

## **Annexure**

### **Part A: Clearing & Settlement Process under the SEBI prescribed Uniform Membership (TM-CM) structure in Equity Cash Segment.**

Trades done by the members in the Equity Cash Segment may be cleared and settled by them as Self Clearing Members (SCMs) or through other types of Clearing Members as per the norms/guidelines issued by Securities and Exchange Board of India (SEBI) and as per the provisions of Rules, Bye-Laws and Regulations of BSE and ICCL as well as any other norms/circulars/guidelines which may be issued by BSE/ICCL in respect of the same from time to time.

#### **1. Settlement Process**

- Trades done in the securities under various groups in the Equity Cash Segment would continue to be settled on a T+2 basis i.e. the settlement of transactions done on T day i.e., trade day takes place on second business day (excluding Saturdays, Sundays and bank holidays) after the trade day.
- Settlement of Funds & Securities will be at Clearing Member (CM) level as per the present timelines for settlement related activities.
- In case of Trading Member (TM)/CM scenario, the positions would be netted at Client/Trading Member/Clearing Member level for normal scrips (i.e. netting of buy and sell positions in the same scrip for the same settlement) as at present for settlement purposes.
- For scrips traded on Trade-to-Trade (T to T) basis, the delivery positions would be settled on a gross basis (no netting of buy and sell positions) as at present. For this, the position would be grossed at Client/Trading Member/Clearing Member level for T to T transactions. Settlement would be at Clearing Member (CM) level.
- The clearing members would settle all obligations including margins arising out of trades done by them as trading members and also of those trading members for whom they have undertaken to settle as clearing members
- **Pay-in of Funds and Securities:** Pay-in of funds will happen at CM level from designated settlement account of the CM with any of the ICCL empaneled clearing banks.
- Pay-in of securities will happen at CM level through the designated Demat pool account of the CM. The CMs will make the securities available in their designated demat pool accounts with the Depositories. The Depositories would generate the securities pay-in file on the scheduled pay-in day at CM level and provide the same to ICCL. Likewise, the CMs with funds obligations will make the funds available in their designated accounts with the ICCL empaneled clearing banks.

### **Auto Delivery Out (DO) Facility for securities pay-in:**

- A facility shall continue be available to the Clearing Members as at present whereby Delivery-out instructions for moving securities from CM Pool Account by the Depositories for pay-in of securities in the respective settlement.

***Pay-out of funds and Securities:*** Pay-out of funds will be credited to the respective CM's designated settlement account with any of the ICCL empaneled Clearing Banks. Pay-out of securities will be credited to the demat pool account of the respective CMs.

### **Facility for direct pay-out to client's (DPC) depository beneficiary Account**

- DPC facility shall be available to the Clearing Members as at present.
- Clearing members would provide a file to ICCL through the member extranet portal in the existing format as at present for effecting pay out directly to respective demat accounts of TM's clients for a particular settlement type and settlement number.
- Based on the details provided in the said uploaded file by the members to ICCL, the pay-out of demat securities will be released in the demat account of the respective clients of the TMs.
- Clearing members would be provided RCBCF file pertaining to the details of DPC files uploaded by them as at present.
- Clearing Member/Trading Members must ensure to provide correct/proper demat account details of the respective clients.

In following cases the pay-out of demat securities will be released to the demat pool account of the Clearing Members, who will be required to release the same to their respective trading members and the trading members will in turn be required to release the pay-out securities to their respective clients' demat accounts as per the timelines stipulated by SEBI/Clearing Corporation from time to time:

- In case of absence of DPC file/instructions from Clearing Member
- In case of rejection of DPC pay-out in the Depository system
- Existing facility of getting securities pay-out in the member specified Depository will be available as at present.

## **2. Confirmation of trades entered by custodial participants**

The existing Custodian Clearing Members in Equity Cash Segment will continue to act as Custodian Clearing Members in Equity Cash Segment. For settlement through Custodians, the TMs would give-up their traded positions to Custodians through the online RTRMS module and the custodians will be able to confirm the same through RTRMS module as is being done at present. Accordingly, the obligations for confirmed positions will be transferred to the respective Custodians as at present.

## **3. Early Pay-in of Funds & Securities :**

For a detailed process of Early Pay-in of Funds & Securities, members may refer ICCL Notice No. 20190227-45 of February 27, 2019.

<https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20190227-45>

4. The Auction/Close out process would remain unchanged. Auction settlement files would be generated at Clearing Member level as at present.
5. Existing norms & structure in respect of various fees, charges, fines and penalties etc. levied by ICCL would remain unchanged.

## **Part B: Risk Management- CM-TM Client Margin Structure**

### **1. Gross Open Position**

The gross open position would mean the gross of all net positions across all the clients of a member including his proprietary position. For this purpose, there would be no netting of positions across different settlements.

### **2. Margin Flow**

The Current Margining Framework related to calculation of margins on a Client level as specified by SEBI and ICCL, shall remain unchanged in the new Membership Structure being implemented in the Equity Cash Segment with effect from Monday, April 1, 2019.

The Margin requirement in the Equity Cash Segment, inter alia, Value at risk ("VaR"), Extreme Loss Margin ("ELM"), Crystallised Loss Margin ("CLM"), etc. shall be collected on an upfront basis by adjusting against the total liquid assets of the Clearing Member at the time of trade.

The applicable margins on all positions (which include mark-to-market) are computed and levied at client level under a Trading Member on a gross basis across clients and then further grossed across all Trading Members under the Clearing Member as against the liquid assets of the clearing member available with the clearing corporation.

All institutional trades in the cash market would continue to be margined on a T+1 basis with the margin being collected from the Custodian if the trade is confirmed. In case the trade is not confirmed, the margin would be blocked against the Trading Member's Notional Limit and blocked from the liquid assets of its respective clearing member.

- The current margins shall continue to be calculated on an online real-time basis on a client level.
- The Client Level Margin thus calculated shall be grossed at the respective Trading Member Level and blocked on an online real-time basis from the Trading Member's Notional Limit.
- The Trading Member Level Margin thus calculated shall be grossed at the respective Clearing Member Level and blocked on an online real-time basis from the liquid assets of the Clearing Member with ICCL.

## Illustration

### ➤ CM-TM-Client Mapping:

CM		TM		Client
PQR	←	ABC	←	Client 2
	←	XYZ	←	Client 10
			←	OWN

### ➤ Margin Aggregation


### **3. Mark to Market Losses**

Mark to Market Losses shall be collected in the following manner:

- ICCL shall collect the mark to market margin (“MTM”) from the Clearing Member before the start of the trading of the next day.
- The MTM margin shall be collected from the Clearing Member first by adjusting the same from the available cash and cash equivalent component of the liquid assets and the balance MTM in form of cash from the Clearing Member through their Clearing Banks before the start of the trading of the next day.
- The MTM margin shall be collected on the gross open position of the clearing member.
- There would be no netting off of the positions and setoff against MTM profits across 2 rolling settlements i.e. T day and T-1 day. However, for computation of MTM profits/losses for the day, netting or setoff against MTM profits would be permitted.
- The margin so collected shall be released along with the pay-in, including early pay-in.

### Illustration

#### ➤ CM-TM-Client Mapping:

CM		TM		Client
CM X	←	TM 1	←	Client A
	←	TM 2	←	Client B
			←	Client C

#### ➤ Margin Aggregation

<div>CM X</div> <table><tr><th>TM Name</th><th>Total MTM</th></tr><tr><td>TM 1</td><td>-900.00</td></tr><tr><td>TM 2</td><td>-800.00</td></tr><tr><td></td><td>-1700.00</td></tr></table>		TM Name	Total MTM	TM 1	-900.00	TM 2	-800.00		-1700.00	<div></div>	<div>TM 1</div> <table><tr><th>Client Name</th><th>Total MTM</th></tr><tr><td>Client A</td><td>-900.00</td></tr><tr><td></td><td>-900.00</td></tr></table>		Client Name	Total MTM	Client A	-900.00		-900.00	<div>←</div>	Client A's MTM Loss			-900
		TM Name	Total MTM																				
		TM 1	-900.00																				
		TM 2	-800.00																				
			-1700.00																				
Client Name	Total MTM																						
Client A	-900.00																						
	-900.00																						
Client Name	Settlement No.	211	212																				
	Scrip Name	MTM Profit (+)/Loss (-)																					
Client A	X	800	300																				
	Y	500	-1200																				
	Total	1300	-900																				

 Client B's MTM Loss (-) | | | -800 || Client Name | Settlement No. | 211 | 212 |
Scrip Name	MTM Profit (+)/Loss (-)		
Client B	X	1000	500
Z	-1500	-800	
Total	-500	-300	
Client C's MTM Loss (-)			0
Scrip Name	MTM Profit (+)/Loss (-)		
Client C	Y	700	-200
R	-300	800	
Total	400	600	
CM X	TM Name	Total MTM	
Client Name	Settlement No.	211	212
Scrip Name	MTM Profit (+)/Loss (-)		
Client A	X	800	300
Y	500	-1200	
Total	1300	-900	
Client B's MTM Loss (-)			-800
Scrip Name	MTM Profit (+)/Loss (-)		
Client B	X	1000	500
Z	-1500	-800	
Total	-500	-300	
Client C's MTM Loss (-)			0
Scrip Name	MTM Profit (+)/Loss (-)		
Client C	Y	700	-200
R	-300	800	
Total	400	600	

#### **4. Risk Reduction Mode**

The entry and exit threshold are detailed below:

- Clearing Members: Put in RRM at 90% collateral utilisation & moved back to normal mode when utilisation goes below 85%.
- Trading Members: Put on RRM at 90% utilisation of trading limit assigned by their Clearing Members & moved back to normal mode when limit utilisation goes below 85%.



**Part C: Clearing & Settlement Process under the Uniform Membership (TM-CM) structure in Offer for Sale (OFS) & Offer to Buy (OTB- Buy-back/Take-over/De-listing) Segments**

**1. OFS**

- CM will transfer securities to ICCL's demat pool account for OFS issue.
- OFS Collateral will be deposited with ICCL by CMs as per the existing process for OFS Segment.
- CMs will be required to set limits in RTRMS module for their respective TMs bids.
- Securities pay-out will be transferred to respective CM's Demat pool account for onward transfer to their TMs and TMs would in turn will be required to transfer the securities to their client's demat accounts. Correspondingly, funds pay-out would be transferred to the CMs' Settlement account with the designated Clearing Bank. CMs would transfer the funds to their respective TMs bank accounts and TMs would make payment to their respective clients.
- Direct pay-out to Client (DPC) file would be provided by CMs. Process for direct client level pay-out would remain unchanged.
- In case of self-clearing members, all EOD back office file formats would remain unchanged.
- All other norms/modalities and formats pertaining the above would remain unchanged.

**2. OTB**

- Early pay-in of securities will be done by TMs as is being done at present.
- Return pay-out of excess securities of the offerors will be directly given to clients' demat accounts as at present. In case of rejection of such securities pay-out by the Depositories, the pay-out will be transferred to the respective CMs demat pool account for onward transfer to their TMs and TMs would in turn transfer to their respective clients.
- Receiving participants' securities pay-out will be done at CM level. File for Direct Pay-out to Client's (DPC) demat account will be provided by CM.
- Funds pay-in will be done at CM level. Funds [pay-out will be done directly to the respective client's bank account as is being done at present. In case of rejection of the client's funds pay-out by the Banks, then the funds pay-out will be done in the settlement account of the concerned CMs with the designated Clearing Bank.
- In case of self-clearing members, all EOD back office file formats would remain unchanged.
- All other norms/modalities and formats pertaining the above would remain unchanged.