

**PART B**  
**DETAILED CONSOLIDATED CIRCULAR**

- ITEM 1: PARTICIPANT ELIGIBILITY
- ITEM 2: UNIQUE CLIENT ID
- ITEM 3: ELIGIBLE SECURITIES
- ITEM 4: ORDER MATCHING PLATFORM
- ITEM 5: CLEARING DAYS AND SCHEDULED TIME
- ITEM 6: CLEARING AND SETTLEMENT
- ITEM 7: PROCEDURE FOR RECALL AND REPAY OF SECURITIES
- ITEM 8: ACTION ON SHORTAGES
- ITEM 9: LIQUID ASSETS
- ITEM 10: MARGINS
- ITEM 11: POSITION LIMITS
- ITEM 12: ADJUSTMENTS FOR CORPORATE ACTIONS
- ITEM 13: ROLLOVER IN SLBS
- ITEM 14: DEALINGS WITH CLIENTS
- ITEM 15: TRANSACTION CHARGES
- ITEM 16: SELF TRANSACTION
- ITEM 17: PENALTIES

## ITEM 1: PARTICIPANT ELIGIBILITY

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

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

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

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

### 1.1 Procedure for Participant registration

Following is required to be registered as a Participant -

- i. Application in writing to NCL on letter head of the clearing member
- ii. Agreement with NCL as specified above.
- iii. Fulfill such other conditions as may be prescribed by NCL
- iv. Open an account with CDSL for SLBS settlement. Acknowledged copy of the undertaking letter (as per Format in **Part C (3)**) addressed to CDSL to be provided to NCL.

### 1.2 Circumstances under which person shall cease to be Participant

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

1. by resignation
2. by death
3. by surrender of membership of NSE /NCL
4. by expulsion in accordance with the provisions contained in the Byelaws, Rules and Regulations of the Stock Exchange and / or Clearing Corporation of which it is a member



5. by being declared a defaulter in accordance with the provisions contained in the Byelaws, Rules and Regulations of the of the Stock Exchange and / or Clearing Corporation of which it is a member
6. by dissolution in case of partnership firm
7. by winding up or dissolution of such company in case of a limited company

## ITEM 2: UNIQUE CLIENT ID

### 2.1 Unique Client ID

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

### 2.2 Procedure for allotment of Unique Client ID

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

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

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

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



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

### 2.3 Mandatory use of Unique Client ID

It is mandatory for the participants to use the Unique Ids while placing orders on behalf of their clients under SLBS. UCC and PAN shall be validated for all orders in all markets (PRO and CLI) at the time of order entry with details as uploaded by participants in UCI online. In case of mismatch, the order shall be rejected by Exchange and an appropriate error message shall be displayed. The same validation shall also be applicable for UCC and PAN in the trade modification request submitted by the participants on the system

### 2.4 Client code Modification Facility

A facility of client code modification to facilitate the correction of client code is being made available. Participants, who desire to correct the client codes and/or CP Codes shall upload file as given in **Part C (4)**

The file shall be uploaded up to 5:15 pm on trade day or as per cut off time stipulated by NCL from time to time. Client code/CP Code modification shall be done for each transaction at order level. The facility shall not be applicable for modification of client codes/CP code of Repay, Recall, Rollover transactions. Further the facility cannot be used to modify any proprietary transactions. It may be noted that the said facility has been provided to allow modifications of client code only to rectify a genuine error in entry of client code at the time of placing/modifying the related order. NCL may take disciplinary action for client code modification as may be decided from time to time. Participants are required to take adequate precautions while placing the orders.

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

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

Where,

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



b = Value (Lending Fee) of non-institutional trades of the trading member in the SLB Scheme during the month.

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

### ITEM 3: ELIGIBLE SECURITIES

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

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

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



#### ITEM 4: ORDER MATCHING PLATFORM

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

Details of the order matching platform being provided for SLBS transactions are enclosed as in **Part C (5)**.



## ITEM 5: CLEARING DAYS AND SCHEDULED TIME

### 5.1 Tenure of SLBS transactions

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

Rollover contracts in SLBS: Refer Item 13 for Rollover Contracts

### 5.2 Lending and Borrowing Calendar

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

Activities	Timings/ schedules
<b>Transaction (T) Day</b>	
SLBS transaction session	09:15am – 05:00 pm
CP code modification	05:15 pm
Custodial confirmation	06:00 pm
Final obligation to Participants/ Custodians	07:00 pm
<b>T+1 day</b>	
Upload of Client Direct payout request	07:30 am
Pay-in of securities/funds first leg (Settlement Type L)	08:00 am
Pay- out of securities first leg	10:00 am
Pay- out of funds first leg	11:30 am
<b>Reverse leg Settlement day</b>	
Pay-in of securities of reverse leg (Settlement Type P)	09:00 am
Pay-out of securities of reverse leg	11:30 am
Buy-in auction for failure of borrower to return securities	02:30 pm
Auction obligation download	06:30 pm
<b>Reverse leg Settlement day + 1 day</b>	
Pay-in of securities for auction settlement (Settlement Type Q)	09:00 am
Pay-out of securities/funds for auction settlement	11:30 am

## ITEM 6: CLEARING AND SETTLEMENT

### 6.1 Transactions cleared and settled by Custodians

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

The Custodians are required to take Custodial Participant (CP) codes for those clients whose SLBS transactions they would like to clear and settle. Custodians shall log in to NSCCL –MASS application by using their existing log-in details for mapping of CP Codes.

The CP codes mapped shall be activated with effect from the next trading day. The Custodians shall continue to perform KYC of the clients and maintain necessary documentation of client for whom CP code is activated. The facility to deactivate CP code is also provided through NSCCL –MASS. Acceptance of deactivation request shall be subject to approval by NCL.

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

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

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

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

### 6.2 CP code modification

CP code modification shall be allowed through file upload till 5.15 pm on the transaction date (T day) or as per the timing stipulated by NCL from time to time. The details of file to be uploaded including structure of the file for purpose of CP code modification are enclosed in **Part C (4)**.



### **6.3 Clearing**

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

### **6.4 Auto Delivery**

A facility has been provided to Participants/ Custodians wherein the securities made available in the pool account shall be automatically utilized towards the pay-in delivery obligations. The facility shall be provided only to those Participants/ Custodians who have requested for the said facility. Participants/ Custodians desirous of availing this facility shall send a letter to NCL in the format provided in **Part C (7)**.

### **6.5 Settlement**

#### **6.5.1 First leg**

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

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

#### **6.5.2 Reverse leg**

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

#### **6.5.3 Funds Settlement**

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



#### **6.5.4 Securities Settlement**

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

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

Participants 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. Participants 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. Participants are advised to refer to their various depository reports to meet their securities pay-in obligation on settlement day.

#### **6.5.5 Client direct payout facility:**

The facility of crediting the payout of securities directly to clients account shall be made available to the Participants/ Custodians. In order to avail of this facility, Participants/ Custodians are required to provide a file in the specified format containing details of the beneficiary accounts to which direct credit is to be given. The format for the file to be uploaded is provided in **Part C (8)**.

#### **6.5.6 Preferred Depository:**

The “Facility of directing the pay-out to Preferred Depository” shall be made available to the Participants/Custodians for first leg and reverse leg settlement. Under this facility, all the Participants/Custodians can specify the pool account in either of the depositories viz. NSDL or CDSL wherein they want the pay out to be done.

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

- The securities pay-out shall be after giving effect to any client direct payout instructions which may have been provided by Participants/Custodians for the respective security for the respective settlement.
- In the event of a failure of a client pay-out instruction at the depository, the pay-out shall be effected to the respective depository pool account.
- Participants/Custodians shall ensure that they get their account details updated in case of shifting /change of account etc. to ensure that the pay-out happens to the preferred depository pool account.
- Participants/Custodians may avail the said facility by providing details in the form of a letter as enclosed in **Part C (9)**. Also, the same letter has to be provided in case of closure of the said preferred depository pool account.



- Participants/Custodians may take note that they shall continue to maintain pool accounts in both the depositories viz., NSDL and CDSL.

**ITEM 7: PROCEDURE FOR RECALL AND REPAY OF SECURITIES**

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

- i. Participants can enter recall/repay requests only if they have existing reverse leg positions i.e. only after successful completion of the first leg settlement of the original SLBS transaction. The request can also be made for partial quantity.
- ii. Participants can enter recall/repay requests till three working days prior to the reverse leg settlement date of the respective SLBS transaction or as per the timelines specified by NCL.
- iii. In case of repay, the participant/ custodian shall first transfer the securities in NCL repayment account with NSDL from their NSDL Pool account and provide details of client specific allocation of the early pay-in of securities. Participant can enter repay request on trading system, after successful allocation of early pay-in of securities to specific clients as per allocation details provided. The procedure for transfer of securities into NCL repayment account (early pay-in of securities for reverse leg) is provided in **Part C (10)**.
- iv. The lending fee for recall/repay requests shall be at market determined rates. Therefore, participants shall quote the lending fee per share that they wish to forego/accept for the balance tenure of lending/borrowing at the time of entering recall/repay requests.
- v. Custodial transactions in case of recall shall be confirmed by the custodian as per the existing procedure. In case of repay, the custodial transaction shall be automatically confirmed. Custodial participant code modification shall not be allowed in case of recall/repay transactions.
- vi. The orders shall only be entered for the eligible securities list for recall/ repay. The eligible securities for recall/repay shall be announced along with the existing eligible securities list for SLBS.
- vii. Recall/ Repay requests shall not be permitted during the shutdown period for corporate actions. The period of corporate action shall be announced by NCL from time to time.
- viii. Repay/ Recall requests shall be facilitated on a best effort basis. In case of EPI of securities in Reverse Leg, if the repay request is not successful till the reverse leg date, the borrower shall have to forego the lending fee for the balance period. If the participant does not wish to further lend the securities and only wants the benefit towards margins, the participant/ Custodian shall transfer the securities in the NCL repayment account as per procedure specified above.



## ITEM 8: ACTION ON SHORTAGES

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

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

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

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

Failure to deliver securities shall result in a buy-in auction on the reverse leg settlement day. The auction settlement for the same shall be conducted on Auction + 1 day. The pay-in for reverse leg auction transactions are accepted through NSDL only.

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

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

A report shall be downloaded to participants and custodians in case of security shortage in first leg and reverse leg settlement. The Format of the report is provided in **Part E**.

### 8.3 Fund Shortages

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

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

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

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

### 8.5 Fines and Penalties

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

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



### **8.6 Shortage reporting**

Participants shall be required to upload details of securities pay-in/pay-out shortages on a daily basis to NCL. The detailed procedure and file format for the same has been specified in **Part C (11)** – ‘Format of uploading securities pay-in / pay-out shortages’



## ITEM 9: LIQUID ASSETS

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

### 9.1 Collaterals by the participants/custodians

Participants may provide collateral in form of:

- i) Cash
- ii) Fixed Deposit Receipts (FDRs) issued by approved Banks as per list provided in **Part C (12)**.
- iii) Bank Guarantee in favour of NSE Clearing Ltd. from approved banks as per list provided in **Part C (13)**.
- iv) Government of India Securities/T-Bills as per list specified by NCL.
- v) Equity shares of companies and units of Exchange Traded funds in demat form pledged in favour of NSE Clearing Ltd from any any other Depository Participant of NSDL or CDSL
- vi) Open ended Mutual Funds Units in demat form pledged in favour of NSE Clearing Ltd from any other Depository Participant of NSDL or CDSL

### 9.2 Guidelines for Submission of Collaterals

#### 9.2.1 Cash

Participants/ Custodians may submit deposit in the form of cash by making the required amount available in their respective clearing bank account and sending an authorization to NCL for debiting the said amount from their clearing account. The same shall be provided through a web based facility called Collateral Interface for Members (CIM) which enables the Participant/ custodians to log in through internet. Participant/ custodians shall log in through specific user-ids and passwords into CIM. To obtain a Login User ID, Participant/ custodians are required to send their request to NCL in the format provided in **Part C (14)**.

The benefit of such cash deposit requests shall be subject to receipt of bank confirmation with the correct details from the respective clearing bank by NCL. A participant who has authorised NCL to debit his clearing account as above shall ensure due performance of the commitment. Non-fulfillment of such obligation will be treated as a violation and/ or non-performance of obligations and shall attract consequences, penalty and/ or penal charges as specified by NCL from time to time.

Participants /Custodians shall be permitted to place cash deposit request till 7:00 pm on all settlement days.

## 9.2.2 Fixed Deposit Receipt

### 9.2.2.1 Submission of Fixed Deposit

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

- i. The FDR shall be issued in favour of "NCL A/c Participant/ Custodian name" and shall be deposited with NCL.
- ii. Participants are required to issue a letter to NCL agreeing that NCL has an irrevocable authority to encash the FDR and to withdraw the FDR amount (including accrued interest) at any time, even prior to maturity of FDR without notice to the Participant/ Custodian, for recovery/adjustment of its dues. The format of the letter is given in **Part C (15)**.
- iii. Participant/ Custodians are required to submit a letter from the bank issuing the FDR to NCL in the format given in **Part C (16)**.
- iv. The minimum value of FDR that may be accepted shall be Rs.1 lakh.
- v. The FDR issued in physical form shall have a validity period of minimum 3 months.
- vi. The FDR issued in electronic form should have validity for a minimum period of 7 days
- vii. The FDR shall be payable at any of the branches of approved banks situated in cities of: Mumbai, New Delhi, Chennai, Kolkata, Ahmedabad , Bangalore and Hyderabad.
- viii. Participant/ custodians can additionally provide FDR's in electronic formats. The Procedure is as below:
  - a. Participant/ custodian approaches and requests the bank to create FDR and mark lien in favour of NCL, the process is same as for physical FDR.
  - b. Participant/ custodian shall submit required documents to the bank for creation of FDR and marking the lien, the process is same as for physical FDR. Additional information to be provided by the Participant/ custodian to the bank is given below:
    - a. Participant/ custodian code of the Segment
    - b. Segment for which the FDR is required
    - c. Margin Deposit (MD)
  - c. Bank shall issue FDR and mark lien in favour of NCL
  - d. Bank shall send the FDR information in electronic form to NCL
  - e. NCL shall validate and if found correct passes on the benefit of the same to the Participant/ custodian
  - f. NCL shall send a system generated e-mail and sms to Participant/ custodian.
  - g. To get intimation for addition and renewal of instrument through e-mail and sms, Participant/ custodians are requested to register their e-mail ids and/or mobile number under NMASS module and subscribe for "Add/Renew Electronic FDR" under NMASS Email or SMS.

Additionally, participants shall ensure the following for placing FDR as collateral with Clearing Corporation



- Participants shall ensure that for all FDR lien marked to Clearing Corporation, Clearing Corporation shall have explicit precedence on the FDR funds over every other stakeholder, including over the bank providing the FDR.
- The tenure of FDRs created out of client funds shall not be more than one year and one day, and the FDR should be pre-terminable on demand.
- The principal amount of the FDR shall remain protected throughout the tenure, even after accounting for all possible pre-termination costs.
- Participants shall not avail any funded or non-funded banking facilities based on FDRs created out of client's funds.

The List of banks approved for issuance of E-FDR is provided in **Part C (12)**.

#### **9.2.2.2 Renewal of Fixed Deposit Receipt**

In case of renewal of FDRs, the Participant/ custodians shall furnish the renewal documents strictly in the prescribed format. The format of the letter to be given by the Bank in case of renewal where there is change in FDR number is given in **Part C (17)** and the format for letter to be given by the Bank in case of renewal where the FDR number is not changed is given in **Part C (18)**.

The procedure of renewal of E-FDR is as below

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

#### **9.2.3 Bank Guarantees**

##### **9.2.3.1 Limits**

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

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	2800.00	2250.00
Professional Clearing Member (PCM) / Custodian / Trading Cum Clearing Members (TM-CM) with net worth	1400.00	1125.00
Other categories (Other)	280.00	225.00

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	11250.00
Professional Clearing Member (PCM) / Custodian / Trading Cum Clearing Members (TM-CM) with net worth	5625.00
Other categories (Other)	1400.00

Participant/ custodian are advised to check their applicable limit before getting their bank guarantees issued.

### 9.2.3.2 Submission of Bank guarantee

At the time of deposit of the bank guarantee, Participant/ custodian is required to ensure the following:

- i. The bank guarantee is strictly as per the format prescribed by the NCL. The format of bank guarantee is provided in **Part C (19)**.
- ii. The bank guarantee shall have a validity period of minimum 3 months. In case the issuing bank does not provide for a specific claim period beyond the expiry date in the bank guarantee, the maturity period of such bank guarantee shall be reduced by 7 days, which would be considered as the claim period of the bank guarantee.
- iii. While filling the details in a bank guarantee, Participant/ custodians shall ensure that:
  - a) No relevant portion is left blank
  - b) All handwritten corrections and blanks are attested by the bank by affixing the bank seal / stamp duly 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 Participant/ custodian shall also ensure that the bank guarantee is free from any discrepancy before the same is submitted to NCL.
  - f) The stamp paper shall be issued in the name of the Participant/ custodian or the bank, no third party stamp papers are permissible
  - g) The stamp paper shall not be older than six months from the executed date of the bank guarantee/ renewal.
- iv. Member can additionally provide bank guarantee in electronic formats (E-BG). The procedure is as below:
  - a) Members can approach banks empanelled by Clearing Corporation for issuance of E-BG.
  - b) The bank guarantee shall be strictly in the format prescribed by Clearing Corporation.
  - c) Clearing members shall ensure that SFMS message is sent by the issuing bank before the new/renewal BG is submitted to Clearing Corporation.
  - d) On successful acceptance of E-BG the same shall be added towards collaterals of clearing members and the amount of bank guarantee shall be available for allocation.
    - Fungible Bank Guarantee shall be available in the collateral pool available for allocation across segments.
    - Non-Fungible Bank Guarantee shall be available in the collateral pool available for allocation for the mentioned segment only.

The list of banks approved for issuance of E-BG is provided in **Part C (13)** 'List of Approved Banks'.



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

### 9.2.3.3 Renewal of Bank guarantee

In case of renewal of bank guarantees, the Participant/ custodians shall furnish the renewal document strictly in the prescribed format before the date of expiry / maturity date of the bank guarantee. The format for renewal of bank guarantee is provided in **Part C (20)**. The Participant/ custodians may also opt to give a fresh bank guarantee in favour of NCL instead of renewing the expired bank guarantees.

Clearing members can use the facility of Hybrid e-BG from banks empaneled for issuance of E-BG to provide renewal of BG (originally issued and submitted in physical mode). Further release of such BGs shall be also be done electronically. Clearing members can collect the original physical instrument from respective regional office of Clearing Corporation.

### 9.2.3.4 Electronic SFMS Message

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

NSE Clearing Limited (Formerly known as National Securities Clearing Corporation Limited) | Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051, India | +91 22 26598100 | www.nsccindia.com | CIN U67120MH1995PLC092283



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

### 9.2.3.5 Reminder Letters through extranet

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

### 9.2.4 Securities

#### 9.2.4.1 Eligible securities

Participants are permitted to deposit shares of companies and ETFs as communicated to the participants from time to time, in electronic form ('demat securities') through any depository participants of NSDL or CDSL. These securities shall be pledged in favour of NSE Clearing Limited.

The valuation of the securities shall be in accordance with the norms prescribed by NCL 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 NCL 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 at such periodic intervals as may be specified by NCL from time to time.

A report containing details of closing price and applicable haircut for the respective security shall be downloaded to common folder of member on FTP and on the Exchange website. The report nomenclature will be "APPSEC\_COLLVAL\_ddmmmyyy.csv".

The quantity of security acceptable by NCL from a participant shall be restricted in quantity and value terms. The list of approved securities, the acceptable quantity (Market wide limit and member level limit) of the security and applicable hair cut for the respective security shall be as per the Circular issued by NCL for the respective month. 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 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”

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

#### **9.2.4.2 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 participants
- d) Equity Shares of associate of participants

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

#### **9.2.4.3 Ownership of Securities**

- Participants shall be permitted to provide “own” securities or trading member proprietary securities or client securities towards the margin deposit requirements
- Participants can provide own securities using the facility of Approved Custodians or Margin Pledge facility provided by NSDL and CDSL
- Participants 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 Participants
- Procedure for providing securities through Margin Pledge facility provided by NSDL and CDSL is detailed in **9.2.4.5**
- The prudential norms (Market wide limits, Participants 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/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





#### 9.2.4.4 Acceptance of securities through any other depository participant of NSDL

##### 9.2.4.4.1 Registration

- a. Participant can use this facility only for pledging own securities towards margin deposit requirements.
- b. Participant shall be permitted to pledge own securities through their Proprietary Accounts only.
- c. The aforesaid account shall be permitted for pledging of securities across all segments/schemes of NCL.
- d.
- e. Participant shall submit the following information to NCL:
  - Covering letter as per format provided in **Part C (22)**
  - Client master of the designated account
  - Pledge deed as per the specified format provided in **Part C (21)**
  - List of authorized signatories who are authorized to sign deed of pledge
- f. On submission of necessary documents as specified above NCL shall enable the designated account for acceptance of pledge.

##### 9.2.4.4.2 Pledging of securities

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

Scheme	Deposit type	DP ID	Account number
SLBS	Margin Deposit	IN001002	10009085

- e. Participant shall ensure that correct account is selected while initiating the pledge instructions as these pledges will be confirmed automatically in favour of NCL.
- f. Pledge instructions created in favour of NCL for securities which are not accepted as collateral or in favour of segment/type of deposit for which participant is not registered shall not be auto confirmed and instruction will remain in the status 'Pending Pledge Confirmation'. Participant shall have to cancel such pledge instructions. Participant 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 participant is registered shall be accepted.

#### 9.2.4.5 Acceptance of securities through Margin Pledge mechanism

- Participants 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 NCL.
- Participants 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
- Participants shall submit the following information to NCL
  - Covering letter as per format provided in **Part C (22)** – ‘Format covering letter for margin pledge/repledge
  - Client master of the designated account
  - Pledge deed as per the format specified in **Part C (23)** ‘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 NCL shall enable the designated account for acceptance of pledge/re-pledge.
- Participants shall refer to provisions provided by Depositories with respect to opening the account and creating margin pledge/re-pledge in favour of NCL
- Pledge instructions in respect of approved securities only shall be accepted
- Details of NCL accounts in whose favour the re-pledge have to be created are as under

Depository	DP ID	Account number
NSDL	IN001002	10009132
CDSL	1100001100020926	

- 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.

### 9.2.5 Government of India Securities as Collaterals

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

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

- Participant/ custodian desirous of providing G-Sec/T-Bills shall enter into an agreement with NCL as per the format as specified in **Part C (24)**.
- NCL shall prescribe list of G-Sec/T-Bills that shall be eligible for acceptance as collateral from time to time.
- G-sec/T-bill shall be accepted as collateral only in electronic form. The Participant/ custodians desirous of providing G-Sec/T-Bills as collateral shall be required to enter the transaction through its custodian/bank on E-Kuber under Margin Transfer Module by 3.30 pm. The participant is required to submit request for addition as per prescribed format in **Part C (25)**. NCL shall confirm the transaction entered on the E-Kuber, based on the information received from Participant/ custodian through fax.
- The details of NSCCL - SGL-II account 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 provided as collaterals shall be passed on to the Participant/ custodian on G-Sec/T-Bills being transferred to the SGL-II account of NCL
- For release of G-Sec / T-bills, the Participant/ custodian shall send request to NCL as per the format as provided in **Part C (26)**. The release of G-Sec/T-Bill shall be processed only at end of day. The G-sec/T-bill released by NCL shall be entered on E-Kuber under Margin Transfer Module. The Participant/ custodian shall ensure that such transactions are approved on E-Kuber by their custodian/Banks.
- G-Sec/ T-Bill can be alternatively provided to NCL in dematerialized form through creation of pledge in demat account.
- The valuation of G-Sec/T-Bill shall be based on previous day's MTM prices as specified by CCIL.
- A hair cut shall be applied on the value of G-Sec/T-bill provided as collateral by the Participant/ custodian. The value after applying the hair cut shall be added to the cash component of the liquid assets of the Participant/ custodian. 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 NCL for the respective month

- ix. Periodic coupon / Redemption payments received on the G-Sec/T-Bills provided by the Participant/ custodian shall be passed on to the Participant/ custodian by NCL immediately/ next working day, upon receipt of relative interest from Reserve Bank of India.

### 9.2.6 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 NCL 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 below haircut or haircut as may be prescribed by NCL 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 9.2.4

- Haircut in respect of units of growth plans of overnight mutual fund schemes shall be 5%
- Haircut in respect of units of mutual fund schemes other than units of overnight mutual fund schemes or liquid mutual fund schemes or government securities mutual fund schemes (by whatever name called which invest in government securities) shall be VaR Margin based on  $6\sigma$ , subject to minimum of 9%.

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 Release of Collaterals

Participant/ custodian may request NCL to release collateral held by them. Such requests may be considered, if NCL chooses not to exercise its lien and subject to availability after due adjustments for the due fulfillment of all obligations and liabilities arising out of or incidental to any transactions entered into by such Participant/ custodian and subject to the



agreement between NCL and Participant/ custodian or anything done in pursuance thereof, or as per circulars issued by NCL from time to time.

The web based facility of Collaterals Interface for Participant/ custodians (CIM) is provided for submission of release requests of collaterals. The Participant/ custodians may select the desired available collaterals for release. Release requests through CIM can also be placed using a file upload facility. The format of file is prescribed in **Part C (27)**.

### 9.3.1 Release of cash as collateral

Participants shall have following option to request for release of Cash as collateral

- I. Immediate Option – Request shall be accepted till 7:00pm. Clearing Corporation shall endeavor to release the cash as soon as possible, but within two hours from the time requested subject to sufficient free collateral available in the collateral pool at the time of request of release.
- II. End of day request – Request shall be accepted till 8:00 pm. Funds shall be released by end of day on the same day subject to sufficient free collateral available in the collateral pool at end of day and credited to settlement bank account by end of day.
- III. Value date request - Request shall be accepted till 8:00 pm. Funds shall be released from the collateral at end of day subject to sufficient free collateral available in the collateral pool at end of day and credited to the settlement bank account on the value date selected by the clearing member.

### 9.3.2 Release for other form of collateral

The timeline for release of various other forms of collaterals shall be as under

Collateral Type	Request Type	Cut-off time for requesting release	Release processed time
FDR/Bank Guarantee	Immediate	7:00 pm	As and when request received subject to sufficient free collateral available in the collateral pool at the time of request
FDR/Bank Guarantee	Value date	8:00 pm	As and when request received subject to sufficient free collateral available in the collateral pool at the time of request
Pledged Securities (Batch 1) *	Immediate	9:30 am	By 10:30 am
Pledged Securities (Batch 2) *	Immediate	12:30 pm	By 1:30 pm
Pledged Securities (Batch 3) *	Immediate	4:30 pm	By 6:00 pm

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Pledged Securities\$	Value date	8:00 pm	By 9.30 pm
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\*The release processed time mentioned are tentative and subject to best effort basis. In case of request for release of repledge securities towards pay-in requirement clearing members should ensure that such request is made one-day prior to pay-in and not on the pay-in date.

\$ Not applicable for G-SEC and T-BILLS

### 9.3.3 Value date release of cash collateral towards pay-in

- Participants may request for unutilized collateral (i.e. collateral in excess of margin blocked) lying with Clearing Corporation in cash form, towards fund pay-in requirements within the segment or other segment by requesting cash release using Value Data release option in CIM.
- Such value date release shall be credited in the settlement account of the requested segment and can be used to meet the funds pay-in requirement in the requested segment.
- The cash released on account of value date release and cash released towards pay-in shall be populated in Level 7 -Value Date Release in the collateral break up report (COLL\_DTLS)

### 9.3.4 Collection of released collaterals

The representative of the Participant/ custodians coming to collect released FDR/ BG is required to carry an authorization letter. The released FDRs/ BGs under immediate release mode can be collected on same working day of the release from regional office where as FDRs/ BGs released under value date release mode can be collected on requested value date of the release from regional office.

## 9.4 Transfer of Collateral

### 9.4.1 Transfer of Securities/G-Sec/Units of Mutual Fund

Participants shall be permitted to place intra-day transfer request for fungible securities which are re-pledged with NCL 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 NCL with segment indicator as ALL shall be considered as fungible and shall be eligible for transfer.
- Securities re-pledged with segment indicator as ALL shall be added in the segment where the member is having active clearing membership in the priority as defined below
  - Futures and Options Segment
  - Capital Market Segment
  - Currency Derivatives Segment
  - Securities Lending and Borrowing



- Commodities Derivatives Segment
- If the clearing member wishes to change the priority of the segment may do so by providing the details of the required priority segment to Clearing Corporation
- Participant 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 (28)** - '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

## 9.5 Allocation of Collaterals

### 9.5.1 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 Participants shall allocate these collaterals into proprietary account of participant, and/or account of any of the clients (including Custodial Participants (CPs)) clearing through the participant, segment-wise
- The benefit for the other forms of collateral deposited shall be provided by NCL only after receiving the allocation of the same from the participant
- The amount of collateral allocated shall not exceed the amount of collateral received by the participant 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 participant to NCL.
- The total allocation by participant cannot exceed the total other form of collateral deposited by the participant with NCL.
- The allocation provided by the participant to NCL shall be considered as final by NCL 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 (29)** - 'Format for allocation of collateral'

### 9.5.2 Collateral Valuation



Participants 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 participant, the excess cash-equivalent collateral of a client shall not be considered for other client or for proprietary account of participant. However, the excess cash-equivalent collateral of proprietary account of participant 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 (30)** – ‘Example for collateral valuation’

### **9.5.3 Change of allocation**

Participants shall be permitted to change the allocation of other forms of collateral deposited with NCL (including change to another segment where the participant is CM). Participants to ensure that the value allocated to any client does not exceed the value of actual collateral received from that client (excluding the securities collateral through margin pledge mechanism and repledge to NCL). However, such change of allocation shall be permitted subject to adequacy of available collateral with NCL after the change vis-à-vis the margin obligation of participant/CP/Client. An example for change in allocation is provided in **Part C (31)** – ‘Example for change in collateral allocation’.

### **9.5.4 Withdrawal/ Maturity of collateral**

- Other forms of collateral shall be released only if sufficient amount is available as unallocated collateral. Accordingly, participant 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 participant’s collateral as per the existing process. Due to this, the participant may go into risk reduction mode because of reduction in the collateral limits



## ITEM 10: MARGINS

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

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

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

### 10.2 Margins on Lend transaction on T Day

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

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

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

### 10.3 Margins for Reverse Leg transactions

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

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

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

#### 10.3.1 Value at Risk Margin (VaR Margin)

- VaR margin rate as applicable to the security in the capital market segment shall be applicable in the SLBS.
- The VaR margin shall be collected on upfront basis by adjusting against the collateral of the Participant/ Custodian.
- The VaR margin shall be collected on the gross open position of the Participant/ Custodian. The gross open position for this purpose would mean the gross of all positions across all the clients of a Participant/ Custodian including its proprietary position
- VaR margin rate for each security shall be disseminated to the Participants/ Custodians through the Extranet and on the website
- The VaR margin so collected shall be released on completion of pay-in of the respective settlement.

### 10.3.2 Extreme Loss Margin

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

### 10.3.3 Additional Margin

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

### 10.3.4 Mark to Market Margin

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



- The MTM margin so collected shall be released on completion of pay-in of the respective settlement.

### **10.3.5 Fixed Percentage of lending price**

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

### **10.4 Margins for Early Recall/ Early Repay and Rollover transactions**

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

### **10.5 Exemption from margins**

In cases where early pay-in of securities is made prior to the securities pay-in, such positions for which early pay-in (EPI) of securities is made shall be exempt from margins.

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

Early pay-in of securities facility to avail margin benefits shall be made available to all Participants/ Custodians. Participants/ Custodians can make early pay-in through either of the depositories viz. NSDL and CDSL. Participants/ Custodians desirous of making early pay-in of securities through CDSL need to open a separate SLBS EPI account. Early pay-in of security can be made only for the first leg. The format for application to open SLBS EPI account for CDSL is enclosed in **Part C (32)**. The early pay-in received shall be allocated to the clients with delivery positions on a random basis.

Additionally, Participants/ Custodians can specify the clients in respect of which early pay-in benefit should be provided. For this Participants/ Custodians shall provide Client EPI instruction file for First Leg as per format specified in **Part C (33)**. On receipt of early pay-in of securities from depositories, and successful processing of Client EPI instruction file, the same shall be allocated to clients for whom the details have been provided.

#### 10.5.1.1 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. 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/2022/143dated 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.

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

Early pay-in of securities for the reverse leg settlement shall be made as per the procedure specified in **Part C (10)**. Participants/ Custodians or their constituents who are desirous of getting the margins released and would not like to further re-lend the securities shall also transfer the securities in the early repayment account. NCL shall allocate the securities deposited in the NCL early repayment account towards pay-in on the respective reverse leg settlement date.

#### 10.6 Blocking of Margins and Monitoring

- The procedure for blocking of margins only specifies the order of blocking of collateral available with NCL.
- The terms "Client Collateral", "CP Collateral" and "Participant 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, CP and participant respectively to NCL.
- The participant collateral shall mean the proprietary collateral of the participant 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 participant collateral.



- Margins based on trades from proprietary account of the participant shall be blocked from the proprietary collateral of the participant only.
- Example of blocking of margins is provided at **Part C (34)** - 'Example for blocking of margins'

For monitoring of margin violation, the following procedure shall be adopted:

- Participant level: Client margin in excess of 90% of the client collateral shall be identified for each client. The total of such client margin in excess of 90% of the client collateral, plus the proprietary participant margin shall be assessed against the participant proprietary collateral for monitoring of participant level margin violation

### **10.7 Margins for Custodial transactions**

- In case of CP trades executed by participant, the margin shall be blocked in the following order
  - CP collateral through the executing participant, if any,
  - Residual margin from the proprietary collateral of the executing participant
- Upon confirmation of trades by Custodian, the margin so blocked prior to the confirmation shall be released, and margins shall be blocked in the following order
  - CP collateral through the confirming Custodian, and
  - Residual margin from the proprietary collateral of the confirming Custodian.
- In case of CP trades, the requirement to ensure that sufficient collateral is allocated to CP clients to cover their margin requirements shall be on the confirming Custodian. NSE Clearing shall make margin call on the custodian if sufficient CP collateral is not available post confirmation by the custodian.

### **10.8 Short fall of margins**

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

### **10.9 Margins from the Client**

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

## ITEM 11: POSITION LIMITS

### 11.1 Market Wide Position Limits :

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

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

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

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

### 11.2 Participant wise Position Limits :

The Participant position limits in a security shall be 10% of the market-wide position limits (in terms of number of shares)

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

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

### 11.3 Position Limits For Institutional Investor :

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

Following are defined as Institutional investor:

- i. Foreign Institutional Investors registered with SEBI.
- ii. Mutual Funds registered with SEBI.
- iii. Public Financial Institutions as defined under Section 4A of the Companies Act, 1956.
- iv. Banks, i.e., a banking company as defined under Section 5(1) (c) of the Banking Regulations Act, 1949.
- v. Insurance companies registered with IRDA.
- vi. Pension Funds regulated by Pension Fund Regulatory and Development Authority (PFRDA).

### 11.4 Client Level Position Limits

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

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





#### **11.4.1 Unique Client ID Position Monitoring**

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

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

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

#### **11.5 Position Limit communication to Market**

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

## ITEM 12: ADJUSTMENTS FOR CORPORATE ACTIONS

### 12.1 Adjustment for Corporate Actions

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

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

### 12.2 Foreclosure of Transactions

Transactions in securities where there is a corporate action of other than dividend and stock split shall be foreclosed on ex-date.

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

#### 12.2.1 Foreclosure in the event of AGM/EGM

There shall be two set of contracts i.e. series for each security available for trading:-

- a. Contracts which shall be mandatorily foreclosed on the Ex-date in the event of AGM/EGM
- b. Contracts which shall not be foreclosed in the event of AGM/EGM.

#### a. Contracts which shall be mandatorily foreclosed in the event of AGM/EGM

The regular set of contracts (identified by series as mentioned in **Part C (35)** available for trading shall be mandatorily foreclosed in the event of all corporate actions including AGM/EGM except Dividend and Stock Splits.

#### b. Contracts which shall not be foreclosed in the event of AGM/EGM.

An additional set of contracts (identified by series as mentioned in **Part C (35)** available for trading shall not be foreclosed in the event of AGM/EGM. However these contracts



shall continue to be foreclosed for other corporate actions other than dividend and stock split.

The functioning and features of the new series of regular and rollover contracts shall be same as applicable to current series of regular and rollover contracts. The only difference shall be that the new series of contracts shall not be foreclosed in the event of AGM/EGM corporate actions and the contracts shall continue till the respective expiry.

### 12.2.2 Foreclosure Report

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

### 12.2.3 Reverse Leg Early Pay-In

NCL shall provide additional file to Participants in the event of corporate action such as AGM/EGM wherein Reverse Leg Early Pay-in is done by Participants. The new series shall not be foreclosed and hence, the Reverse Leg Early Pay-in already done by Participants shall be split on the Shut period start date so as to partially utilize it towards the regular series (which is being foreclosed) with new reverse leg settlement number and continue the balance in the new series in existing reverse leg settlement number. The following report shall be additionally downloaded on shut period start date.

#### SLB Reverse Leg Early Pay-In Split Report

*File Naming convention:* < Participant code>\_MEMEPI\_ddmmyyyy.csv

*File Location:* slbftp\reports

*File details and format:* Comma separated File (CSV)

Field Name	Value
Security Symbol	
Settlement Type	P
Settlement No	7 digits
Quantity	

### 12.3 Shut Period

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

- In case of dividend or stock split corporate actions, the shut period start date shall be Ex-date minus 1, excluding settlement holidays.



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

## ITEM 13: ROLLOVER IN SLBS

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

### 13.1 Rollover Contracts

- i. As stipulated by SEBI, rollover of an original contract shall be permitted multiple times subject to one condition i.e. the total duration of the contract after taking into account rollovers shall not exceed 12 months from the date of the original contract.

*Example:*

*If the position has been taken on 08-Dec-2017 the total tenure of the contract shall not exceed 12 months i.e. 08-Dec-2018. Thus the Permissible month of contract beyond which rollover would not be allowed would be DEC-18.*

*In a scenario if the position was taken on 01-Dec-2017, then the permissible month of contract beyond which rollover would not be allowed would be NOV-18 (as DEC-18 Expiry falls on 06-Dec-2018 which is beyond 01-Dec-2018)*

- ii. Forty eight contracts for rollover shall be available. 24 rollover contracts shall be used to rollover positions taken in contracts which shall not be foreclosed in the event of AGM/EGM.
- iii. The rollover contract shall be identified by a 2 digit alphabetical series in case of regular contracts and alphanumeric series in case of the newly introduced contracts. Each rollover series represents a source series, which participant wants to rollover and the target series. The details of rollover series are provided in **Part C (36)**.
- iv. At any point in time rollover contracts shall be available only for near month series. Rollover contract for near month series shall be introduced from next day of expiry of previous monthly series. For example - Rollover from June (06) and (X6) to July (07) and (X7) - JL and U1 or from June (06) and (X6) to August (08) and (X8) - JA and U2 shall be available from next day of expiry of May (05) and (X5).
- v. The last trading day of rollover contracts shall be the 4<sup>th</sup> working day prior to expiry of respective near month series, excluding settlement holidays. For example: the last trading day of rollover contracts JL and U1 and JA and U2 shall be 4<sup>th</sup> working day, excluding settlement holidays, before expiry of June (06) and (X6) series.
- vi. In case of corporate actions in a security resulting in foreclosure, no rollover shall be allowed from the series getting foreclosed, of the security. For example-
  - a. If foreclosure date of a security is July 16, 2018, series starting from August (08) and (X8) are foreclosed. In this condition rollover shall be allowed from June (06) and (X6) to July (07) and (X7) and June (06) and (X6) to August (08) and (X8).

- b. If foreclosure date of a security is May 16, 2018, series starting from June (06) and (X6) are foreclosed. In this condition no rollover shall be allowed from June (06) and (X6) to July (07) and (X7) or June (06) and (X6) to August (08) and (X8).
- vii. During shut period no rollover shall be allowed in the security.

### 13.2 Rollover order Validation

- i. To execute Lend rollover, participant shall select order type 'Lend' and the appropriate rollover series.
- ii. To execute Borrow rollover, participant shall select order type 'Borrow' and the appropriate rollover series.
- iii. Rollover shall be allowed for existing reverse leg positions only.
- iv. The information of maximum permissible month shall be provided in 'Additional Final Delivery/ Fund obligation report for reverse leg' as per format in **Part E**
- v. The rollover indicator shall be used to identify Expiry Month till which the rollover of a reverse leg position shall be allowed.
- vi. Lend rollover orders can be placed upto the maximum permissible month to the extent of available reverse leg lend position (as per point iv)
- vii. Borrow rollover orders can be placed upto the maximum permissible month to the extent of available reverse leg borrow position (as per point iv). Further no borrow rollover shall be allowed in the reverse leg borrow position to the extent of EPI provided against such reverse leg borrow position.

### 13.3 Margins

- i. Lend rollover transactions for clients other than custodial participants: No margin
- ii. Lend rollover transactions for Custodial Participant clients: Margin as per VaR rate of the security shall be levied upfront on participant. The Margin will be levied on participant till custodial confirmation. No margin shall be levied on custodian, post confirmation.
- iii. Borrow rollover transactions for clients other than custodial participants: Rollover fee shall be levied upfront on participants. The margin will be levied till settlement on T+1.
- iv. Borrow rollover Transactions for Custodial Participant clients: Rollover fee shall be levied upfront on participant till custodial confirmation. The margin will be levied on custodian, post confirmation, till settlement on T+1.
- v. Margin report:
  - a. The rollover margin details shall be provided to participant/ custodians in detailed margin report (MG02). The rollover transactions shall be margined in settlement type L and identified by 'series' of rollover transaction.
  - b. Lending price payable by participant/ custodians on T+1 for normal borrow transactions of T day, shall be provided in MG01 report. The format of MG01 is attached in **Part D**.

### **13.4 Obligation to Participants and Custodians**

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

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

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

### **13.6 Settlement and action for settlement shortages**

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

## ITEM 14: DEALINGS WITH CLIENTS

### 14.1 Confirmation memo

Participants shall issue confirmation memos as per the format specified in **Part C (37)** for all the transactions executed on order matching platform, on the date of transaction and shall maintain proof of delivery of the same to the clients.

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

### 14.2 Funds and Securities:

#### 14.2.1 Client's Funds and Securities:-

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

#### 14.2.2 Receipt and delivery of Securities

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

#### 14.2.3 Receipt and Payment of Funds

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

### 14.3 Quarterly Statement of accounts for funds and securities

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

### 14.4 Books of accounts, Records and Documents

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

### 14.5 Processing Charges

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



#### **14.6 Arbitration**

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





## ITEM 15: TRANSACTION CHARGES

The effective charge structure for all transactions i.e. fresh Lend, fresh Borrow and Rollover transactions shall be as given below:-

<b>Slabs (*Value of Total lending fees in Rs)</b>	<b>Effective Rate (%)</b>
Upto 10 lacs	2.00%
Above 10 lacs less than 50 lacs	1.75%
Above 50 lacs - 1 crore	1.25%
Above 1 crore	0.50%

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

Additionally, transaction charges applicable on all fresh lend, fresh borrow and Rollover trades will be capped at Rs.250 per trade.

Transaction charges in SLB Scheme have been waived off for trades till further notice.

## ITEM 16: SELF TRANSACTIONS

Self-Transactions would be transactions resulting from matching between a buy and a sell order entered in the same order book by a Participant for the same client code originating from same or different trading terminals of the Participants. This includes proprietary and client transactions.

- For PRO / Client (Non-CP Code) order : If an active PRO / Client (Non CP Code) order is likely to match with any passive order (PRO / Non CP Code Client / CP Code Client) having the same PAN (Permanent Account Number) in the same order book; then the active or passive order (full or partial as the case may be) as per the option set in order entry in the active order shall be cancelled by the Exchange with rejection message “Order cancelled by the System – The order could have resulted in Self-Trade
- For Custodial Participant (CP Code) order:
  - a) If an active CP code order is likely to match with a passive CP code order having the same CP code in the same order book; or
  - b) If an active CP code order is likely to match with a passive PRO / Client (Non-CP code) order having the same PAN (Permanent Account Number) in the same order book Then the active or passive order (full or partial as the case may be) as per the option set in order entry in the active order shall be cancelled by the Exchange with rejection message “Order cancelled by the System – The order could have resulted in SelfTrade”
- Thus, in case of a Pro / Client order entered by same/different participants are resulting in selftrade/transaction due to same PAN or CP code, as the case may be, on the active and passive side, the same shall result in active or passive order getting cancelled as per the option set in the active order.

## ITEM 17: PENALTIES

Following are the penalties which shall be levied in SLB scheme for below mentioned violations.

### **I. Penalty for Self trades**

- a) This has reference to circular 32414 dated May 19, 2016 regarding Self trades in SLB scheme.
- b) Self-trades are prohibited in the NCL SLB scheme and participants have been notified about the same. Penalty shall be levied at the rate of Rs.15,000/- per trade to the participant.

### **II. Penalty for Position limit violation**

- a) NSE Clearing Ltd. issues caution letter in case of position limit violation in a security or further increase in open position despite open position limit violation till date.
- b) The penalty in case of increase in open position at member level / at client level in a security, shall be levied as per below grid. For this purpose, one instance would be calculated as a breach due to increase of the position limit, as monitored on end-of-day basis. No additional penalty per day shall be levied, if a participant fails to close-out open positions that are in violation.

Instance of violation in calendar Month	Penalty
2 <sup>nd</sup> to 5 <sup>th</sup> instance	Rs.5,000/- per instance
6 <sup>th</sup> to 10 <sup>th</sup> instance	Rs.10,000/- per instance
11 <sup>th</sup> instance onward	Rs.10,000/- per instance. Additionally, the participant will be referred to the Relevant Committee for suitable action

- c) The penalty shall not be applicable on first instance of open position exceeding the limit in a calendar month and also if an outstanding position exceeds the position limit on the date of revision of the position limit (in case where the position limit is reduced due to revision).

**IV. Penalty for Security pay-in shortages**

- a) Penalty of 0.05% per day of value of security valued at close price of trade date in capital market segment shall be levied for each instance of shortages by the Participant. This penalty shall be applicable for all securities pay-in obligation including both legs of SLB transactions.

**V. Penalty for Funds pay-in shortages**

- a) Funds pay-in arises due to shortage in pay-in of lending fee, rollover fee or lending price, margin pay-in, close out or valuation debit pay-in.
- b) In case of default, a penalty at the rate of 0.07% per day for each instance of overnight fund shortage shall be levied.

**VI. Penalty for Margin violation**

- a) Following penalty shall be levied on a monthly basis in respect of margin violation instances during market hours:

<b>Instances of Disablement</b>	<b>Penalty to be levied</b>
1st instance	0.07% per day
2nd to 5th instance of disablement	0.07% per day +Rs.5000/- per instance from 2nd to 5th instance
6th to 10th instance of disablement	0.07% per day+ Rs. 10,000/- per instance from 6th to 10th instance
11th instance onwards	0.07% per day + Rs.50,000/- per instance from 11th instance onwards. Additionally, the participant will be referred to the Member Committee for suitable action