

NSE Clearing Limited

DEPARTMENT: COMMODITY DERIVATIVES SEGMENT

Download Ref No: NCL/COM/57224

Date : June 21, 2023

Circular Ref. No: 216/2023

All Members/Custodians,

Sub: Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs) Segregation and Monitoring of Collateral at Client Level

This is with reference to SEBI circular no SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/84 dated June 08, 2023. In view of the above circular, Clearing Members may make note of the following operational procedures:

A. Placement of FDRs as collateral with NCL

The existing provisions and procedure for placement of FDR as collateral with NCL as specified in our consolidated circular in respective segment shall continue to be applicable. Additionally, clearing members shall ensure the following for placing FDR as collateral with NCL

- Clearing Member shall ensure that for all FDR lien marked to NCL, NCL shall have explicit precedence on the FDR funds over every other stakeholder, including over the bank providing the FDR.
- The tenure of FDRs shall not be more than one year, 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.
- Clearing Member shall not avail any funded or non-funded banking facilities based on FDRs created out of clients' funds.
- Existing FDRs lien marked to NCL shall have residual maturity of one year.

FDRs not fulfilling the above additional requirements shall need to be released by July 01, 2023

B. Upstreaming via pledge of units of Mutual Fund Overnight Schemes (MFOS):

- The units of MFOS shall be re-pledged to NCL only through depositary margin pledge-repledge mechanism.
- Clearing Members shall repledge units of MFOS to NCL from their existing mapped TCMC Margin pledge accounts.
- The list of MFOS eligible for repledge to NCL shall be published from time to time.
- Existing norms for valuation, haircut and prudential limits shall be applicable for units of MFOS repledged to NCL.

C. Addition and Release of Cash as collateral

- There will no change in the procedure to deposit and request for release of cash provided as collateral with NCL.
- The cut-off time for deposit and release of cash shall be as under
 - a) Clearing Member upstreaming cutoff time – 7:00 pm on all settlement days
 - b) Clearing Member release request cutoff time – 4.30 pm on all settlement days

Clearing members shall select immediate option while placing request. NCL 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. In addition to above NCL shall provide following additional release windows for cash provided as collateral

- i. End of day request – Request shall be accepted till 7:00 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.
- ii. Value date request - Request shall be accepted till 7:00 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.

D. Allocation

There shall be no change in the allocation procedure.

E. Release of Cash towards pay-in

Clearing Members may request for unutilized collateral (i.e. collateral in excess of margin blocked) lying with NCL in cash form, towards fund pay-in requirements across segments as per the below procedure.

- Clearing members shall use value date cash release request as mentioned in point C above.
- Such value date release shall be credited in the settlement account of the respective segment and can be used to meet the funds pay-in requirement in the respective segment.
- Clearing Members who wish to release funds from one segment (source segment) towards funds pay-in obligation in another segment shall follow the below process:
 - Place value date cash release request from the source segment as mentioned in point C above.
 - Send a mail to cash_collaterals@nscl.co.in with following details by 8.00 pm with subject as “REQUEST TO ADJUST RELEASE TOWARDS PAY-IN MEMBER CODE XXXXX”
 - Member Code
 - Member Name
 - Source segment (where value date release has been placed)
 - Target segment where such funds are required.
 - Total amount of funds requested in value date in source segment shall be credited to the clearing member settlement account of target segment on the value date selected.

F. Release of Other Collaterals

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	4:30 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	7:00 pm	At end of day subject to sufficient free collateral available in the collateral pool at end of day

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
Pledged Securities\$	Value date	7:00 pm	By 8.30 pm

*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

G. Reporting of Reasons for Collateral withdrawal

- Clearing Members shall, report TM-wise break-up of all collateral release requests from NCL (Cash, FDRs, MFOS), with the following reason(s):
 - Client unpaid securities obligations / MTF Obligations
 - Loss due to sale of unpaid securities
 - Penalties
 - Statutory levies (STT / Stamp Duty / SEBI Turnover Fee)
 - Brokerage (including exchange transaction fee)
 - Other charges (DP charges, etc.)
 - Funds to be released to client on account of regulatory requirements such as running account settlement
 - Funds withdrawal request from client
 - CM /TM Prop
 - Reconverting to another form of Collateral
 - Giving to Other CC
 - Pay-in purpose
- The Cut off time for reporting the reasons shall be 11:59:59 PM on the same day.
- The reporting shall be consolidated across all segments.
- Members shall be provided with a facility to report the above reasons in member portal, details are given below:
 - Path: Member portal→Inspection→Statement Upload→Collateral Segregation Submission→ Reason for Collateral Release

The above provisions shall be effective from July 01, 2023

**For and on behalf of
NSE Clearing Limited**

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