

DEPARTMENT: CAPITAL MARKET

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All Members/ PCMs,

Sub: Pay-out of securities directly to client demat account- Frequently Asked Questions

This has reference to NCL/CMPT/63669 dated Aug 30, 2024, NCL/CMPT/63856 dated Sep 11, 2024, and NCL/CMPT/64282 dated 30-Sep-2024.

The frequently asked questions with respect to operationalization of '**Pay-out of securities directly to client demat accounts**' are as annexure to the circular.

For and on behalf of
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Annexure

Frequently asked Questions (FAQ)- Direct payout of securities to client account

Updation of Demat details

Q: In case a member client wants to modify primary demat account details for a client in exchange's UCC database, by what time it should do the change to receive payout in the account?

Ans: Member need to update the same by 5:00 pm on Trade date. Exchanges shall send all such requests received till 5:00 pm to depositories for verification. If verified by depositories the new demat details shall be shared by exchanges to clearing corporation and the same shall be considered for payout of Auction/ Normal market settlement next day.

Q: Post modification/ updation of demat details and primary flag in UCC database, in how much time will we get confirmation of verification of the same?

Ans: The confirmation of verification of depository details will be running on real time basis.

Q: Whether provision of direct pay-out will be applicable to clients who are having arrangements with SEBI registered custodian?

Ans: Custodial participant clients who clear and settle with SEBI registered Custodians in Cash segment are exempt from provisions of direct payout. However, if such clients trade and clear it with a broker/clearing members other than a Custodian member, the provision of direct pay out shall be applicable, and payout of such clients will be provided in demat account in UCC details. If demat account is not present in UCC such payout will go in clearing member pool for first three months.

Q: We have marked different primary demat account for Cash and F&O segment. We want payout of physical delivery obligation in demat account specified in F&O segment.

Ans: If member has reported different demat account in cash and F&O segment in the UCC then the payout will be provided in demat specified in Cash segment only.

Q: Whether a TM/CM or PCM in F&O segment and clearing and settling obligations for Custodial participant clients is required to update demat account details for all its CP clients?

Ans: Member need to provide information of demat account of only such clients who are not active in Cash segment under a SEBI registered custodian.

Q. Our client is registered in both exchanges, can we update demat data in one of the exchanges?

Ans: As per guidelines members need to update demat data of their UCC in both exchanges. The demat account should be same in all exchanges for a UCC.

Maintenance of TM pool account

Q: We are doing only proprietary trading. Do we need to open TM pool account?

Ans: In phase1 proprietary payout will be provided in pool account of your clearing member. In phase 2 the pay-out shall be provided in proprietary demat account. The depositories pass hop skip entries in CM pool, TM pool before crediting the payout in prop beneficiary account.

Q: Whether a member active only in cash segment either as self-clearing member or trading member or clearing member or professional clearing member need to open TM pool account?

Ans: No.

Q: We were earlier a self-clearing member and have an active clearing member pool account. Currently we are clearing trades with another clearing member. Do we need to open TM pool account?

Ans: Yes. TM pool account need to be opened as trading member and clearing member are different entities.

Q. We are clearing in cash segment but trading member in F&O segment. and have an active clearing member pool account for settlement of cash segment. Do we need to open TM pool account?

Ans: Yes. TM pool account need to be opened as trading member and clearing member are different entities in F&O segment.

Q. We are Trading member in both Cash and F&O segment clearing with PCM. Do we need to open separate TM pool account for cash and F&O segment?

Ans: No only one TM pool account is required.

Maintenance of CUSPA/CSMFA account

Q. Whether existing CUSPA/CSMFA account will work, or do we need to open new account?

Ans: Members need to open CUSPA account in following manner based on membership type at exchanges and client type for which unpaid is being reported:

| Member type | Client type | Unpaid flag to be reported to CC | Account type at Depositories |
|------------------------------|-------------------------------------|----------------------------------|------------------------------|
| Trading member | Internal client | T | TM CUSPA |
| Self-clearing member | Internal client | T | TM CUSPA or CM/TM CUSPA |
| Trading cum clearing member | Internal Client | T | CM/TM CUSPA |
| Trading cum clearing member | Client/ pro of other Trading member | C | CM/TM CUSPA |
| Professional clearing member | Client/ pro of other Trading member | C | CM CUSPA or CM/TM CUSPA |

Q. We have all our client demat account in one depository. Do we need to open CUSPA/CSMFA accounts in other depository also?

Ans: No. You need to maintain CUSPA/CSMFA accounts in one depository where your clients exist.

Q. We do only proprietary trading. Do we need to open CUSPA/CSMFA accounts?

Ans: Not required.

Reporting of unpaid/ MTF clients

Q. We want to report unpaid/MTF for a client for a security listed only on BSE. Whether we use BSE script code or BSE script ID?

Ans: For BSE securities member shall upload unpaid MTF requests with **script code**. For example, for ADITYA VISION LTD member shall upload request with '540205' instead of script id 'AVL'.

Q. I am a self-clearing member and have opened TM-CM CUSPA account in depositories. Do I put unpaid request with T flag or C flag for unpaid clients?

Ans: You have to provide request with flag T as the clients are your internal clients. C flag is to be used by TM-CM or PCM for reporting unpaid of CP client and/or for clients of their TM in case TM has defaulted in payment to clearing member.

Q. What flag should we report if custodial participant client is unpaid?

Ans: Member has to report flag C. This is applicable only to CP clients of F&O segment not registered in cash segment with SEBI registered custodians.

Q. We are Clearing member and one of our trading members has defaulted in funds pay-in. What flag should be reported?

Ans: Member has to report flag C.

Q. We are Clearing member and one of our trading members wants to release payout to its client with pledge to its TM CUSPA. What flag to be reported?

Ans: Member has to report flag T.

Q. If we want CC to release some payout to client in MTF and some payout in CUSPA and balance as without pledge, how can I request for the same?

Ans: Members can report multiple flags for a client for specific quantities such that total requested quantity is less than or equal to obligation of the client. CC shall prioritize payout processing in following sequence; 'C' followed by 'M' followed by 'T' flag. Any balance quantity shall be provided free of pledge in client demat account.

Q. Whether clearing members, clearing for other trading members report unpaid for proprietary account of such Trading member?

Ans: During phase 2 clearing member shall report flag C for such cases.

Q. On account of multiple settlement shortages of settlement number 2024175 shall be done along with shortages of 2024176. Member has reported flag M for 100 qty in 2024175 and 100 qty with flag T in 2024176, to release payout of a client. In case CC is able to obtain 150 qty in auction, in which flag payout will be distributed?

Ans: Payout of 100 qty will be released in client account with pledge to CSMFA account and payout of 50 qty will be released with pledge to CUSPA in auction settlement 2024176.

Q. We had reported 'T' flag for a client in Normal. However, client has received short payout. Whether we need to report the flag again for Auction?

Ans: No. NCL will carry forward the flag report in normal to Auction market.

Q. Our client is going short for last many trading days. Whether we need to report CUSPA for each trade date separately? Can we report CUSPA flag for one trade date and CC shall consider for all subsequent days?

Ans: No CUSPA/MTF flags need to be reported for each trade date separately for each settlement type and number.

Reporting of auction for internal shortages

Q. How will payout to clients for internal shortage be handled?

Ans: Member shall be required to upload the request for internal shortage and provide required valuation amount for CC to conduct auction for same. If securities are successfully obtained, CC shall identify the clients who have not received payout in normal settlement and provide pay-out to these clients in Auction settlement.

Q. What happens if member request excess quantity as internal shortage?

Ans: Excess quantities post allocation of successful auction quantities to short receiving clients shall be credited to clearing member pool account.

Q. What is the action by CC in case member does not apply for internal auction?

Ans: It is mandatory for members to apply for self-auction for internal shortage. CC shall issue guidelines with respect to same in coming days.

Q. What is the upload path for self-auction request?

Ans: File upload path is Member portal/extranet_upld/Voluntary Auction/upld File. Members who are enabled in both cash and F&O segment shall upload the file in cash segment and the members who are active only in F&O segment shall upload the same in F&O segment.

Q. In case of multiple settlement the shortages of higher settlement are conducted on next day along with shortages for next settlement. When should member report internal auction of higher settlement; On settlement day or Auction Day?

Ans: Members need to report the self-auction on Auction Day only. However, members need to upload a single file containing records of internal shortages in respective settlement numbers only.

Q. We have uploaded internal auction file with batch 01 for 10 securities. We want to report internal auction for additional 5 securities and remove 5 securities reported in batch 1. How do we report the same?

Ans: Member has to upload file with batch 2. The file needs to be full file with final list of securities to be sent for Auction. The data provided in earlier file shall be overwritten with latest file.

Q. Do I need to report any flag to release payout to client without any pledge?

Ans: No. Flag is required to be reported only if payout is required to be released with pledge in favour of CUSPA/CSMFA.

Processing of pay-out directly to client demat account

Q. Will the hop skip entries be reflected in CM/TM pool account?

Ans: Depositories will pass hop-skip entries in CM pool, TM pool and client beneficiary account for payout credited successful to client demat account.

Q. Where client demat account is not present in UCC where will the pay-out get credited?

Ans: During phase 1, the payout will be credited to member pool in preferred depository. Before phase 2, clients whose demat details is not present shall be moved to non-permitted to trade category by exchanges.

Q: Whether any payout will be received in preferred depository?

Ans: Payout of clients where demat account is not found in UCC database shall be credited to clearing member pool in preferred depository. Payout pertaining to prop obligation shall be provided in clearing member pool in preferred depository in phase 1.

Q. If payout is not credited to client account on account of rejection at depositories, whether such payout will be credited to member in preferred depository?

Ans: Such pay-out will be credited to clearing member pool in the depository from where CC has received pay-in and not necessary in preferred depository. Members need to monitor credit of such pay-out in pool account of both depositories.

Q. In which cases will payout be credited to clearing member pool?

Ans: In phase 1, 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
- c. Excess pay-in by member over gross pay-in obligation
- d. Payout pertaining to proprietary obligations (including DVP trades)
- e. Excess self-auction request over internal shortage
- f. Exempted clients like NRI (in phase 1 only), Clients clearing with SEBI registered custodian.

In phase 2, following pay-out shall be credited in clearing member pool

- a. Excess pay-in over gross pay-in obligation
- b. Proprietary pay-out pertaining to DVP or custodian rejection
- c. Excess self-auction request over internal shortage
- d. Clients clearing with SEBI registered custodian.

Q. Our clients have enabled Standing Instruction in their NSDL demat account or have updated Purchase waiver flag in CDSL demat account? How will direct pay-out get credited to such clients?

Ans: Members must ensure that such clients provide receipt instruction in NSDL account or update purchase waiver flag for their expected pay-out transactions before the pay-out deadline.

Delivery report for Direct payout

Q. What details I will get in new DeliveryDPO report?

Ans: The new DeliveryDPo report will give UCC wise details of payout provided to client demat account. This will also give details of the payout released with CUSPA/MTF pledge. Once the pay-out is released by CC to depositories the confirmation/ rejection status of the payout shall be 'DCOAW'. Once payout is credited successfully by depositories in clearing member/ client account the status shall be changed to CONFTD. For cases where payout is rejected by depositories there shall be a corresponding entry in report with credit to clearing member pool account.

Q. When will I get final delivery report for direct payout (DeliveryDpo)?

Ans: The final report shall be provided to members post confirmation/ rejection status of all payout released to client account is received from depository. In case client of any member has subscribed to standing instruction/ purchase waiver flag in demat account but client have not provided request to accept the securities such rejections are provided by depositories by end of day and final DeliveryDpo report in such cases shall be provided by end of day.

Q. We see multiple version of DeliveryDpo reports; P_0001, P_0002, P_hhmm and F_0000. How do I ascertain that all my payout is settled from Delivery report?

Ans: NCL will provide provisional report to members at regular interval (P_hhmm) based on confirmation records received till such time from depositories. If all payout records in provisional report are confirmed (CONFTD) for a member then the member can use the same for EOD processing.

Q. Will Delivery report for direct payout (DeliveryDpo) provide details of short payout given to clients?

Ans: The report will provide actual quantity credited to client account. In case nil payout is provided to client demat account, '0' quantity shall be reflected in quantity field against pay-out record of the client. Members will have to ascertain short receipt by comparing the payout quantity with Obligation quantity.

Q. What will be changes in existing Delivery report. How do we relate the new DeliveryDpo with modified Delivery report?

Ans: There is no change in the format of existing Delivery report. However, there will be change in the quantity under POT and EXC records. Currently POT record represents the net pay-out delivered to the member pool, while EXC records represent the excess pay-in quantity over the net pay-in obligation of the member which is returned back to the member pool account.

Post go live of direct payout, the quantity in POT records will represent the gross payout successfully given to clients / member pool i.e. DPC0, DPC1, DPC2, DPC3, POT1, POT2, POT3, where depository confirmation/ rejection code is 'CONFTD'.

The quantity in EXC records will represent the excess pay-out given to the member pool i.e. EXC1 and EXC2 where depository confirmation/ rejection code is 'CONFDT'.

Q. How can we ascertain that the unpaid/MTF pledge has been created in depository?

Ans: DeliveryDPo report shall identify payout records with or without MTF/CUSPA identifier. If the depository confirmation/ rejection code of MTF/CUSPA payout records is 'CONFDT' the same is processed by Depository.