



## FAQ on “Revised Colocation Rack Allotment Procedure”

**Version 1.0**

**May 2024**

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Exchange aims to bring greater transparency and efficiency in the rack allotment process while retaining the ethos of being fair and equitable to all market participants, Exchange vide circular NSE/MSD/61499 Date: April 05, 2024, communicated the changes in the rack allotment process.

While the circular covers all the broad areas of the process, The participant queries on the Colocation allocation procedure have been summarized in the form of an FAQ.

### 1. What is the change over the existing process for waitlist?

Exchange shall now maintain 4 separate waitlist queues for rack desire requests received.

- 1st Waitlist - Requests submitted by members for FPI/FII clients.
  - Members can apply for racks for FPI / FII clients who currently do not trade from NSE colocation facility through any member.
  - Members can also apply for racks for Newly registered or Prospective FPI / FII
  - Maximum 3 rack desire request (any variant) submitted for an FPI client only through 1st member will be considered in this list.
- 2nd Waitlist - New / Prospective members in Colo.
  - Members not holding rack in colocation facility are considered new members.
  - Maximum 10 rack desire request (any variant) on same day shall be considered in this list.
- 3rd Waitlist - Existing members with less than 10 number of racks allotted (any variant)
  - Rack desire requests submitted by Members having less than 10 racks of any variant shall be considered in this list.
- 4th Waitlist - Existing members with 10 or more than 10 number of racks allotted (any variant)
  - Rack desire request submitted by Members having more than 10 racks of any variant shall be considered in this list.

### 2. What is the relevance of the waitlists above and how does it impact the requests submitted?

The rack inventory is made available at Exchange through creation of new racks and surrender of existing racks.

Accordingly, all available racks for allotment shall be earmarked for respective waitlists as follows:

- a. 15 % of available racks shall be allocated to 1st Waitlist applicable for FPI / FII client.
- b. Next 15 % shall be allocated to waitlist maintained for rack desire requests submitted by new/prospective members as per the 2nd Waitlist.
- c. Next 25 % shall be allocated to waitlist maintained for rack desire requests submitted by Existing members with less than 10 racks allotted (any variant) as per 3rd waitlist.
- d. Remaining 45 % shall be allocated to waitlist maintained for rack desire requests submitted by Existing members with 10 or more than 10 racks allotted (any variant) as per 4th waitlist.

This earmarking of racks will ensure that the racks are available for all types of members submitting the rack desire requests.

### 3. What are the points to be noted while applying for racks for FPI / FII clients to be considered in waitlist 1.

Members and clients should note that Exchange does not allot racks to clients, but to members only. However, in current scenario the racks are being allotted to FII/FPI client through member. Accordingly, member shall be liable for adherence to Exchange circulars and guidelines as communicated from time to time. Further, adherence to below given provisions need to be ensured:

- The FPI / FII client has not requested for a rack, nor hold any racks from any other member of the Exchange in the colocation facility.
- Further they should have not availed any racks in NSE co-location facility through their group/ subsidiary/holding company (having same DPG).

- Priority for allotment of rack shall be available only through 1 member of the Exchange and only for 3 racks (any rack variant) for an FPI / FII client.
- Members should surrender the rack allotted in case the client does not start utilizing the rack within 6 months of allotment.
- In case any statement declared by member / client is found to be false the Exchange shall cancel the rack desire request / rack allotment against such rack desire request without intimation to member / client and the deposit amount if any shall be deemed forfeited.
- In case the FPI/FII client dissociates with the member, the member should surrender the racks back to the Exchange.

4. While submitting the rack desire request, we had applied for rack for a particular FPI client, however can we use the rack allotted for different client or FPI group or for prop trading?

As communicated in the circular, Member is not allowed to modify the client details for the pending rack desire request once submitted. Further in case the client for whom the rack has been allotted does not start utilizing the rack, the same should be surrendered by member within 6 months of allotment.

5. What action shall be taken by the Exchange if participant does not commence operations/trading from the allotted rack(s) within 6 months from the date of allotment?

Participants who have procured racks are directed to commence operations/trading from the said racks within 6 months from the date of allotment. In case the participant fails to commence usage of racks within 6 months of allotment, Exchange will cancel the said allotment and the next allotment will be done after a cooling period of 6 months.

Accordingly, Exchange strongly advises all its Co-location participants to:

- a. Surrender the unused racks, if any.
- b. Consider consolidation of procured racks, if feasible.
- c. Use the racks space for server placement optimally.

6. What will happen to the waitlist of the rack desire requests already submitted prior to April 1, 2024?

All existing rack desire request submitted by members shall be bifurcated as per the 3 waitlists i.e. 2, 3 and 4 mentioned above and a new waitlist number shall be allotted based on FIFO basis of rack desire submission request date. Further, the queue for FPI / FII clients has been introduced from April 1, 2024, and requests submitted by members for the FPI / FII clients from April 1, 2024, will accordingly be added in waitlist 1 as per limits specified.

7. Can a rack desire request placed with Exchange before issuance of circulars NSE/MSD/61358 dated March 27, 2024, and NSE/MSD/61499 dated April 05, 2024, be mapped to an FPI/FII client?

No. Member is required to submit the annexures 1 and 2 (as published in captioned circular) for the rack desire requests for mapping an FPI/FII client within T+2 working days of the rack desire request submission date for consideration in waitlist 1. The member will submit the rack desire request as being done today on ENIT and will submit Annexure 1 and 2 mentioning the rack desire waitlist number to earmark the said request as application on behalf of FPI/FII. Accordingly, the request will move to FPI / FII queue. This process will be handled manually till system development is in place, once system development happens this process will be handled in an automated manner.

8. I am a trading member and I have placed 5 rack desire requests for a single FPI/FII Client, will these 5 requests be considered in waitlist 1?

Effective from April 1, 2024, Rack desire requests submitted only through 1st member for 3 rack desire requests (any rack variant) for an FPI/FII client shall be considered in waitlist 1. The remaining 2 requests shall be included in waitlist queue for existing members.

9. I am a new member and have less than 10 rack desire requests placed at Exchange which are pending for allotment. If I place additional rack desire requests on subsequent day, will those requests be considered in waitlist 2?

Only rack desire requests (any rack variant) submitted by member on the same day shall be considered in waitlist 2 with maximum 10 rack desire requests. Subsequent requests shall be included in waitlist 3 / 4 as per the count of racks allotted / desired.

10. I am an existing trading member having 6 allotted racks and if I have placed additional 5 rack desire requests, will all 5 requests be considered in waitlist 3?

In case a member who holds less than 10 racks applies for additional racks, the rack desire requests submitted by the member will be included in the 3rd waitlist till the count of rack (i.e. Rack allotted + rack desire request) reaches 10 racks (any rack variant). Accordingly, if a member already has 6 allotted racks, only additional 4 rack desire requests placed by the member shall be included in waitlist 3 on FIFO basis and 1 last request shall be included in waitlist 4.

11. If a member has 11 allotted racks and if they surrender 2 racks, wherein count of allotted racks comes down to 9 i.e. less than 10 racks. Further, member places additional 3 rack desire requests, will these 3 requests be considered in waitlist 3?

In case a member who holds less than 10 racks applies for additional racks, the rack desire requests submitted by the member will be included in the 3rd waitlist till the count of rack (i.e. Rack allotted + rack desire request) reaches 10 racks (any rack variant). Accordingly, if a member has 9 allotted racks, only 1 additional rack desire request placed by the member shall be considered in waitlist 3. The other 2 request shall be considered in waitlist 4 on FIFO basis.

12. If a member has 11 allotted racks and if they surrender 2 racks, wherein count of allotted racks comes down to 9 i.e. less than 10 racks. Further, member already has rack desire requests pending for allotment, will such rack desire requests be considered on priority?

In case a member who holds more than 10 racks any variant and also has pending rack desire request under 4th waitlist, surrenders few racks wherein his holding comes down to less than 10 racks, such rack desire request shall continue to remain in the 4th waitlist without any change in the waitlist number.

13. **I had submitted a rack desire request 3 months back, it is at “PAYMENT RECEIVED” status. Can we cancel such rack desire request, as we don’t want to avail the same at this point of time?**

As per circular ref no. NSE/MSD/58506, participants can cancel the rack desire request in the same calendar month in which the request is submitted, and advance deposit collected, if any is refunded. For the other rack desire cancellation scenarios, participants shall be eligible for refund, if such cancellation is requested in lieu of availing cross connect facility.

Further, in event wherein Exchange is unable to provision racks of desired rack type within the prescribed timelines (i.e. on or before 6 months starting from the following month of submission of rack desire request), the participants will be allowed to submit a cancelation request for such rack desire request and advance deposit collected, if any is refunded.

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