

PART B
DETAILED CONSOLIDATED CIRCULAR

ITEM 1: CLEARED AND NON CLEARED DEALS

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

ITEM 3: CLEARING DAYS AND SCHEDULED TIME

ITEM 4: MAINTENANCE OF DEPOSITORY ACCOUNT

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

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

ITEM 7: VALUATION PRICE

ITEM 8: CLOSING OUT

ITEM 9: LIQUID ASSETS

ITEM 10: MARGINS

ITEM 11: CHARGES AND PENALTIES

ITEM 12: CORE SETTLEMENT GUARANTEE FUND

ITEM 13: DELIVERY UNITS

ITEM 14: INFORMATION VIA SMS

ITEM 15: ELECTRONIC REPORTING

ITEM 16: PRIVACY OF CONTRACT

ITEM 17: SECURITIES TRANSACTION TAX

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).
4. Deals executed in LS series
5. Deals executed in IV series

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, preference shares warrants, dividends, bonds, G-sec 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 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.

2.1.4 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.

2.1.5 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.

2.1.6 SME Market deals

A Platform available to emerging corporate to raise capital from HNIs and Institutional Investor. The settlement type shall be 'N' for deals executed in 'SM' series and the settlement type shall be 'W' for deals executed in 'ST' series. 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.

2.1.7 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.

2.1.8 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

2.1.9 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.

2.1.10 Trades executed in LS series

Pursuant to SEBI circular no. CIR/MRD/DSA/01/2016 dated January 01, 2016, shares of listed stock Exchanges shall be traded 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.

2.1.11 Trades executed for InvIT

‘InvIT’ are units of Infrastructure Investment Trusts (InvITs) which are traded in Normal Market with ‘IV’ series and with ‘ID’ series in trade for trade basis. All clearing members in CM segment shall be eligible for InvIT settlement. Trades executed in ‘IV’ series shall be cleared and settled on a net obligations basis within series. All trades shall be settled under settlement type ‘N’. Trades executed in ‘ID’ series shall be cleared and settled on a trade for trade basis and there shall be no netting of transactions. All trades shall be settled under settlement type ‘W’. Trades executed in InvIT shall be settled on a T+2 rolling basis. Settlement guarantee shall be provided for trades and settlement shall be compulsorily done in dematerialised mode. The delivery for securities pay-in shall be done in applicable market lot only. Anything in excess or short of the market lot shall be returned to the member. Shortages resulting out of failure of the seller to deliver securities shall result in auction and shall be cleared and settled on a trade for trade basis under settlement type “A”. Close out shall be as per existing provision of CM Segment



ITEM 3: 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:

3.1 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 'Clearing Corporation 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.

3.2 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 4: MAINTENANCE OF DEPOSITORY ACCOUNT

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

4.1 Depository Account

The 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.

4.2 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 **Part C (1)**- 'Format for intimation of CDSL pool account to the Clearing Corporation'.

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

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

5.1 Funds pay-in and pay-out

Funds pay-in and pay-out shall be through banks designated as Clearing Banks by the Clearing Corporation. The list of banks currently available for settlement is provided format specified **Part C (2)** - 'Designated Clearing Banks'.

5.2 Maintenance and operation of clearing account

5.2.1 Primary Clearing Account

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

5.2.2 Additional Clearing Account

- Further, every clearing member shall be able to additionally maintain and operate additional clearing accounts with the designated clearing banks, for the purpose of enhancement of collaterals in the form of cash through CIM and for providing EPI of funds through CIM. Clearing members shall also be permitted to request for release of collateral in the form of cash to their designated secondary account.
- Release of cash collateral, collateral enhancement and EPI of funds, shall be routed through the secondary clearing account of the member if specified by the member.

5.3 Operation of clearing accounts

- Clearing members shall irrevocably authorize, the clearing banks to access their clearing accounts for debiting and crediting their clearing accounts as per the instructions of the Clearing Corporation, reporting of balances and other information as may be required by the Clearing Corporation from time to time and furnish to the Clearing Corporation an acknowledged copy of the same along with the account particulars issued by the clearing banks. Please refer format specified in **Part C (3)** – '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.

5.4 Procedure for change in primary clearing banks

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

- The clearing member shall request the primary clearing bank in writing for issuing a No Objection Certificate (NOC) for shifting of the primary clearing account.
- The clearing member shall request the Clearing Corporation in writing seeking its permission for shifting of the primary clearing account and enclose the NOC received from the existing primary clearing bank in this regard or where the NOC is not received, furnish an acknowledged copy of the NOC request along with a declaration to the effect that no response has been received from the existing primary clearing bank in respect of the NOC request even after a minimum waiting period of a fortnight.
- 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 6: PROCEDURE FOR PAY-IN AND PAY-OUT OF SECURITIES

6.1 Pay-in of securities

Pay-in shall be conducted on the scheduled pay-in day, in accordance with the settlement calendar periodically issued by the Clearing Corporation in this regard. Pay-in timings 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

6.1.1 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) – 'Format of letter for Auto Delivery Out'**

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

6.1.2 Early pay-in of securities

Clearing Corporation provides a facility to Clearing Members to make early pay-in of securities through NSDL and CDSL. Details for making early pay-in are provided in **Item 10**

6.2 Pay-out of Securities

Pay-out shall be conducted on the scheduled payout day, in accordance with the settlement calendar issued periodically by the Clearing Corporation in this regard. Pay-out shall be effected by 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.

6.2.1 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)- 'Direct Payout to Investors Account'**.



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

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

6.2.2 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.
3. Members may avail the said facility by providing details in the form of a letter along with the client master report of the respective depository pool account. Also, the same letter has to be provided in case of closure of the said preferred depository pool account along with the client master report of the respective depository pool account. Please refer format specified **Part C (6)** - 'Format for availing the facility of directing the pay-out to preferred depository'
4. Members may take note that they shall continue to maintain pool accounts in both the depositories viz NSDL and CDSL.

6.3 Failure to deliver

Failure of the seller to deliver securities shall result in buy-in auction for the shares by Clearing Corporation as per auction schedule declared periodically. 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 Clearing Corporation, where an auction profit is being identified by the members at the client level.

The pay-in time for Auction securities settlement will be 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.

Members shall be required to upload details of securities pay-in/pay-out shortages on a daily basis to Clearing Corporation. The detailed procedure and file format for the same has been specified in **Part C (7)** –‘Format of uploading securities pay-in / pay-out shortages’

ITEM 7: 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:

7.1 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 8: CLOSING OUT

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

8.1 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.

8.2 Closing out in the case of failure to give delivery

8.2.1 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.

8.2.2 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.

8.2.3 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.

8.2.4 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.

8.3 Compulsory Close-out

8.3.1 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.

8.3.2 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.

8.4 Close out price for deleted security

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

8.4.1 Deleted security on account of payment of additional call money

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

8.4.2 Deleted security on account of payment of redemption:

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

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

8.4.3

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

8.5 Close out price for bonds

In case of failure to give delivery, auction non-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.

8.6 Close out price for G-Sec

In case of short deliveries, unsettled positions shall be closed out on the settlement day at the highest price prevailing in the Exchange from the day of trading till the T+1 day or 5% above the closing price on the T+1 day, whichever is higher, or as declared from time to time

ITEM 9: 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, Gilt funds, Government of India Securities, Sovereign Gold Bonds and any other form of collateral as may be prescribed from time to time. Non-cash component shall mean all other forms of collateral deposits like deposit of approved list of demat securities, units of the other mutual funds, corporate bonds and any other form of collateral as may be prescribed from time to time.

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

9.1 Membership Deposit (Security Deposit):

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

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

9.1.1 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

9.1.2 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** as per **Part C (8)**- ‘List of Approved Banks for issuance of Fixed Deposits Receipts & Bank Guarantees’, deposited with **Approved Custodians** as per **Part C (9)**- ‘List of Approved Custodians’ or with the Clearing Corporation.
- iii. Bank Guarantee in favour of NSE Clearing Ltd. from Approved Banks.
- iv. Equity shares of companies and units of Exchange traded funds in demat form deposited with approved custodians, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any any other Depository Participant of NSDL or CDSL.
- v. Government of India Securities/T-Bills/Sovereign Gold Bonds, as per list provided by Clearing Corporation
- vi. Open ended Mutual Funds Units in demat form deposited with approved custodians, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any other Depository Participant of NSDL or CDSL.

9.1.3 Non-fulfilment of Deposit Requirements

Any failure on the part of a member to meet with the deposit requirements as given in 9.1.1 and 9.1.2 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.
- Penalty as specified in **Item 11** shall be levied

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.

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.

9.2 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 9.1 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 NSE Clearing 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 or pledged in favour of Clearing Corporation from any any other Depository Participant of NSDL or CDSL.
- v) Government of India Securities/T-Bills/Sovereign Gold Bonds, as per list provided by Clearing Corporation
- vi) Open ended Mutual Funds Units in demat form deposited with approved custodians, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any any other Depository Participant of NSDL or CDSL.
- vii) Corporate Bonds in demat form deposited with approved custodians, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any any other Depository Participant of NSDL or CDSL

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.

9.3 Guidelines for Submission of Deposits

9.3.1 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.

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.



To obtain a Login User ID, members are required to send their request to the Clearing Corporation in the format provided in **Part C (10)** - 'Format of letter requesting activation of account in Collateral Interface for Member'.

9.3.2 Fixed Deposit Receipt

9.3.2.1 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 or "NCL 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 Clearing Corporation/Exchange dues. The formats of the letter are given in **Part C (11)** - 'Format of letter by member for submission of FDR to Custodian' and as **Part C (12)** - 'Format of letter by member for submission of FDR to Clearing Corporation'.
- 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 (13)** - 'Format of letter to be provided by Bank issuing FDR to the custodian' and **Part C (14)** - 'Format of letter to be provided by Bank issuing FDR to the Clearing Corporation'.
- iv. The minimum value of FDR that may be accepted shall be Rs.1 lakh. 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 of the Approved Banks.
- vi. Clearing Corporation shall not accept FDRs from members as collateral, which are issued by the member themselves or banks who are associate of member. For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012
- vii. Member can additionally provide FDR's in electronic formats. The procedure is as below:
 - a. Member approaches and requests the bank to create FDR and mark lien in favour of Clearing Corporation, the process is same as for physical FDR.
 - b. 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 shall issue the FDR and marks lien in favour of Clearing Corporation
- d. Bank shall send the FDR information in electronic form to Clearing Corporation
- e. Clearing Corporation validates and if found correct passes on the benefit of the same to the member
- f. Clearing Corporation shall send 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 (7)** ‘List of Approved Banks’.

9.3.2.2 Renewal of Fixed Deposit Receipt

- i. In case of renewal of FDRs placed with approved custodian, member shall furnish approved custodian renewal letter, as per the following format(s) provided in **Part C**, from the respective bank.
 - **Part C (15)** Format of letter to be provided by Bank for auto renewal of FDR to the custodian - when there is change in FDR number
 - **Part C (16)** Format of letter to be provided by Bank for auto renewal of FDR to the custodian - when there is no change in FDR number
- ii. In case of renewal of FDRs placed with Clearing Corporation, member shall furnish Clearing Corporation renewal letter, as per the following format(s) provided in **Part C**, from the respective bank.
 - **Part C (17)** Format of letter to be provided by bank for auto renewal of FDR to the Clearing Corporation - when there is change in FDR number.
 - **Part C (18)** 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
- iii. The procedure of renewal of E-FDR is as below
 - a. Member shall request the bank to renew the FDR
 - b. Members can also request banks to renew existing physical FDRs in electronic form.
 - c. Member shall submit the required documents to the bank for renewal of FDR, the process is same as for physical FDR. Additional information to be provided by the member to the bank is given below.
 - Primary Member Code of the Segment
 - Segment for which the FDR is required
 - Security Deposit (SD) or Margin Deposit (MD)
 - d. Bank shall renew the FDR.
 - e. Bank shall send the renewed FDR information in electronic form to Clearing Corporation
 - f. Clearing Corporation shall validate and if found correct renews the FDR
 - g. Clearing Corporation shall send a system generated e-mail and sms to member if subscribed for.

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 9.1.3 above shall be applicable.

9.3.3 Bank Guarantees

9.3.3.1 Limits

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

Net worth of the issuing bank *	Applicable total limit per clearing member across all segments
Rs. 1000 crores $\leq$ NW < Rs.2000 crores	Rs 25 Crore
Rs. 2000 crores $\leq$ NW < Rs.3000 crores	Rs 35 Crore
$\geq$ 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. 250 crores
Trading Cum Clearing Members in F&O segment	Rs.125 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.312.50 crores

Trading Cum Clearing Members in F&O segment	Rs.156.25 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. 2500 crores
Trading Cum Clearing Members in F&O segment	Rs. 1000 crores
Other categories of the members	Rs. 500 crores

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

9.3.3.2 Submission of Bank guarantee

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

- The bank guarantee is strictly as per the formats given in **Part C (19)**- ‘Format of Bank Guarantee for Margin Deposit and Security Deposit (Fungible)’ and **Part C(20)** ‘Format of Bank Guarantee for Margin Deposit and Security Deposit (Non Fungible)’, prescribed by the Clearing Corporation, provided in part C.
- Where member is submitting Fungible Bank Guarantee, it shall submit letter to Clearing Corporation as per prescribed format in **Part C (21)** - ‘Format of Member Letter for submission of Fungible Bank Guarantee to Clearing Corporation, specifying the segment where benefit needs to be provided.
- 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.
- 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.
- Clearing Corporation shall not accept bank guarantees from members as collateral, which are issued by the member themselves or banks who are associate of member. For this

purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012

- vi. While filling the details in a bank guarantee, members shall ensure that:
- No relevant portion is left blank
 - All handwritten corrections and blanks are attested by the bank by affixing the bank seal / stamp duly authorised
 - All irrelevant portions struck off on the printed format should also be authenticated by the bank by affixing the bank seal / stamp duly authorised.
 - 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.
 - The member should also ensure that the bank guarantee is free from any discrepancy before the same is submitted to the Clearing Corporation.
 - The stamp paper should be issued in the name of the clearing member or the bank, no third party stamp papers are permissible
 - 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.

9.3.3.3 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 (22)** - 'Format of renewal of bank guarantee towards Margin deposit and Security deposit'. The members may also opt to give a fresh bank guarantee in favour of NSE Clearing 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 9.1.3 above shall be applicable.

9.3.3.4 Reminder Letters through extranet

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

The file naming convention for the same is:

Path: FTP<TM CODE>/REPORTS.

BG<BG ID>_ABC/BC_<TM CODE>_DDMMYYYY.DAT

FD<FD ID>_ABC/BC_<TM CODE>_DDMMYYYY.DAT

This is being provided as an additional facility only and members are advised to submit the renewals of the bank guarantees and fixed deposit receipts within the stipulated period to avoid any action as provided in 9.1.3 above. The members shall be responsible for the



renewal of FDRs/ bank guarantees expiring in the month and any penalties, applicable in case of a security deposit FDR/ bank guarantee not getting renewed/ substitution being provided.

9.3.4 Securities

9.3.4.1 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 or through any other depository participants of NSDL or CDSL. These securities shall be pledged in favour of NSE Clearing 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 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 and on the Exchange website. The report nomenclature will be "APPSEC_COLLVAL_ddmmmyyyy.csv".

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

A report containing security wise utilization of market wide permissible limit shall also be downloaded to common folder of clearing member on FTP. The report nomenclature will be "SEC_OL_ddmmmyyyy.csv"

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

9.3.4.2 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.

9.3.4.3 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 approved custodians shall be required to exercise due care for such replacement of securities and reporting thereof to the Clearing Corporation.

9.3.4.4 Acceptance of securities through approved custodians

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.

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 approved custodian from time to time including the Deed of Pledge as per the specified formats as mentioned in **Part C (23)** - 'Format of deed of pledge

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

9.3.4.5 Acceptance of securities through any other depository participant of NSDL

9.3.4.5.1 Registration

- a. Member shall be required to open a separate beneficial owner demat account ("designated account") with any Depository Participant of NSDL. Member who is a Depository Participant of NSDL can open demat account under its own DP or any other DP of its choice.
- b. Member can open and maintain demat account for depositing securities in respect of collateral with the Clearing Corporation under account type "Body

Corporate/Resident” and sub-type “Stock Broker-Collateral” available in NSDL depository system.

- c. The aforesaid designated account shall be permitted for pledging of securities across all segments/schemes of the Clearing Corporation.
- d. Member shall ensure that designated account is solely used for the purpose of pledging securities in favour of the Clearing Corporation. Any other use of designated account shall be treated as non-compliance and shall be dealt with accordingly.
- e. Member shall submit the following information to the Clearing Corporation:
 - Covering letter as per format provided in **Part C (24)** – ‘Format covering letter for pledge through NSDL’
 - Client master of the designated account
 - Pledge deed as per the specified format
 - For security deposit as per format provided in **Part C(23)** ‘Format of deed of pledge
 - For margin deposit as per format provided in **Part C(23)** ‘Format of deed of pledge
 - List of authorized signatories who are authorized to sign deed of pledge
- f. On submission of necessary documents as specified above the Clearing Corporation shall enable the designated account for acceptance of pledge.

9.3.4.5.2 Pledging of securities

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

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

- e. Members shall ensure that correct account is selected while initiating the pledge instructions as these pledges will be confirmed automatically in favour of the Clearing Corporation.
- f. Pledge instructions created in favour of the Clearing Corporation for securities which are not accepted as collateral or in favour of segment/type of deposit for which member is not registered shall not be auto confirmed and instruction will remain in

the status 'Pending Pledge Confirmation'. Member shall have to cancel such pledge instructions. Member can request to Depository Participant to cancel the instruction.

- g. Pledge instructions in respect of approved securities and in favour of segment/type of deposit for which member is registered shall be accepted.
- h. Members shall be levied a consolidated charges for the above facility by NSDL on the value of securities pledged in favour of the Clearing Corporation through aforesaid facility. The charges shall be collected by NSDL from the clearing members. Clearing members may refer to instructions issued by NSDL in this regard.
- i. Of the total charges levied as mentioned above, the Clearing Corporation charges shall be @ 0.003% on the value of securities pledged in favour of the Clearing Corporation subject to maximum of Rs.300 per transaction

9.3.4.6 Acceptance of securities through any other depository participant of CDSL

9.3.4.6.1 Registration

- Member shall be required to have a separate beneficial owner demat account ("designated account") with any Depository Participant of CDSL. Clearing member who is a Depository Participant of CDSL can have a demat account under its own DP or any other DP of its choice.
- Member shall have and maintain demat account for depositing securities in respect of collateral with the Clearing Corporation under account type "Corporate/Individual/HUF/LLP" and sub-type "CM/TM-Collateral Account" available in CDSL depository system.
- The aforesaid designated account shall be permitted for pledging of securities across all segments of Clearing Corporation.
- Member shall ensure that designated account is solely used for the purpose of pledging securities in favour of Clearing Corporation. Any other use of designated account shall be treated as non-compliance and shall be dealt with accordingly.
- Member shall submit the following information to Clearing Corporation for pledging of securities in favour of Clearing Corporation:
 - Covering letter as per format provided in **Part C (25)** – 'Format covering letter for pledge through CDSL'
 - Client master of the designated account
 - Pledge deed as per the specified format
 - For security deposit as provided in **Part C(23)** 'Format of deed of pledge
 - For margin deposit as provided in **Part C (23)** Format of deed of pledge
 - Clearing member shall be required to provide separate pledge deed for each segment and deposit type.
 - List of authorized signatories who are authorized to sign deed of pledge
- On submission of necessary documents as specified above Clearing Corporation shall enable the designated account for acceptance of pledge.

9.3.4.6.2 Pledging of securities

- Member shall initiate a pledge instruction from the designated account in favour of the requisite beneficial owner account of Clearing Corporation

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

Segment	Deposit type	Account number
Capital Market Segment	Security Deposit	1100001100020303
Capital Market Segment	Margin Deposit	1100001100020322

- Members shall ensure that correct account is selected while initiating the pledge instructions as these pledges will be confirmed automatically in favour of Clearing Corporation.
- Pledge instructions created in favour of Clearing Corporation for securities which are not accepted as collateral or in favour of segment/type of deposit for which clearing member is not registered shall not be accepted by CDSL system.
- Pledge instructions in respect of approved securities and in favour of segment/type of deposit for which clearing member is registered shall be accepted.
- Members shall be levied charges for the above facility on the value of securities pledged in favour of Clearing Corporation through aforesaid facility. The charges shall be levied on a monthly basis and collected by Clearing Corporation by debiting from the members settlement account. No additional charges shall be levied by CDSL.
- The charges shall be @ 0.003% on the value of securities pledged in favour of the Clearing Corporation subject to maximum of Rs.300 per transaction (plus applicable taxes)

9.3.5 Government of India Securities

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

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

- Member/Custodian desirous of providing G-Sec/T-Bills/SGB shall enter into an agreement with the Clearing Corporation as per the format provided in **Part C (26)** - ‘Format of agreement for providing G-sec/T-bill as collaterals’.
- Clearing Corporation shall prescribe list of G-Sec/T-Bills/SGB that shall be eligible for acceptance as collateral from time to time.
- G-sec/T-bill/SGB shall be accepted as collateral only in electronic form. Members desirous of providing G-Sec/T-Bills/SGB as collateral shall be required to enter the transaction through its custodian/bank on E-Kuber under Margin Transfer Module. The member shall further be required to put request for addition of GSEC in Collateral Interface for Members (CIM) under menu option “EMI – GSEC Deposit – Request / Enquiry-Request The member is required to submit a fax/mail request for addition as per prescribed format in **Part C (27)** ‘Format of letter to be given by the

member for request of G-Sec / T-bills addition'. Clearing Corporation shall confirm the transaction entered on the E-KUBER, based on the information received from members in CIM.

- iv. The details of SGL-II account of the Clearing Corporation is as follows:
 Name of the Account: National Securities Clearing Corporation Limited
 Member ID: BYA00168
 SGL – II A/c No. SG020168
- v. The benefit of G-Sec/T-bills/SGB provided as collaterals shall be passed on to the members on G-Sec/T-Bills/SGB being transferred to the SGL-II account of the Clearing Corporation.
- vi. The G-sec/T-bills/SGB released by the Clearing Corporation shall be entered on E-KUBER under Margin Transfer Module. The member is required to submit a fax/mail request for release as per prescribed format in **Part C (28)** - 'Format of letter to be given by the member for request of G-Sec / T-bills release'. The members shall ensure that such transactions are approved on E-KUBER by their custodian/Banks.
- vii. G-Sec/ T-Bills/SGB can be alternatively provided to the Clearing Corporation in dematerialized form, through creation of pledge in demat account, on lines of securities. In this case the process for acceptance of G-Sec/ T-Bills/SGB as collaterals is similar to acceptance of securities as collateral as mentioned in point 10.3.4
- viii. G-Sec/T-Bills shall be valued daily based on previous day's MTM prices as specified by CCIL. SGBs shall be valued based on the closing price of the same on the Exchange
- ix. A hair cut of 10% shall be applied on the value of G-Sec/T-bills/SGB 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.
- x. Periodic coupon / Redemption payments received on the G-Sec/T-Bills/SGB 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.

9.3.6 Open ended mutual fund units

Units of mutual funds shall be accepted as in dematerialized form as collaterals. The list of eligible open ended mutual fund schemes alongwith the marketwide acceptable quantity shall be disseminated by the Clearing Corporation on monthly basis alongwith the approved list of securities. The valuation of units of the mutual funds shall be done on daily basis based on the NAV of the mutual fund scheme. The value of the units of the mutual fund shall be reduced by such haircut as may be prescribed by the Clearing Corporation from time to time. The process for acceptance of mutual fund units as collaterals is similar to acceptance of securities as collateral as mentioned in point 9.3.4

The total value of mutual fund debt schemes provided as non-cash portion of the liquid assets shall not exceed 35% of the total liquid assets of the respective member. The total value of other mutual fund schemes (non-debt) provided as non-cash portion of the liquid assets shall not exceed 25% of the total liquid assets of the respective member.

9.3.7 Corporate Bonds

Corporate Bonds shall be accepted in dematerialized form as collaterals. The list of eligible corporate bonds along with the market wide acceptable quantity shall be disseminated by the Clearing Corporation on monthly basis. The process for acceptance of corporate bond as collaterals is similar to acceptance of securities as collateral as mentioned in point 9.3.4

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

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

9.4 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 CIM is provided for submission of release requests of collaterals. The members may select the desired available collaterals for release. Release requests though CIM can also be placed using a file upload facility. The format of file is prescribed in **Part C (29)** - 'File Format for Requesting Collateral Releases'.

9.4.1 Release of cash collateral in designated secondary account

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

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

9.4.2 Collection of released collaterals

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

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

9.5 Transfer of Collaterals.

A facility is provided in 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 FDRs 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 Cash, FDRs and bank guarantee.
- iii. Member shall request for transfer of collaterals in 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 Cash and FDRs and fungible bank guarantee.
- 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 (30)** - ‘Format of Member Letter for shifting Non Fungible Bank Guarantee’ and an amendment letter executed on stamp paper from the respective bank as per format of the amendment letter as specified in **Part C (31)** - ‘Format of Bank amendment letter for shifting Non Fungible Bank Guarantee’ in addition to transfer request placed on CIM.
- vi. Intra-day transfer shall be subject to maintenance of minimum deposits as per regulatory requirement and other 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 10: 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 :

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

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

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

10.2 Liquid Assets:

The total liquid assets comprise of the cash equivalents and non cash equivalents. Details as regard the type of collaterals, mode of acceptance and release and the relevant formats are discussed in details in Item- 9 pertaining to Liquid Assets.

10.3 Categorization of securities

10.3.1 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:

- 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.
- All SME securities shall be classified under Group III

10.3.2 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.

10.3.3 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.

10.3.4 Calculation of mean impact cost

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

- 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.
- 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. Format for the category file of securities is given in **Part D**.

10.4 Mark to Market Losses:

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

- a. Mark to market loss shall be calculated by marking each transaction in security to the closing price of the security at the end of trading. In case the security has not been traded on a particular day, the latest available closing price at Exchange shall be considered as the closing price. In case the net outstanding position in any security is nil, the difference between the buy and sell values shall be considered for the purpose of calculating the mark to market margin payable.
- b. The mark to market margin (MTM) shall be collected from the member before the start of the trading of the next day.
- c. The MTM shall be collected/adjusted from/against the cash/cash equivalent component of the liquid assets of the member.
- d. The MTM shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including its proprietary position. For this purpose, the position of a client would be netted for each of its various securities and the positions of all the clients of a broker would be grossed.
- e. There would be no netting off of the positions and setoff against mark to market profits across two rolling settlements i.e. T day and T-1 day. However, for computation of mark to market profits/losses for the day, netting or setoff against mark to market profits would be permitted.
- f. The methodology for computation of MTM is also illustrated by way of an example which is placed in **Part C (32)** - 'Methodology for computation of MTM Margin'.
- g. In case of security in TFTS each trade shall be marked to market based on the closing price of that security.
- h. The MTM so collected shall be released on completion of pay-in of the settlement.
- i. The details of all margins (VAR, extreme loss margin and MTM) as at end of each day will be downloaded to members in their respective Extranet directory. The format of the detailed Margin report (MG02) has been provided in **Part D**.

10.4.1 Intraday Crystallised Mark to Market Losses

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

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

10.5 VaR Margin:

10.5.1 Computation of VaR Margin

VaR Margin is a margin intended to cover the largest loss that can be encountered on 99% of the days (99% Value at Risk). 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 (Nifty50 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

10.5.2 Collection of VaR Margin:

- 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.
- The VaR margin shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including its proprietary position. Example for computation of gross positions of a member is provided **Part C (32)** - ‘Example for computation of Gross positions of a member’.
- For this purpose, there would be no netting of positions across different settlements.
- 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.
- The VaR margin rates shall be made available in the extranet server and to the public at large through the Exchange website
- File format for VaR based margin rates is given in **Part D**.
- The VaR margin so collected shall be released on completion of pay-in of the settlement.
- The details of all margins (VAR, extreme loss margin and MTM) will be downloaded to members in their respective extranet directory. The format of the detailed Margin report (MG02) has been provided in **Part D**.

10.6 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.

- 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.
- The Extreme Loss Margin shall be collected/ adjusted against the total liquid assets of the member on a real time basis.

- c. The Extreme Loss Margin shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including its proprietary position. Example for computation of gross positions of a member is provided in **Part C (33)** - 'Example for computation of Gross positions of a member'.
- d. For this purpose, there would be no netting off of positions across different settlements.
- e. The Extreme Loss Margin collected shall be released on completion of pay-in of the settlement
- f. The details of all margins (VaR, extreme loss margin and MTM) as at end of each day will be downloaded to members in their respective extranet directory. The format of the detailed margin report (MG02) has been provided in **Part D**.

10.7 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%.

10.8 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.

10.9 Margins for Corporate bonds and G-sec

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

10.10 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 EPI of securities has been mentioned in point no. 10.16
- b. In cases where EPI of funds is made such positions for which EPI of funds is made shall be exempt from margins. The procedure for providing EPI of funds has been detailed in point no. 10.17

10.11 Institutional Transactions

- Institutional transaction means transactions done on behalf of institutional investors. Institutional investors shall include
 - a. Category I and Category II Foreign Portfolio Investors as per SEBI FPI regulation 2014 (FPI) and Category III FPI which are not corporate bodies, individuals or family offices
 - b. Mutual Funds registered with SEBI. (MF)

- c. Public Financial Institutions as defined under Section 4A of the Companies Act, 1956. (DFI)
- d. Banks, i.e., a banking company as defined under Section 5(1)(c) of the Banking Regulations Act, 1949. (BNK)
- e. Insurance companies registered with IRDA. (INS)
- f. Pension Funds regulated by Pension Fund Regulatory and Development Authority (PFRDA). (PNF)
- Custodian clearing member of a custodial participants shall apply to the Clearing Corporation for the activation/ deactivation of CP code through NSCCL-MASS.

10.11.1 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 FII/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

10.12 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.

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.

10.13 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.

10.14 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.

10.15 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 10.18.

10.16 Early Pay-in of Securities for Margin Exemption

As stated in point 10.10 above, in cases where EPI of securities is made, such positions shall be 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 EPI benefit of margin to the relevant clients.

10.16.1 Procedure for making EPI of shares

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

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

In CDSL, members have to open separate early pay-in account with CDSL through the Clearing Corporation. Members shall be required to send a request for opening an early pay-in account to the Clearing Corporation in the format specified in **Part C (34)** - 'Format of Application form for new CDSL EPI accounts.

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

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

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

- i. Members shall receive a report on the extranet server at regular intervals through out the day, detailing the EPIs made by the members and received by the Clearing Corporation. Such details shall be provided intra-day on an incremental basis.
- ii. Further members may make EPI of securities even before execution of the trade and provide details of clients to whom such EPI shall be allocated. This shall ensure that on execution of trade the benefit of EPI is available to the respective clients. However it will be subject to receipt of securities from depositories.
- iii. Members shall make EPI only in respect of settlement type 'N' and 'W'.
- iv. Members shall provide the details of the clients to whom EPI benefit is to be provided through a file upload. Members can upload of client details file during the day through 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. The procedure of providing client details for



EPI of securities to the Clearing Corporation including the file formats has been provided in **Part C (35)** - 'Format for Client level early pay-in files for securities'.

10.17 Early Pay-in of Funds for Margin Exemption

As stated in point 10.10 above, in cases where EPI of funds is made such positions shall be exempt from margins.

10.17.1 Procedure for making EPI of funds shall be as under:

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

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

10.17.1.1 Request for early pay-in of funds

- a. Members/Custodian shall provide request for EPI of funds in 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 EPI.
- c. Members/Custodians shall have the option to select the bank account from any of the settlement bank accounts of the members/custodians.
- d. On submission of the request the same shall be forwarded to respective 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 EPI of funds shall be provided.

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

- a. Members/Custodians can add, delete or modify the allocation details.
- b. Allocation of EPI of funds is optional. The allocation can be done at a client level or at a client security level if the EPI of funds are to be allocated against a specific client-security combination.
- c. In case where the member wishes to avail the EPI of funds benefit before execution of trade (on the T day), the member shall be compulsorily required to provide client – security level allocation in such a case.
- d. The 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 (36)** - 'Format for client level early pay-in files for funds'.

- 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 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

10.17.1.3 Margin exemption for EPI 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 member/custodians has provided EPI 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 EPI of funds shall be provided subject to confirmation of the funds from the respective clearing bank of the member/custodian

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

As stated in point 10.16 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:

- 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 CIM
- 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.

10.19 Shortfall of Margins

In case of any shortfall in margin:

- The trading facility of the members shall be withdrawn with immediate effect.
- Penalty for violation on account of margin violation be levied on a monthly basis as specified in **Item 11**

10.20 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, advise 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

10.21 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

10.22 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.

10.23 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.

10.24 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, when the member is in risk reduction mode

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

10.25 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 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.

10.26 Cross Margining

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

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

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

10.26.1 Positions eligible for cross-margin benefit

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

- a. Index futures and constituent stock futures in F&O segment
- b. Index futures and constituent stock positions in Capital Market segment
- c. ETF and constituent stock futures in F&O segment
- d. ETF and constituent stock positions in Capital market segment
- e. Index futures and ETF in Capital market segment
- f. Stock futures in F&O segment and stock positions in Capital Market segment

- i. In order to extend the cross margin benefit as per (a) and (b) above, the basket of constituent stock futures/ stock positions shall be a complete replica of the index futures. Clearing Corporation shall specify the number of units of the constituent stocks/ stock futures required in the basket to be considered as a complete replica of the index on the website of the exchange from time to time.
- ii. In order to avail the cross margin benefit as per (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 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 (37)** - 'Example of computation of offsetting positions'

10.26.2 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.

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

- i. The clearing member shall ensure that the code allotted (code used while executing client trade) to client/entity in both Capital Market and F&O segment is same
- ii. The clearing member shall inform the details of clients to whom cross margining benefit is to be provided through a file upload facility provided in NSCCL -MASS.
- iii. The details of file to be uploaded i.e. file naming convention, file format has been provided as in **Part C (38)** - 'Format of files to be uploaded by the clearing member giving client wise details'.

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

- i. In case a client settles in the Capital Market segment through a trading member / custodian and clears and settles through a different clearing member in F&O segment, then they shall be required to enter into necessary agreements.
- ii. In case where the client/entity settles through Custodian in Capital market segment, then the client/entity, custodian and the clearing member in F&O segment shall enter into a tri-partite agreement as per the format provided in **Part C (39)**- 'Format of agreement between member, custodian & constituent'.
- iii. In case where the client/entity clears and settles through a member in Capital Market segment, and a different clearing member in F&O segment, then the member in Capital Market segment and the clearing member in F&O segment shall enter into an agreement as per the format provided in **Part C (40)** - 'Amendment agreement to the clearing member – trading member agreement'. Further, the client/entity shall enter into an agreement with the member as per the format provided in **Part C (41)** - 'Agreement between member and client'.
- iv. The clearing member in the F&O segment shall intimate to the Clearing Corporation the details of the client/entity in F&O segment along-with letter from trading member/custodian giving details of client/entity in Capital Market segment who wish to avail cross margining benefit. The details to be provided have been specified in **Part C (42)** - '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'.

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

Further the member in Capital Market segment shall be required to provide only the details of the clients in case it wants to avail the cross margining benefit in respect of positions in Index based ETFs and Constituent Stock only. The details to be provided by the members in this regard are stipulated in **Part C (43)** - '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'.

10.26.3 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.

10.26.4 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 Capital Market and F&O segment shall be considered for cross margining only till time the margins are levied on such positions.
- iv. While reckoning the offsetting positions in the Capital Market Segment, positions in respect of which margin benefit has been given on account of early pay-in of securities or funds shall not be considered.
- v. The positions which are eligible for offset shall be subject to spread margins. The spread margins shall be 25% of the applicable upfront margins on the offsetting positions or such other amount as specified by the Clearing Corporation from time to time.
- vi. The difference in the margins on the total portfolio and on the portfolio excluding off-setting positions considered for cross margining, less the spread margins shall be considered as cross margining benefit.

10.26.5 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.

10.26.6 Additional reports

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

10.27 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.

10.28 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.

10.29 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**.

ITEM 11: 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:

11.1 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 and securities pay out shall be withheld.
b)	Value less than Rs. 5 lakhs	0.07	If in the last three months, the member is short over Rs. 2 lakhs on six or more than six occasions, the trading facility of the member shall be withdrawn and securities pay out shall be withheld*

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

Recovery of funds due through liquidation of securities withheld:

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

11.2 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 “11.1” above shall be applicable

11.3 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.

11.4 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.

11.5 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

11.6 Trade for Trade Segment

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

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

ITEM 12: CORE SETTLEMENT GUARANTEE FUND

12.1 Core Settlement Guarantee Fund

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

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

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

12.2 Contribution to Core SGF

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

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

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

12.3 Penalties levied by Clearing Corporation



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

12.4 Interest on Core SGF cash contribution

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

12.5 Penal Charges for Utilisation of Core SGF

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

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

ITEM 13: 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:

13.1 Delivery unit for Regular Market Deals

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

13.2 Delivery unit for Regular Market Deals in Depository Mode

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

13.3 Delivery unit for BL Market Deals in Depository Mode

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

ITEM 14: INFORMATION VIA SMS

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

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

- Members/ custodians can avail this facility in order to receive instant updates by way of SMS in respect of certain activities / information.
- Members/ custodians can access the SMS application through a link on 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 15: ELECTRONIC REPORTING

15.1 Reports to members/custodians

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

15.2 NSE Clearing Management System (NCMS):

Clearing Corporation has provided an interface – NSE Clearing Management System (NCMS) to members which facilitates modification of custodian participant (CP) 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 (44)** - ‘Format of Letter requesting activation of user in NCMS’.

15.3 Timelines for activities in NCMS and upload / download of files

15.3.1 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.

15.3.2 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 by members	RC	T+1	Upto 9:30 a.m.
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

15.4 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 (45)** - 'List of Error/Rejections Codes for NCMS' for the list of rejection codes in NCMS.
3. All files/ screen based modification or allocation entries shall have to be submitted before the cut off time as specified by Clearing Corporation.
4. The members shall be responsible for all data provided to the Exchange/Clearing Corporation.

15.4.1 Client Code Modification

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

In order to prevent the order modifications resulting into self-trade, Permanent Account Number (PAN) will be verified to ensure modification is not resulting into self-trade

Refer **Part C (46)** 'File structure for client code modification' and **Part C (47)** 'File structure for return file for client code modification.

15.4.2 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.

Refer **Part C (48)** 'File structure for CP Code modification' and **Part C (49)** 'File structure for return file for CP Code modification.

15.4.2.1 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.

Refer **Part C (50)** 'File structure for CP modification on T+1 day and **Part C (51)** File structure for return file for CP modification on T+1 day.

15.4.2.2 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

Refer **Part C (52)** Format of files sent to members for CP records rejected/not acted upon by custodians.

15.4.3 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 15.3.1 above. If the members fail to furnish the breakup of the obligations by the cut-off time margins shall be applicable on such trades and such obligations shall be reverted to the member.

1. Members must identify all such orders by a specifically designated CP code - 'INST'. Members may place this designated CP code either at the time of order entry or during modification of CP code through the file upload and screen based facilities provided in NCMS.
2. This designated CP code shall be used by members only for institutional clients and members are advised to ensure strict compliance with the same.
3. Members who have executed trades using 'INST' code should generate the data file through NCMS during the time stipulated by the Clearing Corporation. This file shall contain 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.

Refer **Part C (53)** 'OTR file generated from NCMS database by members', **Part C (54)** OTR Allocation file to be uploaded by members in NCMS and **Part C (55)** 'OTR allocation return file'.

15.5 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 for other non-institutional CP codes.
- For FPI other than corporate bodies, individuals or family, Members shall use the OTR facility for allocation of institutional trades to only related FPIs.
- Allocation to non-related FPIs shall be treated as violation and penalty in line with the penalty for non-allocation of institutional trades may be levied for such violations.
- Members shall provide details of related FPIs to the Clearing Corporation through file upload facility provided in NSCCL -MASS.
- A menu "FPI Client Mapping – File Upload" has been provided in NSCCL -MASS to upload "Related FPI/FII" details as per file format give below.
- Members shall ensure that additions/modification of related FPI/FII shall be uploaded only through NSCCL -MASS by OTR cut off time.
- Post OTR allocation (T+1 day):
 - a. Clearing Corporation shall detect violations, if any, in allocation to non-related FPI/FII
 - b. In case of violation a violation letter '<MemberCode_FPI_DDMMYYYY.doc' shall be downloaded on extranet under "MemLtrs" folder.
 - c. Members shall be provided a file '<MemberCode>_FPI_ClientMapping_DDMMYYYY.csv' containing all the FPI mapping details uploaded by member and which are considered for detecting violations. The file shall be downloaded on extranet under "Reports" folder.

Refer **Part C (56)** for 'Format for providing information regarding related FPIs' and **Part C (57)** for 'Format of return file for information of related FPIs'

Other details:

1. The file upload facility shall be available from 8:00 AM to 10:00 PM.
2. Members shall ensure that in the file nomenclature “DDMMYYYY” shall be current date.
3. Clearing Corporation shall process the files at an interval of 30 minutes
4. A return file shall be generated and downloaded on NSCCL -MASS under menu “FPI Client Mapping – File Download”
5. Member can replace the file uploaded on NSCCL -MASS before generation of return file

15.6 Allotment of CP Code

- Custodians shall log in to NSCCL -MASS for application of CP Code/UCC.
- The application of codes shall be through a file upload. Please refer to **Part C (58)** - File format for application of custodial participant code in NSCCL -MASS
- Applications submitted through the facility shall be processed and the CP code/UCC shall be generated and provided to Custodians.
- The CP codes issued shall be activated effective from next trading day.
- The Custodians shall perform KYC of the clients and maintain necessary documentation of client for whom CP code/ UCC is applied.

15.7 NSCCL –MASS

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

- Single Sign on (SSO) enabling access to multiple applications with one set of login credentials.
- Dashboard Widgets allowing members to view segment wise information with respect to margin, collaterals, etc
- For activation of NSCCL-MASS, members are requested to submit the application to Clearing Corporation in format as per **Part C (59)** – Format for activation of N-MASS

ITEM 16: PRIVACY OF CONTRACT

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

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

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

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

ITEM 17: SECURITIES TRANSACTION TAX

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

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

17.2 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.

17.3 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.

17.4 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.

17.5 Failure to pay funds

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

17.6 Information to clients

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