

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: CLIENT MARGIN/SHORT ALLOCATION REPORTING
- ITEM 12: CHARGES AND PENALTIES
- ITEM 13: CORE SETTLEMENT GUARANTEE FUND
- ITEM 14: DELIVERY UNITS
- ITEM 15: INFORMATION VIA SMS
- ITEM 16: ELECTRONIC REPORTING
- ITEM 17: PRIVACY OF CONTRACT
- ITEM 18: SECURITIES TRANSACTION TAX
- ITEM 19: STAMP DUTY
- ITEM 20: NON-SETTLEMENT RELATED PAYMENTS



ITEM 1: CLEARED AND NON CLEARED DEALS

In pursuance of Regulation 3.3 of the NSE Clearing 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 specified Exchanges:

1. Deals executed in Normal Market that includes deals executed in series under rolling settlement, traded for trade settlement and in block deal window.
2. Deals executed in Auction Market
3. Any other deals not specified herein.

1.2 Non-Cleared Deals

Non Cleared Deals are deals other than cleared deals which are executed on the Capital Market Segment of the specified Exchanges 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 NSE Clearing 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 master circular SEBI/HO/MRD/DP/CIR/P/117 October 25, 2019. In accordance with SEBI circular no. SEBI/HO/MRD2/DCAP/P/CIR/2021/628 dated September 07, 2021 and joint press release dated November 8, 2021, exchanges shall specify securities eligible for T+1 settlement from time to time. Accordingly, the provisions of circular on clearing, settlement and risk management issued by the Clearing Corporation from time to time shall be made applicable for such securities under T+1 settlement cycle and shall be effective from the date as informed by Exchanges.

2.1 Normal Market Deals

Deals executed in the normal market include equity shares, preference shares, warrants, bonds, Government Securities, Rights Entitlements etc.

Settlement type for securities settled on net obligation basis and block deals shall be as under:

‘N’ - Securities with T+2 Settlement Cycle

‘M’ - Securities with T+1 Settlement Cycle

Settlement type for securities settled on gross obligation/ trade for trade basis shall be as under:

‘W’ - Securities with T+2 Settlement Cycle

‘Z’ - Securities with T+1 Settlement Cycle

2.1.1 Regular Normal Market Deals

Deals executed in equity shares with series ‘EQ’ shall be settled 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). Deals shall be cleared and settled on a trade for trade basis and there shall be no netting of transactions. Settlement shall be in dematerialised mode only. Settlement Guarantee shall be provided.

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

2.1.4 Block Deals (BL Series)

Block Deals shall be executed in a special window and shall be cleared and settled on a gross obligation basis within the sub-segment and there shall be no netting of transactions. Settlement of all transactions shall compulsorily be done in dematerialised mode only. For all block deals, the settlement type shall be 'N' for securities with T+2 settlement and 'M' for securities with T+1 settlement. Settlement Guarantee shall be provided.

2.2 Trade For Trade (TT) Market Deals (BT Series)

TT Market deals shall be under series 'BT'. Deals shall be settled on a trade for trade basis directly between the parties to the transaction and reported to the Clearing Corporation. 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. Settlement Type shall be 'Z'.

2.3 ITP for SME Deals (IT Series)

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

- There shall be no risk management for trades executed in this segment.
- Transaction shall be cleared and settled on a gross obligation basis.
- There shall be no auction/financial close-out in the event of shortage/failure to meet securities/funds delivery obligation.

2.4 Auction Market Deals

Clearing Corporation shall conduct single auction for shortages for T+2 and T+1. 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 obligation basis. Settlement of all transactions shall compulsorily be done in dematerialised mode and settlement guarantee shall be provided.

Summary of Settlement Type for Securities in Capital Market Segment is given below.

	T+2 Settlement		T+1 Settlement		
Security	Settlement Type N	Settlement Type W	Settlement Type M	Settlement Type Z	Series Legend
Fully paid equity shares/ETF's	EQ	BE; BZ	EQ	BE; BZ	
Partly paid equity shares	E@	X@	E@	X@	@ = 1-9, A-Z
Block Deals	BL		BL		
Units of mutual funds(Close ended)	MF	-	MF	-	
Non-convertible preference shares	P@	O@	P@	O@	@ = 1-9, A-Z
Fully convertible preference shares	Q@	F@	Q@	F@	@ = 1-9, A-Z
Non-convertible debt instruments	N@,Y@,Z@	1@	Z@	1@	except MF/ME, @ = 1-9, A-Z
Convertible warrants	W@	K@	W@	K@	@ = 1-9, A-Z
Units of InvITs	IV	ID	IV	ID	
Gold Bond	GB	-	GB	-	
Government Securities	GS	-	GS	-	
Units of REITs	RR	-	RR	-	
Rights Entitlement	-	BE	-	BE	
State Government Loans	SG	-	SG		
Treasury Bills	TB	-	TB	-	
SME Securities	SM	ST;SZ	SM	ST;SZ	

	T+2 Settlement	T+1 Settlement	
Security	Settlement Type G	Settlement Type B	Series Legend
ITP for SME	IT	IT	

Note: Members should refer to circulars issued, daily trade reports for any changes in settlement types or addition of new series.

ITEM 3: CLEARING DAYS AND SCHEDULED TIME

In pursuance of Regulation 6.2 of the NSE Clearing 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 Reference 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. Clearing Members shall take note of the pay-in cut-off specified by respective depositories from time to time. The existing settlement timelines for settlement shall be applicable for both T+1 and T+2 settlement cycles on regular settlement days as well as multiple settlement days and there shall be no netting.

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 for pay-in shall be done in applicable market lot only wherever lot size is applicable.

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 existing settlement timelines for settlement shall be applicable for both T+1 and T+2 settlement cycles on regular settlement days as well as multiple settlement days and there shall be no netting.

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.

Clearing Members shall ensure the accounts are active in both depositories at all times and inform the Clearing Corporation in case of any changes in the account.

4.2 Procedure for shifting of pool account in CDSL and NSDL

In case a clearing member wishes to shift the 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 pool account to the Clearing Corporation'. Format for change of CDSL account shall be provided as per **Part C (1.1)** and change of NSDL account shall be provided as per **Part C (1.2)**.

In case of change of accounts clearing members shall intimate to the Clearing Corporation for availing Auto Delivery Out as specified in Item 6.1.1

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 account(s) with the designated clearing bank(s) other than in which primary account is maintained, for the purpose of enhancement of collaterals in the form of cash through CIM and for providing EPI of funds through CIM.
- 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. Please refer to formats specified in **Part C (3)** – 'Format of Letters for Operation of Clearing Account with Clearing Bank'
- 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 5.3 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 5.3 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.

Clearing Members shall take note of SEBI circular SEBI/HO/MIRSD/DoP/P/CIR/2022/119 dated September 19, 2022 regarding Validation of Instructions for Pay-In of Securities from Client demat account to Trading Member Pool Account against obligations received from the Clearing Corporations. As per clause 4.5 of the circular, in case of discrepancies in details like UCC, TM ID, CM ID, ISIN etc. between instruction and obligation, such transfer instructions will be rejected by the depositories. Members are requested to ensure correctness of above details at all MIIs, as any rejection thereof will result into shortage in fulfilment of pay-in obligation. Members are advised to refer to their various depository reports to meet their securities pay-in obligation on settlement day.

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. For securities settling on T+1 basis Clearing Corporation shall upload the Auto DO instructions on the Depositories system on T day based on the obligations derived considering deemed custodial confirmation of CP trades / allocated OTRs for members who have opted Auto DO facility. Auto DO instructions shall not be provided by Clearing Corporation with respect to incremental delivery obligation for members/custodian on T+1 day on account of trades rejected by custodians. Members/Custodians shall ensure that they provide manual pay-in instructions for such incremental obligation.

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 for securities with T+2 settlement cycle. In respect of securities with T+1 settlement cycle, Auction shall be conducted on T+1 day along with the shortages of T+2 settlement on that day. The Auction settlement type and number for auction conducted for shortages in T+1 and T+2 shall remain same.

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. Auction shall not be conducted 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 8**.

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 08:30 a.m. on Auction settlement date (Auction + 1 Day). The auction paying members are required to have clear balance of funds in their clearing account towards obligation by 8:00 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’

6.4 Facility for Voluntary Auction for Internal Shortages

Clearing Corporation shall provide facility where its clearing member may choose to include their internal shortages in the auction conducted by the Clearing Corporation.

Auction shall be in respect of internal shortages in capital market segment, physical settlement of equity derivatives. Clearing members shall provide a list of securities to be auctioned along with trading member and shortage quantity to Clearing Corporation through a file upload. The file format for the same has been specified in **Part C (8)** 'File format for voluntary auction'. The file should be uploaded prior to 09:30 AM on settlement date.

Clearing Corporation shall validate the records and provide a return file with status success/reject to the Clearing Members. The file format for the same has been specified in **Part C (8)** 'File format for voluntary auction'. Only successful records shall be taken up for further processing.

Clearing Corporation shall debit from the settlement account an amount equal to the valuation of the securities provided towards auction. Clearing Members are required to provide valuation amount in their settlement account by 10:00 AM. In case of successful auction, valuation amount so collected shall be utilised towards auction pay-in on auction settlement day. Excess, if any, shall be returned to clearing member after making necessary adjustments and shortfall, if any, shall be recovered from the clearing member. In case of unsuccessful auction, the entire valuation amount shall be returned to the clearing member on next day.

In case where auction is successful but there is settlement shortage i.e. auction seller fails to deliver the securities on T+3 day, Clearing Corporation shall conduct financial close out in accordance with the extant procedures.

It shall be sole responsibility of the Clearing Member to ensure correctness and completeness of the settlement shortages reported to Clearing Corporation for auction. Further this is only a facility and no settlement guarantee shall be provided. There shall be a facilitation fees of 1% on the value of security considering the price of security on day prior to auction. The amount including applicable taxes shall be collected on monthly basis

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 settlement 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 settlement price shall be based on the last 30 minutes volume weighted average price across Exchanges 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 NSE Clearing 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 across the Exchanges from the day of trading till the auction day or 20% above the settlement price on the auction day, whichever is higher.

8.2.2 Closing out in case of failure to give delivery for 'BL' Market Deals

For securities settled on T+2 basis: Any shortages in the 'Block trades' – BL window shall be directly closed-out on the settlement at the highest price prevailing across the Exchanges from the day of trading till the T+1 day or 20% above the settlement price on the T+1 day, whichever is higher, or as declared from time to time.

For securities settled on T+1 basis: Any shortages in the 'Block trades' – BL window shall be directly closed-out on the settlement at the highest price prevailing across the Exchanges from the day of trading till the T day or 20% above the settlement price on the T 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

For securities settled on T+2 basis: Any shortages in TFT-S shall be directly closed-out on the settlement at the highest price prevailing across the Exchanges from the day of trading till the T+1 day or 20% above the settlement price on the T+1 day, whichever is higher, or as declared from time to time.

For securities settled on T+1 basis: Any shortages in TFT-S shall be directly closed-out on the settlement at the highest price prevailing across the Exchanges from the day of trading till the T day or 20% above the settlement price on the T 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 across the Exchanges from the day on which the trade was originally executed till the day of auction or 20% over the settlement price on the auction 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.

Where auction pay-out cannot be done on or before Record Date/ Book closure – 1 business day, shortages shall be directly closed out at the highest price prevailing across the Exchanges from the day of trading till the day of auction or 10% above the settlement 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 close out 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 close out price.

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

In the case of securities for which trading has been discontinued on the Exchange on account of merger / amalgamation/ scheme of restructuring (hereinafter referred to as 'deleted security'), the security with which the deleted security is merged / amalgamated / hived off / restructured into (hereinafter referred to as 'new security') will be considered to arrive at the close out price.

Settlement price for such 'deleted security' will be the settlement 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 settlement 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 across the Exchanges from the first day of the relevant trading period till the day of auction or the mark up of 20% on the settlement price on day of auction shall be applicable.

8.6 Close Out Price for Government Securities

For securities settled on T+2 basis: In case of short deliveries, unsettled positions shall be closed out on the settlement day at the highest price prevailing across the Exchange from the day of trading till the T+1 day or 5% above the settlement price on the T+1 day, whichever is higher, or as declared from time to time

For securities settled on T+1 basis: In case of short deliveries, unsettled positions shall be closed out on the settlement day at the highest price prevailing across the Exchange from the



day of trading till the T day or 5% above the settlement price on the T day, whichever is higher, or as declared from time to time

8.7 Close Out Price for Rights Entitlement

For securities settled on T+2 basis: In case of short deliveries, unsettled positions shall be closed out on the settlement day at the highest price prevailing across the Exchange from the day of trading till the T+1 day or 5% above the settlement price on the T+1 day, whichever is higher, or as declared from time to time

For securities settled on T+1 basis: In case of short deliveries, unsettled positions shall be closed out on the settlement day at the highest price prevailing across the Exchange from the day of trading till the T day or 5% above the settlement price on the T 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 NSE Clearing, 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 Self Clearing Members

As a part of the membership requirement every self clearing 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

9.1.2 Cash Deposit requirement for Trading Cum Clearing Members/Professional Clearing Member

As a part of the membership requirement every trading cum clearing member/Professional clearing member is required to maintain cash deposit of:

- (a) Rs. 25.00 lakhs in the case of Corporates



- (b) Rs. 16.00 lakhs in the case of Firms/Individuals
- (c) Rs. 25.00 lakhs in case of Professional Clearing Member

9.1.3 Security Deposit requirement for Clearing Members

As a part of the membership requirement every clearing 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 (9)**- 'List of Approved Banks for issuance of Fixed Deposits Receipts & Bank Guarantees', deposited with **Approved Custodians** as per **Part C (10)**- '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.

9.1.4 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, 9.1.2 and 9.1.3 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:

- 1) Cash
- 2) Fixed Deposit Receipts (FDRs) issued by Approved Banks.
- 3) Bank Guarantee in favour of NSE Clearing Ltd. from Approved Banks.



- 4) 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.
- 5) Government of India Securities/T-Bills/Sovereign Gold Bonds, as per list provided by Clearing Corporation
- 6) 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.
- 7) 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 (11)** - '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 (12)** - 'Format of letter by member for submission of FDR to Custodian' and as **Part C (13)** - '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 (14)** - 'Format of letter to be provided by Bank issuing FDR to the custodian' and **Part C (15)** - '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.
- v. The FDR issued in physical form 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.
- vi. The FDR issued in electronic form should have validity for a minimum period of 7 days in case of margin deposit and for a minimum period of 12 months in case of security deposit.
- vii. 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.
- viii. 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
- ix. 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 (9)** ‘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 (16)** 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 (17)** 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 (18)** 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 (19)** 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:

Category of member	Applicable total limit per clearing member across all segments (Rs in Crores)	
	Primary Clearing Bank	Other Banks
Professional Clearing Member (PCM) / Custodian / Trading Cum Clearing Members (TM-CM) with net worth =>Rs.500 crores	1200.00	1500.00
Professional Clearing Member (PCM) / Custodian / Trading Cum Clearing Members (TM-CM) with net worth	600.00	750.00
Other categories (Other)	120.00	150.00

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 (Rs in Crores)
Professional Clearing Member (PCM) / Custodian / Trading Cum Clearing Members (TM-CM) with net worth =>Rs.500 crores	6000.00
Professional Clearing Member (PCM) / Custodian / Trading Cum Clearing Members (TM-CM) with net worth	3000.00
Other categories (Other)	750.00

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 (20)**- 'Format of Bank Guarantee for Margin Deposit and Security Deposit (Fungible)' and **Part C(21)** '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 (22)** - '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:
- a) No relevant portion is left blank
 - b) All handwritten corrections and blanks are attested by the bank by affixing the bank seal / stamp duly authorised
 - c) All irrelevant portions struck off on the printed format should also be authenticated by the bank by affixing the bank seal / stamp duly authorised.
 - d) Each page of the bank guarantee should bear the bank guarantee number, issue date, stamp of the bank and should be signed by at least two authorised signatories.
 - e) The member should also ensure that the bank guarantee is free from any discrepancy before the same is submitted to the Clearing Corporation.
 - f) The stamp paper should be issued in the name of the clearing member or the bank, no third party stamp papers are permissible
 - g) The stamp paper should not be older than 6 months from the executed date of the bank guarantee/ renewal.

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

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 (23)** - '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 Electronic SFMS Message

Members are required to ensure that Banks issuing BG in favour of Clearing Corporation send e-messages through SFMS for all new issuance/renewals of the BG. Members shall ensure that SFMS message is sent by the issuing bank before the new/renewal BG is submitted to Clearing Corporation. The exposure towards new issuance/renewals of the bank guarantees shall be provided only after receipt of the SFMS message by Clearing Corporation. Following



beneficiary details of Clearing Corporation shall be provided to issuing banks for sending the e-messages through SFMS

Option 1

Field No	Description	Current Value
7034	Name Of Beneficiary And His Details	NSE CLEARING LIMITED EXCHANGE PLAZA, PLOT C-1, G BLOCK, BANDRA KURLA COMPLEX, BANDRA (E), MUMBAI - 400 051
7035	Beneficiary IFSC	XNSE0000001
7036	Beneficiary Branch Name and Address	NSE CLEARING LIMITED

Option 2

Field No	Description	Current Value
7035	Beneficiary IFSC	ICIC0000004
7036	Beneficiary Branch Name and Address	ICICI BANK LIMITED F.P.HOUSE NARIMAN POINT MUMBAI 215, FREE PRESS HOUSE, NARIMAN POINT, MUMBAI
7037	Sender to Receiver Information	NCL566855614

9.3.3.5 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 website. The report nomenclature will be "APPSEC_COLLVAL_ddmmyyyy.csv".

The quantity of security acceptable by Clearing Corporation from a member shall be restricted in quantity and value terms. The list of approved securities, the acceptable quantity (Market wide limit and member level limit) of the security and applicable hair cut for the respective security shall be as per the Circular issued by Clearing Corporation for the respective month. Further the quantum of each security acceptable shall be restricted to certain percentage of the total margins, 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) Equity shares of clearing member
- d) Corporate bonds issued by clearing member
- e) Equity Shares of associate of clearing member
- f) Corporate bonds issued by associate of clearing member

For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2018

9.3.4.3 Ownership of Securities

9.3.4.3.1 Membership Deposits (Security Deposit)

- Members shall be permitted to provide only “own” securities towards the membership deposit requirements
- Own securities shall include securities owned by 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.
- Members shall provide securities towards membership deposit requirement using the facility of Approved Custodians as per **9.3.4.4** or direct pledge in favour of NSE Clearing through any other depository participant of NSDL and CDSL as per **9.3.4.5** and **9.3.4.6**

9.3.4.3.2 Margin Deposits

- Members shall be permitted to provide “own” securities or trading member proprietary securities or client securities towards the margin deposit requirements
- Members can provide own securities using the facility of Approved Custodians or Margin Pledge facility provided by NSDL and CDSL
- Members can re-pledge client/trading member(TM) proprietary securities only through Margin Pledge facility provided by NSDL and CDSL
- The margin pledge facility shall also be applicable for Custodial Participant (CP) clients of members
- Procedure for providing securities through Margin Pledge facility provided by NSDL and CDSL is detailed in **9.3.4.7**
- The prudential norms (Market wide limits, member wise limits and value based limits) shall be applied on all securities (OWN and Client/TM Proprietary securities) together
 -
 - For Market wide limits, member wise limits, Client/TM Proprietary/CM Proprietary securities pledged/re-pledged, the priority will be on first-in-first-out (FIFO) basis, in other words securities pledged/re-pledged earlier will have a higher priority

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 (24)** - ‘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

- Members can use this facility only for pledging own securities towards membership/margin deposit requirements.
- Members shall be permitted to pledge own securities through their Proprietary Accounts only. The aforesaid account shall be permitted for pledging of securities across all segments/schemes of the Clearing Corporation.
- Member shall submit the following information to the Clearing Corporation:
 - Covering letter as per format provided in **Part C (25)** – ‘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(24)** ‘Format of deed of pledge
 - For margin deposit as per format provided in **Part C(24)** ‘Format of deed of pledge
 - List of authorized signatories who are authorized to sign deed of pledge
- 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

- Member shall be required to subscribe for SPEED-e facility of NSDL to submit the pledge request in favour of the Clearing Corporation.
- 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.
- Members may note that **only** those pledges which are created through SPEED-e facility of NSDL shall be accepted towards collateral purpose.
- 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

- 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.
- 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.

9.3.4.6 Acceptance of securities through any other depository participant of CDSL

9.3.4.6.1 Registration

- Members can use this facility only for pledging securities towards membership deposit requirements (security deposit)
- Member shall be permitted to pledge only from their proprietary accounts
- The aforesaid account shall be permitted for pledging of securities across all segments of Clearing Corporation.
- 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 (26)** – '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(24)** 'Format of deed of pledge
 - 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

- 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.

9.3.4.7 Acceptance of securities through Margin Pledge mechanism

- Clearing Member shall be required to open a separate demat account (“designated account”) with any Depository Participant of NSDL or CDSL.
- The designated account shall have a client sub type of CM – Client Securities Margin Pledge Account or TM/CM – Client Securities Margin Pledge Account in NSDL or CDSL.
- The aforesaid designated account shall be permitted for pledging/re-pledging of securities across all segments/schemes of Clearing Corporation.
- Clearing Member shall ensure that designated demat account is used for the purpose of pledging/re-pledging securities only as specified in SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020
- Clearing Member shall submit the following information to Clearing Corporation
 - Covering letter as per format provided in **Part C (27)** – ‘Format covering letter for margin pledge/repledge
 - Client master of the designated account
 - Pledge deed as per the format specified in **Part C (24)** ‘Format of deed of pledge
 - Board Resolution with list of authorized signatories authorized to sign the pledge deed
- On submission of necessary documents as specified above Clearing Corporation shall enable the designated account for acceptance of pledge/re-pledge.
- Clearing Members shall refer to provisions provided by Depositories with respect to opening the account and creating margin pledge/re-pledge in favour of Clearing Corporation.
- Pledge instructions in respect of approved securities only shall be accepted
- Details of Clearing Corporation accounts in whose favour the re-pledge have to be created are as under

Depository	DP ID	Account number
NSDL	IN001002	10009132

CDSL	1100001100020926
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- UCC Details, TM Code, CP Code and segment as received in the pledge/re-pledge instructions from depositories shall be considered for allocating such securities towards margin requirement.
- In case of CP clients, clients/clearing member shall ensure that applicable CP code is populated in the pledge/re-pledge instructions as per the procedure prescribed by the depositories.
- The facility of providing securities towards margin deposit through margin pledge mechanism shall be optional in respect of clients settling through Custodians.

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 (28)** - '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 (29)** '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.
- 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
- 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 (30)** - '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 9.3.4
- 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 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. The hair cut shall be as under

Type and Tenor of Securities	Haircut
Treasury Bills and Liquid Government of India Dated Securities having residual maturity of less than 3 years	2%
Liquid Government of India Dated Securities having residual maturity of more than 3 years	5%
For all other Semi-liquid and Illiquid Government of India Dated Securities	10%

The list of approved G-Sec/T-Bills and applicable hair cut for the respective G-Sec/T-Bills shall be as per the Circular issued by Clearing Corporation for the respective month.

- 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

Further the quantum of each security acceptable shall be restricted to certain percentage of the total margins, with NCL and the same shall be specified in list of approved securities. A report containing mutual fund schemes wise utilization of market wide permissible limit shall also be downloaded to common folder of clearing member on FTP. The report nomenclature will be “MF_OL_ddmmmyyyy.csv”.

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_Bhavcopyddmmmyyyy.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_ddmmmyyyy.csv”.

A report containing corporate bond utilization of market wide permissible limit shall also be downloaded to common folder of clearing member on FTP. The report nomenclature will be “CB_OL_ddmmmyyyy.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 (31)** - '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

Clearing members shall be permitted to place intra-day transfer request for fungible securities which are re-pledged with Clearing Corporation towards margin deposit using margin pledge re-pledge mechanism provided by NSDL and CDSL.

The modalities of intraday transfer are mentioned below:

- Only securities re-pledged to Clearing Corporation with segment indicator as ALL shall be considered as fungible and shall be eligible for transfer.
- Clearing Member can put the request to transfer fungible security by way of a file upload option available in CIM- Release - File Upload. The format for transfer file upload is provided in **Part C (32)** - 'File format for transfer of fungible securities'

- The request to transfer shall be processed at pre-defined intervals in batches during the day
- The request to transfer shall be checked for margin sufficiency in the source segment. In case the margin is insufficient then the transfer request shall be partially accepted or get rejected
- The request shall be considered valid only if the CM/CM-TM/ CM- CP in the source segment is also valid in the target segment.
- Transfers requests with Pledge Sequence Number /BP Instruction ID specified by clearing member shall be processed for that particular Pledge Sequence Number /BP Instruction ID only for releasing from source segment

9.6 Allocation of Collaterals

9.6.1 Procedure for collateral allocation

- While depositing Cash, FDR, BG or Government Securities provided through the SGL/CSGL route (Hereinafter referred to as “Other forms of collateral”), the Clearing Members (CMs) shall allocate these collaterals into proprietary account of CM, and/or proprietary account of any Trading Member (TM) clearing through the CM, and/or account of any of the clients (including Custodial Participants (CPs)) clearing through the CM, and/or of any of the clients trading through the TM who in turn is clearing through the CM, segment-wise
- The benefit for the other forms of collateral deposited shall be provided by Clearing Corporation only after receiving the allocation of the same from the CM
- The amount of collateral allocated shall not exceed the amount of collateral received by the TM/CM from the client and reported as such under the client collateral reporting mechanism. Also, the allocation of collateral shall not be lower than the amount of collateral (except securities collateral re-pledged) reported under the client collateral reporting mechanism as having been passed on by the CM to Clearing Corporation.
- CMs shall also perform the aforementioned checks in respect of the allocation received by them from the TMs clearing through them.
- The total allocation by CM cannot exceed the total other form of collateral deposited by the CM with Clearing Corporation.
- The allocation provided by the CM to Clearing Corporation shall be considered as final by Clearing Corporation for the purpose of granting exposure and utilization during default.
- The detailed procedure for addition and allocation of various forms of collateral (other than securities placed through margin pledge mechanism) is specified in **Part C (33)** - 'Format for allocation of collateral'

9.6.2 Collateral Valuation

CMs are required to maintain at least 50% of the total collateral in the form of cash or cash equivalents. For the purpose of monitoring of at least 50% cash-equivalent collateral at the level of CM, the excess cash-equivalent collateral of a client shall not be considered for other

client or for proprietary account of TM/CM. However, the excess cash-equivalent collateral of proprietary account of TM/CM shall be considered for clients trading/clearing through them, for the purpose of monitoring minimum 50% cash-equivalent requirement. An example for the same is provided in **Part C (34)** – ‘Example for collateral valuation’

9.6.3 Change of allocation

CMs shall be permitted to change the allocation of other forms of collateral deposited with Clearing Corporation (including change to another segment where the member is CM). CMs to ensure that the value allocated to any TM/CM/client does not exceed the value of actual collateral received from that TM/CP/client (excluding the securities collateral through margin pledge mechanism and repledge to Clearing Corporation). However, such change of allocation shall be permitted subject to adequacy of available collateral with Clearing Corporation after the change vis-à-vis the margin obligation of CM/TM/CP/Client. An example for change in allocation is provided in **Part C (35)** – ‘Example for change in collateral allocation’.

9.6.4 Withdrawal/ Maturity of collateral

- Other forms of collateral shall be released only if sufficient amount is available as unallocated collateral. Accordingly, CMs shall ensure that sufficient amount is unallocated prior to placing release request for other forms of collateral
- In case of collateral provided in the form of BGs and FDRs; the value of the matured BG/FDR shall be reduced from CM’s collateral as per the existing process. Due to this, the CMs may go into risk reduction mode because of reduction in the collateral limits

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 ,SEBI/MRD/DoP/SE/Cir-08/2009 dated July 27, 2009 and SEBI/HO/MRD2/DCAP/CIR/P/2020/27 dated February 24, 2020 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 Networth 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.

- b. The impact cost shall be the percentage price movement caused by an order size of Rs.1 Lakh from the average of the best bid and offer price in the order book snapshot. The impact cost shall be calculated for both, the buy and the sell side in each order book snapshot.
- c. The methodology for computation of the impact cost adopted shall be disseminated on the website of the exchange.

The category for each security and applicable period is disseminated to members on the extranet server and to the public at large through the 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 (36)** - '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 (36)** - '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).

The VaR margin rates shall be as follows for different groups of stocks:

Liquidity Categorization	VaR Margin Rate
Group I	Based on 6σ , subject to minimum of 9%
Group II	Based on 6σ , subject to minimum of 21.5%
Group III	50% if traded atleast once per week on any stock exchange; 75% otherwise

Note:

1. In case of ETFs that track broad based market indices and do not include ETFs which track sectoral indices, the VaR margin rate shall be 6 sigma, subject to minimum of 6%.

2. In case of Group III the securities shall be monitored on a weekly basis, and the VaR - margin rates shall be increased to 75% if the security has not traded for a week. In case the VaR margin rate is 75% and the security trades during the day, the VaR margin rate shall be revised to 50% from start of next trading day.

10.5.2 Collection of VaR Margin:

- a. The VaR margin shall be collected on an upfront basis by adjusting against the total liquid assets of the member at the time of trade.
- b. The VaR margin shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including its proprietary position. Example for computation of gross positions of a member is provided **Part C (37)** - 'Example for computation of Gross positions of a member'.
- c. For this purpose, there would be no netting of positions across different settlements.
- d. As specified by SEBI vide Cir. Ref No. MRD/DoP/SE/Cir- 6 /2006 dated June 16, 2006 Intra-day VAR files shall be generated based on the prices at 11.00 a.m., 12.30 p.m., 2.00 p.m., and 3.30 p.m. everyday. Such intra-day VAR files shall be used for margining of intra-day member positions. In addition to the above a VAR file at end of day and begin of day shall be provided.
- e. The VaR margin rates shall be made available in the extranet server and to the public at large through the website
- f. File format for VaR based margin rates is given in **Part D**.
- g. The VaR margin so collected shall be released on completion of pay-in of the settlement.
- h. The details of all margins (VAR, extreme loss margin and 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.

- a. The Extreme Loss Margin shall be 3.5% for any stock and 2% for ETFs that track broad based market indices and do not include ETFs which track sectoral indices.
- b. The Extreme Loss Margin shall be collected/ adjusted against the total liquid assets of the member on a real time basis.
- c. The Extreme Loss Margin shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including its proprietary position. Example for computation of

gross positions of a member is provided in **Part C (37)** - '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 Additional Margin for highly volatile stock

- (i) For securities with intra-day price movement (maximum of [High-Low], [High-Previous Close], [Low-Previous Close]) of more than 10% in the underlying market for 3 or more days in last one month, the minimum total margins shall be equal to the maximum intra-day price movement of the security observed in the underlying market in last one month. The same shall be continued till monthly expiry date of derivative contracts which falls after completion of three months from date of levy.
- (ii) For securities with intra-day price movement (maximum of [High-Low], [High-Previous Close], [Low-Previous Close]) of more than 10% in the underlying market for 10 or more days in last six months, the minimum total margins shall be equal to the maximum intraday price movement of the security observed in the underlying market in last six months. The same shall be continued till monthly expiry date of derivative contracts which falls after completion of one year from date of levy

10.11 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 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

10.12 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 (who are not corporate bodies, individuals or family offices) as per SEBI FPI regulation 2019 (FPI)
 - 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.
- Transactions entered into on behalf of custodial participants of above mentioned categories shall be considered as institutional deals unless not confirmed by the respective custodians in which case the transactions shall be considered as a normal transactions and all applicable margins shall be levied on the members
- Members may also enter “INST” code in the custodial participant code at the time of entering orders on behalf of the institutional clients
- Members are required to allocate the INST trades only to the above mentioned categories
- As specified by SEBI vide Circ. Ref No. MRD/DoP/SE/Cir- 06 /2008, March 19 2008 all institutional transactions shall be margined in the capital market segment from T+1 day subsequent to confirmation of the transactions by the custodians in respect of securities settling on a T+2 basis.
- In respect of institutional transactions confirmed by the custodians the margins shall be levied on the custodians.

- In respect of institutional transactions rejected/not accepted by the custodians the margins shall be levied on the members who have executed the transactions
- The margins shall be computed and levied at a client (Custodial Participant code) level in respect of institutional transactions and collected from the custodians/members

10.12.1 Risk management framework for Foreign Portfolio Investors (FPI) under the SEBI (Foreign Portfolio Investors) Regulations, 2019

- a) The trades of FPIs shall be margined on a T+1 basis
- b) However, the trades of Category II FPIs who are corporate bodies, Individuals or Family offices shall be margined on an upfront basis as per the extant margining framework for the non-institutional trades

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 10.11 above, in cases where EPI of securities is made, such positions shall be exempt from margins.

10.16.1 Procedure for making EPI of shares

10.16.1.1 EPI through Pool account

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 (38)** - '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'/'M' and 'W'/'Z'.
- 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 (39)** - 'Format for Client level early pay-in files for securities'.
- v. Facility is provided to members for reversal of excess securities provided as early pay-in (EPI) on T day. The facility shall be applicable for settlement type Normal (N,M) and Trade for Trade (W,Z). Clearing Members can avail this facility through their Collateral Interface for Members (CIM) (EMI > Securities EPI > Reversal of Securities EPI). For clearing members that have opted for the facility, Clearing Corporation shall determine excess EPI considering the client level allocation provided by clearing member and net obligation of client on T day. Excess EPI if any shall be released after the cut-off time for EPI of securities on T day and reversed to clearing members in the respective depositories

10.16.1.2 EPI through Client account using block mechanism

In addition to EPI from pool account members can mark EPI of securities from the client account as per the facility provided by Depositories

Modalities for EPI from client account is as under:

- i. Clearing Corporation shall receive client details like UCC, Trading Member, Clearing Member Code from the respective source depositories where EPI of securities is marked.
- ii. Margin benefit shall be provided considering the client details provided by the respective depositories. Accordingly, members should not provide client allocation details to Clearing Corporation in CLNTEPI file for EPI marked in the client account using block mechanism.
- iii. In case EPI of securities from client account is made towards getting margin benefit for Block Deals, members will be required to provide instruction for allocation to series "BL". The details of allocation viz. client code, settlement number, security symbol, quantity should be provided on the email risk_ops@nsccl.co.in with subject line as: EPI Allocation for Block Deal.
- iv. EPI of securities received in excess of obligation through the client account shall be reversed in the source client account on T day.
- v. As required by depositories, Clearing Corporation shall share delivery obligation at client level (including UCC, PAN, TM and CM Code) for all market types on the T Day to depositories

SEBI vide its circular SEBI/HO/MIRSD/DoP/P/CIR/2022/109 dated August 18, 2022 and has made the facility of block mechanism mandatory for all Early Pay-In transactions. Further SEBI vide its circular SEBI/HO/MIRSD/DoP/P/CIR/2022/143 dated October 27, 2022 has specified that block mechanism shall not be applicable to clients having arrangements with custodians registered with SEBI for clearing and settlement of trades.

10.17 Early Pay-in of Funds for Margin Exemption

As stated in point 10.11 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 shall 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 (40)** - 'Format for client level early pay-in files for funds'.
 - The details provided in the latest 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. Members shall ensure that all existing allocation details that they desire to continue should also be included again in the latest file upload.

- 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.
- 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 12**

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

Trading Members (TMs) /Clearing Members (CMs)/ shall be required to mandatorily collect minimum 20% upfront margin in lieu of VaR and Extreme Loss Margins from the client upfront. It shall be mandatory for all TMs /CMs to report details of such margins collected to the Clearing Corporation. The procedure for reporting of client margin is detailed in **Item 11**

10.23 Blocking of Margins and Monitoring

- The procedure for blocking of margins only specifies the order of blocking of collateral available with Clearing Corporation.
- The terms “Client Collateral”, “TM Collateral”, “CP Collateral” and “CM Collateral” shall mean the total of the allocated collateral value plus the value of securities collateral provided through margin pledge/re-pledge by any individual client, TM, CP and CM respectively to Clearing Corporation.
- The TM/CM collateral shall mean the proprietary collateral of the TM/CM only and shall not include the collateral of any of their clients.

- On receipt of a trade from a client account, the margin shall first be blocked from the value of the client collateral. If the client collateral is not sufficient, the residual margin shall be blocked from the TM proprietary collateral of the TM of such client. If the TM proprietary collateral is also not sufficient, then the residual margin shall be blocked from the CM proprietary collateral of the CM of such TM.
- In case of a trade from the proprietary account of a TM, the margin shall first be blocked from the TM proprietary collateral, and in case such collateral is not sufficient, then the residual margin shall be blocked from the CM proprietary collateral.
- Margins based on trades from proprietary account of the CM shall be blocked from the proprietary collateral of the CM only.
- Example of blocking of margins is provided at **Part C (41)** - 'Example for blocking of margins'

For monitoring of the risk reduction mode (90% utilization) and margin violation, the following procedure shall be adopted:

- TM level risk reduction mode: Client margin in excess of 90% of the client collateral shall be identified for each client under a TM. The total of such client margin in excess of 90% of the client collateral, plus the proprietary TM margin shall be assessed against the TM proprietary collateral for monitoring of TM level risk reduction mode.
- CM level risk reduction mode: Sum of client margin in excess of 90% of the client collateral for each client under a TM plus the proprietary TM margin, in excess of 90% of TM proprietary collateral shall be calculated as TM margin in excess of 90% of TM collateral. Sum of such margin for each TM clearing through a CM, plus sum of client margin/CP margin in excess of 90% of the client/CP collateral for each client/CP clearing through such CM, plus the proprietary CM margin shall be assessed against the proprietary CM collateral for monitoring of CM level risk reduction mode.
- Example for monitoring of risk reduction mode is provided at **Part C (42)** - 'Example for monitoring of risk reduction mode.'

10.24 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.

10.25 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

10.26 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.

10.27 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:

10.27.1 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 I 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 (43)** - 'Example of computation of offsetting positions'

10.27.2 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.

10.27.3 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 (44)** - 'Format of files to be uploaded by the clearing member giving client wise details'.

10.27.3.1 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 (45)**- '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 (46)** - '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 (47)** - '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 (48)** - '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'.

10.27.3.2 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 (49)** - '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'.

10.27.4 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.

10.27.5 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.

10.27.6 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.

10.27.7 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**.

10.28 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.

10.29 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.

10.30 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: CLIENT MARGIN/SHORT ALLOCATION REPORTING

11.1 Collection and Reporting of Margins

- Trading Members (TMs) /Clearing Members (CMs) shall be required to mandatorily collect minimum 20% upfront margin in lieu of VaR and Extreme Loss Margins from their clients/TMs.
- The TMs/CMs will have time till 'T+2' working days to collect other margins (except minimum margins) from their clients/TMs. (The clients/TMs must ensure that the VaR margins and ELM are paid in advance of trade and other margins are paid as soon as margin calls are made by the TMs/CMs.) The period of T+2 days has been allowed to TMs/CMs to collect margin from clients taking into account the practical difficulties often faced by them only for the purpose of levy of penalty and it should not be construed that clients have been allowed 2 days to pay margin due from them.
- If the TMs/CMs has collected adequate initial (upfront) margins from the client to cover the potential losses over time till pay-in, TMs/CMs need not collect Mark To Market losses (MTM) from the client/TMs. Otherwise, TMs/CMs shall be required to collect MTM from their clients/TMs by T+2 day.
- If pay-in (both funds and securities) is made by T+2 working days, the other margins would be deemed to have been collected
- TMs/CMs shall be required to report a single consolidated value comprising of , minimum margin, additional margins and MTM collected

11.1.1 Intra-day margin reporting

- Clearing Corporation shall send minimum 4 snapshots of client wise margin requirement to TM/CM/Custodians for them to know the intraday margin requirement per client/TM/Custodial Participant. The snapshots would be randomly taken in pre-defined time windows
- The client wise margin file (MG-12/13) provided by Clearing Corporation to TMs/CMs/Custodian shall contain the end of day margin requirements of the client/TM/Custodial Participant as well as the peak margin requirement of the client/TM/Custodial Participant, across each of the intra-day snapshots
- The TM/CM/Custodian shall have to report the margin collected from each client/TM/Custodial Participant, as at EOD and peak margin collected during the day

11.1.2 Procedure for Reporting of Margins

11.1.3 Files to be provide to members

- Clearing Corporation shall provide client /TM/CP wise details of end of day margins as well as the peak margin requirement on a daily basis to TMs/CMs/Custodian namely MG12 for CMs/Custodian and MG 13 for TMs.

- The format of the files to be downloaded are provided in Part D.

11.1.4 Files to be submitted by the member

- TMs/CMs/Custodian shall be required to be upload reporting files through the NSCCL – MASS using the client margin file upload menu. (NSCCL –MASS >Client Margin>File upload).
- TMs/CMs/Custodian shall be able to upload client margin reporting files at any time during the day through NSCCL –MASS
- The facility of uploading the files through the extranet server in the directory /CMFTP/C/COLAT/UPLD shall also be available to TMs/CMs
- The name of the file to be uploaded by the TMs shall be C_MRG_TM__nn.CSV and that by the CMs/Custodian shall be C_MRG_CM__nn.CSV where: is the trade date, TM = Trading Member, CM = Clearing Member/Custodian and ‘nn’ is the batch number of the file
- TMs/CMs/Custodian are requested to take note of the following whilst uploading the client margin reporting files:
 - TMs/CMs/Custodian are not required to provide member code in the file name
 - TMs/CMs/Custodian are required to provide batch number in every file they upload starting with 01. Thereafter subsequent files are required to have incremental batch numbers viz 02, 03 etc up to maximum of 99. This would enable TMs/CMs/Custodian to send multiple files for the same trade date with incremental batch numbers. Where multiple files are uploaded by the TMs/CMs/Custodian for a trade day, the information of client margin collected as provided in the file with latest batch number for the trade date would be considered as final by the Clearing Corporation.
 - If a member uploads a file with incorrect name, such files shall not be picked up by the Clearing Corporation. In case of files uploaded through the extranet the same file shall be renamed as “.failed” in the respective member folder in order to facilitate members to ascertain file upload failure.
 - Zero byte uploaded through the NSCCL –MASS shall not be accepted. In case of zero byte files uploaded through the extranet the same file shall be renamed as “.failed” in the respective member folder.
 - In case the files are made by customised software at user end, TMs/CMs/Custodian may note that a new line character has to be present in the last record in order to ensure proper processing.
 - TMs/CMs/Custodian are requested to refer to the return file every day for the short reporting of margins and initiate necessary corrective actions to ensure that the margins are collected and reported upfront.

- TMs/CMs/Custodian may note the following procedure for providing client margin details:
 - Each row of the margin file MG12 shall provide the details of VaR +ELM margin, minimum margin, additional margins and MTM losses for a proprietary account of trading member and custodian participants. The files shall contain end of day total actual margin, end of day total margin to be collected and peak of intra-day margin for each associated Trading Member/Custodial Participant
 - Each row of the margin file MG13 shall provide the details of VaR +ELM margin, minimum margin, additional margins, MTM losses, end of day total actual margin, end of day total margin to be collected and peak of intra-day margin for reporting purpose for a specific client code, as per the code entered by the members at the time of order entry.
 - In case of a mark to market profit for a client/TMs/CPs the value for MTM losses shall be populated as zero.
 - TMs/CMs/Custodian are required to add a comma and report a single consolidated value comprising of the actual amount collected from that client/TMs/CPs as the case may be for end of day margin.
 - TMs/CMs/Custodian are required to add another comma after the amount of end of day margins reported and report the peak margin amount collected from that client/TMs/CPs as the case may be
 - This figure for amount collected (end of day and peak), appended by TMs/CMs/Custodian should not be negative.
 - TMs/CMs/Custodian are required to ensure that no information provided in the file is modified. Any modification shall result in such record being rejected by the Clearing Corporation.

11.1.5 Return files to the members

- A return file shall be generated for all files uploaded by the TMs/CMs/Custodian for client margin reporting with the correct naming convention. TMs/CMs/Custodian can download return file through NSCCL –MASS using the client margin file download menu. The return file for member shall also be placed in the extranet directory /CMFTP/C/COLAT/DNLD for TMs/CMs.
- In case of any errors in the file, TMs/CMs/Custodian would be able to correct the same and upload the same with incremental batch number anytime prior to sign off date
- Two types of return files are generated for the members
 - a) Rejected Files - where the whole file has been rejected
 - b) Processed File Records - where some or all records in the file have been rejected

a) Rejected Files

- File Naming convention: C_MRG_TMF_MEMBERCODE__nn.CSV for TMs and C_MRG_CMF_MEMBERCODE__nn.CSV for CMs/Custodians Some reason for which a file may be rejected are mentioned as under
- File loaded after the sign off date - TMs/CMs/Custodian shall be permitted to upload client margin reporting file up to T+5 working days. Such files would be rejected with the reason “File is not being processed as file upload date is greater than sign off date”.
- File loaded for future date - If the uploaded file is for December 12, 2019 on December 11, 2019, then the return file would indicate the rejection reason as ‘File is not being processed as file date is greater than system current date’.
- Uploads file for an invalid day - If a TMs/CMs/Custodian is not required to report the client margin file for a day (say Saturday, Sunday, holiday etc.) and still uploads the same, then the return file would be rejected with the message ‘File is not being processed as the TMs/CMs/Custodian code is invalid for the file date’.
- TMs/CMs/Custodian uses non-serial batch number in file name - If the batch number provided by the TMs/CMs/Custodian for a trade date is not in sequence, for example if the member has uploaded two files for the trade date December 12, 2019 with file names C_MRG_TM_12092019_01.CSV and C_MRG_TM_12092019_03.CSV, the second file would be rejected with error message ‘File is not being processed as file batch number is not proper. Last successful batch no for the day was 01’.
- File in wrong format - If the TMs/CMs/Custodian has provided a file which cannot be read by the system for example- non csv file, then return file would be rejected with the message ‘File is not being processed as the file is not in format’.

b) Processed File Records –

- File Naming Convention: C_MRG_TMR_MEMBER CODE__nn.CSV for TMs and C_MRG_CMR_MEMBER CODE__nn.CSV for CMs/Custodian
- After processing of client margin file, each record would have a reason code indicating acceptance/ rejection, as the case may be. The details of reason codes are as follows:

Reason Code	Description
01	Record size does not match for e.g. extra comma in the record
02	Date in record does not match with file date
03	Record is altered i.e. matching record does not exist in MG-13/MG-12 file. Possible error in date/ client code/ margin amount
04	Record pertains to proprietary position for trading member
05	Record pertains to proprietary position for clearing member
06	Margin amount collected is negative or non numeric.

07	Insufficient Margin
08	Sufficient Margin

- For reason codes 01 to 06, the difference amount, would not be indicated in the return file. However, for reason codes 07 and 08, the difference amount would be indicated.
- If the record contains multiple errors for e.g. reason code 01 as well as 06, the reason code which is the lowest in number would appear against the record i.e. reason code 01.

11.1.6 Custodial Transactions

- TMs/CMs/Custodian shall be exempted from collecting upfront margins in respect of Institutional transactions. Institutional transactions shall mean transactions done on behalf of Institutional investors as specified in point 10.11
- Margins levied on Institutional transactions on T+1 day shall be required to be collected and reported by the Custodians who have confirmed such Institutional transactions
- In respect of non-institutional custodial transactions, the margin collection and reporting shall be done by the Custodians for the margins applicable
- In respect of custodial transactions not allocated/rejected/not accepted by the custodians, such positions shall be considered as own transactions of the TMs who have executed the transactions and the margins shall be levied on such TMs

11.1.7 Early Pay-in of Securities and Funds

- TMs/CMs/Custodian shall be exempted from collecting upfront margins in respect of positions for which early pay-in of securities/early pay-in of funds (EPI) is made prior to the settlement. For such cases the margins shall be reduced to the extent of EPI received
- Only in cases where TMs/CMs/Custodian have provided details of client/TMs/CPs for allocation of EPI shall be considered for exemption of margin reporting
- In case where TMs/CMs/Custodian have made EPI but not provided allocation of EPI for client/TMs/CPs, such EPI shall not be considered while generating end of day client margin reporting files for TMs/CMs/Custodian
- TMs/CMs/Custodian may refer to point 10.16 and 10.17 for detailed provision of providing client level EPI allocation

11.2 Deemed allocation and Short Allocation monitoring

- CMs shall ensure that sufficient collateral is allocated to TM Prop/CP/clients to cover their margin requirements. However, if the margin applicable at Clearing Corporation for a TM Prop/CP/client in a segment exceeds the collateral allocated to the TM Prop/CP/client plus the securities collateral re-pledged to Clearing Corporation (from that TM Prop/CP/client's account) in the respective segment, then the proprietary collateral of the TM/CM shall be blocked (including re-pledged/pledged securities and allocated collateral). Such margin blocked from the proprietary collateral towards a TM Prop/CP/client's margin shall be deemed to have been the collateral allocated to that TM Prop/CP/client. This provision shall include deemed allocation of TM's proprietary collateral towards client margins and deemed allocation of CM's proprietary collateral towards TM Prop/CP/client margins.
- CMs shall ensure that allocated collateral plus value of securities collateral re-pledged to Clearing Corporation for a TM Prop/CP/client is at all times greater than or equal to the minimum margin collection requirement for the respective TM Prop/CP/client in the respective segment.
- In case where the allocated collateral plus the securities collateral re-pledged to Clearing Corporation in respect of a TM Prop/CP/client, is falling short of minimum margin collection requirement in the respective segment same shall be considered as short allocation and shall be subject to penalty.

11.2.1 Monitoring of short allocation

- Minimum client margin collection requirement less Client collateral value in the segment (only where client margins are greater than client collateral value) shall be considered short allocation. For this purpose, minimum client margin collection will mean margins required to be collected on upfront basis, excluding margins which can be collected by T+1/T+2.
- Client collateral value in the segment for this purpose shall be collateral value allocated by the CM to the client in the segment + value of securities repledged at Clearing Corporation for that client in the segment (value shall be after applying all prudential norms of Clearing Corporation other than 50:50 requirement).
- Such monitoring of short allocation shall happen intraday at the time of peak margin snapshot and at end of day.
 - Client level short allocation shall be computed intra-day based on the peak margin snapshot in the segment and client collateral value in the segment at the time of the respective peak margin snapshot.
 - Client level short allocation shall be computed at end of day based on the EOD minimum upfront margins required to be collected and client collateral value at EOD.
 - The maximum amount of short allocation across all snapshots and EOD shall be considered as short allocation

- In case of instances of Intraday/ EOD short allocation; members shall have an opportunity to report amount of client collateral available with permitted reasons. In case of such reporting, penalty will not be applicable.
- While assessing the intraday/EOD short allocation, Clearing Corporation will check for availability of excess collateral (allocation and value of pledged securities over and above minimum margin) in other segments for the same TM-UCC (whether with same clearing member or otherwise) or CP. Clearing Corporation shall reduce such excess collateral available in other segments from the intraday short allocation before calculation of applicable penalty. For this purpose, the snapshots across segments for the same time window shall be considered.
- Members shall be provided details of segment wise, client wise, maximum intra-day short allocation as computed by Clearing Corporation after considering excess collateral in other segments, if any.
- Members shall have an opportunity to report amount of client collateral available against such segment wise short allocation due to below mentioned reasons, along with reason codes:
 1. Excess collateral (allocation and value of pledged securities over and above minimum margin) available in another Clearing Corporation.
 2. Value of securities sold for which EPI has been done by end of day to Clearing Corporation.
 3. Trades executed in wrong client code codes
 4. Trades done on behalf of NRI clients in equity segment for which the settlement/margin amount is received subsequently from the authorized bank.
 5. Allocation request submitted to Clearing Corporation however allocation request accepted later.
- Such reporting shall be done by TMs for clients and by CMs for TM proprietary and CP clients.
- In case false reporting, penalty as applicable on false margin reporting will be applicable
- Clearing Corporation shall compute revised short allocation amount after adjusting for the aforementioned reporting.

11.2.2 Reporting of short allocation

11.2.2.1 Files to be provide to members

- Clearing Corporation shall provide client /TM/CP wise details of highest short allocation on a daily basis to TMs/CMs/Custodian namely SA05 for CMs/Custodian and SA04 for TMs.

- The format of the files to be downloaded are provided in Part D.

11.2.2.2 Files to be submitted by the member

- TMs/CMs/Custodian shall be required to be upload reporting files through the NSCCL – MASS using the client margin/SA file upload menu. (NSCCL –MASS >Client Margin/SA Reporting>File upload).
- TMs/CMs/Custodian shall be able to upload client margin reporting files at any time during the day through NSCCL –MASS
- The name of the file to be uploaded by the TMs shall be C_SA_TM_<DDMMYYYY>_nn.CSV and that by the CMs/Custodian shall be C_SA_CM_<DDMMYYYY>_nn.CSV where: is the trade date, TM = Trading Member, CM = Clearing Member/Custodian and 'nn' is the batch number of the file
- TMs/CMs/Custodian are requested to take note of the following whilst uploading the short allocation reporting files:
 - TMs/CMs/Custodian are not required to provide member code in the file name
 - TMs/CMs/Custodian are required to provide batch number in every file they upload starting with 01. Thereafter subsequent files are required to have incremental batch numbers viz 02, 03 etc up to maximum of 99. This would enable TMs/CMs/Custodian to send multiple files for the same trade date with incremental batch numbers. Where multiple files are uploaded by the TMs/CMs/Custodian for a trade day, the information of client margin collected as provided in the file with latest batch number for the trade date would be considered as final by the Clearing Corporation.
 - If a member uploads a file with incorrect name, such files shall not be picked up by the Clearing Corporation.
 - Zero byte uploaded through the NSCCL –MASS shall not be accepted.
 - In case the files are made by customised software at user end, TMs/CMs/Custodian may note that a new line character has to be present in the last record in order to ensure proper processing.
 - TMs/CMs/Custodian are requested to refer to the return file and initiate necessary corrective actions.
- TMs/CMs/Custodian may note the following procedure for providing short allocation details:
 - TMs/CMs/Custodian are required to add a comma and report the collateral available amount.
 - TMs/CMs/Custodian are required to add another comma after the amount of collateral available amount and specify the reason code. Permitted Reason codes shall be

Reason Code	Particulars
01	Excess collateral available in another CC
02	Value of securities sold for which EPI has been done by end of day to CC
04	Trades done on behalf of NRI clients

- For Reason Code 01, CC code needs to be specified by adding additional comma after reason code in following manner: -
 - For ICCL – IC
 - For NCCL – NC
 - For MCXCCL – MX
- For other reason code a comma needs to be added after reason code
- This figure for collateral available appended by TMs/CMs/Custodian should not be negative.
- TMs/CMs/Custodian are required to ensure that no information provided in the file is modified. Any modification shall result in such record being rejected by the Clearing Corporation.

11.2.2.3 Return files to the members

- A return file shall be generated for all files uploaded by the TMs/CMs/Custodian for client margin reporting with the correct naming convention. TMs/CMs/Custodian can download return file through NSCCL –MASS using the client margin/SA reporting file download menu.
- In case of any errors in the file, TMs/CMs/Custodian would be able to correct the same and upload the same with incremental batch number anytime prior to sign off date
- Two types of return files are generated for the members
 - a) Rejected Files - where the whole file has been rejected
 - b) Processed File Records - where some or all records in the file have been rejected

a) Rejected Files

- File Naming convention: C_SA_TMF_MEMBERCODE_nn.CSV for TMs and C_SA_CMF_MEMBERCODE_nn.CSV for CMs/Custodians Some reason for which a file may be rejected are mentioned as under
- File loaded after the sign off date – TMs/CMs/Custodian shall be permitted to upload short allocation reporting file up to T+5 working days. Such files would be rejected with the reason “File is not being processed as file upload date is greater than sign off date”.

- File loaded for future date - If the uploaded file is for December 12, 2019 on December 11, 2019, then the return file would indicate the rejection reason as 'File is not being processed as file date is greater than system current date'.
- Uploads file for an invalid day - If a TMs/CMs/Custodian is not required to report the client margin file for a day (say Saturday, Sunday, holiday etc.) and still uploads the same, then the return file would be rejected with the message 'File is not being processed as the TMs/CMs/Custodian code is invalid for the file date'.
- TMs/CMs/Custodian uses non-serial batch number in file name - If the batch number provided by the TMs/CMs/Custodian for a trade date is not in sequence, for example if the member has uploaded two files for the trade date December 12, 2019 with file names C_MRG_TM_12092019_01.CSV and C_MRG_TM_12092019_03.CSV, the second file would be rejected with error message 'File is not being processed as file batch number is not proper. Last successful batch no for the day was 01'.
- File in wrong format - If the TMs/CMs/Custodian has provided a file which cannot be read by the system for example- non csv file, then return file would be rejected with the message 'File is not being processed as the file is not in format'.

b) Processed File Records –

- File Naming Convention: C_SA _TMR_MEMBER CODE__nn.CSV for TMs and C_SA _CMR_MEMBER CODE__nn.CSV for CMs/Custodian
- After processing of client margin file, each record would have a reason code indicating acceptance/ rejection, as the case may be. The details of reason codes are as follows:

Reason Code	Description	Success/Rejected Flag (S/R)
01	Record size does not match for e.g. extra comma in the record	R
02	Date in record does not match with file date	R
03	Record is altered i.e. matching record does not exist in SA-04/SA-05 file. Possible error in date/ client code/ margin amount	R
04	Invalid Reason code specified in the member file	R
05	Invalid CC code/CC code not provided for reason code 01/ CC code provided for reason code other than 01	R
06	Amount is non-numeric	R
00	Collateral reported by member under specified reason code in file is less than, equal or greater than Short Allocation reported by CC	S

- If the record contains multiple errors for e.g. reason code 01 as well as 06, the reason code which is the lowest in number would appear against the record i.e. reason code 01.

11.3 Sign-off date

The cut off day upto which a TMs/CMs/Custodian may report client margin/short allocation details to the Clearing Corporation is referred to as the sign off date. It shall be 5 working days after the trade date i.e. TMs/CMs/Custodian shall be allowed to upload client margin/short allocation reporting file up to T+5 working days

11.4 Shortage computation

The margins reported/short allocation shall be compared in the following manner:

(a) EOD margin obligation of the client/TM/Custodial Participant shall be compared with the respective client/TM/Custodial Participant margin available with the TM/CM at EOD.

AND

(b) Peak margin obligation of the client/TM/Custodial Participant, across the snapshots, shall be compared with respective client/TM/Custodial Participant peak margin available with the TM/CM during the day

AND

(c) Highest of intraday/EOD short allocation amount (after considering excess collateral across segments and the reporting for valid reason codes if any)

Higher of the shortfall in collection of the margin obligations at (a), (b) and (c) above, shall be considered for levying of penalty.

11.5 Non-reporting/ non submission of client margin

All instances of non-reporting of client margins by the TMs/CMs/Custodian shall be treated similar to and as 100% short reporting of client margins and accordingly penalties shall be imposed.

11.6 Penalty for short / non-reporting of client margin/short allocation

Penalty shall be levied in case of short/ non-reporting/short allocation by TMs/CMs/Custodian as specified by the Clearing Corporation from time to time

11.7 No Margin Liability

TMs/CMs/Custodian who have no margin liability i.e. all margins are zero, shall not receive any margin file. If the clients/TMs/CPs of TMs/CMs/Custodian do not have any margin



liability i.e where all margins are zero for a client, such clients shall not be reflected in MG 12 /MG 13 files and SA04/SA05 files

ITEM 12: CHARGES AND PENALTIES

In pursuance of Regulations 7.15, 7.16, 9.3, 9.5, 9.8, 9.9A, 12.14 and 15 of the NSE Clearing Capital Market Regulations the applicable penalties are hereby specified as under:

12.1 Funds Shortages

Members failing to fulfil their funds obligations (including STT obligation and Capital Cushion requirement) by the scheduled date and time (all markets including the valuation debit raised on account of securities shortages) to Clearing Corporation shall be subjected to the following penalty structure:-

S. No	Type of Non-fulfilment	Penalty Charge % per day	Action
a)	Value Rs. 5 lakhs or more	0.07	The trading facility of the member shall be withdrawn immediately 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.

12.2 Securities Shortages:

Members failing to fulfil their securities deliverable obligations to Clearing Corporation shall be subjected to the following penalty structure:-

S. No	Type of Non-Fulfilment	Penalty Charge % per day	Action
(a)	Security Shortage	0.05	The valuation amount of the shortage will be considered as funds shortages where shortage confirmation is not received from the bank and penal action as prescribed for “Funds Shortage” point “12.1” above shall be applicable

12.3 Margin Shortages

Following penalty shall be levied on a monthly basis in respect of margin violations

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

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

12.4 Security Deposit Shortages

Members not fulfilling the security deposit requirement for continued membership shall be subjected to the following penalty structure:-

S. No	Type of Non-Fulfilment	Penalty Charge % per day	Action
(a)	Value Rs. 5 lakhs or more	0.07	The trading facility of the member shall be withdrawn
(b)	Value less than Rs. 5 lakhs	0.07	The member shall be given a week's time to replenish the shortfall in security deposit failing which the trading facility of the member shall be withdrawn.

12.5 Non-allocation / rejection of institutional trades

Institutional Trades (INST), not allocated to valid CP codes, allocated to non related FPIs and in case of rejection/non-confirmation of any institutional/non-institutional trades by Custodians or PCM a penalty of 0.10% of the unallocated / rejected / unconfirmed value or Rs. 10,000/- whichever is lower per settlement shall be levied.

Penalties shall not be imposed on transactions where custodial non-confirmation is for any of the following exceptional circumstances as per SEBI Circ. Ref No MRD/DoP/SE/Cir- 17/2005 dated September 2, 2005:

- Total connectivity failure to the exchange/STP. (Specific connectivity issues of the custodians and members shall not be considered as valid exceptions)
- International holidays that may be decided upfront by the stock exchanges in consultation with the custodians
- Closing down of national/international centers due to calamities

12.6 Trade for Trade Segment

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

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

12.7 Short / non-reporting of client margin/short allocation

The following penalty shall be levied in case of short reporting/allocation by trading/clearing member per instance.

Short collection for each client	Penalty percentage
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5%
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1.0%

If short/non-collection/short allocation of margins for a client continues for more than 3 consecutive days, then penalty of 5% of the shortfall amount shall be levied for each day of continued shortfall beyond the 3rd day of shortfall.

If short/non-collection/short allocation of margins for a client takes place for more than 5 days in a month, then penalty of 5% of the shortfall amount shall be levied for each day, during the month, beyond the 5th day of shortfall.

All instances of non-reporting are treated as 100% short reporting for the purpose of levy of penalty.

In case of short reporting/short allocation by trading member the details of penalty at client/constituent level shall be provided as per the report PNL01 specified in Part D. In case of short reporting/short allocation by clearing member the details of penalty at trading member/constituent level shall be provided as per report PNL02 specified in Part D.

The above penalties shall be collected from the clearing member by debiting the settlement account with designated primary clearing bank on a monthly basis. The details of penalty levied on the affiliated trading members shall be provided to clearing members as per report PNL03 specified in Part D. Penalty applicable for the trade dates of the calendar month shall be collected by the tenth working day of the subsequent calendar month.

ITEM 13: CORE SETTLEMENT GUARANTEE FUND

13.1 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.

13.2 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.

13.3 Penalties levied by Clearing Corporation

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

13.4 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.

13.5 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 14: 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:

14.1 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.

14.2 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.

14.3 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.

ITEM 15: 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 16: ELECTRONIC REPORTING

16.1 Reports to members/custodians

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

16.2 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) 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 CP and OTR transactions marked for confirmation by custodians..

The trades executed on various Exchanges will be available for allocation to trading members and for confirmation to Custodians on the designated Clearing Corporations .

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 (50)** - ‘Format of Letter requesting activation of user in NCMS’.

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

16.3.1 Cut off timings for modifications/allocations through NCMS

Process	File	Day	Timings
Modification of CP code	CP	T	Upto 4.15 p.m.
Obligation Transfer Request – INST allocation for securities eligible for T+2 settlement	OTR	T+1	Upto 10.30 a.m.
INST allocation for securities eligible for T+1 settlement		T	Upto 8:00 PM

16.3.2 Timelines for upload and download of files

Process	File	Day	Timings
Final Daily Obligation report to members and Custodians		T	5:00 p.m.

Cut-off time for confirmation on T day by custodian		T	7:30 p.m.
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- As specified completion of custodial confirmation of trades shall be by 1 p.m on T+1 day for securities eligible for T+2 settlement and 07:30 AM on T+1 day for securities eligible for T+1 settlement.
- Download of obligations to members / custodians shall be effected by 2:30 p.m. for securities eligible for T+2 settlement
- Obligation reports for securities eligible for T+1 settlement shall be downloaded on T day EOD and shall be generated based on deemed custodial confirmation for CP / OTR trades. The final obligation flag in C_XXXXX_FOBG_SETTYPNO_DDMMYYY.csv reports shall be 'N' for all records in report downloaded on T day
- On T+1 day, Final Obligations will be downloaded by 09:00 AM, after the closure of Trade Confirmation window for Custodians. These reports will be generated based on actual confirmations / Rejections of CP / OTR trades by the Custodian.
- On T+1 day, final obligation reports shall be downloaded only to members/Custodians wherein there is a change in obligations on account of transactions rejection/ non-confirmation by custodians. The final obligation flag in C_XXXXX_FOBG_SETTYPNO_DDMMYYY.csv reports shall be 'Y' for all records in report downloaded on T+1 day
- In case there is no change in the obligations for the member/ Custodian, additional final obligation report shall not be downloaded again on T+1 day. Member are requested to consider reports downloaded on T day towards final obligation.

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

Instructions for files uploaded through NCMS

1. Members may directly upload the CP 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 (51)** - '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.

16.4.1 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.

In respect of CP trades done on capital market segment of BSE Limited the field "Participant Code" in NCMS shall be populated as under:

Category	Participant Code
Institutional Client (INST)	INST (INST)
Other categories	<Blank>

Members can modify the above mentioned participant code in NCMS from INST to <Blank>

The latest picture post modification shall be considered as the final for computation of obligation/margins/STT etc. Members shall be able to do modifications through screen based and file upload facility of NCMS.

Members shall ensure that whenever the client category is modified from Institutional Client (INST) and Special Client (SPL CLIENT) to other categories, necessary modifications shall be made in participant code as per table above to avoid levy of penalty on account of Non-allocation

Refer **Part C (52)** 'File structure for CP Code modification' and **Part C (53)** 'File structure for return file for CP Code modification'.

16.4.1.1 Status of CP records rejected/not acted upon by custodians:

Members shall be able to check status of order wise CP trade confirmation using screen-based facility in NCMS-CM Order Inquiry Screen. Facility shall also be available to download the trade information status in csv file in NCMS-CM. Refer **Part C (54)** 'Format of file for status of CP Confirmation'

16.4.2 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 exchange wise, settlement wise, security wise, obligation data.
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 (55)** 'OTR file generated from NCMS database by members', **Part C (56)** OTR Allocation file to be uploaded by members in NCMS and **Part C (57)** 'OTR allocation return file'.

16.5 OTR allocation for Foreign Portfolio Investor (FPI)

As per SEBI FPI regulations 2019, FPIs have been categorised into two 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 (58)** for ‘Format for providing information regarding related FPIs’ and **Part C (59)** 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

16.6 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 (60)** - 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 unique and 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.

16.7 Post Trade allocation data for INST trades

Members are required to report CP code for each of their ‘INST’ trade executed on any of the exchanges. The CP code shall be reported depending on allocation done by member for the INST trade. The reporting shall be required to be done against orders corresponding to such INST trades.

16.7.1 File to be uploaded by Trading Member

Member shall be required to report CP code and quantity against combination of Order number, Exchange code, Symbol, series and buy/sell flag. INST trade for which no allocation is done by the member or the INST trade for which allocation was done by member but not accepted by custody (i.e. DVP trades), member should provide ‘INST’ as CP code in reporting file. Members shall refer C_memcode_T_TRD_DDMMYYYY_<Exchange code>.csv file (hereafter referred as trade report) downloaded by Clearing Corporation for each Exchange to identify INST orders for reporting. The format of the file to be uploaded is provided in **Part C (61)** ‘File Format for upload of Post Trade Allocation Data’

The facility to upload the file shall be made available to member through extranet. Member shall be able upload file from T+1 day till T+5 day, anytime during the day. File uploaded

before T+1 or after T+5 for a trade date shall be rejected.. During this period, member can upload multiple files either full or incremental.

A record shall be checked at Order number, Exchange code, Symbol, series, buy/sell flag and CP code combination. In case member reports revised quantity for record in subsequent file, the latest quantity shall be considered. If a file contains duplicate record, then 2nd record shall be rejected. If member wants to change CP code, it shall send the previous record with zero quantity and new record with correct CP code.

If an order is completely allocated to one CP, there shall be single record of CP with full traded quantity against the order number. If an order is split among multiple CP, there shall be corresponding records for each CP with quantity as allocated to each CP. An indicative example of reporting where multiple orders are allocated to multiple CP is provided in **Part C (62)** 'Example for upload of Post Trade Allocation Data' The file shall be uploaded as per timelines defined. If file is uploaded after the cut-off time, then it shall be rejected with proper error in return file.

16.7.2 . Return file to Trading Member

A return file shall be provided with details of success and rejected records. The return file shall be downloaded to member to Extranet. The return file shall be downloaded as and when generated. The format of the return file is provided in **Part C (63)** 'File Format of return file for Post Trade Allocation Data'

16.8 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 (64)** – Format for activation of N-MASS
- Premium services are available in NSCCL-MASS which are chargeable in the following manner annually. In case the premium services are availed for less than a month the charges shall be computed on pro-rata basis.

Number of users who has been assigned Premium services	Monthly Charges (Rs)
Upto 2 users	NIL
Each additional user beyond 2 user ids	Rs.2500



- Members shall exercise caution while assigning role access pertaining to the services clearly demarcated as “Chargeable Premium Services” in the NSCCLMASS application thereby ensuring careful mapping of premium services to admin/ user ids.



ITEM 17: 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 18: SECURITIES TRANSACTION TAX

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

18.1 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 Exchanges 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/INST1' 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).

18.2 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.

18.3 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.

18.4 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.

18.5 Failure to pay funds

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

18.6 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.

ITEM 19: STAMP DUTY

19.1 Stamp Duty collection

- Stamp duty shall be collected on transactions executed on stock exchanges and received for clearing and as specified in circulars issued from time to time.
- Stamp duty shall be determined at the end of each trading day
- 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 Exchanges and as may be modified by the member using the client code modification facility provided by the Exchanges 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.
- Members may note that the value of taxable securities transaction and the applicable State/Union Territory (UT) shall be determined with respect to the trade executed under a particular client code. Therefore, the Clearing Corporation 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. If the state/UT of the client is not available then the state of the trading member through whom the transaction was executed will be considered.
- All institutional trades shall be treated as delivery based transactions and stamp duty shall be computed accordingly.
- Clearing Corporation shall not be collecting stamp duty in respect of clients from State of Sikkim

19.2 Stamp Duty computation

19.2.1 Computation of stamp duty at security-client level:

19.2.1.1 Computation of stamp duty on debentures:

- a. Aggregate of all the buy trades executed for the day for each security for a client code shall be taken to arrive at the following values:
 - I. Total Buy Quantity (BQTY): This is the sum of the quantity of all buy trades for the client
 - II. Total Buy Value (BVAL): This is the sum of the trade value (Trade quantity * Trade price for each trade) of all buy trades for the client
- b. Stamp Duty shall be calculated by applying the prescribed rate: Stamp Duty on Buy Value (SDBVAL) = BVAL * Stamp Duty Rate on debentures. The value so computed shall be rounded off to two decimals.

19.2.1.2 Computation of stamp duty on securities other than debentures settled on net obligation basis:

- a. For securities other than debentures settled on net obligation basis stamp duty will be applicable on delivery basis and non-delivery basis:
 - I. Total Buy quantity (BQTY): This is the sum of the quantity of all buy trades for the client for a security
 - II. Total Sell quantity (SQTY): This is the sum of the quantity of all sell trades for the client for a security
 - III. Total Buy Deliverable Quantity (BDQTY): This is the sum of the quantity of all buy trades for the client determined using FIFO method where $BDQTY = BQTY - SQTY$ if $BQTY > SQTY$
 - IV. Total Buy Non-Deliverable Quantity (BNDQTY): This is the quantity which is lower of the two quantities namely total buy quantity and total sell quantity for the client for a particular day. For the purpose of arriving at buy quantity as well as value thereof FIFO method (First in First Out) will be applied.
 - V. Total Buy Deliverable Value (BDVAL): This is the sum of the trade value (BDQTY (as per III above) * Trade price for each trade) of all buy trades for the client
 - VI. Total Buy Non-Deliverable Value (BNDVAL): This is the sum of the each trade in BNDQTY (as per IV above) * Trade price for that trade of all buy trades for the client
- b. Stamp Duty shall be calculated by applying the prescribed rate:
 - I. Stamp Duty on Buy Non-Deliverable Value (SDBNDVAL) = $BNDVAL * \text{Stamp Duty Rate}$ for securities other than debentures on non-delivery basis. The value so computed shall be rounded off to two decimals.
 - II. Stamp Duty on Buy Deliverable Value (SDBDVAL) = $BDVAL * \text{Stamp Duty Rate}$ for securities other than debentures on delivery basis. The value so computed shall be rounded off to two decimals.

19.2.1.3 Computation of stamp duty on securities other than debentures settled on gross obligation basis:

- a. Aggregate of all the buy trades executed for the day for each security for a client code shall be taken to arrive at the following values:
 - I. Total Buy quantity (BQTY): This is the sum of the quantity of all buy trades for the client
 - II. Total Buy Value (BVAL): This is the sum of the trade value (Trade quantity * Trade price for each trade) of all buy trades for the client

- b. Stamp Duty shall be calculated by applying the prescribed rate: Stamp Duty on Buy Value (SDBVAL) = BVAL * Stamp Duty Rate on securities other than debentures on delivery basis. The value so computed shall be rounded off to two decimals.

19.2.1.4 Computation of stamp duty on transactions in Auction Market:

- a. Stamp duty will be applicable on the short delivering member (buyer in auction) on whose behalf auction is conducted
- b. Aggregate of all the trades executed for the day for each security for a client code shall be taken to arrive at the following values:
- Total Buy quantity (BQTY): This is the sum of the quantity of all buy trades for the client.
 - Total Buy Value (BVAL): This is the sum of the trade value (Trade quantity * Weighted Average price for Auction) of all buy trades for the client, being the auction consideration.
 - Since securities are bought by Clearing Corporation on behalf of the members, the Clearing Member/Custodian Code will be the client code.

19.2.2 Computation of stamp duty at client level:

The total stamp duty liability for a client will be arrived at by summing up the total stamp duty for each security in various settlements arrived at as above and rounded off to the nearest rupee i.e. value with 50 paise and above will be increased to one rupee and value less than 50 paise it shall be ignored.

19.2.3 Computation of stamp duty at trading member level:

The total stamp duty liability for a trading member will be arrived at by summing up the total stamp duty for each client.

19.2.4 Computation of stamp duty at clearing member level:

The total stamp duty liability for a clearing member will be arrived at by summing up the total stamp duty for each trading member.

19.3 Information to members:

- A report named 'C_SD01_<MEMBER CODE>_DDMMYYYY.CSV' shall be provided to trading members at the end of each trading day.
- Similarly, a report named 'C_SD02_<MEMBER CODE>_DDMMYYYY.CSV' shall be provided to clearing members at the end of each trading day.

- These reports shall contain information such as stamp duty liability, client wise stamp duty liability, trading member wise stamp duty liability, clearing member wise stamp duty liability and also the detailed computations for determining the client wise stamp duty liability.
- File format is available in **Part D**.

19.4 Pay-in of funds:

Clearing Members shall be required to pay the stamp duty, as part of and along with the pay-in obligation. The stamp duty 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.

19.5 Failure to pay funds:

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

ITEM 20: NON-SETTLEMENT RELATED PAYMENTS

Clearing Corporation shall provide a facility for non-settlement related payments from Custodians to Trading Members in the Cash Market segment.

The process flow for Non-Settlement related payment is mentioned below:

- The custodians shall upload a file with the information including the amount of non-settlement payments as provided in **Part C (65)** – Format for upload of non settlement related payments
- Custodians can upload files by 7.00 PM on the previous working day before the settlement day of the settlement for which payments are to be made
- Based on the amount payable, Clearing Corporation shall initiate the respective debit transactions for the Custodians, and then initiate the credit transactions for the Trading Members
- Clearing/Trading Members will receive a report of the details of transactions payable to them as intimated by the custodians. Report format in **Part C (66)** – Format for download of non-settlement related payments
- In case the trading members are not self-clearing members, the payments shall be made to the respective clearing member
- The payments made under the aforementioned payment facility shall not be comingled with the settlement obligations of the custodians/members and will not be guaranteed by Clearing Corporation.
- The payments to clearing members shall be made subject to realization from custodians. Clearing Corporation shall not have any responsibility whatsoever in respect of these payments or any disputes related thereto.