 above are required to be submitted at the time of reporting of objection. One copy of this set will be retained by the BDC of LE. The second set along with the original documents will be forwarded to BDC of FIE.

4. All above documents are required to be lodged with the BDC of LE in a sealed plastic pouch. The original documents along with one set of photocopies should be enclosed in one pouch, while the second set of photocopies should be enclosed in a separate pouch. An additional copy (fourth copy) of Form BDC - 1B will be attached outside the pouch containing the second set of photocopies.

5. The BDC of LE will give a subject to verification/counting acknowledgement to the LIM on the fourth copy of Form BDC - 1B by affixing a rubber stamp.



6. The BDC of the LE will retain the pouch containing one set of photocopies for its records, while the pouch containing the original documents and one set of photocopies will be forwarded to the BDC of the FIE after verification of the objections.

7. The members are required to report objections pertaining to shares of different companies/different FIMs separately (i.e. each pouch shall contain one objection pertaining to one company and one introducing member).

8. The BDC of LE will affix a unique serial number called the BDC inward number on Form BDC-1B. The BDC inward no. will be an eight digit reference serial no. The first two digits will be the exchange code of the LE followed by a six digit serial number. All future communications pertaining to an objection should be done by using the BDC Inward No. as the reference number.

9. The BDC of LE will verify/count the documents enclosed by the member. If the contents of the pouch are not in order, the same will be returned to the LIM.

10. The BDC of the LE will sort all the objections received, in the order of the first introducing exchange. All objections pertaining to the FIE will be sent in one parcel to the FIE along with a list of all objections enclosed.

11. The BDC of the LE will forward the pouch containing the objections (along with original transfer deed, share certificate, company objection memo, other documents and one set of photocopies of all the documents) to the BDC of the FIE within seven days of receipt of such objections.

12. The BDC of the FIE will verify / count the contents of the pouch received from the BDC of the LE before handing over the same to the FIM.

13. The BDC of FIE will hand over the objection to the FIM on the day specified by the exchange (as per the objection schedule followed by the exchange). The BDC of the FIE will retain the second set of photocopies for its reference after obtaining an acknowledgement on the copy of Form BDC - 1B from the FIM. The FIM is required to rectify/ replace the shares within 21 days of receipt of shares under objection. If the FIM fails to rectify/ replace the shares within 21 days, the first exchange will auction/close-out the shares as per the procedure laid down in Para 17.3.1.

14. The FIM will enclose the following documents while rectifying / replacing the shares under objection.

- Prescribed Form BDC - 2B (four copies)
- Rectified / replaced shares
- Benefits (if any) due
- Copy of Form BDC - 1B
- Copy of the company objection memo
- Demand draft for value of transfer stamps or benefits



15. The FIM will hand over the documents mentioned in point 14 above in a plastic pouch on the rectification day to the BDC of the FIE. The BDC of the FIE will return one copy of Form BDC - 2B to the FIM after giving a subject to verification/counting acknowledgement by affixing a rubber stamp on Form BDC - 2B. One copy of Form BDC - 2B will be retained by the BDC of FIE and the rectified documents along with third and fourth copies of Form BDC - 2B will be returned to the BDC of the LE.

16. BDC of FIE will verify all the documents and return the rectified/replaced shares/ demand draft/pay order and corporate benefits back to BDC of LE within seven days of rectification/replacement.

17. BDC of LE will hand over the rectified/replaced shares/demand draft for transfer stamps / close-out amount and corporate benefits back to LIM after verification.

18. The LIM will duly acknowledge the rectified shares received by affixing the rubber stamp on the copy of Form BDC - 2B retained by BDC of last exchange.

19. The demand draft/pay order shall be in favour of the LIM.

20. In case of close-out by the exchange, the BDC of the FIE will have to collect the demand draft/pay order from the FIM, in favour of the LIM and forward the same to the BDC of the LE.

17.2.2 Incorrect reporting of Company Objections

1. If the FIM finds that the objection has been wrongly reported, the member should report the invalid objection by submitting form BDC-3B in quadruplet along with a copy of form BDC - 1B and the shares received to BDC of FIE. This should be done within a period of seven days from the date of receipt of such objections, failing which it will be understood that the FIM has accepted the objections / corporate benefits reported against him and will be required to rectify / replace the shares by the rectification day or else the exchange will auction/close-out the shares as per the close out procedure in Para 17.3.1.

2. In case of invalid claim for Corporate Benefits the FIM must report such cases to the BDC of the FIE by submitting form BDC - 3B in quadruplet along with a copy of form BDC - 1B within seven days of receipt of the claims . In such cases the FIM shall retain the shares and rectify the same within the stipulated time. The BDC of the FIE will verify whether the claim for Corporate Benefit is invalid, before forwarding the forms BDC - 3B and BDC-1B only to the BDC of the LE.

3. BDC of FIE will verify the validity of the objections raised by the FIM and return the shares back to BDC of LE who in turn will verify the objections received and will hand over the shares to the LIM along with a copy of the form BDC - 3B and BDC-1B.



17.2.3 Non Rectification of Shares or Bad delivery of rectified/replaced shares submitted Under Objection.

1. If the LIM finds that the shares received by way of rectification or replacement are not good delivery, the LIM will report such cases in the form BDC-4B (in quadruplet) to the BDC of the local exchange along with a copy of Form BDC - 1B and 2B within 48 hours of receipt of such shares.

2. If the LIM finds that the benefits claimed are not correctly settled then the LIM will accept the rectified shares and will report only the unsettled benefits to BDC of the LE.

3. The BDC of the LE will verify these shares/benefits and if the shares/benefits are found to be bad delivery/unsettled then the BDC of the LE will report such cases to the BDC of the FIE within a period of seven days from reporting of such cases. The BDC of the FIE will verify the claims and in case of valid claims, will straightaway close-out such cases (without going through the auction process) as per close out procedures in Para 17.3.1. The FIM will be intimated that the deal is being closed out and that his account will be debited accordingly.

17.2.4 Second Time Objections

1. In the case where same shares are rectified and if the rectified shares are again returned under objection by the company these shares will be deemed as "Second time objections" and the shares will be straightaway closed out (without going through the auction process) as per the closeout procedure in Para 17.3.1. However, in the cases where shares have been replaced or procured under auction and these shares again come under objection, these shares will not be considered as second time objections and will be treated as fresh objections and dealt with accordingly.

2. The LIM will report the shares under second time objection to the BDC of the LE in the form for Second Time objections. The form for such objections will be of the same format as that of Form BDC - 1B but the form will be of a different colour (pink colour) and the words "Second time objection" will be written in bold on the top of the form.

3. The following documents are required for reporting second time objections.

- Transfer deed and share certificates returned by the company
- Company objection memo
- Second Time Objection form (in quadruplet)
- A copy of Form BDC - 1B and 2B which have been used for reporting the first time objection.

4. The documents mentioned in point three above are required to be submitted in a plastic pouch.

5. The BDC of the LE will forward the shares under second time company objections to the BDC of the FIE. The BDC of the FIE will, on receipt of second time company objections,



straightaway close-out such shares (without going through the auction process) as per the close out procedures in Para 17.3.1 and forward the demand draft/closeout for the close-out amount to the BDC of the LE who will in turn forward the same to the LIM.

17.2.5 Corporate Benefits

1. Members are required to claim corporate benefits while submitting the bad delivery in form BDC - 1B. Once the claim for benefits has been made by a member, the member cannot refuse to accept the corporate benefits.
2. If the market rate of the corporate benefit is less than the cost of procurement of the benefit then such benefit may not be taken up for settlement.
3. If the member is not in a position to submit the corporate benefit in the form of shares then he should submit a demand draft as per the valuation given in Annexure 17.1 of **Part C** along with form BDC - 2B.
4. Rectified/replaced shares shall be accepted by the BDC of the FIE only if they are accompanied with the corporate benefits (either in the form of shares or equivalent value in the form of demand draft/pay order in favour of the LIM) claimed as per form BDC-1B.

17.3 General Instructions

1. The exchange should arrange for well equipped and trained manpower to carry out the activities of the BDC, further it should have a verification officer who will decide the validity of objections. Since the quality of decision is critical, the verification officer should be a senior qualified person.
2. The plastic pouches to be used for reporting objections should be of good quality and transparent so that the contents can be viewed from outside.
3. The BDC forms should be placed on top of all documents inside the pouch so that the details on the form are clearly visible from outside the pouch.
4. Members/ stock exchanges should strictly adhere to the formats of the BDC forms.
5. In case the BDC of the last Exchange does not receive the rectified/replaced shares or the close-out amount within the specified time frame, such cases should be referred to the Inter Exchange Arbitration Panel.
6. The Exchange should maintain a register which would contain the details pertaining to all objections reported to the BDC. Separate register should be maintained for local and inter exchange objections.
7. The Exchange should forward to SEBI monthly status reports giving details on the objections received, objections resolved, objections referred for arbitration, value of



objections, reasons for objections, list of companies and Registrar and Transfer agents related to the objections reported. The above details may be incorporated into the Register.

8. Stock exchanges should get into a contract with a reliable courier agency for couriating objection documents from one BDC to the other.

9. Stock exchanges are also required to arrange for adequate insurance covers for the documents which might be reported as lost in transit.

10. In cases where odd lot shares reported as objection are not rectified, such cases will be closed as per close out procedures.

11. In case the shares reported as objection fall in the no delivery period, then such shares will not be rectified within 21 days but will become due for rectification only on expiry of the no delivery period.

12. The members delivering the rectified shares should ensure that the shares are good delivery as per the Good/Bad delivery guidelines issued by SEBI. The rectified shares should have a new transfer deed so that the party receiving the rectified shares can sell the rectified shares in the market if he so desires, and not necessarily send the shares for transfer back to the company.

13. BDC will verify the validity of all objections being sent for rectification or being received after rectification in case of inter-exchange objections.

14. In case shares are lodged after Book Closure or Record Date and such shares are returned under company objection then such objections can be reported to the BDC but no claim can be made for Corporate Benefits accruing from such shares. Claim of corporate benefits will be considered only as request matter.

15. In case it is not possible to attach the original objection memo, a copy of the memo duly certified by the receiving member should be used.

16. In case where the FIM is the member of an exchange who has put first stamp on the transfer deed, and he has entered into a trade through a member of another exchange (meaning that the FIM has a relationship of client to the second introducing member), in such cases the objection should be reported against the second member and not against the FIM.

17. In case of defaulters, 25 % of the total proceeds recovered from the defaulter should be kept aside for a period of three years from the date of declaring him a defaulter to meet any future liability arising on account of bad delivery of shares introduced by defaulting member.

18. Members may note that the relevant Objection code (as detailed below) should be stated on BDC-1A, at the time of reporting company objections.

Objection Code	Objection Reason
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01	SIGNATURE MISMATCH
02	OUT-DATED TRANSFER DEED
03	FAKE/FORGED/STOLEN/MISSING SHARES
04	ATTACHED BY INCOME TAX
05	RBI APPROVAL REQUIRED
06	ALTERATIONS ON TRANSFER DEED BY IM
07	STOP TRANSFER SHARES
08	OTHERS

Members are requested to ensure that the correct objection code is stated on the BDC-1A form (**Annexure 24.11 of Part C**).

19. Members may also note that for objections reported with reason code '03', no rectification/replacement/ in physical form shall be allowed. However such objection may be replaced by the introducing member, in demat form.

17.3.1. Auction / Close Out procedures (Auction/Close Out Procedures given below shall be subject to the relevant provisions given in item 19)

1. Local Exchange:

AUCTION: In case the FIM fails to rectify/replace the shares within 21 days, the exchange will put up the un-rectified/ un-replaced shares in the immediate auction. The FIM will be debited with the auction amount and the shares procured in the auction will be handed over by the BDC to the RM. The amount equivalent to the stamp duty and benefits/claims (if any) will also be debited to the FIM's account and will be paid to the RM by BDC directly.

CLOSEOUT: In case, the shares are not available in the auction conducted, the shares would be closed out at 20% over the official closing price on the exchange on the day on which auction offers are called for (and in the event of there being no such closing price on that day, then the official closing price on the immediately preceding day on which there was an official closing price) will be taken.

The FIM will be required to forward a cheque equivalent to the close-out amount, stamp duty and the benefits claimed amount (if any) to the BDC in favour of the RM.

2. Inter Exchange:

AUCTION: In case the FIM fails to rectify/replace the shares within 21 days, the FIE will put up the un-rectified/un-replaced shares in the immediate auction. The FIM will be debited with the auction amount and the shares procured in the auction will be handed over by the BDC of the FIE to the BDC of the LE who will in turn hand over the same to the LIM. The amount equivalent to the stamp duty and benefits/claims (if any) will also be debited to the FIM's account.



CLOSEOUT: In case, the shares are not available in the auction conducted, the shares would be closed out at 20% over the official closing price on the exchange on the day on which auction offers are called for (and in the event of there being no such closing price on that day, then the official closing price on the immediately preceding day on which there was an official closing price) will be taken.

The FIM is required to forward a demand draft/pay order equivalent to the close-out amount, stamp duty and the benefits claim amount (if any) to the BDC of the FIE in favour of the LIM.

In case the FIM fails to forward the demand draft to the BDC, the exchange will initiate action against the member as per rules and regulations of the exchange.

17.3.2 Auction/Close-Out procedures in case of fake/forged/stolen securities reported under company objection

All cases of company objections pertaining to fake/forged/stolen securities reported against the introducing member shall be closed-out by the Clearing Corporation subject to the relevant provisions given in item 19.

17.3.3 Fee Structure for processing objections through the Bad Delivery Cell

The exchange will collect from the FIM/LIM a service charge for processing objections through the BDC. Such service charges may be collected through pre-paid coupons attached to the objection or through computerised billing. The service charge will be payable per objection submitted for the member. The charges should enable the BDC to develop their own reserve of recyclable funds over a period of time.

17.3.4 Instructions for filling of BDC forms

1. Since the processing of objections will involve stock exchanges from various parts of the country, it is suggested that the BDC forms should be filled in English which is accepted by all the Stock Exchanges as the common business language.
2. The BDC inward no. will be an eight digit number. The first two digits will the exchange code of the last exchange followed by a six digit unique serial number.
3. The BDC inward no. assigned to an objection should be used as a reference number by all the BDC's for all future communications related to that particular objection.
4. Members are required to use the relevant objection codes based on the reason for objection as given on the reverse of the form.

17.3.5 Introducing Member being declared a defaulter

Local Exchange:



In case the FIM has been declared defaulter, the RM has to file a claim with the Defaulter's Committee/Clearing Corporation for resolving the claim for company objection.

Inter Exchange:

In case the FIM has been declared defaulter, the RM will report the objection for rectification to the LIM. The LIM will rectify/replace the objection and submit the same to the BDC of LE within 21 days as is the normal practice.

The LIM will in turn report the objection for rectification to the BDC of the LE. The BDC of the LE will forward the documents under objection to the BDC of the FIE. The BDC of the FIE will forward the documents to the last member of the FIE for rectification within 21 days. The last member of the first exchange will then file a claim with the Defaulter's Committee/Clearing Corporation of the first exchange for resolving the company objection.

In case LIM has been declared defaulter, the FIM will continue to be responsible for rectification of bad deliveries.

17.3.6 Partial rectification of company objection

In case introducing members are not able to rectify the complete lot of objections reported, they will be allowed to submit rectified objections in part provided the rectified quantity is in a market lot.

In case an odd lot is reported as an objection, the introducing member is required to rectify/replace either the entire odd lot or in case of partial rectification, the member is required to rectify in a market lot.

The introducing member will settle the benefit claimed in proportion to the quantity of shares rectified/replaced by the member.

17.3.7.1 Benefit Claims

Claims for benefits can be made in the following cases:

- a) Where the book closure/record date (BC/RD) for the corporate benefit claimed has passed before the reporting day, or
- b) where BC/RD for the corporate benefit claimed falls after the reporting day but before the rectification pay-out day, or
- c) Where the BC/RD for the corporate benefit claimed falls after the rectification pay-out day but within 15 days from rectification pay-out day.

Illustration:



Sr. No.	Reporting Day	Rectification Pay-out Day	Book Closure/ Record Date	Remarks
a.	11/3/1996	1/4/1996	1/3/1996	Benefits can be claimed
b.	11/3/1996	1/4/1996	20/3/96	Benefits can be claimed
c.	11/3/1996	1/4/1996	15/4/96	Benefits can be claimed
d.	11/3/1996	1/4/1996	16/4/96 and later	Benefits cannot be claimed

17.3.8 Stamp Duty

In case objection quantity is replaced or in case of auction/close out, the receiving member is entitled to claim the stamp duty already paid by him on the original document. The introducing member will be required to pay the stamp duty amount based on the official closing price on the last rectification day or original stamp duty paid by the receiving member, whichever is higher. The amount of stamp duty paid will have to be specified on the BDC form by the receiving member at the time of reporting of objections. In case objection quantity is rectified, the introducing member will be required to pay the difference amount of, stamp duty based on the official closing price on the last rectification day over the original stamp duty paid by the receiving member. In case objection quantity is replaced in demat by the introducing member, the introducing member will not be required to pay the stamp duty to the receiving member.

17.3.9 Schedule for Reporting / Rectified Company Objection.

A typical schedule for reporting and rectification of objection is given below. The exchanges may design their own schedule using the typical schedule.

Reporting of Objections and Claiming Corporate Benefits	Wednesday	
Date of Intimation to the LIM/FIM	Friday	Day1
Pick up of Objections by the LIM/FIM	Saturday	
Reporting Invalid Objections and Corporate Benefit Claims (if any) by the LIM/FIM	Thursday	Day7
Rectification/Replacement of Objections along with corporate benefits by the LIM/FIM	Thursday/ Friday	Day21
Rectified Objection Pay-Out to the RM	Monday	
Reporting non rectified objections or objection bad delivery by the RM	Wednesday	

17.3.10 Reporting of Objections by custodians to the BDC



Custodians who have received the delivery of securities through the clearing house are entitled to report such objections for rectification directly to the BDC of the exchange without collecting any collateral for such shares. In the alternative, if the custodians do not wish to report objections for securities received through the clearing house to the BDC, they could handover the securities for rectification to the members through whom the shares were purchased, in compliance with the guidelines issued to them from time to time in this regard.

17.3.11 Resolution of disputes arising between BDC's of two exchanges

SEBI will constitute an Inter-Exchange Arbitration Panel for settlement of disputes arising between BDC's of two exchanges. The detailed working of the panel will be intimated to the stock exchanges in due course.



ITEM 18: COMPANY OBJECTIONS PROCEDURES

In pursuance of Regulation 12 of the Capital Market Regulation, procedures for rectification/replacement of defective documents in addition to those mentioned in item 17 are hereby specified as under:

18.1 Market / Odd lot cases

The receiving member may either report (i) full market lot as under objection or (ii) report the odd lot portion alone as under objection.

Where the member reports the full market lot the introducing member will be required to replace / rectify the full quantity.

18.2 Receiving Member Entitled to Benefits

The receiving member is entitled to receive from the introducing member all the corporate benefits declared by the company during the period reckoned from the first day of the settlement period in which he received the document in delivery till the day of receipt of objection rectified delivery from the Introducing member.

18.3 Procedure for reporting Company Objections

1. Each objection for rectification is required to be submitted by the Receiving member (RM) in a plastic pouch.
2. Objections are required to be submitted in Form BDC - 1A as per the format prescribed by the Exchange, on a paper of uniform (A4) size.
3. The security symbol and series (except in cases where the call money has been paid) should be the same as that appearing on the delivery slip received by the RM. The RM should ensure that they are reporting the objection against the correct Introducing Member (IM).
4. Form BDC - 1A is required to be submitted in triplicate, of which two copies should be firmly attached on the pouch, and the third copy should be attached to the lot under objection and placed inside the pouch.
5. A copy of the delivery slip, delivery detail statement must be attached along with the second copy of Form BDC - 1A attached on the pouch. In the event of a member not being in a position to attach the delivery slips and delivery details statement, the member is required to submit an undertaking to the Clearing Corporation (per each objection inward no.) in the format enclosed (**Annexure – 18 of Part C**). The above undertaking is to be given only in case of fake/forged/stolen shares reported under objection and where the introducing member at the Exchange/Clearing Corporation is other than a defaulter/surrendering/



surrendered/suspended/disabled member to be informed by the Exchange/Clearing Corporation from time to time.

6. Form BDC-1A should be complete in all respects. Incomplete forms are liable to be rejected.

7. Where the number of shares reported as a single objection is large, the distinctive number ranges (DNRs) must be written on the reverse of Form BDC - 1A or on a separate paper, which bears the stamp of the RM reporting the objection. Members are required to ensure that the total number of shares reported as objection is clearly mentioned on the first page of each copy of Form BDC - 1A.

8. If all the shares comprising a particular delivery have been introduced by the same Introducing Member (IM), then the Receiving Member (RM) must report this as one objection. On the other hand, if the shares comprising the delivery have been introduced by more than one IM, then the RM must report the objections separately for each IM, as illustrated below:

Illustration I

	SCRI P	QTY	OBJ.DEL.N O.	DEL.MEM. NO.	INTRO.MEM. (IM)	REPORTING REC.MEM.
A	TISCO	500, 500	411,411	6511,6511	4563, 4563	6077,6077
B	ACC	800, 200	1002,1002	8526,8526	6123,4724	6077,6077

In "A" above, the Receiving Member should report one objection case comprised of 1000 TISCO against IM No. 4563.

In "B" above, the Receiving Member should report two cases of objection. One case of 800 ACC against IM No 6123 and the other case of 200 should be reported against IM No.4724.

9. Members are required to attach Inward no. stickers for Company Objections which will be printed at the Clearing House. The Inward no. stickers are required to be affixed on all the three copies of form BDC - 1A.

10. In cases where the seller delivers the shares in market lots but the receiving member lodges the shares for transfer with a jumbo transfer deed and the receiving member is not in a position to return all the original transfer deeds submitted with each market lot whilst reporting company objection, the receiving member is required to give an undertaking indemnifying the introducing member in the event of the said original transfer deed(s) being misused at any future date in the prescribed form 6J

11. In case where the First Introducing Member (FIM) is an NSE member and the objection has been lodged on him by the RM, however the objection has been withdrawn by the FIM on ground of insufficient details, the RM then has an opportunity to re-lodge the objection on



the FIM after procuring the relevant documents, within 1 (one) year from the date of first lodging the objection on the FIM.

18.4 Procedure for Rectified Company Objections

1. IM's are required to submit rectified / replaced objections along with benefits (if any) in plastic pouches.
2. IM's are required to ensure that the Inward no. on Form BDC - 1A is the same as the Inward no. on both the delivery slip and the delivery detail statement.
3. The rectified / replaced objections are required to be submitted along with the following documents:
 - a. Delivery Slip, Delivery detail statement each in duplicate.
 - b. Form BDC 2A, if benefits are attached (in triplicate).
 - c. Form BDC - 1A, along with the rectified / replaced shares.
 - d. Company Memo.
4. One copy of the delivery slip, delivery detail statement, Form BDC 2A is required to be attached on the pouch while the second copy of delivery slip, delivery detail statement, Form BDC 2A and Form BDC - 1A along with rectified / replaced shares, company memo are required to be placed inside the pouch.
5. The rectified/replaced company objection shares and the benefits due i.e. shares (if any), are required to be enclosed in the same pouch. The lot should be so placed in the pouch that the delivery slip, delivery details statement, are clearly visible, without having to open the pouch.
6. In case objections are rectified in part, it is required by the IM to follow the same procedures as mentioned in Para 1-4 above. Partly rectified objections are required to be submitted in a single instalment.
7. The rectified /replaced lots should be arranged in the same order as they appear on the Final Delivery Statements (FDS).
8. Where the shares are replaced, the word "REPLACED" must be written in bold on all copies of the delivery slip & delivery detail statement. If rectified, the words "RECTIFIED" must be written on all copies of the delivery slip & delivery detail statement. If a lot is partly rectified and partly replaced, then the delivery slips (clearing house and RM copies) should be marked as illustrated below:

Illustration II



Objection 500 shares of this, 300 are replaced and 200 rectified.

The delivery slips is required to be marked as under:

"200 RECTIFIED + 300 REPLACED"

9. For rectified shares, if the IM furnishes a new TD, the old transfer deed bearing the transfer stamps and a copy of company objection memo are required to be attached to the lot. If old transfer deeds are not attached, then value of transfer stamps will be debited to the IM.

10. Receiving Members are required to verify and count the rectified/replaced shares to ensure the correctness of quantity received by them, before leaving the Clearing House.

18.5 Procedure for reporting Un-rectified Company Objections

1. Un-rectified company objections are required to be reported in Form 6E.

18.6 Procedure for Reporting Second Time Company Objections

1. Members are required to fill up a fresh Form BDC - 1A (in triplicate) for reporting Second time objections and follow the same procedure as outlined in Para A1-A4.

2. Members are required to take fresh Inward no. stickers for second time objections.

3. "Second Time Company Objection" must be written in bold on each copy of Form BDC - 1A.

4. The share certificates, transfer deeds, company objection memo for second time objection, in addition to original Form BDC-1A and delivery details statement pertaining to first time objection are required to be submitted for reporting second time objection.

18.6.2 Procedure for reporting second time company objections wherein the old transfer deed for first time objection is not present

Where securities which are lodged by receiving member as company objections for reason of signature difference, are returned to the receiving member after rectification, and such rectified securities are again lodged by the receiving member as company objection for the reason of the securities being stolen securities, then in such case, the receiving member is required to report the objection against the delivering member from whom the securities were originally received along with documents as required under Item 18. The delivering member would then be required to withdraw the objection as detailed in Item 18.8 along with details of the member from whom they had received the securities and additionally enclose copy of the delivery slip and delivery details statement.



In the event of the delivering member being unable to provide the delivery slip and delivery details statement as proof of having received the shares on the Exchange, such delivering member shall be treated as the introducing member for such documents, and the objection shall be processed accordingly.

18.7 Procedure for reporting partly paid shares traded as fully paid up.

Securities which were traded as partly paid are required to be reported under objection with symbol/series of the new security. The receiving member (RM) is required to submit necessary documents as proof of having paid the allotment money/call money as may have become due and payable at the time of reporting the objection. In case where the allotment/additional call money has not been paid, the RM shall be required to enclose a demand draft (payable at Mumbai) equivalent to the allotment/call money amount in favour of the introducing member (IM), along with the company objection lodged against the IM with the Clearing House. The IM shall then be required to rectify/replace the shares within the prescribed time of 21 days, failing which, auction/close-out procedures as per the provisions of item 9 and item 19 of this circular.

18.8 Procedure for Handling Withdrawal of Company Objections.

1. Request for withdrawal of company objection/corporate benefits is required to be made in the prescribed Form BDC 3A along with a copy of Form BDC - 1A.
2. Withdrawals are required to be reported for the entire quantity under objection within seven days of scheduled pick up of company objection for rectification.
3. In case of objections which have been withdrawn, the IM is required to submit the acknowledgement copy of the withdrawn objection (Form BDC 3A) on the due date for rectification (21st day) to the Clearing Corporation. Failure on the part of the IM to report these cases by the due date may lead to auction of the securities against the IM.
4. The IM should mention all the reasons for withdrawal in respect of the company objection reported at the first instance itself. All subsequent requests for withdrawal of company objection for reasons not mentioned at the time of first withdrawal, in respect of the said case may not be accepted by the Clearing Corporation.

18.9 Procedure for reporting Fake/Forged/Missing/Stolen shares

1. The following documents are required to be lodged in triplicate in separate pouches:

- Form BDC - 1A bearing rubber stamp - 'FAKE/FORGED/STOLEN' in bold.
- Delivery Slips and Delivery Details Statement of receipt of shares by the RM.
- Original transfer deed (photocopy where original retained by the company/share transfer agent).
- Share Certificates (photocopy where original retained by the company/share transfer agent).
- Original Company Objection Memo or Certified copy of the memo.
- In case of fake/forged/stolen/misplaced shares, all documents as given in SEBI Good/Bad Delivery Guidelines no. 108/109 (as per item 14)



2 Members are required to affix rubber stamp bearing words 'FAKE/FORGED/STOLEN' on top right hand portion of form (BDC-1A) for reporting fake/forged/stolen/misplaced shares under company objection.

3 In addition, two copies of Form BDC - 1A are required to be attached on the pouch which contains the original documents.

18.10 Procedure for reporting company objections against Defaulters/Suspended/Surrendering/Expelled members

1. Where the FIM has been declared a defaulter or is an expelled member, the RM has to lodge the claim / objection within six months from the date of the objection memo or six months from the date the member is declared a defaulter /expelled from the Exchange, whichever is later.

2. The following documents are required to be lodged:

- Form BDC - 1A bearing rubber stamp - '**DEFAULTER/ SUSPENDED MEMBER/ SURRENDERING MEMBER/ EXPELLED MEMBER**' in bold
- Delivery Slips and Delivery Details Statement of receipt of shares by the RM
- Original transfer deed (photocopy where original retained by the company/share transfer agent).
- Share Certificates (photocopy where original retained by the company/share transfer agent).
- Original Company Objection Memo or Certified copy of the memo.
- In case of fake/forged/stolen/misplaced shares, all documents as given in SEBI Good/Bad Delivery guidelines no. 108/109 (as per item 14)
- 4 sets of all above documents in case of fake/forged/stolen/misplaced shares and in triplicate for all other cases of company objections in separate pouches.

3. Members are required to affix rubber stamp bearing words '**DEFAULTER/SUSPENDED MEMBER/ SURRENDERING MEMBER/ EXPELLED MEMBER**' on top right hand portion of form (BDC-1A) for reporting company objections against defaulters/suspended members/surrendering members/expelled members.

4. In addition, two copies of Form BDC - 1A are required to be attached on the pouch which contains the original documents.

5. (i) For company objections to be reported against defaulters/ suspended members/ expelled members, the receiving member is required to report the same against the clearing member whose pay-in stamp appears subsequent to the defaulter/ suspended member/ expelled member on the transfer deed attached to the shares under objection.



(ii) The subsequent member may withdraw the company objection by providing the delivery slips and delivery details statement of receipt of these shares from the defaulter/suspended member/expelled member through the Clearing House.

(iii) If the subsequent member withdraws the company objection by providing the required delivery slips and delivery details statement of receipt of these shares from the defaulter/suspended member/expelled member through the Clearing House, then the receiving member is required to report the company objection against the defaulter/suspended member/expelled member along with the delivery slips and delivery details statement received from the subsequent member as per point 4 (ii) mentioned above and the documents specified in point 1 mentioned above.

(iv) However, where the receiving member reporting the company objection, had received these shares directly from the defaulter/suspended member/expelled member through the Clearing House, then the receiving member can report the company objection against the defaulter/suspended member along with the copies of delivery slips and delivery details statement of receipt of these shares from such defaulter/suspended member/expelled member and the documents specified in point 1 mentioned above.

(v) In case of company objections reported against Introducing Members, which are pending close out by the Clearing Corporation, shall be withdrawn by the Clearing Corporation, when such members are subsequently declared defaulter/suspended/expelled members. The Receiving Members shall then be required to report the same against the member whose pay-in stamp appears subsequent to such defaulter/suspended member/ expelled member, on the reverse of the transfer deed. The subsequent member may withdraw the objection as per item 18.10 (5) by giving copy of the delivery details statement proving that the shares have been received from the defaulter/suspended member/ expelled member through the Clearing Corporation. Thereafter, the receiving member would be required to lodge the objection against the defaulter/suspended member/ expelled member, enclosing the delivery details statement, within 1 month of withdrawal of objection by the relevant subsequent member.

Such re-reported objections against defaulter/suspended member/ expelled members shall not be withdrawn for the reason of "objection memo outdated", provided documents establishing that the objection has been originally lodged against the defaulter/suspended member/ expelled members, within the stipulated time, with valid documents, are provided.

6. Upon the public notification of the surrender of the trading membership and within eight (8) months from the date of such notification, all trading members/clearing members shall report company objections, if any, against such surrendering trading members to the Clearing Corporation.

18.11 Procedure for handling Corporate Benefits

1. Members are required to claim corporate benefits while submitting their shares for company objections in the revised form BDC - 1A in triplicate. Once a claim for benefits has been made by a receiving member, the receiving member cannot refuse to accept the corporate benefits. (e.g. Claim for right shares etc.)



2. All details related to benefits claimed must be correctly filled up on Form BDC - 1A failing which the benefits claimed may not be settled. All incomplete forms are liable to be rejected.

a. In case of claims for bonus/rights shares, the quantity claimed, ratio of benefits, rights issue price, book closure/record date, security symbol are required to be filled up on Form BDC - 1A.

b. In case of dividend claims, details of dividend rate, financial year, type of dividend (whether interim or final), quantity, book closure/record date, are required to be filled up on Form BDC - 1A.

3. In case of multiple benefits being claimed against the same objection, members must ensure that each benefit is stated separately on Form BDC - 1A. Where the value of two or more benefits (for the same objection) has been claimed, then each benefit must be stated separately on the same Form BDC - 1A.

Illustration I

Dividend due on 200 shares of ABC Ltd.

a. Interim - for 1992-93 @ Rs.2/- per share = Rs.400/-.

b. Final - for 1992-93 (excluding interim dividend) @ Rs.3/- per share = Rs.600/-.

In the above case, each amount should be stated separately.

4. Claims for benefits can be made in the following cases:

a. where the book closure/record date (BC/RD) for the corporate benefit claimed has passed before the reporting day, or

b. where BC/RD for the corporate benefit claimed falls after the reporting day but before the rectification pay-out day, or

c. where the BC/RD for the corporate benefit claimed falls after the rectification pay-out day but within 15 days from rectification pay-out day.

Illustration II

Sr.No	Reporting Day	Rectification Pay-out Day	Book Closure Record Date	Remarks
a.	11/03/96	01/04/96	01/03/96	Benefits can be claimed
b.	11/03/96	01/04/96	20/03/96	Benefits can be claimed
c.	11/03/96	01/04/96	15/04/96	Benefits can be claimed
d.	11/03/96	01/04/96	16/4/96 and later	Benefits cannot be claimed

5. If in the view of the IM the claim is not valid, the IM should revert to the Clearing House within seven days from the intimation day.



6. All monetary corporate benefits viz., dividend, interest and redemption amount claim on company objections claimed by the RM while reporting objections shall be debited/credited directly in the clearing account of the clearing members by the Clearing Corporation. The equivalent value of the benefits (as per **Annexure - 17.1 of Part C**) claimed by the receiving member shall be debited by the Clearing Corporation to the account of the IM and the credit for the same shall be given to the respective RM along with the close-out of objections for the settlement.
7. In case of non-monetary benefit claims viz., bonus and rights, the IM may submit corporate benefit in the form of shares along with rectified/replaced shares. In case the IM does not submit the corporate benefit in the form of shares along with the rectified/replaced shares, the equivalent value of the benefits (as per **Annexure-17.1 of Part C**) claimed by the receiving member while reporting objections, shall be debited by the Clearing Corporation to the account of the IM and the credit for the same shall be given to the respective RM along with the close-out of objections for the settlement. The introducing member will submit the non-monetary benefits claimed in proportion to the quantity of shares rectified/replaced by the member.
8. Members are required to affix a rubber stamp bearing words 'Bonus/Rights enclosed' on the delivery slips, at the time of submitting the rectified/replaced shares, for cases where the shares are submitted as corporate benefits.
9. Members should not enclose cheques towards payment of corporate benefits (except cheques for non pari-passu shares) along with rectified/replaced shares. Wherever such cheques are attached, they shall be ignored and are required to be returned by the RM for cancellation.
10. In case of Rights (Equity, FCD, PCD-Convertible portion) if the IM gives corporate benefits in the form of securities, the IM will make a claim for the Rights Issue amount in the prescribed form BDC-2A in triplicate. The form BDC-2A will be submitted to the Clearing House along with the rectified company objections on the rectification day.
11. The form BDC-2A (two copies) will be issued by the Clearing House to the RM along with the pay-out of rectified shares. The RM is required to give a cheque (amount equal to the Rights Issue amount as mentioned in form BDC-2A) to the Clearing House in favour of the IM. The cheque should be attached to form BDC-2A and the cheque details should be filled in Part-B of Form BDC-2A.
12. Where benefits in the form of securities are submitted along with rectified/replaced shares, the members should fill up the relevant portion of Form BDC-2A. IM may submit the total number of shares as corporate benefits. In case of part delivery of corporate benefits in the form of securities, the delivery must necessarily be in market lots.
13. Acknowledgement for non-monetary benefits submitted in the form of securities along with rectified/replaced shares shall be given on Form BDC-2A (IM copy).



14. Corporate benefits declared by the company after the receipt of delivery of rectified objections are to be settled through pending corporate benefit cycle announced by the Clearing Corporation from time to time.

18.12 Fake/forged SEBI registration rubber stamp

In case of fake/forged SEBI registration rubber stamp, members are required to give an undertaking to the Clearing Corporation stating that the rubber stamp impression appearing on the reverse of the transfer deed does not belong to the member and that the said rubber stamp is fake in the prescribed form 6I (format enclosed).

However, if it is subsequently proved that the securities have indeed been introduced by the said member, then such cases will be reported to the Disciplinary Action Committee and the shares will be closed out immediately without intimation to the member. The member will not be given the mandatory period of 21 days to rectify the said shares, once the undertaking is given by him.

18.13 Procedure for reporting Objection Bad / Benefit Bad Cases

1. Members are required to report Objection bad/ Benefit bad cases within 48 hours of the scheduled pay-out of such shares.
2. Members are required to submit the following documents along with form BDC-4A for submitting shares as objection bad or benefit bad.
 - a. Form BDC - 1A along with transfer deeds and share certificates.
 - b. Delivery slip and delivery detail statement received along with the rectified/replaced company objection lot.
 - c. Company Objection memo.
 - d. Form BDC 2A (in triplicate) for benefit bad cases, in addition to documents mentioned above.

18.14 Schedule for reporting and rectification of objection

The following schedule for reporting and rectification of objection will be effective with immediate effect:

Reporting of Objections and Claiming Corporate Benefits	Tuesday /Wednesday	
Date of Intimation	Friday	Day 1
Pick up of Objections	Saturday	
Reporting Invalid Benefit Claims (if any)	Thursday	Day 7
Price for valuation		Day 19
Rectification/Replacement of Objections along with corporate benefits	Thursday/ Friday	Day 21
Rectified Objection Pay-Out	Monday	

The provision for computation of equivalent value is given in **Annexure -17.1 of Part C**.



18.15 Transfer of debit for company objection cases falling under clause 100 of Uniform Good/Bad guidelines of SEBI, where the introducing member on the previous transfer deed is also an NSE member

In case of a company objection as per clause 100 of SEBI good/bad delivery norms, where the first introducing member on the previous transfer deed is also an NSE member, the debit borne by the intermediate introducing member on account of the close-out of processes, shall be transferred to the first introducing member, on the previous transfer deed.

Members are required to submit details of the objection reported against them earlier along with share certificates, copy of transfer deed where client is the transferee, copy of old transfer deed where their client is the transferor, original company objection memo, original form BDC - 1A pertaining to the objection lodged on them, delivery details statement pertaining to first time objection, delivery details statement of the shares having been received by them, auction square-up debit statement, to enable NSCCL to transfer the debit borne by the intermediate introducing member to the first introducing member.

18.16 Valuation of un-rectified company objections pending close-out against disabled member, subsequently declared defaulter/expelled

In cases wherein the company objections reported against a disabled member have not been closed-out and the member is subsequently declared a defaulter/expelled, all objections pending close-out are referred to the Defaulters' Committee.

All company objections reported against defaulters/expelled members shall be valued at either of

- a) The closing price as on the date of declaration of default/expulsion, or
- b) The closing price as on the date on which the objection was reported to the Clearing House, Whichever is later.

18.17 Company Objections reported against Surrendering members

1. All the surrendering members shall co-ordinate and obtain information from the Clearing Corporation on a weekly basis, any instance of company objection(s) reported against them by other trading members.

2. The company objections reported against such surrendering members will be initially valued by the Clearing Corporation based on the notional price. The surrendering member shall be required to remit the notional amount so calculated, by the prescribed date and such objections shall be closed out as per procedures. Any negative difference arising between the close-out price and the notional price shall be payable by such surrendering member to the Clearing Corporation, and where such difference is positive, surrendering member shall be given due credit by the Clearing Corporation.



3. The notional price in all such matters will be closing price of the relative securities as on the date of reporting of the company objection or the closing price on the day last traded of the relevant security.
4. The respective surrendering member shall meet all such obligations by remitting the relevant amount to the Clearing Corporation within the stipulated 21 days from the date of reporting of such company objections, or within 10 days of intimation, of the notional amount payable, given to such surrendering member by the Clearing Corporation, whichever is earlier.
5. In the event of the surrendering member not meeting their obligations, such company objections would be met out of the deposits of the surrendering member. Consequently, if 85% of the value of the interest free cash security deposits and the available security deposit gets utilised, and if the member does not bring in funds to meet the balance company objections, then such surrendering member shall render himself liable for the Exchange/Clearing Corporation initiating the process of declaring such surrendering member a defaulter.
6. Upon such surrendering member being declared a defaulter, all the process and procedures applicable to that of a surrendering member shall cease forthwith and the relevant process pertaining to a defaulter shall ipso facto commence/apply.

18.18 Company Objections valued at more than Rs. 20 lakhs

In cases wherein the value of company objection reported against the introducing member (IM) is greater than Rs. 20 lakhs, the company objection documents shall be withheld by the Clearing Corporation. The withheld documents would be released if the IM complies with either of the following:

1. Deposits an amount with the Clearing Corporation, equivalent to the value of company objection reported against them
2. rectifies/replaces the securities reported under company objection



ITEM 19: DOCUMENT AND REGISTRATION

In pursuance of Regulation 12 of the Capital Market Regulation, procedures for rectification/replacement of defective documents in addition to those mentioned in item 17 are hereby specified as under:

The original selling member (referred to as the 'introducing member') who is the first to deliver defective documents in NSE is responsible for rectifying defective documents ('objection cases') to the receiving member.

19.1 Market / Odd lot cases

Where the member reports an odd lot as under objection, if the same is not rectified/replaced within the required period, it will be squared-up as per Regulations regarding squaring up.

19.2 Un-rectified Objection Cases

19.2.1 Valuation of Un-rectified Objection Cases

At the end of the 21 day period (as per the schedule given in item 18), all objection cases which have not been rectified/replaced (un-rectified objections) shall be valued at the relevant valuation price.

If the value of the un-rectified objections is more than Rs.5 lakhs, the introducing member shall be required to pay-in the full value of the un-rectified objections (valuation debit) on the day following the objection rectification day.

19.2.2 Failure to Pay Valuation Debit

If the introducing member fails to pay-in funds on the due date of valuation debit, the limits of the member may be reduced by the relevant authority in such manner and to such extent as it may deem fit.

19.2.3 Limits

If the value of objections (after adjusting for objection withdrawals) is more than 50% of the net cash component of base capital available as defined below, then the limit for the introducing member shall stand reduced by 8.5 times the value of objection cases.

Where the value of objections (after allowing for withdrawals) is more than 50% of the net cash component of base capital available then the member may replace/rectify cases before the 21 day period. To the extent objection cases are replaced/rectified, the limits may be adjusted proportionately.



Members may deposit additional margins in the form of cash, bank guarantees or eligible securities towards objection cases. Limits may be adjusted proportionately. Such margin deposits are required to be kept with the Clearing Corporation for a minimum period of 1 month.

19.2.4 Un-rectified objections

If the defective documents are not rectified/replaced on or before the 21st day and the introducing member fails to pay-in funds on the due date of the above valuation debit, then the Clearing Corporation shall close-out the un-rectified part of the defective documents as given below:

The Clearing Corporation shall close-out the value of un-rectified objections only up to 85% of the net base capital of the member. The member is required to bring in funds towards the objections which are closed-out by the Clearing Corporation by the prescribed (funds pay-in) date. In the event where the value of un-rectified objections exceeds 85% of the net base capital and the introducing member fails to bring in additional funds to replenish the deposits depleted, such objections shall not be closed-out and such member shall be liable to be declared a defaulter by the Exchange/Clearing Corporation.

Net Cash Component of Base Capital

For the purpose of this item, the net cash component of base capital shall mean the base capital of the clearing member which is in the form of cash deposits after adjusting for any funds due from the member to the Clearing Corporation or Exchange.

Net Base Capital

For the purpose of this item, the net base capital shall mean the base capital of the clearing member after adjusting for any funds due from the member to the Exchange or the Clearing Corporation.

19.3 Rectified / Replaced Objections Cases which are Bad Delivery

Rectified / replaced objections cases which are reported as bad delivery will be squared up as per Regulations regarding the same.

19.4 Rectified Objection Cases which are under Objection

19.4.1 Close out

Objection cases rectified which are again reported as under objection will be immediately closed out between the original introducing member and the original receiving member as per Regulations regarding the same. In the case of corporate benefits the original introducing member shall be responsible for the corporate benefits to the original receiving member.



ITEM 20: FAKE/ FORGED/STOLEN CERTIFICATES

In pursuance of Chapter VI-B of the Byelaws and Regulation 12.7.1 and 12.14 of the Capital Market, the clearing members are required to comply with the following procedures in case where fake/ forged/ stolen securities are reported against clearing members:

20.1 Once a fake/ forged/ stolen case is reported as a company objection, the introducing member shall not any further deal with the client who delivered the fake/ forged/ stolen securities as directed earlier. Any contravention of this shall be viewed as a serious violation and the Clearing Corporation may initiate such action as it may deem fit in this regard which may inter alia include withdrawal of the trading facility provided to the member.

20.2 The introducing clearing member shall provide to the Clearing Corporation, complete details of all securities received from the client (whose securities have been reported as fake/ forged/ stolen securities) delivered through the clearing house together with full details of the client including name, address, photograph, copy of client agreement, name and address of the person who introduced the client delivering the fake/ forged/ stolen securities to the clearing member and bank account details of the client within 14 days of date of intimation of the company objection.

20.3 The three-month period referred to hereinafter shall start from April 1998 and end on June 30, 1998 and thereafter the three-month periods shall be computed every three months. For example, July 1, 1998 to September 30, 1998, October 1, 1998 to December 31, 1998 and January 1, 1999 to March 31, 1999 and so on.

20.4 Fake/ forged/ stolen securities equal to or exceeding Rs. 5 lakhs

20.4.1 If, within a three-month period as prescribed in clause (3) above, the cumulative value of fake/ forged/ stolen securities reported against the clearing member hereinafter referred to as 'reported value' exceeds Rs. 5 lakhs, then such clearing member shall, within 14 days from the date of intimation of the company objection, report to the Clearing Corporation, details of all securities delivered by the member on behalf of the clients who delivered fake/ forged/ stolen securities.

20.4.2 If, within a three-month period as prescribed in clause (3) above, the 'reported value' exceeds Rs. 5 lakhs, then such clearing member shall, within 14 days from the date of intimation of the company objection, deposit an amount equal to the 'reported value' in the form of cash, bank guarantee or FDR. For such clearing member, the base capital shall stand reduced by the 'reported value' and the limits shall stand reduced accordingly till such deposit is brought in. Further the members may be called by the Sub-Committee of the Executive Committee of the Exchange and asked to explain the incidence of fake/ forged/stolen securities in a personal hearing. If the explanation given by such clearing member is unsatisfactory, the trading facility may be withdrawn.



20.4.3 Irrespective of the amount of fake /forged /stolen securities reported against the member, the Clearing Corporation may independently assess the value of fake/ forged/ stolen securities likely to have been delivered through the members hereinafter referred to as 'estimated value', in respect of any member as it may deem fit. The assessment of the Clearing Corporation of the 'estimated value' shall be final for this purpose.

20.4.4 If the 'estimated value' exceeds Rs. 5 lakhs, then such clearing member shall, within 14 days from the date of intimation of the same, deposit an amount equal to the 'estimated value' in the form of cash, bank guarantee or FDR. For such clearing member, the base capital shall stand reduced by the 'estimated value' and the limits shall stand reduced accordingly till such deposit is brought in.

20.5 The deposit shall be released/ the base capital may be restored, at the end of the subsequent two 'three-month periods' (six month period), provided the 'reported value' in the subsequent two 'three-month periods' does not exceed Rs. 5 lakhs.

20.6 Introducing clearing members shall file a police complaint/ FIR against the client who delivered the fake/ forged/ stolen securities to the clearing member, within 30 days from the date of intimation of company objection for fake/ forged/ stolen securities and produce proof thereof to the Clearing Corporation. Where introducing clearing members have not filed a police complaint/ FIR against the client who delivered the fake/ forged/ stolen securities to the clearing member within such period and (a) the 'reported value/ estimated value' exceeds Rs. 5 lakhs and (b) individual claim is more than Rs. 1 lakh, trading facility which has been given by the Exchange to such trading/ clearing members may be withdrawn and the Clearing Corporation may initiate disciplinary action as it may deem fit

20.7 If the 'estimated value' or 'reported value' within any three-month period (a) exceeds Rs. 2.5 lakhs, and 1% of average delivery values of the clearing member for the preceding two three-month periods, or (b) Rs. 12.5 lakhs, then the member shall be disabled from participating in any auction till the last date of the subsequent three-month period.

20.8 Deliveries received from other stock exchanges

In respect of securities received from other stock exchanges and delivered on NSE which are subsequently reported as fake/ forged/ stolen securities, the introducing member on NSE shall furnish evidence of having received the delivery from a recognised member of the other stock exchange to the satisfaction of the Clearing Corporation. Such deliveries may be excluded from the computation of value of fake/ forged/ stolen securities for such clearing member. Deliveries arising out of a spot transaction between the members shall not be excluded for such computation.

Further, the original introducing member on NSE shall provide following details to the Clearing Corporation:

Objection details

Objection Inward No. (On NSE)



Security symbol

Series

Quantity

Other Exchange details

Stock Exchange from where securities were received

Name and SEBI registration code of delivering member
of other Exchange from whom securities were received

Settlement Number and Date of receipt of securities on other Exchange

Security details

Certificate no.

DNR (from)

DNR (to)

In addition, the clearing member shall submit copies of following documents:

- Form BDC-1A (**Annexure 24.11 of Part C**) pertaining to the said objection inward number
- Receipt statement from the stock exchange showing above details certified by the Stock exchange concerned.

Clearing Corporation may exclude such deliveries from other Exchanges from the computation of value of fake/ forged/ stolen securities for such clearing member provided they are not spot transactions between members but have been received through normal exchange settlement.

20.9 The Clearing Corporation shall determine from time to time the date and prices for valuation of the fake/ forged/ stolen securities reported against clearing members. In the normal course, the latest closing price will be taken into consideration for the valuation.

20.10 All cases of company objections pertaining to fake/forged/stolen securities reported against the introducing member shall be closed-out by the Clearing Corporation subject to the provisions of clause 19.2 of item 19.

20.11 Verification of securities

Members are advised to get the securities verified by the respective company/ registrars regarding the genuineness of the certificate before delivering the same on the Exchange. In cases where the company/ registrar confirms that the securities are fake/ forged/ stolen, members are required to report such cases to the Clearing Corporation along with a letter from the company/ registrar and other relevant documents.



In case the securities received by the receiving member from the delivering member in normal pay-out are found to be fake/ forged/ stolen, the receiving member is required to report the same as bad delivery in the bad delivery cycle against the delivering member.

The delivering member shall be required to replace such securities by the prescribed pay-in day for rectification of bad delivery, failing which the securities shall be closed out as per procedures. Once the identity of the introducing member is established the auction / square up amount debited to the delivering member shall be recovered from the introducing member or the delivering member may subsequently report such securities as company objection against the introducing member as per the existing procedures.

However, if the securities detected as fake/ forged/ stolen are delivered by a member who also happens to be the introducing member on the NSE, such securities shall be marked as short delivery and directly closed-out.

20.12 Verification of deliveries for Lost/ Misplaced/ Fake/ Forged/ Stolen shares

Members are required to provide details of all deliveries submitted to Clearing House in 3.5" floppy diskettes in the prescribed format. In cases where shares in the said deliveries are found to be lost/ misplaced/ fake/ forged/ stolen shares as per the system implemented by NSCCL for this purpose, the procedure for reporting and replacement of such deliveries are given below:

Normal Settlement

Upon detection of the share certificates through the database maintained by the Clearing Corporation out of the data provided by the companies/STAs, the delivering member, the introducing member and the receiving member will be informed about the said share certificates and the introducing member and the delivering member will be advised to get a confirmation from the company/STAs for the said shares within ten days. The share certificates shall be sent to the company/STA for pre-verification or such pre-verification be carried out by the authorised representative of the company/STA in the Clearing House and objection memo, wherever such share certificates are confirmed to be defective in title, be obtained from the company/STA.

Delivering Member and Introducing Member are same

If the delivering member does not furnish any information/ proof confirming such share certificate(s) being good delivery within the above specified period, the same shall be closed-out against the delivering member.

Delivering Member and Introducing Member are different

If the delivering member does not furnish any information/ proof confirming such share certificate(s) being good delivery within the above specified period, the same shall be closed-out against the delivering member. The close-out debit so incurred by the delivering member will be passed onto the introducing member, within a reasonable period.

Auction, Rectified/Replaced Bad Delivery, Rectified/Replaced Company Objection



Upon detection of the share certificates as per procedures detailed above, the delivering member and the introducing member shall be informed about the said share certificates. The share certificates shall be sent to the company/STA for pre-verification or such pre-verification be carried out by the authorised representative of the company/STA in the Clearing House and objection memo, wherever such share certificates are confirmed to be defective in title, be obtained from the company/STA.

Delivering Member and Introducing Member are same

The shares shall be closed-out against the delivering member

Delivering Member and Introducing Member are different

The shares shall be closed-out against the delivering member. The close-out debit so incurred by the delivering member will be passed onto the introducing member, within a reasonable period.



ITEM 21: CERTIFICATION OF GOOD/BAD DELIVERY

In pursuance of Regulation 7 and 12 of the Capital Market Regulation procedures for certification of good/bad delivery are hereby specified as under:

21.1 Procedure to be followed for Good/Bad delivery certification.

Members against whom bad deliveries are reported and who require certification from the Clearing Corporation regarding the good/bad delivery of the said documents are required to affix good/bad delivery memo coupon for Rs 30/-. Members are required to affix such coupons only in cases which need certification from the Clearing Corporation.

The deliveries which have originated from a different Regional Clearing Centre (i.e. where the delivering centre and the receiving centre is not the same); the receiving member shall be required to report the bad deliveries at Mumbai - Clearing Centre. The certification of good/bad deliveries for these deliveries shall also be done at Mumbai - Clearing Centre only. However in cases where the delivering centre and the receiving centre are the same, the certification of good/bad deliveries shall be done at the respective RCC's.

In such a case, members are required to submit the following documents for good/bad delivery certification.

1. Bad delivery memo coupon
2. Prescribed Form 6B1 (in duplicate)
3. Original transfer deed and share/debenture/bond certificate
4. One photocopy of each transfer deed and each share/debenture/bond certificate
5. Photocopies of delivery slip and delivery details statement
6. Members are required to submit documents mentioned in points 1 and 2 in a plastic pouch. An additional copy (third copy) of form 6B-1 should be attached outside the pouch.
7. Members are required to affix a good/bad delivery memo coupon of Rs. 30/- for each delivery. The coupon should be affixed on the duplicate copy which will be retained by the Clearing Corporation. The documents shall be returned to the members after due certification by the Clearing Corporation.
8. The clearing house will affix inward nos. on Form 6B-1.
9. Members are required to attach copy of form 6B-1 duly certified by the Clearing Corporation, to the transfer deed and share certificate every time the same sets of documents are delivered in the market.



21.2 Procurement of Bad delivery memo coupon

1. The coupons for certification of good/bad delivery will be available from the Clearing Corporation.
2. The value of each coupon is Rs. 30/-. One coupon book contains 50 such coupons.
3. Members may procure the good/bad delivery memo coupon book from the Clearing Corporation by submitting a demand draft for Rs. 1500/- (per coupon book) favouring 'National Securities Clearing Corporation Limited' payable at Mumbai.
4. Any request for certification of good/bad delivery will not be entertained by the Clearing Corporation unless the above procedures are complied with.
5. Members shall ensure that a photocopy of the certification issued by Clearing Corporation is always attached to the certified documents whilst redelivering the documents in future settlements, to avoid any subsequent receiving member raising bad delivery on the same count/reason.



ITEM 22: REQUEST CASES & BAD DELIVERIES

In pursuance of Regulation 7 of the Capital Market, revised procedure for reporting and rectification of request cases are hereby specified:

22.1.1 Revised procedures for handling Request cases:

1. Members are required to report request cases to the Clearing house in plastic pouches as per the schedule given below.
2. Members are required to report request cases with original documents (transfer deeds and share certificates) for normal request cases and with photocopies of the relevant documents for dividend request cases.

Notwithstanding what has been stated hereinabove regarding reporting of non pari passu dividend request cases with photocopies of transfer deed and share certificates, the Clearing Corporation may, on a case by case basis, waive such requirements in cases where information regarding non pari passu dividend is made available to the Exchange at a later date or the non pari passu dividend is modified/ cancelled by the company and consequently:

- a. the Receiving Member is unable to claim non pari passu dividend/ enhanced non pari passu dividend, subsequently declared by the company
- b. the Delivering Member is unable to claim the non pari passu dividend paid by them, which is subsequently cancelled/ reduced by the company

Copies of the delivery detail statement, whereby the members received/ delivered the shares, are required to be enclosed, while reporting such cases.

The Clearing Corporation may at its discretion also waive coupon charges in such reported cases.

3. Request cases should be reported and rectified in market lot only.
4. The RM should submit a copy of the delivery slip and the delivery details statement
5. Members shall report request cases in the prescribed Form 6 F (given in NSE F 6F), only for the specific reasons as given in **Annexure 22.1 of Part C**. The Form 6F is required to be submitted in triplicate, of which two copies should be firmly attached on the pouch, and the third (original) copy should be attached to the lot inside the pouch. The lot should be so placed in the pouch that all details mentioned on Form 6F are clearly visible, without having to open the pouch.
6. Members reporting request cases are required to affix a coupon of Rs.100/- on Form 6F.



7. Form 6F should be complete in all respects. Incomplete/incorrect forms are liable to be rejected.

Schedule for reporting and rectification of Request cases:

Reporting of request case by the RM	Thursday	
Pick up of request case for rectification to the DM	Monday	Day 1
Pay in of rectified request case / withdrawal by the DM	Monday	Day 21
Pay out of the rectified request case to the RM	Thursday	Day 24
Reporting of Request Re-bad by the RM	Friday	Day 25
Pay out of Request Re-bad to the DM	Saturday	Day 26

22.1.2 Time period for reporting Request Cases

The time period for reporting request cases shall be up to one year from the last book closure of the respective scrip.

22.1.3 Closing Out

Members are required to rectify request cases by the prescribed day failing which such cases shall be closed out at the previous day's closing price.

22.1.4 Procurement of Rs. 100/- coupon for reporting request cases

1. The coupon for reporting request cases will be issued by the Clearing Corporation.
2. The value of each coupon is Rs. 100/-. One coupon book contains 10 such coupons.
3. Members may procure the coupon from the Clearing Corporation by submitting a demand draft for Rs. 1000/- (per coupon book) favouring 'National Securities Clearing Corporation Limited' payable at Mumbai.

22.2.1 Revised procedures for reporting normal bad deliveries

1. The receiving member is required to report normal bad deliveries in plastic pouches. Each delivery should be enclosed in a separate pouch.
2. The bad deliveries are required to be submitted in revised form 6B as prescribed by the Clearing Corporation, on a paper of uniform (A4) size. (Given in Forms NSE F 6B)
3. The Form 6B is required to be submitted in triplicate, of which two copies should be firmly attached on the pouch, and the third (original) copy should be attached to the lot inside the pouch. The lot should be so placed in the pouch that all details mentioned on the Form 6B are clearly visible, without having to open the pouch.
4. A copy of delivery details statement should be attached to the lot inside the pouch.
5. Members are required to report all bad deliveries pertaining to a delivery number in the same 6B form. If details of certificate nos., etc. are given in a separate paper, as Annexure to form 6B, the annexure should contain the details of those shares which are to be reported as bad delivery and the same should be stamped by the receiving member.
6. If the same set of distinctive numbers are to be reported as normal bad delivery and dividend bad delivery, then both the reasons should be mentioned on the same Form 6B.



However if the distinctive nos. reported as normal bad delivery are different from those reported as dividend bad delivery, then separate Form 6B's should be used.

7. Form 6B should be complete in all respects. Incomplete forms or forms not conforming to the prescribed size and format are liable to be rejected.

22.2.2 Rectified pay in of bad delivery

1. The delivering member should submit rectified bad deliveries along with the original Form 6B in the plastic pouch.
2. The delivering member should indicate on the form 6B if the shares are rectified and/or replaced.
3. If the delivering member is rectifying either the share certificate or the transfer deed or both, the same should be clearly indicated in the specified column in form 6B.
4. If part quantity is replaced / rectified, then a shortage letter should be attached as per the format prescribed by the Clearing Corporation, giving the details of un-rectified deliveries. Members are required to report un-rectified bad delivery cases in the prescribed form 6B-2.

22.3 Bad Deliveries valued at more than Rs. 20 lakhs

In cases wherein the value of bad deliveries reported against the delivering member (DM) is greater than Rs. 20 lakhs, the bad delivery documents shall be withheld by the Clearing Corporation. The withheld documents would be released if the DM complies with either of the following:

1. Deposits an amount with the Clearing Corporation, equivalent to the value of bad delivery reported against them
2. rectifies/replaces the securities reported under bad delivery



ITEM 23: CLEARING HOUSE PROCEDURES

In pursuance of Regulations 15 of the Capital Market Regulations, procedure for appointing authorised representatives and use of Clearing House is specified as under:

23.1 Authorised Clearing House Representatives/ Clearing Assistants

Each CM clearing member can appoint five authorised representatives for each clearing house to deliver and receive securities through the Regional Clearing House and Central Clearing House. A member should make separate applications for designating these authorised representatives as per the revised Form No. NSE - F 8. NSCCL will issue an Identity Card to each of these representatives. The authorised representatives shall display this ID card on their person at all times they are in the clearing house premises. This ID card is non-transferable and must be surrendered immediately to the clearing house upon cessation of employment of any of the authorised representatives. Any loss or theft of this ID card should also be promptly informed to the clearing house.

23.1.A. Charges for identity cards for authorised representatives of member

Members	Clearing Members	Custodians and other Clearing with high delivery volumes
No. of cards to be issued	5	Maximum 10
Charges	NIL	Nil up to 5 cards Rs. 1000 per card for more than 5 cards
Charges for new cards where the old cards are returned (owing to change of members representative)	Rs. 300/-	Rs. 300
Charges for duplicate cards where the old card is damaged and returned for issue of fresh cards	Rs. 300	Rs. 300
Charges for additional cards where the old cards are lost/ misplaced or are not returned	Rs. 1000	Rs. 1000

23.2 Delivery at the allotted time

The delivering member should deliver all his delivery lots to the clearing house on the pay-in day for securities. The clearing house will acknowledge the delivery on a copy of the delivery statement.

23.3 Receipt at the allotted time

The receiving member should collect the documents from the clearing house on the pay-out day of the securities.



Receiving members will be allotted time slots for collecting documents from the clearing house. The receiving member or his authorised representative will be required to acknowledge receipt of the documents on the copy of the receipt statement.

23.4 Details of securities delivered to the Clearing House

Clearing members are required to submit details of securities delivered to the Clearing House in such form, including electronic form, as per the format prescribed by the Clearing Corporation from time to time.

Members are required to provide details of all deliveries to the respective Clearing House, in 3.5" floppy diskettes in the prescribed format. (Format given in **Annexure 23.1 of Part C**).

In cases where floppies are not submitted and /or where the floppies are not in the required format or where the floppies are found to be not readable, for such cases the procedures as given in **Annexure 23.2 of Part C** shall be followed.

The Clearing Corporation will specify, from time to time, the settlement types for which the clearing member should submit the above details.



ITEM 24: CLEARING AND OTHER FORMS

The following Clearing Forms are specified. The Format of the same is available in Part C under 'List of Annexure'

Report No.	Particulars	Annexure
NSEF-01	Settlement Obligations Statement of Clearing Member	24.1
NSEF-01A	Settlement Obligations Statement of Clearing Member - Custodian-wise	24.2
NSEF-02	Settlement Obligations Statement of Custodian	24.3
NSEF-03	Final Delivery Statement	24.4
NSEF-04	Final Receipt Statement	24.5
NSEF-05	Delivery Slip	24.6
NSEF-06	Delivery Details Statement	24.7
NSEF-06B	Bad Delivery - format for reporting	24.8
NSEF-06B1	Bad Delivery Memo	24.9
NSEF-06B2	Unrectified Bad Deliveries	24.10
BDC 1A	Local Exchange Company Objections	24.11
BDC 1B	Inter-Exchange Company Objections	24.12
BDC 2A	Local Exchange Rectified Company Objections	24.13
BDC 2B	Inter-Exchange Rectified Company Objections	24.14
BDC 3A	Local Exchange Invalid Claim Of Company Objections	24.15
BDC 3B	Inter-Exchange Invalid Claim Of Company Objections	24.16
BDC 4A	Local Exchange Reporting Bad Delivery for Rectified Company Objections	24.17
BDC 4B	Inter Exchange Reporting Bad Delivery for Rectified Company Objections	24.18
NSEF-06E	Company Objections - Format for reporting non rectification/ non replacement of Company Objection	24.19
NSEF-06F	Request Cases - Format for reporting request cases	24.20
NSEF-6I	Reporting fake/forged SEBI registration rubber stamp	24.21
NSEF-6J	Undertaking in cases of Jumbo transfer deed submitted in Company Objection	24.22
NSEF-07	Format for notice of Non-Delivery	24.23
NSEF-07A	TT Market Deals (for Regular Market Deals) - Format for reporting by Custodian Clearing Member	24.24
NSEF-07A1	TT Market Deals (for Depository Market Deals) - Format for reporting by Custodian Clearing Member	24.25
NSEF-07B	TT Market Deals (for Regular Market Deals) - Format for reporting by TM Clearing Member	24.26
NSEF-07B1	TT Market Deals (for Depository Market Deals) - Format for reporting by TM Clearing Member	24.27
NSEF-08	Authorised Clearing House Representative - application format	24.28
NSEF-11A	Format for Reporting the settlement of Negotiated Trades as	24.29



	Brokers– In regular market	
NSEF-11A1	Format for Reporting the settlement of Negotiated Trades as Brokers– In Depository market	24.30
NSEF-11B	Format for reporting the settlement of Negotiated Trades effected as Principals - In Regular Market	24.31
NSEF-11B1	Format for reporting the settlement of Negotiated Trades effected as Principals - In Depository Regular Market	24.32



ITEM 25: 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 new 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 link on the Collateral Interface for Members (CIM). 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.



ITEM 26: ELECTRONIC REPORTING

26.1 Reports to members/custodians

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

26.2. NSCCL Clearing Management System (NCMS):

NSCCL has provided an interface – NSCCL Clearing Management System (NCMS) to members which facilitates modification of custodian participant (CP) and client codes 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 OTR transactions marked for confirmation by custodians. The extranet file upload facility for uploading the files for CP and client code modifications and OTR allocations is discontinued and the same has to be done through NCMS only. The extranet facility is available for uploading RC (CP modification) files on the T+1 day.

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**⁴¹.

26.3 Timelines for activities in NSCCL Clearing Management System (NCMS) and upload / download of files

26.3.1 Cut off timings for modifications/allocations through NCMS

Process	File	Day	Timings
Modification of CP code	CP	T	Upto 4.15 p.m.
Modification of client code	CLD	T	Upto 4.15 p.m.
Obligation Transfer Request – INST allocation	OTR	T+1	Upto 9.30 a.m.

26.3.2 Timelines for upload and download of files

Process	File	Day	Timings
Status of custodial confirmations to members.	RC	T+1	8:15 a.m. 10:00 a.m., 11:00 a.m., 12:00 p.m. 12:30 p.m.
File for modification of non marginable CP codes	RC	T+1	Upto 9:30 a.m.

⁴¹ Refer ‘Format of Letter requesting activation of user in NSCCLs Clearing Management System (NCMS)’



by members			
Return of CP modification files to trading members	RC	T+1	10.00 a.m
Final Daily Obligation report to members and Custodians		T	6:00 p.m.

As specified by SEBI vide cir. ref. no. MRD/DoP/SE/Dep/Cir-18/2005 dated September 02, 2005 completion of custodial confirmation of trades shall be by 1 p.m. and download of obligations to members / custodians shall be effected by 2:30 p.m. on T+1 day

26.4 Details of files uploaded/ downloaded by members through NCMS:

Instructions for files uploaded through NCMS

1. Members may directly upload the CP, CLD 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 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**⁴² 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.

26.4.1 Client Code Modification

⁴² Refer 'List of Error/Rejections Codes for NCMS'



Members are required to enter the Client Code at the time of order entry in the NEAT system.

Members, who desire to correct the client codes subsequently, shall be provided with a facility to modify client codes for the executed trades, at order level (not at trade level), on the trade date, during market hours up to cut off time as stipulated by the Clearing Corporation/Exchange from time to time. . Currently the cut-off time for Client code modification has been stipulated as 4:15 p.m on the respective trade date

Proprietary trades shall not be allowed to be modified to client trade and vice-versa. Such modifications of a client code will be at the order level, hence all trades in respect of that order shall be modified with the client code provided against the order. Client code modification shall not be permitted in respect of trades in auction market.

26.4.1.1 File structure for modification of client code by Members:

File naming convention:

XXXXXX_CLDYYYYMMDD.Tnn

Where,

XXXXXX - Member code

CLD - file type

YYYYMMDD - date in YYYYMMDD format (trade date)

T- file indicator

nn - Batch number of file

The file format should be comma separated variables (csv). The file shall be loaded in NCMS through the menu 'View> File Upload' by selecting the file type as 'Client code modifications'.

File format shall be as under:

Control Record Format:

Field	Description	Data Type	Length	Remarks
Record Type	Header record	Number	2	Value = 10
Member Type	Member Type	CHAR	1	Value = M
Member Code	Member code	CHAR	5	
Batch Date	Format : DDMMYYYY	CHAR	8	Should be same as that in the file name.
Batch number	The batch number of the file sent	Number	2	Should be the same as that in the file name.
Number of records	Total number of records in the file	Number	6	Should be equal to the number of detail records

**Detail record Format:**

Field	Description	Data type	Length	Remarks
Record Type	Detailed Record	Number	2	Value = 20
Client Code	Mandatory	CHAR	10	Unique client code. Mandatory. Cannot start with blank space
Buy/Sell flag	Buy /Sell order	CHAR	1	Mandatory Values B– Buy order S – Sell order
Order Number	Order number	Number	16	Mandatory

Members may please note that all blank spaces in the client code field shall be ignored, Client codes input in lower case shall be read as upper case and records with client codes having special characters (other than alpha or numeric) shall be rejected.

26.4.1.2 File structure of the return file for client code modification

On loading of the file, a return file shall be generated in either ‘Success’ or ‘Failure’ folder in the following path in the member’s local computer:

C:\NCMSData\Upload\ (in case the set up drive is C drive).

File naming convention:

In case of success – XXXXX _CLDYYYMMDD,DDMONYYYY,HH-MM-SS.Snn

In case of failure - XXXXX _CLDYYYMMDD,DDMONYYYY,HH- MM-SS.Rnn

Where

XXXXX - Member code

YYMMDD – Trade Date

CLD – File Type

T - File Indicator

DDMONYYYY – Date-Month-Year

HH-MM-SS – Hrs-Mins-Sec

R - File is Rejected

S - File is successful

nn - Batch no.

A success (S) or reject (R) indicator is appended at the end of each record in the case of a return file. In case of rejected records a rejection code shall be appended.

26.4.2 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.



26.4.2.1 File structure for modification of CP code by Members:

File naming convention:

XXXXXX_YYYYMMDD.Tnn

Where

XXXXXX - Member code

YYYYMMDD - date in YYYYMMDD format (trade date)

T - file indicator

nn - batch number of file

The file format should be comma separated variables (csv). The file shall be loaded in NCMS through the menu 'View> File Upload' by selecting the file type as 'CP Code Modifications'.

File format shall be as under:

Control Record Format:

Field	Description	Data Type	Length	Remarks
Record Type	Header record	NUMBER	2	Value = 01
Member Type	Member Type	CHAR	1	Value = M
Member Code	Member code	CHAR	5	
Batch Date	Format : DDMMYYYY	CHAR	8	Should be same as that in the file name.
Batch number	The batch number of the file sent	Number	7	Should be the same as that in the file name.
Number of records	Total number of records in the file	Number	6	Should be equal to the number of detail records

Detail record Format:

Field	Description	Data type	Length	Remarks
Record Type	Detailed Record	Number	2	Value = 20
CP Code	CP code	CHAR	12	CP Code, INST (institutional order) or blank (Member's own trade)
Warehouse code	Warehouse code	CHAR	1	To be left blank
Buy/Sell flag	Buy/Sell order	CHAR	1	Mandatory Values B – Buy order S – Sell order



Field	Description	Data type	Length	Remarks
Trade Number	Trade Number	Number	16	To be left blank
Order Number	Order Number	Number	16	Buy or Sell order number

26.4.2.2 File structure of the return file for CP code modification

On loading of the file, a return file shall be generated in either 'Success' or 'Failure' folder in the following path in the member's local computer:

C:\NCMSData\Upload\ (in case the set up drive is C drive).

File naming convention:

In case of success – XXXXX _YYYYMMDD,DDMONYYYY,HH MM-SS.Snn

In case of failure - XXXXX _YYYYMMDD,DDMONYYYY,HH-MM-SS.Rnn

Where

XXXXX - Member code

YYYYMMDD – Trade Date

T - File Indicator

DDMONYYYY – Date-Month-Year

HH-MM-SS – Hrs-Mins-Sec

R - File is Rejected

S - File is successful

nn - Batch no.

A success (S) or reject (R) indicator is appended at the end of each record in the case of a return file. In case of rejected records a rejection code shall be appended.

26.4.3 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+1 day as per defined time lines as given in Item 26.3.1 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 settlement wise, security wise, obligation data based on the designated CP code placed by members.
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.
 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.

26.4.3.1 OTR file generated from NCMS database by members:

Members shall first download the OTR files using 'OTR Modification Screen' in NCMS. Post download of OTR file can be generated by members from their NCMS local database through the menu 'View> File generation' by selecting the file type as 'OTR' file. The name of the file can be defined by the user.

File format shall be as under:

Control Record Format:

Sr. No.	Control Record Field	Values
1	Control Record Type	01
2	File Indicator	OTR
3	Member Type	Value – M



4	Member Code	Value – TM code
5	Batch Date	Trade date in format YYYYMMDD
6	Batch No	Value – 01
7	No of Records	Total no of records in the file

Detail Record Format:

Sr. No	Field	Values
1	Record Type	Value = 10 records for which action is to be taken by members Value = 20,30 indicates for information only
2	Buy/Sell flag	Value B- Buy side, S – Sell side
3	Settlement Type	Settlement Type
4	Settlement Number	Settlement Number
5	Security Symbol	Security Symbol
6	Security series	Security series
7	CP code	for record type 10 – the value will be INST for record type 20,30 the value will be CP code , INST respectively
8	Obligation Quantity	Total Obligation quantity
9	Obligation Value	Total Obligation value
10	Contract Note Number	Contact Note Number as given by TM (will be given for record type 20 only and where the member has allocated to a CP code)
11	OTR No	A unique OTR no. generated (will be given for record type 20 only)
12	Confirmation flag	value = ‘Y’/‘N’ or null (will be given for record type 20 only) This indicates the status of the record for which allocation is completed. Y indicates custodian confirmation, N indicates custodian reject, blank indicates no action taken by custodian as yet

26.4.3.2 OTR (INST) allocation file to be uploaded by trading members in NCMS

Members are required to upload records in the following file format for the purpose of allocating ‘INST’ transactions to respective CP codes.

File naming convention:

XXXXXX_OTYYYYMMDD.Nnn

Where

XXXXXX - Member code

OT- File type

YYYYMMDD – Trade Date

N - File Indicator

nn- Batch number



The file format should be comma separated variables (csv). The file shall be loaded in NCMS through the menu 'View> File Upload' by selecting the file type as 'OTR Allocations'.

File format shall be as under:

Control Record Format:

Sr. No	Field	Description	Data type	Length	Remarks
1	Record type	Header Record	CHAR	2	Value = 01
2	File Type	File Type	CHAR	4	Value = OTR
3	Member Type	Member Type	CHAR	1	Member Type (Value = M)
4	Member Code	Member Code	CHAR	5	Member code for which file generated/received (Value = TM Code)
5	Batch Date	Format : YYYYMMDD	CHAR	8	Should be same as that in the file name
6	Batch number	The batch number of the file sent	Number	2	Should be same as that in the file name
7	Number of records	Total number of records in the file	Number	7	Should be equal to the number of detailed records

Detail Record Format:

Sr. No	Field	Description	Data type	Length	Remarks
1	Record type	Detailed record	CHAR	2	Value – 10 for OTR Allocation Record.
2	Buy/Sell flag	Buy/Sell order	CHAR	1	Value B – Buy side , S – sell side
3	Settlement type	Settlement type	CHAR	1	Settlement type
4	Settlement Number	settlement Number	Number	7	settlement Number
5	Security symbol	Security symbol	CHAR	10	Security symbol
6	Security series	Security series	CHAR	2	Security series
7	CP code	CP code	CHAR	12	The value will be INST
8	Allocated qty	Allocated qty	Number	9	Quantity to be allocated to a CP
9	Allocated Value	Allocated Value	Number	15,2	Value of the allocated qty



10	Custodian Participant Code	Custodian Participant Code	CHAR	12	The custodial participant code to which the qty and value is to be allocated
11	Contract note number	Contract note number	CHAR	10	This number is mandatory if the quantity, value is allocated to a valid CP
12	OTR No	Number in the return file	Char	10	This is required to be given if the TM desires to modify a record already allocated.

26.4.3.3 OTR (INST) allocation return file

On loading of the file, a return file shall be generated in either 'Success' or 'Failure' folder in the following path in the member's local computer:

C:\NCMSData\Upload\ (in case the set up drive is C drive) .

OTR Output File Name (Return File):

In case of success – XXXXX_OTYYYYMMDD,DDMONYYYYY,HH-MM-SS.Snn

In case of failure - XXXXX_OTYYYYMMDD,DDMONYYYYY,HH-MM-SS.Rnn

Where

XXXXX - Member code

OT – File Type

YYYYMMDD - Trade Date

DDMONYYYYY – Date-Month-Year

HH-MM-SS – Hrs-Mins-Sec

R - File is Rejected

S - File is successful

nn - Batch no.

A success (S) or reject (R) indicator is appended at the end of each record in the case of a return file. In case of rejected records a rejection code shall be appended.

26.5 OTR allocation for Foreign Portfolio Investor (FPI)

With respect to the SEBI circular CIR/MRD/DP/15/2014 dated May 15 2014, and the SEBI FPI regulations 2014, FPIs have been categorised into three 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 marginable 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 NSCCL through file upload facility provided in CIM.
- A menu “FPI Client Mapping – File Upload” has been provided in Collateral Interface for Member (CIM) 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 CIM by OTR cut off time.
- Post OTR allocation (T+1 day):
 - a. NSCCL 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 as is being done currently.
 - 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.

Format for providing information regarding related FPIs

Naming Convention	FPI_DDMMYYYYYY.csv
Menu	FPI Client Mapping – File Upload
File Format	comma separated file format (CSV)

Column No	Headers	Field Characteristics	Details
1	Group no	VARCHAR2 (10)	Alpha numeric 10 character unique code
2	CP Code	VARCHAR2 (12)	CP code (main/ Sub) allocated by NSCCL
3	Client code Or UCC	VARCHAR2 (10)	Code used at the time of order entry
4	Addition / Deletion Flag	VARCHAR2 (1)	‘A’ for addition of record and ‘D’ for deletion of record

Note: If a member is trading using both UCC and client code, two records (of the same CP) should be provided in the file

Other details:

1. The file upload facility shall be available from 8:00 AM to 10:00 PM.



- Members shall ensure that in the file nomenclature “DDMMYYYY” shall be current date.
- NSCCL shall process the files at an interval of 30 minutes
- A return file shall be generated and downloaded on CIM under menu “FPI Client Mapping – File Download”
- Member can replace the file uploaded on CIM before generation of return file

Format of return file:

Naming Convention	<Member Code>_RET_FPI_DDMMYYYY_TIMESTAMP.csv.gz
Menu	FPI Client Mapping – File Download
File Format	comma separated file format (CSV)

Column No	Headers	Field Characteristics	Details
1	Group no	VARCHAR2 (10)	Provided in the file uploaded
2	CP Code	VARCHAR2 (12)	Provided in the file uploaded
3	Client code Or UCC	VARCHAR2 (10)	Provided in the file uploaded
4	Addition / Deletion Flag	VARCHAR2 (1)	Provided in the file uploaded
5	Status	VARCHAR2	Success – S Failure – Reason for failure

26.6 Details of files uploaded/ downloaded by members through extranet:

Related instructions for files uploaded through extranet

- Members can upload the files for CP code modification on the T+1 day i.e. RC files through the extranet in the specified path as per the timelines specified in 26.3.2
- The files placed by the members shall be uploaded by the Clearing Corporation and a return file would be provided to the members 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 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 a file is rejected due to an error in the control record 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 control record an indicator R would be provided indicating an error in the control record and an error code would be appended.
- 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.
 - Such confirmation shall be purely a validation of the correctness of the file and record formats.
 - The return files would be placed in the Extranet Server in the specified path.
3. All files shall have to be submitted before the cut off time as specified by the Clearing Corporation. Only files submitted before such time would be considered for upload.
 4. Members shall submit all the files in a running sequence of batch numbers. Such batch numbers shall be for each day and commence with '01'. If members fail to submit an earlier batch file then the subsequent batch files shall not be processed and if an earlier file submitted by the member has been rejected, another file has to be submitted with the same batch number.
 5. The members shall be responsible for all data provided to the Clearing Corporation.

26.6.1 RC file (CP modification on T+1 day)

26.6.1.1 Files sent to members for CP records rejected/not acted upon by custodians:

The Clearing Corporation shall download the files informing the members about the transactions rejected/not acted upon by the custodians

The file shall be downloaded in the extranet folder \<TM FOLDER>\RC\Dnld

File naming convention:

XXXXXX_RCYYYYMMDD.Dnn

Where

XXXXXX - Member Code

YYYYMMDD - Current Date (T+1 day)

RC – file type

D – File indicator

Nn - Batch No.

File structure:

Control record Format:

Sr. No.	Control Record Field	Values
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1	Control Record Type	10
2	File Indicator	RC
3	Member Type	M
4	Member Code	MEMBER CODE
5	Batch Date	YYYYMMDD
6	Batch No	
7	No of Records	

Detail Record Format:

Sr. No.	Detail Record Field	Values
1	Detail Record Type	20
2	B/S Flag	B – Buy S – Sell
3	Settlement Type	
4	Settlement Number	
5	Security Symbol	
6	Security Series	
7	Order No/ OTR No	
8	Custodial Participant Code	
9	Traded quantity	
10	Traded Value	
11	Confirmation Flag	

26.6.1.2 File from Trading Members for CP modification on T+1 day

Members may modify CP codes on the T+1 day in respect of trades not already accepted by Custodians by timelines declared by the Clearing Corporation from time to time. Modification in respect of transactions already accepted by Custodians shall be rejected with error code '729'. The file has to be uploaded through the extranet folder as specified.

File naming convention:

RCYYYYMMDD.Tnn

Where

YYYYMMDD - date in YYYYMMDD format (trade date)

T - file indicator

RC – file type

nn - batch number of file

File format: The structure of the RC file would be same as the custodial participant code (CPcode) modification file as specified in **26.4.2.1**. The file must be placed in the extranet server in the respective member directory in the path: rc\upld.

26.6.1.3 RC return file for members:

The return files would be placed in the Extranet Server in the following path: rc\dnld.

**File naming convention:**

RCYYYYMMDD.Ynn

Where

YYYYMMDD- date in YYYYMMDD format (trade date)

Y - file indicator

S in case of successful processing

R in case of file rejection

nn - batch number of file (same as the value in the file processed)

File format: Comma Separated Variables

The fields provided by trading members in their file would be provided and an additional field would be appended to each of the record as follows:

Field	Description	Data Type	Length	Remarks
Process Flag	Value 'S'/'R'	CHAR	1	S – Successful R – Rejected If the value is R an error code would be appended



ITEM 27: 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 CM 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.



ITEM 28: SECURITIES TRANSACTION TAX

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

28.1 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 NSE 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 NSE 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' 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, inter-alia including pension funds registered under New Pension System Trust. 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). Such trades should not be left as 'INST' after the CP code modification cut off time on T day. Failure to do so would result in imposition of delivery based STT.

28.2 Information to members



A report named '*MWST_memcode_DDMMYYYY.csv*' shall be provided to the members 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.

28.3 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.

28.4 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.

28.5 Failure to pay funds

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

28.6 Information to clients

The contract note should specify the total securities transaction tax for the transactions mentioned therein. Securities Transaction Tax (STT) and Service 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.