

DEPARTMENT: CAPITAL MARKET

Download Ref No: NCL/CMPT/63669

Date: Aug 30, 2024

Circular Ref. No: 179/2024

All Members/ PCMs,

Sub: Enhancement of operational efficiency and Risk Reduction – Operating guidelines for Pay-out of securities directly to client demat account

This has reference to SEBI circular 'Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account' reference number SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2024/75 dated June 05, 2024, and NCL circular NCL/CMPT/62339 dated June 06, 2024.

- 1. Operating guidelines for Pay-out of securities directly to client demat account:**
The standard operating guidelines of 'Pay-out of securities directly to client demat account' is attached as **Annexure I**.
- 2. Mapping of demat account in UCC database of Exchange:** It shall be mandatory for trading members to update primary demat account in UCC database of Exchanges of all such clients that clear and settle trades with their clearing member. Clearing corporation shall credit pay-out of securities that is identified as primary in Exchange UCC and is verified by Depositories. Please refer exchange circular (NSE/ISC/62810 dated July 05, 2024, NSE/ISC/63535 dated August 23, 2024, BSE Notice No. - 20240705-37 dated 05 Jul 2024 and BSE Notice No. - 20240823-55 dated August 23, 2024) and any other circular issued by exchanges from time to time in this regard. The detailed guideline in this regard is provided in point 3 of Annexure 1.
- 3. Opening of TM pool accounts:** It shall be mandatory for Trading members of Capital market or F&O segment, clearing trades with other clearing member to open Trading member pool accounts in both depositories. The detailed guideline in this regard is provided in point 5(ii) of Annexure 1.
- 4. Opening of TM/CM CUSPA:** Trading/ Clearing members need to maintain Client Unpaid Security Pledge Account (CUSPA) in depository where their client has demat

account. The guidelines regarding maintenance of TM/CM CUSPA by Trading/ Clearing member are specified in point 6 of Annexure I. Accordingly,

- a. Trading members shall maintain only TM CUSPA a/c.
 - b. Self-Clearing Members shall maintain only TM CUSPA a/c and not maintain CM CUSPA a/c.
 - c. Trading member cum clearing member shall open maintain both TM CUSPA and CM CUSPA.
 - d. Professional clearing members shall open CM CUSPA only.
5. **Opening of TM CSMFA:** Trading members offering Margin trading Funding facility to their clients need to maintain Client Securities under Margin Funding Account (CSMFA) in depository where their client has demat account. The detailed guideline in this regard is provided in point 6 of Annexure 1.
6. **Reporting of Unpaid securities and funded stocks:** A facility shall be provided to members to report request to release payout with pledge in favour of CUSPA (Unpaid) / pledge in favour of CSMFA accounts (MTF). The operational procedure for same is provided as **Annexure 2**. Additionally detailed guideline in this regard is provided in point 8 of Annexure 1.
7. **Discontinuation of client direct pay-out facility:** In view of SEBI circular, the current facility of 'Direct payout to investor accounts' as specified in part C, point 6 of NCL consolidated circular NCL/CMPT/ CMPT61800 dated April 29, 2024, shall be discontinued. The guideline in this regard is provided in point 7 of Annexure 1.
8. **Auction for internal shortages:** It shall be mandatory for clearing members to use internal auction mechanism of clearing corporation to handle internal shortages. The detailed guideline in this regard is provided in point 14 of Annexure 1. Members shall use existing auction facility specified in item 6.4 of NCL consolidated circular NCL/CMPT/ CMPT61800 dated April 29, 2024, for auction of internal shortages. Additional guidelines with respect to auction for internal shortages shall be provided in subsequent circular.
9. **Reporting of demat account of Custodial participant client:** This reporting is required by Clearing members of F&O segment who are clearing trades for custodial participant clients not registered in capital market segment. The detailed guideline in this regard is provided in point 4 of Annexure 1. For existing/ new CP codes created hereafter clearing members shall provide details demat account to clearing corporation and mail to support@nsccl.co.in and securities_ops@nsccl.co.in in following format.

Mail subject: Demat details of non-custodian CP client in F&O

CP CODE	CP name	CP PAN	DP ID (8 char NSDL DP ID)	DP Client ID (8 char NSDL Client ID or 16 char CDSL BO ID)
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10. **Processing of pay-out:** The circular shall be implemented in 2 phases. Phase 1 shall be applicable from October 14, 2024, to January 13, 2025, and phase 2 shall be applicable from January 14, 2025, onwards. In phase I, CC shall credit pay-out to clearing member pool a/c for following cases:

- a. Verified demat account not found in UCC of Exchanges.
- b. Pay-out rejected by depositories for various reasons such as inactive client account, Member CUSPA/CSMFA not active in depository, ISIN not active in target depository etc.
- c. Where clients have disabled standing Instruction/ auto credit of securities in demat account and have not provided standing instructions during the day, such pay-out shall be provided by next day.
- d. Excess pay-in over gross pay-in obligation.
- e. Payout pertaining to proprietary obligations.

In phase 2 such payout shall be credited to client demat/ source account as given in Annexure 1.

11. Delivery Report for Direct pay-out

A separate delivery report shall be provided for direct pay-out information. The report shall provide client wise security wise quantity credited to client account. The format shall be same as existing delivery report and some of the reserved fields shall be used to provide additional information. The details of format of the shall be provided in subsequent circular.

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

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