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**NATIONAL COMMODITY CLEARING LIMITED**

Circular to all Members of the Clearing Corporation

Circular No. : NCCL/INSPECTION-004/2025

Date : April 28, 2025

Subject : Master Circular - Inspection

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1. NCCL has been issuing circulars/guidelines to Members on various compliance requirements. With a view to facilitate members to comply with the regulatory requirements and have access to the applicable circulars at one place, NCCL has prepared a consolidated circular for Inspection/Compliance Department. This consolidated circular is a compilation of the relevant circulars/guidelines issued by Inspection/Compliance Department up to March 31, 2025.
2. It is hereby clarified that in case of any inconsistency between the Master Circular and the original applicable circular, the content of the original circular shall prevail.
3. Notwithstanding in any revision in the processes or formats, if any
  - a) Anything done or any action taken or purported to have been done or taken under such revised/rescinded process including but not limited to any regulatory inspection/investigation or enquiry commenced or any disciplinary proceeding initiated or to be initiated under such rescinded/revised process or rescission, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular;
  - b) The previous operation of the rescinded process or circular or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred thereunder, any penalty incurred in respect of any violation committed arising out of violation of such rescinded process or circulars, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded process or circulars have never been rescinded.

This Master Circular is issued in accordance with the provisions of Bye Law no.6.4 of NCCL Bye laws read with the Regulations of NCCL as in force from time to time.

Members and their Clients are requested to take note of the same.

For and on behalf of

**National Commodity Clearing Limited**

Ketan Jadhav

Assistant Vice President - Regulatory

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For further information / clarifications, please contact

1. Customer Service Group on toll free number: 1800 266 6007
2. Customer Service Group by e-mail to : [contactus@nccl.co.in](mailto:contactus@nccl.co.in)

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## 1. Submission of Internal Audit Report

All Clearing Members undertaking clearing activities,) are required to carry out the half yearly Internal Audit and submit the report to National Commodity Clearing Limited (NCCL).

NCCL has prescribed below eligibility criteria for auditors who have to carry out the internal Audit of the clearing members.

- 1.) Auditor in the Audit Firm should be an independent qualified Chartered Accountant or Company Secretary or Cost and Management Accountant who is in practice and who does not have any conflict of interest.
- 2.) The Audit Firm should have at least two partners at all times.
- 3.) The Auditor / Audit firm or at least one of the partners should have a minimum of 5 years' experience in carrying out audits.
- 4.) The Auditor/ Audit firm is not debarred or restrained from issuing any certificate by ICAI, ICSI, ICMAI, RBI, SEBI or by other regulator/law enforcement agency.
- 5.) Auditor and/or its employee or partner signing the Internal Audit Report shall have a valid NISM Series-XIV: Internal Auditors for Stockbrokers Certification or NISM Series III-A: Securities Intermediaries Compliance Certification or ICAI Certificate Course on Financial Markets and Securities Laws or any other equivalent examination.
- 6.) In addition to the above, the Audit Firm which undertakes the Internal Audit of Qualified Stock Brokers ("QSBs") should have at least five partners at all times; of which at least two partners should be full time partners.

Members are advised to adhere to the norms prescribed under clause 4.2 of SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, w.r.t Appointment and Rotation of Internal auditors.

Further, as advised by SEBI to enhance the ease of achieving compliance and to reduce operational difficulties faced by Members/Audit Firms, the auditors empaneled with any of the Exchange(s), shall be eligible to conduct internal audit of the Clearing Members of any of the Clearing Corporations.

All the members are required to submit the report within 2 months from the end of the audit period.

It is once again reiterated that the following penalties/disciplinary actions for late/non-submission of the Internal Audit Report shall be applicable: -

| Details of Violation                                             | Penalty/disciplinary actions                                  |
|------------------------------------------------------------------|---------------------------------------------------------------|
| Failure to furnish Internal Audit report to Clearing Corporation | a) For 1st month after due date, charges of Rs. 200/- per day |

|                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| for half year ending September 30th by November 30th and half year ending March 31 <sup>st</sup> by May 31 <sup>st</sup> | b) Charges of Rs.500/- per day from 2nd month after due date till date of submission or disablement 2 weeks' notice shall be given to the Member after the 3rd month from the due date, subsequent to which the Member shall be disabled in all segments. The disablement notice issued to the Member shall be shared with all the Clearing Corporations. |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

The penalties/disciplinary action for the non-compliances reported in the Internal Audit Report shall be as prescribed by NCCL circular no. NCCL/COMPLIANCE-007/2021 dated August 20, 2021 or NCCL/Compliance- 013/2023 dated December 28, 2023 as deemed fit.

The scope of the Internal Audit is prescribed in circulars which are issued from time to time.

Notwithstanding, it shall be duty of the Internal Auditor to ensure that the NCCL/SEBI circulars/Directives are being complied with, at all points in time. The Auditor is also empowered to report any act which has the potential to lead to a default in the obligations of the Auditee as a "Clearing Member".

#### **Regulatory Requirements/ References:**

| Sr.No | Subject                                                             | Circular Date | Circular No               |
|-------|---------------------------------------------------------------------|---------------|---------------------------|
| 1.    | Submission of Half Yearly Internal Audit Report by Clearing Members | 27-Sep-23     | NCCL/COMPLIANCE-008/2023  |
|       |                                                                     | 25-Oct-23     | NCCL/COMPLIANCE-010/2023  |
|       |                                                                     | 28-Mar-24     | NCCL/COMPLIANCE- 002/2024 |
|       |                                                                     | 23-Apr-24     | NCCL/COMPLIANCE- 004/2024 |
|       |                                                                     | 14-Oct-24     | NCCL/INSPECTION-004/2024  |
|       |                                                                     | 11-Mar-25     | NCCL/INSPECTION-002/2025  |

#### **2. Rationalization of imposition of fines for false / incorrect reporting of margins by Clearing Members**

Reference is made to SEBI circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/88 dated August 01, 2019 on Rationalization of imposition of fines for false/incorrect reporting of margins or non-reporting of margins by Trading Member/Clearing Member in all segments.

In case, false / incorrect reporting of margins is observed, the penalty structure for disciplinary action shall be as mentioned in the table below:

### Penalty structure for False / Incorrect Reporting of Margin

| % of the violation in the current inspection (Proportion of the number of instances with false/incorrect reporting to the total number of sample instances verified) | PENALTY AS A PERCENTAGE (%) OF THE FALSE / INCORRECT REPORTING |                                                                                        |                                                                                        |                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
|                                                                                                                                                                      | Observed only in current Inspection                            | Observed only in 1 out of 3 previous Inspections in addition to the current Inspection | Observed only in 2 out of 3 previous Inspections in addition to the current Inspection | Observed in all the previous 3 Inspections in addition to the current Inspection |
| Above 50%                                                                                                                                                            | 50%                                                            | 60%                                                                                    | 75%                                                                                    | 100%                                                                             |
| 25%-50%                                                                                                                                                              | 25%                                                            | 50%                                                                                    | 60%                                                                                    | 75%                                                                              |
| 10%-25%                                                                                                                                                              | 10%                                                            | 25%                                                                                    | 50%                                                                                    | 60%                                                                              |
| Less than 10%                                                                                                                                                        | 5%                                                             | 10%                                                                                    | 25%                                                                                    | 50%                                                                              |

Based on the above slabs, the penalty amount for the false / incorrect reporting of margin, shall be capped at Rs. 25,00,000/- in case of violation by a Clearing member

Along with the monetary penalty, the Member may also be subjected to suspension for one day in the respective segment in case of material instances. The false / incorrect reporting shall be treated as material for the purpose of suspension, if it meets the all the following broad criteria: -

1. Instances of false / incorrect reporting is more than 5% of the instances verified (minimum 3 instances) during inspection, and
2. Percentage of value of false / incorrect reporting is more than 5% of total margin required to be collected for the instances verified during inspection, and
3. Value of false / incorrect reporting of margin is more than Rs. 15 lakhs.

The said penalty structure is indicative in nature and the Relevant Authority of the Clearing Corporation may, based on the gravity of the violation on case to case basis, take appropriate action as deemed fit including revision in penalty. In case of a revision, in penalty, the penalty structure shall stand modified to that extent in accordance to that circular.

### Regulatory Requirements/ References:

| Sr.No | Subject                                                                                                | Circular Date | Circular No              |
|-------|--------------------------------------------------------------------------------------------------------|---------------|--------------------------|
| 1.    | Rationalization of imposition of fines for false / incorrect reporting of margins by Clearing Members. | 20-Dec-19     | NCCL/COMPLIANCE-015/2019 |

### 3. Handling of Clients' Securities by Clearing Member

Reference is made to SEBI circulars no. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 and SEBI/HO/MIRSD/DOP/CIR/P/2019/95 dated August 29, 2019 on Handling of Clients' Securities by Trading Members / Clearing Members.

An indicative penalty structure for any non-compliance of the provisions of the said circular is as per the table below:

#### Penalty Structure for Handling of Client Securities

| Sr. No. | Details of contravention                                                                                                    | Penalty/Disciplinary action                                                                                                                                                                                                                                                                                                     |
|---------|-----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1       | Client/TM securities lying with the CM cannot be pledged to the Banks/NBFCs or any other persons/entities for raising funds | Rs. 1,00,000/- or 1% of the Value of securities involved, whichever is higher. Direction to be given to unpledge the securities within 10 calendar days. Failure to adhere the directions shall attract additional penalty at 100% of the original penalty for every 10 days or part thereof till such noncompliance continues. |
| 2       | Non-closure of existing client beneficiary accounts                                                                         | Rs. 50,000/- per account (where Members are unable to provide reasonable explanation). Member to be disabled in case account is not closed within one month of levy of penalty                                                                                                                                                  |

The said penalty structure is indicative in nature and the Clearing Corporation may initiate further stringent actions depending on frequency, materiality and gravity of violations. In case of a revision, in penalty, the said penalty structure shall stand modified to that extent in accordance to that circular.

### 4. Submission of Trading member wise Cash and cash equivalent details by Clearing members

NCCL vide its circular no. NCCL/COMPLIANCE- 007/2024 dated June 07, 2024 informed clearing members to discontinue the requirement of weekly reporting of Trading Member-wise details of cash & cash equivalent collateral by Clearing Members from week commencing from June 03, 2024.

#### Regulatory Requirements/ References:

| Sr.No | Subject                                                                                 | Circular Date | Circular No               |
|-------|-----------------------------------------------------------------------------------------|---------------|---------------------------|
| 1.    | Submission of Trading member wise Cash and cash equivalent details by Clearing members. | 11-Mar-21     | NCCL/COMPLIANCE-001/2021  |
|       |                                                                                         | 11-May-21     | NCCL/COMPLIANCE-004/2021  |
|       |                                                                                         | 20-Oct-21     | NCCL/COMPLIANCE-012/2021  |
|       |                                                                                         | 06-Dec-21     | NCCL/COMPLIANCE-016/2021  |
|       |                                                                                         | 07-Jun-24     | NCCL/COMPLIANCE- 007/2024 |

## 5. Uniform penalty structure for Clearing Members

NCCL in consultation with other Clearing Corporations and SEBI has formulated an indicative penalty structure for violations observed during various types of inspections of clearing members like Regular Inspection, SEBI Joint Inspection, Limited Purpose Inspection, Offsite Inspection including enhanced monitoring and supervision or any other type of Focused Inspection/ Audit Investigation/ Forensic Audit etc.

It may be noted that these regulatory measures including advisory, warning, monetary fines, penalties, suspension, other regulatory action etc. prescribed by the Relevant Authority are indicative in nature and could undergo change in specific case depending on frequency and gravity of violations. The enforcement actions are decided by the Relevant Authority of NCCL by actual imposition of appropriate regulatory measures on the clearing members. The regulatory measures in respect of violations having high impact would be dealt with on case-to-case basis depending on the seriousness and gravity of such violations.

An indicative penalty structure for violations observed by Clearing Members is as per the below mentioned table:

### List of non-procedural non compliances

| Sr. No. | Violations                                                                                                                                                                                                                                                                                                                                                                       | Penalty/disciplinary action for first time Violation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Penalty/disciplinary action in case of Repeat violation/contravention                                                                                                                                                                                                                                                                                                                                       |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1       | Use of TM/ CP funds / securities for other than specified purposes/Use of TM/CP funds/ securities for own purpose/for other clients<br><br>a) Misuse up to Rs. 50 Lakhs<br><br>b) Misuse above Rs. 50 Lakhs and up to Rs.2 crores<br><br>c) Misuse above Rs.2 crores and less than Rs. 10 Crore<br><br>d) If misuse of Funds & Securities is equal to or more than Rs. 10 Crores | a) Monetary penalty of Rs. 1 Lakh + Direction to recoup shortfall within reasonable time<br><br>b) Monetary penalty of 2% of the misuse or Rs. 2 lakhs whichever is higher + no on boarding new Trading Member/CP up to three months + Direction to recoup shortfall within reasonable time. Member can be expelled and/or declared defaulter depending upon gravity of violation<br><br>c) Monetary penalty of 3% of the misuse + no on boarding new Trading Member/CP up to six months + Direction to recoup shortfall within reasonable time Member can be expelled and/or declared defaulter depending upon gravity of violation<br><br>d) SEBI SOP Circular no. SEBI/HO/MIRSD/DPIEA/ | For a), b) and c)<br>Direction to recoup shortfall within reasonable time + Monetary penalty of 4% of misuse or Rs. 4 lakhs whichever is higher + No on boarding new Trading Member/CP up to six months + Member can be expelled and or declared defaulter depends upon gravity of violation.<br><br>For d) SEBI SOP Circular no. SEBI/HO/MIRSD/DPIEA/ CIR/P/2020/11 dated July 01, 2020 will be applicable |

| Sr. No. | Violations                                                                                                                                                                                                                                                                                                                                     | Penalty/disciplinary action for first time Violation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Penalty/disciplinary action in case of Repeat violation/contravention                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         |                                                                                                                                                                                                                                                                                                                                                | CIR/P/2020/11 dated July 01, 2020 will be applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 2       | <p>Submission of information for inspection</p> <p>a) Delay in submission of documents/data/records sought for inspection</p> <p>b) Non co-operation in providing data/records/documents to inspecting officials for inspection resulting in non-completion of inspection.</p> <p>c) Wrong/incorrect submission of data towards Inspection</p> | <p>a) Rs. 1,000/- per day starting from final due date for submission of data/records/documents sought for inspection subject to a cap of Rs 1 lakh.</p> <p>b) Monetary penalty of Rs. 1 lakh besides not allowing member to clear trades till the time of completion of inspection/Surrender/cessation of membership/ Declaration as default/ Expulsion.</p> <p>c) Penalty may vary from warning to Rs.1 lakh on case to case basis.</p> <p>(The serious case shall be discussed separately in applicable committee, which may enhance the penalty as deemed fit)</p> | <p>a) Rs. 10,000/- per day starting from final due date for submission of data/records/documents sought for inspection subject to a cap of Rs 10 lakh.</p> <p>b) Monetary penalty of Rs. 10 lakhs besides not allowing member to clear trades till the time of completion of inspection/Surrender/cessation of membership/ Declaration as default/ Expulsion.</p> <p>c) Penalty may vary from Rs.1 lakh to Rs. 10 Lakh on case-to-case basis.</p> <p>(The serious case shall be discussed separately in applicable committee, which may enhance the penalty as deemed fit)</p> |
| 3       | Cash dealings with TM/CP                                                                                                                                                                                                                                                                                                                       | 10% of the amount of cash dealing or Rs. 1,000/- whichever is higher                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 2nd time - 50% escalation 3rd time - 100% escalation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 4       | <p>Non-maintenance of</p> <p>a) Client/TM ledger</p> <p>b) Register of Securities (Client/TM wise scrip wise Register) (as applicable)</p>                                                                                                                                                                                                     | Rs. 1 Lakh + Direction to comply                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 2nd time - 50% escalation 3rd time - 100% escalation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 5       | Client/TM ledger not maintained properly (i.e. incomplete/ erroneous/ delay in entries)                                                                                                                                                                                                                                                        | Rs.25,000/-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 2nd time - 50% escalation 3rd time - 100% escalation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

| Sr. No. | Violations                                                                                                                                                                                                                                                                        | Penalty/disciplinary action for first time Violation                                                                                                                                                                                                                                                                                                                                                                                                  | Penalty/disciplinary action in case of Repeat violation/contravention                                                                                             |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6       | Register of Securities not in the prescribed format (as applicable)<br>Discrepancies / Incorrect details in Register of Securities, non-reconciliation of balances between client beneficiary accounts and register of securities ( as applicable)                                | Rs.25,000/-                                                                                                                                                                                                                                                                                                                                                                                                                                           | 2nd time - 50% escalation<br>3rd time - 100% escalation                                                                                                           |
| 7       | Non segregation of transactions between Custodial Participant/TM and own bank accounts<br><br>(money deposited in own account or expenses routed through CP/TM Bank Account or own money deposited in CP/TM account)<br><br>Non segregation of CP/TM and own money and securities | a) If cumulative value of non-segregated transactions is less than Rs 1 crore – 0.5% of the cumulative value<br><br>b) If cumulative value of non-segregated transactions is more than Rs 1 crore but less than Rs 5 crore – 0.75 % of the cumulative value<br><br>c) If cumulative value of non-segregated transactions is more than Rs 5 crore – monetary penalty and/or any other disciplinary action, as may be decided by the Relevant Authority | 2nd time - 50% escalation<br>3rd time - 100% escalation                                                                                                           |
| 8       | Facilitating financing through NBFC in contravention of SEBI Circular                                                                                                                                                                                                             | Rs. 5 Lakhs                                                                                                                                                                                                                                                                                                                                                                                                                                           | 2nd time- 50% escalation + No New Clients till such activity is discontinued<br><br>3rd time- 100% escalation + No New Clients till such activity is discontinued |
| 9       | Delay in release of payout of funds or securities (beyond one working day) or commodities                                                                                                                                                                                         | a) up to 5% of no. of instances – Rs. 15,000/-<br><br>b) In excess of 5% and upto 10% of no. of instances - Rs 45,000/-<br><br>c) In excess of 10% and upto 20% of no. of instances - Rs 75,000/-<br><br>d) In excess of 20% of no. of instances-Rs.1,00,000/-                                                                                                                                                                                        | 2nd time - 50% escalation<br>3rd time - 100% escalation                                                                                                           |

| <b>Sr. No.</b> | <b>Violations</b>                                                                                                                                                                                                                                                                                                         | <b>Penalty/disciplinary action for first time Violation</b>                 | <b>Penalty/disciplinary action in case of Repeat violation/contravention</b> |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------|
| 10             | Non-appointment of compliance officer                                                                                                                                                                                                                                                                                     | Rs. 50,000/-                                                                | 2nd time - 50% escalation 3rd time - 100% escalation                         |
| 11             | a) Books (Except Client ledger) not maintained including:<br>i) General Ledgers,<br>ii) Journals,<br>iii) Cash and Bank Book,<br>iv) Margin Deposit details,<br>v) Register of complaints<br>vi) Register of transaction<br>vii Register of commodity (as applicable)                                                     | Rs. 50,000/- per book + No new TMs/CPs till the said records are maintained | 2nd time - 50% escalation 3rd time - 100% escalation                         |
| 12             | Books (Except Client ledger) not maintained properly (i.e. incomplete/ erroneous/ delay in entries) including<br>i) General Ledgers,<br>ii) Journals,<br>iii) Cash and Bank Book,<br>iv) Margin Deposit details,<br>v) Register of complaints<br>vi) Register of transaction<br>vii Register of commodity (as applicable) | Rs. 25,000/- per book                                                       | 2nd time - 50% escalation 3rd time - 100% escalation                         |
| 13             | Incomplete / Non- display of details by member viz: Notice Board/name, its logo, registration no, address with telephone no, compliance officer name, telephone no, email id, SEBI Registration certificate/ other prescribed details                                                                                     | Rs.10,000/- per location                                                    | 2nd time - 50% escalation<br>3rd time - 100% escalation                      |
| 14             | Clearing member has outsourced activities in violation of SEBI prescribed rules                                                                                                                                                                                                                                           | To be decided on a case to case basis based on nature of non-compliances    | To be decided on a case to case basis based on nature of non-compliances     |

| Sr. No. | Violations                                                                                                                                                                        | Penalty/disciplinary action for first time Violation | Penalty/disciplinary action in case of Repeat violation/contravention    |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|--------------------------------------------------------------------------|
| 15      | Non-compliance with PMLA requirements based on confirmation from Compliance Officer                                                                                               |                                                      |                                                                          |
|         | a. Non maintenance of Written Policy and Procedures relating to PMLA                                                                                                              | Rs. 25,000                                           | 2nd time - 50% escalation<br>3rd time - 100% escalation                  |
|         | b. Non Appointment of Principal Officer /Designated Director/ Non Intimation of Designated Director or change of Principal officer to FIU Delhi                                   | Rs. 25,000                                           | 2nd time - 50% escalation<br>3rd time - 100% escalation                  |
|         | c. Non-Implementation of systems in place to monitor, identify suspicious transaction and procedures for reporting the same                                                       | Rs. 25,000                                           | 2nd time - 50% escalation<br>3rd time - 100% escalation                  |
|         | d. Non Adoption of customer due diligence                                                                                                                                         | Rs. 25,000 per client                                | 2nd time - 50% escalation<br>3rd time - 100% escalation                  |
|         | e. Financial information of clients not obtained / updated / documentary evidence related to financial information not obtained in case of clients trading in derivatives segment | Rs. 25,000 per client                                | 2nd time - 50% escalation<br>3rd time - 100% escalation                  |
|         | f. Non Maintenance of records regarding ongoing training to staff relating to PMLA                                                                                                | Warning                                              | 2 <sup>nd</sup> time- Rs. 25,000<br>3 <sup>rd</sup> time- 50% escalation |
|         | g. Disproportionate Exposure                                                                                                                                                      | Upto Rs.2,00,000/-                                   | 2nd time - 50% escalation<br>3rd time - 100% escalation                  |
|         | h. Any other observation /violation which is required as per PMLA and not covered above                                                                                           | Warning                                              | 2 <sup>nd</sup> time- Rs. 25,000<br>3 <sup>rd</sup> time- 50% escalation |

| Sr. No. | Violations                                                                                                                                                                                                                  | Penalty/disciplinary action for first time Violation                                                                                                                                                                                                                                                                | Penalty/disciplinary action in case of Repeat violation/contravention                                                                                                                                                                                                                                                                                                            |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 16      | Non adoption / Maintenance of prescribed policies                                                                                                                                                                           | 1. Non adoption / Maintenance of policies - Rs. 25,000/-<br><br>2. Per line item not followed – Rs. 2,500/- subject to maximum of 25,000/-                                                                                                                                                                          | 2nd time - 50% escalation<br>3rd time - 100% escalation                                                                                                                                                                                                                                                                                                                          |
| 17      | Non - adherence to Rule 8(1)(f) and 8(3)(f) of Securities Contract (Regulation) Rules, 1957, relating to fund based activities of member and in connection with / incidental to /consequential upon the securities business | Amount involved <= Rs. 5 Crores: 1% of the amount involved + Direction to recover the funds given as Loans/advances within the time allotted<br><br>Amount involved > Rs. 5 Crores: Penalty of Rs. 5 Lakhs + No new Trading Member/CP if funds given as loans / advances are not recovered within the time allotted | 2nd time – Amount involved <= Rs. 5 Crores: 50% escalation + No new Trading Member/CP till CA certificate certifying that funds are recovered is submitted<br><br>3rd time- Amount involved > Rs. 5 Crores : 50% escalation + appropriate disciplinary action such as suspension / disablement of clearing & settlement / Expulsion etc. as deemed fit by the relevant authority |
| 18      | False/Incorrect Reporting of Margin Collection to Clearing Corporation                                                                                                                                                      | As per NCCL/COMPLIANCE-015/2019 dated December 20, 2019                                                                                                                                                                                                                                                             | As per NCCL/COMPLIANCE-015/2019 dated December 20, 2019                                                                                                                                                                                                                                                                                                                          |
| 19      | Clients/TM securities lying with the CM cannot be pledged to the Banks/NBFCs or any other persons/entities for raising funds                                                                                                | Rs. 1,00,000/- or 2% of the Value of securities involved, whichever is higher. Direction to be given to un-pledge the securities within 10 calendar days failing disciplinary action will be taken by the Relevant Authority                                                                                        | 2nd time - 50% escalation<br>3rd time - 100% escalation<br>Disciplinary action such as suspension / disablement of clearing & settlement / Expulsion etc. depending upon the gravity of the case may also be considered                                                                                                                                                          |
| 20      | Incorrect / non-reporting under collaterals segregation reporting T+1 (checked during inspection)                                                                                                                           | As per NCCL/COMPLIANCE-018/2021 dated December 17, 2021                                                                                                                                                                                                                                                             | As per NCCL/COMPLIANCE-018/2021 dated December 17, 2021                                                                                                                                                                                                                                                                                                                          |
| 21      | Non maintenance of prescribed minimum net-worth                                                                                                                                                                             | As per NCCL/Membership-007/2023 October 13, 2023                                                                                                                                                                                                                                                                    | As per NCCL/Membership-007/2023 October 13, 2023                                                                                                                                                                                                                                                                                                                                 |
| 22      | Non-adherence to effective oversight over trading members/ Custodial Participants cleared by Clearing Members                                                                                                               | Rs.25,000/ per clause and submission of Compliance Officer certifying that necessary corrective measures are taken as directed by NCCL                                                                                                                                                                              | 50% escalation and submission of Internal Auditors certifying that necessary corrective measures are taken as directed by NCCL                                                                                                                                                                                                                                                   |

| Sr. No. | Violations                                                                                                                                                                            | Penalty/disciplinary action for first time Violation                                                                                                                                                                                                                                                                                                                                                                                                                                      | Penalty/disciplinary action in case of Repeat violation/contravention                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 23      | Failure to monitor cash and cash equivalents reports received by CMs from its TMs in terms of NCCL/COMPLIANCE-004/2021                                                                | Warning                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 2nd time-Rs. 25,000/-                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 24      | Non-collection of crystallized obligation in cash from clients on T+1 day                                                                                                             | Warning                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 2nd time-Rs.1,00,000/-<br>3rd time - 50% escalation                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 25      | Incorrect allocation of client collateral done on T-day                                                                                                                               | As per Violation 3 of NCCL/COMPLIANCE-018/2021 dated Dec 17, 2021                                                                                                                                                                                                                                                                                                                                                                                                                         | As per Violation 3 of NCCL/COMPLIANCE-018/2021 dated Dec 17, 2021                                                                                                                                                                                                                                                                                                                                                                                                     |
| 26      | Failure to open and use the designated bank account "Name of the CM-TM prop Account" to receive or pay proprietary funds from TMs                                                     | Rs. 50,000/- and a direction to open the designated bank account immediately                                                                                                                                                                                                                                                                                                                                                                                                              | 2nd time - 50% escalation and submission of Internal Auditors report certifying that the designated bank account has been opened and used as prescribed by the SEBI circular                                                                                                                                                                                                                                                                                          |
| 27      | Any Incorrect data reporting by CM towards SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/84 related to Upstreaming of clients funds by TMs/CMs to CCs                                          | To be prescribed as Annexure II separately and as updated from time to time.                                                                                                                                                                                                                                                                                                                                                                                                              | To be prescribed as Annexure II separately and as updated from time to time                                                                                                                                                                                                                                                                                                                                                                                           |
| 28      | Any other violation / non-compliance / non adherence to the Rules, Bye laws, Regulation of NCCL, circular issued by SEBI/NCCL, non-compliance with directives/advisory issued by NCCL | Monetary penalty upto Rs. 25 Lakh and submission of Compliance Officer certifying that necessary corrective measures are taken as directed by NCCL<br><br>Depending upon gravity of violation, the Relevant Authority may also impose any other regulatory measures like No on boarding of new Trading Member/CP up to three months and /or Member can be suspended/expelled / declared defaulter in accordance with the provisions governing suspension/declaration of default/expulsion | 50% escalation and submission of Internal Auditors certifying that necessary corrective measures are taken as directed by NCCL<br><br>Depending upon gravity of violation, the Relevant Authority may also impose any other regulatory measures like No on boarding of new Trading Member/CP up to three months and /or Member can be suspended/expelled / declared defaulter in accordance with the provisions governing suspension/declaration of default/expulsion |

| Sr. No. | Violations                                                                                                                                                               | Penalty/disciplinary action for first time Violation                                                                                                                                                                                                                                                             | Penalty/disciplinary action in case of Repeat violation/contravention                                                                                                                                                                                        |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 29      | <p>Discrepancy in computation of net worth</p> <p>a) If discrepancy in net worth leads to shortfall</p> <p>b) If discrepancy in net worth does not lead to shortfall</p> | <p>a) Provisions of NCCL/Membership-007/2023 dated October 13, 2023</p> <p><b><u>If discrepancy in net worth does not lead to shortfall</u></b></p> <p>b) Warning plus CA certificate with revised net worth plus certification from compliance officer to comply with the prescribed norms for calculation.</p> | <p>a) October 13, 2023 plus penalty of Rs.1 lakh for first time and Rs.2 lakhs for 2nd time.</p> <p><b><u>If discrepancy in net worth does not lead to shortfall</u></b></p> <p>b) 2nd time – Penalty of Rs.1 lakh</p> <p>3rd time- Penalty of Rs.2 lakh</p> |

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**List of procedural non compliances**

| <b>Sr. No.</b> | <b>Violations</b>                                                                                                                                                                              | <b>Penalty/disciplinary action for first time Violation</b>                                                                                                                                                                                                            | <b>Penalty/disciplinary action in case of Repeat violation/contravention</b>                                                                  |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| 1.             | Daily Margin statement not sent to affiliated Trading Member & Custodial Participants or Delay in issue of Daily margin statement or Daily margin statement issued with material discrepancies | a) Upto 2% of number of instances- Warning<br>b) In excess of 2% and upto 5% of no. of instances - Rs 15,000/-<br>c) In excess of 5% and upto 10% of no. of instances - Rs 45,000/-<br>d) In excess of 10% of no. of instances - Rs 75,000/-                           | Minimum Rs. 25,000 shall be levied<br>2nd time - 50% escalation<br>3rd time - 100% escalation                                                 |
| 2.             | Non reporting/Incorrect reporting of weekly collateral reports                                                                                                                                 | a) Upto 2% of number of Instances-Warning<br>b) In excess of 2% and upto 5% of no. of instances - Rs 15,000/-<br>c) In excess of 5% and upto 10% of no. of instances - Rs 45,000/-<br>d) In excess of 10% of no. of instances - Rs 75,000/-                            | Minimum Rs. 25,000 shall be levied<br>2nd time - 50% escalation<br>3rd time - 100% escalation                                                 |
| 3.             | Non-payment of statutory dues/duties/fees etc. (related to clearing & settlement related activities)                                                                                           | Warning                                                                                                                                                                                                                                                                | 2nd time –Rs. 10,000/-<br>3rd time – Rs.20,000/-                                                                                              |
| 4.             | Delayed / non-payment of dividend                                                                                                                                                              | Non-payment of dividend – 2 times the amount of dividend not paid.<br><br>Delay in payment of dividend:<br>➤ Up to Rs. 1 lakh- Warning<br>➤ In excess of Rs. 1 lakh and up to Rs. 5 lakhs- 1% of the amount involved<br>➤ Above Rs. 5 lakhs- 2% of the amount involved | 2nd time - 50% escalation<br>3rd time - 100% escalation<br><br>For delay in payment of dividend: -upto Rs.1 lakh- 0.5% of the amount involved |

|    |                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                 |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| 5. | <p>Demat accounts like client beneficiary accounts, client collateral accounts, client unpaid securities account etc. related operations: -</p> <p>Delayed closure/opening of prescribed demat account</p> <p>Non-closure/non-opening of prescribed demat account</p> <p>Transfer of securities in non-prescribed demat account</p> <p>Incorrect reporting of Demat Accounts</p> | <p>Delay = Warning</p> <p>Non-closure/opening = Rs. 50,000/- per account (where Members are unable to provide reasonable explanation).</p> <p>Member to be disabled in case account is not closed within one month of levy of penalty</p> <p>Transfer of securities in non-prescribed demat account= 0.25% of the value of securities transferred</p> <p>Incorrect reporting = Warning</p> | <p>Delay= Penalty Rs.1,00,000/-</p> <p>2nd time - 50% escalation 3rd time - 100% escalation</p> |
| 6. | Member has not maintained a daily reconciliation clearly indicating the reason for fund transfer between client bank and own bank account                                                                                                                                                                                                                                        | Rs. 25,000/-                                                                                                                                                                                                                                                                                                                                                                               | 2nd time - 50% escalation<br>3rd time - 100% escalation                                         |
| 7. | Material discrepancies in the CM-CP/CM-TM agreement /inclusion of contravening clauses/omission of material clauses                                                                                                                                                                                                                                                              | Rs. 25,000/-                                                                                                                                                                                                                                                                                                                                                                               | 2nd time - 50% escalation<br>3rd time - 100% escalation                                         |
| 8. | Failure to hold valid NISM Series VII- SORM certificates during the inspection period                                                                                                                                                                                                                                                                                            | Rs. 1,500/- per user                                                                                                                                                                                                                                                                                                                                                                       | Rs.25,000/-                                                                                     |
| 9. | Failure to hold valid NISM Series IIIA certificates by the Compliance officer during the inspection period                                                                                                                                                                                                                                                                       | Rs.2,500/- plus direction to submit the certificate within 45 days                                                                                                                                                                                                                                                                                                                         | Rs.25,000/-                                                                                     |

It may be noted that the penalties/ disciplinary action(s)/charges are indicative in nature and could undergo change in specific cases depending on frequency and gravity of the violations. The penalties/disciplinary action(s)/charges actually levied are decided by the Relevant Authority of the Clearing Corporation. Penalty/disciplinary action in respect of violations having high impact would be dealt with on case to case basis depending on seriousness and gravity of such violations. In case of a revision in penalty, the penalties/ disciplinary action(s)/charges as per the above table shall stand modified to that extent in accordance to that circular.

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**Regulatory Requirements/ References:**

| Sr.No | Subject                                        | Circular Date | Circular No               |
|-------|------------------------------------------------|---------------|---------------------------|
|       | Uniform penalty structure for Clearing Members | 20-Aug-21     | NCCL/COMPLIANCE-007/2021  |
|       |                                                | 28-Dec-23     | NCCL/COMPLIANCE- 013/2023 |

**6. Strengthening oversight on Clearing Members**

NCCL in consultation with other Clearing Corporations and SEBI has come out with following guidelines to Clearing Members for strengthening oversight over Trading Members.

The model CM-TM agreement provides rights to the Clearing Members to call for information from; and inspect the trading members. The following guidelines are issued to CMs for effective oversight over TMs cleared by CM:

**a. Monitoring pay-in timelines by the TMs**

CM should monitor the pay-in timelines by the TM and any regularly delayed receipt of pay-ins/ repeated instances of shortfalls be dealt with in accordance with the Risk Management Policy of the Clearing Member.

**b. Monitoring penalties levied to clients of the Trading Members:**

The CM should analyze the data of the Trading Members such as repeated instances of penalties being levied to the clients of TM for client margin reporting.

**c. Seeking data of debit balances of Trading Member's clients**

CM should seek data with respect to debit balances of clients from Trading Member and review the exposure allowed by the TM to such debit balance clients and direct the TM to restrict / reduce exposure for such clients.

**d. Monitoring misuse of client collaterals by TM for proprietary trading**

The CM should ensure that the TM does not comingle client collateral with the proprietary collateral and that it provides separate collaterals for proprietary positions out of own funds only and not from the client collaterals. The inspection of TM should cover this aspect.

**e. Correctness of data submitted by TMs to CM**

TMs submit various data to the CM, which may be submitted by the CM to Exchange/CC. The CM should assess the correctness of the data submitted by the TMs to CM.

**f. Inspection of TMs**

It is recommended that the CM carry out inspections of Trading Members, covering atleast 1/3rd of the TMs cleared by it each year in order to cover all TMs over a period of 3 years. Additionally, CM may also conduct surprise inspection based on

any rumours / adverse news in the media about the TM or any other concern/ alerts as arising out of the above points by the CM during the course of business.

**g. Formation of Risk Management Committee / Board Approved Committee for monitoring the risks**

The CMs should be required to form a Risk Management Committee / board Approved Committee to monitor the various risks in the business. A periodic report (monthly or atleast quarterly) for the TMs for which it has undertaken the clearing activity should be submitted to such Committee.

**h. Reporting of alerts by Clearing Members:**

Clearing Members should be reporting the concerns identified by them during the oversight over Trading Members to the concerned Clearing Corporation, which in turn would report the same to the concerned Exchange for further action.

**i. Internal Audit of Clearing Members**

NCCL along with ICCL and MCCIL have introduced a requirement for Clearing Members to adopt a Risk Management Policy duly approved by the Board / Board Approved Committee in July 2020. It has been mandated that the risk management policy of Clearing Members should cover mandatorily the following points:

- i. Internal escalation matrix with respect to non-compliances / defaults by TMs/CPs
- ii. Performance evaluation process of TMs/CPs registered with the CMs including its periodicity
- iii. Seeking data information from TMs/CPs in the event of repeated cases of shortfall in margins / margins on Consolidated Crystallized Obligation or governance issues
- iv. Procedures for segregation of TM proprietary and Client collaterals
- v. Inspection of TMs
- vi. Upper Cap for acceptance of securities from a member and / or across all members in absolute terms and / or on an overall basis to avoid concentration risk
- vii. List of banks from which FDRs and BGs shall be accepted
- viii. List of securities that shall be accepted as collaterals
- ix. Components of cash collateral and non-cash collateral
- x. Ratio of Cash and Non-cash component of collateral
- xi. Haircut percentage for all types of collaterals other than Cash, FDRs and BGs.
- xii. Securities subject to a minimum of VAR and other collateral shall be subject to minimum haircut of 10%
- xiii. Timelines and threshold limits beyond which action such as square off of positions shall be undertaken by CM for non-payment of margins on Consolidated Crystallized Obligation by the TMs/CPs.

The Clearing Members shall submit an internal audit report, providing compliance to on all the above points (a to i). Additionally, the internal audit report should cover the following points:

- i. Confirmation on reporting of TM/CP level fund shortfall beyond Rs 5 lacs to CC as per the timelines prescribed by CC

- ii. Invocation of pledged securities by the Clearing Member was carried out only in respect of debit balance clients.

The Internal Audit shall be conducted only by independent qualified Chartered Accountants who are in practice and do not have any interest in or relation with the Member other than the Internal Audit assignment. the report shall be submitted on half yearly basis for April to September and October to March, within 2 months from the end of the half year. The points referred herein above can be clubbed with the half yearly internal audit report submitted by the Members.

**Regulatory Requirements/ References:**

| Sr.No | Subject                                     | Circular Date | Circular No              |
|-------|---------------------------------------------|---------------|--------------------------|
| 1.    | Strengthening oversight on Clearing Members | 20-Aug-21     | NCCL/COMPLIANCE-008/2021 |
|       |                                             | 04-Mar-22     | NCCL/COMPLIANCE-001/2022 |

**7. Segregation and monitoring of collateral at client level**

Reference is drawn to SEBI circular no. dated July 20, 2021 on Segregation and Monitoring of Collateral at Client Level. As per Para 4 of the SEBI circular, with a view to provide visibility of client-wise collateral (for each client) at all levels, viz., TM, CM and Clearing Corporation (CC), a reporting mechanism, covering both cash and non-cash collaterals shall be specified by the Clearing Corporations.

The reporting format is given below:

|                                    |                                                                                                                                                                                                                                                                                                       |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nomenclature (File Name)</b>    | <b>CM PAN_DDMMYYYY_Batch No.</b><br>Explanation:<br>"PAN" shall be the Clearing Member's PAN (Alpha Numeric 10 characters)<br>Date shall be the trade date for which reporting is done.<br>Batch No. starts from 01, in case of multiple files of same day.<br>It shall be a csv file and zip format. |
| <b>Frequency of Reporting</b>      | Daily basis                                                                                                                                                                                                                                                                                           |
| <b>Cut-off time for submission</b> | As prescribed from time to time                                                                                                                                                                                                                                                                       |

**Instructions for reporting of retention reasons in Collateral Segregation file:**

- Members are required to report disaggregated segment-wise collateral data across all clients on daily basis as per the existing mechanism.
- With regards to reporting of retention reasons in the collateral segregation file, members may note that there are no structure changes and retention reasons are expected to be reported under the existing data fields as detailed in subsequent points.
- Retention Reason code is captured under column 52 - MTF/Non MTF and the header is modified to MTF/Non MTF indicator/Reason code. Below are retention reasons

applicable:

| Reason Code | Reason Description                                                                                                                                                                                                                                                                                                                   |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RC01        | Receipt of funds from the clients post stipulated cut off time in the USC NBA(s).                                                                                                                                                                                                                                                    |
| RC02        | The FDRs already liened to the CC but not deposited with the CC being in transit (including renewal cases) and subsequently deposited with the CC within next 5 settlement days.                                                                                                                                                     |
| RC03        | MFOS in transit and subsequently pledged to the CC on or before next settlement day                                                                                                                                                                                                                                                  |
| RC04        | Funds retained in the DSC NBA on account of payout instructions submitted to the bank but processed on or before next settlement day/funds payout instructions failed in the banking system subject to adequate documentary evidence from Bank.                                                                                      |
| RC05        | Funds retained in the DSC NBA on account of cheques issued to client but not cleared. [Note: The SB/CMs should ensure that if the cheque is not cleared in next 5 settlement days from the date of issuance, then the funds representing such uncleared cheques mandatorily needs to be upstreamed to the CC on 6th Settlement day.] |
| RC06        | Funds credited back by the CC in the settlement account on account of OFS                                                                                                                                                                                                                                                            |
| RC07        | Funds retained in the USC NBA account before cut off time but not processed due to failure in the banking system subject to adequate documentary evidence from Bank.                                                                                                                                                                 |
| RC08        | Funds retained overnight in DSC NBA account on running account settlement days.                                                                                                                                                                                                                                                      |
| RC09        | Retained for other than stipulated justifications reasons                                                                                                                                                                                                                                                                            |

4. Members are required to report retention amount at consolidated level (across all UCCs @TM level and across all TMs / CP @CM level) for each of the reason codes under

- Cash retained by TM (Column no. 22)  
and / or
- Cash retained with CM (Column no.38)

5. Members may note that in rows where retention reason is uploaded, rest of the fields will either be "0" / NA depending on data type (0 in case of numeric & "NA" in case of character).

However, the following fields shall be left blank when retention reason is reported

- CP CODE
- CP PAN
- Client PAN
- Account Type
- Segment Indicator
- UCC Code

The modified format of Client Collateral Segregation is given below:

| Sr.No. | Field Name          | Length (Max) | Existing Structure of Collateral segregation reporting format                                                                                                                                               | Proposed changes for capturing retention reasons in the Collateral segregation Reporting |
|--------|---------------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| 1      | Date                | DD-MM-YYYY   | Date shall be the trade date for which reporting is done. It should match with the date mentioned in file nomenclature.                                                                                     | As per existing                                                                          |
| 2      | Clearing Member PAN | Char (10)    | Alpha-numeric clearing member PAN.<br>Self-Clearing Member should insert PAN number in both CM PAN & TM PAN column                                                                                          | As per existing                                                                          |
| 3      | Trading member PAN  | Char (10)    | Alpha-numeric trading member PAN Value can be Blank when CP code is mentioned<br>Self-Clearing Member should insert PAN number in both CM PAN & TM PAN column                                               | As per existing                                                                          |
| 4      | CP Code             | Char (12)    | Alpha-numeric CP code Value can be Blank only when Client PAN is mentioned or Account type is 'P'                                                                                                           | If the reason code is entered in Column (52) then Value should be blank only             |
| 5      | CP PAN              | Char (10)    | Alpha-numeric CP PAN Value can be Blank only when Client PAN is mentioned or Account type is 'P'                                                                                                            | If the reason code is entered in Column (52) then Value should be blank only             |
| 6      | Client PAN          | Char (10)    | Alpha-numeric Client PAN Value can be Blank only when CP Code is mentioned or Account type is 'P'<br>For PAN EXEMPT clients, members are required to enter 'PAN EXEMPT' in the Client PAN column (Column 6) | If the reason code is entered in Column (52) then Value should be blank only             |
| 7      | Account Type        | Char (1)     | 'P' for Pro and 'C' for Client/CP                                                                                                                                                                           | If the reason code is entered in Column (52) then Value should be blank only             |
| 8      | Segment Indicator   | Char (03)    | Values shall be the following:<br>Values shall be CM, FO, CD, CO, SLB, OFS, TPR and DT                                                                                                                      | If the reason code is entered in Column (52) then Value should be blank only             |
| 9      | UCC Code            | Char (10)    | Alpha-numeric UCC Code Value can be Blank when CP code is populated, or Account type is 'P'                                                                                                                 | If the reason code is entered in Column (52) then Value should be blank only             |

|    |                                                                                                                                          |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                            |
|----|------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| 10 | Financial Ledger balance-A in the books of TM for clients and in the books of CM for TM (Pro) and in the books of CM for CP              | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits. Value shall be for the segment. It shall include the Credit entry on account of EPI and MTM values. Negative Balance allowed.                                                                                                                                                                                                                                                                                                                                              | If the reason code is entered in Column (52) then Value should be "0" only |
| 11 | Financial Ledger balance (clear)-B in the books of TM for clients and in the books of CM for TM (Pro) and in the books of CM for CP      | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits Value shall be for the segment. Financial ledger balance, after adjusting for open bills of the client, un-cleared cheques deposited or issued and the margin obligations. Open bills also contain 'value of credit entry posted in client ledger in lieu of successful EPI to CC'. Negative Balance allowed                                                                                                                                                                | If the reason code is entered in Column (52) then Value should be "0" only |
| 12 | Peak Financial Ledger Balance (Clear)-C in the books of TM for clients and in the books of CM for TM (Pro) and in the books of CM for CP | Number (20) | Value in Rs<br>Decimals shall be allowed upto 3 digits Value shall be for the segment. Highest net credit balance for the segment during the day. However, in case there is clear debit balance for the segment, then report lowest net debit balance. Financial ledger balance, after adjusting for open bills of the client, un-cleared cheques deposited or issued and the margin obligations. Open bills also contain 'value of credit entry posted in client ledger in lieu of successful EPI to CC'. Negative Balance allowed | If the reason code is entered in Column (52) then Value should be "0" only |
| 13 | Bank Guarantee (BG) received by TM from clients and by CM from                                                                           | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | If the reason code is entered in Column (52) then Value should be "0" only |

|    |                                                                                                        |             |                                                                                             |                                                                            |
|----|--------------------------------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
|    | TM (Pro)<br>and from<br>CPs                                                                            |             |                                                                                             |                                                                            |
| 14 | Fixed Deposit Receipt (FDR) received by TM from clients and by CM from TM(Pro) and from CPs            | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits                                     | If the reason code is entered in Column (52) then Value should be "0" only |
| 15 | Approved Securities Cash Component received by TM from clients and by CM from TM(Pro) and from CPs     | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits Value after appropriate haircut     | If the reason code is entered in Column (52) then Value should be "0" only |
| 16 | Approved Securities Non-cash component received by TM from clients and by CM from TM(Pro) and from CPs | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits.<br>Value after appropriate haircut | If the reason code is entered in Column (52) then Value should be "0" only |
| 17 | Non-Approved Securities received by TM from clients and by CM from TM(Pro) and from CPs                | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits.<br>Value after appropriate haircut | If the reason code is entered in Column (52) then Value should be "0" only |
| 18 | Value of CC approved Commodities received                                                              | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits Value after appropriate haircut     | If the reason code is entered in Column (52) then Value should be "0" only |

|    |                                                                                   |             |                                                                                                                                                                                                                                          |                                                                              |
|----|-----------------------------------------------------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
|    | by TM from clients and by CM from TM(Pro) and from CPs                            |             |                                                                                                                                                                                                                                          |                                                                              |
| 19 | Other collaterals received by TM from clients and by CM from TM(Pro) and from CPs | Number (20) | Value in Rs.<br>Decimals shall be allowed up to 3 digits. Other collateral would be any other form not covered in Column 10 to Column 18                                                                                                 | If the reason code is entered in Column (52) then Value should be "0" only   |
| 20 | Credit entry in ledger in lieu of EPI for clients / TM Pro                        | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits. Value of credit entry posted in ledger in lieu of successful EPI to CC, which is considered for margin purpose for the day.                                                     | If the reason code is entered in Column (52) then Value should be "0" only   |
| 21 | Pool Account for clients / TM Pro                                                 | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits. Value of the securities, which are sold and available in the Pool account of the member and considered for margin purpose for the day.                                          | If the reason code is entered in Column (52) then Value should be "0" only   |
| 22 | Cash Retained by TM                                                               | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits. The details will pertain to collateral retained by the TM from client                                                                                                           | Cash retained by TM to be indicated for each of the reason codes separately. |
| 23 | Bank Guarantee (BG) Retained by TM                                                | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits. The details will pertain to collateral received from client and retained with the TM.                                                                                           | If the reason code is entered in Column (52) then Value should be "0" only   |
| 24 | Fixed Deposit Receipt (FDR) Retained by TM                                        | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits. The details will pertain to collateral received from client and retained with the TM. It should not contain details of FDR passed on to the CM in any other form of collateral. | If the reason code is entered in Column (52) then Value should be "0" only   |
| 25 | Approved Securities Cash                                                          | Number (20) | Value in Rs.                                                                                                                                                                                                                             | If the reason code is entered in Column (52) then Value should be "0" only   |

|    |                                                       |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                            |
|----|-------------------------------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
|    | Component Retained by TM                              |             | Decimals shall be allowed upto 3 digits Value after appropriate haircut                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                            |
| 26 | Approved Securities Non-cash component Retained by TM | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits Value after appropriate haircut                                                                                                                                                                                                                                                                                                                                                                                           | If the reason code is entered in Column (52) then Value should be "0" only |
| 27 | Non-Approved Securities Retained by TM                | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits<br>Value after appropriate haircut                                                                                                                                                                                                                                                                                                                                                                                        | If the reason code is entered in Column (52) then Value should be "0" only |
| 28 | Value of CC approved Commodities Retained by TM       | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits Value after appropriate haircut                                                                                                                                                                                                                                                                                                                                                                                           | If the reason code is entered in Column (52) then Value should be "0" only |
| 29 | Other Collaterals Retained by TM                      | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits.                                                                                                                                                                                                                                                                                                                                                                                                                          | If the reason code is entered in Column (52) then Value should be "0" only |
| 30 | Cash placed with CM                                   | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits. The details will pertain to Collaterals placed with CM for Client/TM Pro/CP.                                                                                                                                                                                                                                                                                                                                             | If the reason code is entered in Column (52) then Value should be "0" only |
| 31 | Bank Guarantee (BG) placed with CM                    | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits. The details will pertain to Collaterals placed with CM for Client/TM Pro/CP. The details shall include BG created out of client funds. For account type 'C' the details shall include funded portion of BG and for account type 'P' the details shall include non-funded portion of BG. For TM Pro if BG is created from own funds and placed with Clearing Member the same shall also be included for account type 'P'. | If the reason code is entered in Column (52) then Value should be "0" only |
| 32 | Fixed deposit receipt (FDR) placed with CM            | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits. The details will pertain to Collaterals placed with CM for Client/TM Pro/CP. The details                                                                                                                                                                                                                                                                                                                                 | If the reason code is entered in Column (52) then Value should be "0" only |

|    |                                                       |             |                                                                                                                                                                                                                                       |                                                                              |
|----|-------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
|    |                                                       |             | shall include FD created out of client funds.                                                                                                                                                                                         |                                                                              |
| 33 | Approved Securities Cash Component placed with CM     | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits. The details will pertain to Collaterals placed with CM for Client/TM Pro/CP. Value after appropriate haircut                                                                 | If the reason code is entered in Column (52) then Value should be "0" only   |
| 34 | Approved Securities Non-cash component placed with CM | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. The details will pertain to Collaterals placed with CM for Client/TM Pro/CP. Value after appropriate haircut                                                                    | If the reason code is entered in Column (52) then Value should be "0" only   |
| 35 | Non-Approved Securities placed with CM                | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. The details will pertain to Collaterals placed with CM for Client/TM Pro/CP. Value after appropriate haircut                                                                    | If the reason code is entered in Column (52) then Value should be "0" only   |
| 36 | Value of CC approved Commodities placed with CM       | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits. The details will pertain to Collaterals placed with CM for Client/TM Pro/CP. Value after appropriate haircut                                                                 | If the reason code is entered in Column (52) then Value should be "0" only   |
| 37 | Other Collaterals placed with CM                      | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits.                                                                                                                                                                              | If the reason code is entered in Column (52) then Value should be "0" only   |
| 38 | Cash Retained with CM                                 | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits. The details will pertain to collateral received from TM/CP and retained by the CM                                                                                            | Cash retained by CM to be indicated for each of the reason codes separately. |
| 39 | Bank Guarantee (BG) retained with CM                  | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits. The details will pertain to collateral received from TM/CP and retained by the CM.                                                                                           | If the reason code is entered in Column (52) then Value should be "0" only   |
| 40 | Fixed deposit receipt (FDR) retained with CM          | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits. The details will pertain to collateral received from TM/CP and retained by the CM. It should not contain details of FDR passed on to the CC in any other form of collateral. | If the reason code is entered in Column (52) then Value should be "0" only   |

|    |                                                         |             |                                                                                                                                                                          |                                                                            |
|----|---------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| 41 | Approved Securities Cash Component retained with CM     | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. The details will pertain to collateral received from TM/CP and retained by the CM. Value after appropriate haircut | If the reason code is entered in Column (52) then Value should be "0" only |
| 42 | Approved Securities Non-cash component retained with CM | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. The details will pertain to collateral received from TM/CP and retained by the CM. Value after appropriate haircut | If the reason code is entered in Column (52) then Value should be "0" only |
| 43 | Non-Approved Securities retained with CM                | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. The details will pertain to collateral received from TM/CP and retained by the CM. Value after appropriate haircut | If the reason code is entered in Column (52) then Value should be "0" only |
| 44 | Value of CC approved Commodities retained with CM       | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. The details will pertain to collateral received from TM/CP and retained by the CM. Value after appropriate haircut | If the reason code is entered in Column (52) then Value should be "0" only |
| 45 | Other Collaterals Retained with CM                      | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. The details will pertain to collateral received from TM/CP and retained by the CM.                                 | If the reason code is entered in Column (52) then Value should be "0" only |
| 46 | Cash placed with NCL                                    | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. The details will pertain to collateral placed with CC for the Client/TM Pro/CP/CM.                                 | If the reason code is entered in Column (52) then Value should be "0" only |
| 47 | Bank Guarantee (BG) placed with NCL                     | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. The details will pertain to collateral placed with CC for the Client/TM Pro/CP/CM.                                 | If the reason code is entered in Column (52) then Value should be "0" only |
| 48 | Fixed deposit receipt (FDR) placed with NCL             | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. The details will pertain to collateral placed with CC for the Client/TM Pro/CP/CM.                                 | If the reason code is entered in Column (52) then Value should be "0" only |
| 49 | Approved Securities Cash Component                      | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. The details will pertain to collateral placed with CC for the Client/TM                                            | If the reason code is entered in Column (52) then Value should be "0" only |

|    |                                                        |             |                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                           |
|----|--------------------------------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | placed with NCL                                        |             | Pro/CP/CM Value after appropriate haircut                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                           |
| 50 | Approved Securities Non-cash component placed with NCL | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. The details will pertain to collateral placed with CC for the Client/TM Pro/CP/CM Value after appropriate haircut                                                                                                                                               | If the reason code is entered in Column (52) then Value should be "0" only                                                                                                                                                                                                                                                                                                                                |
| 51 | Value of CC approved Commodities placed with NCL       | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. The details will pertain to collateral placed with CC for the Client/TM Pro/CP/CM. Value after appropriate haircut                                                                                                                                              | If the reason code is entered in Column (52) then Value should be "0" only                                                                                                                                                                                                                                                                                                                                |
| 52 | MTF /Non MTF indicator/Reason Code                     | Char (07)   | <p>Values shall be either of the following:</p> <p>NON MTF</p> <p>MTF</p> <p>NA</p> <p>NON MTF means all segments other than MTF (like CM, FO, CD, CO, SLB, MFSS and DEBT) (Since MTF is available in CM segment, system shall not accept MTF type in any segments other than CM segment)</p>                         | <p>Values shall be either of the following:</p> <p>NON MTF</p> <p>MTF</p> <p>NA</p> <p>NON MTF means all segments other than MTF (like CM, FO, CD, CO, SLB, MFSS and DEBT) (Since MTF is available in CM segment, system shall not accept MTF type in any segments other than CM segment)</p> <p>RC01</p> <p>RC02</p> <p>RC03</p> <p>RC04</p> <p>RC05</p> <p>RC06</p> <p>RC07</p> <p>RC08</p> <p>RC09</p> |
| 53 | Uncleared Receipts                                     | Number (20) | <p>Value in Rs.</p> <p>Decimals shall be allowed upto 3 digits. Cannot be blank either '0' or numeric value This will include (1) Value of cheques received from the clients, which are not cleared at EOD and/or (2) Funds received through Payment gateways however same is not credited in bank account at EOD</p> | If the reason code is entered in Column (52) then Value should be "0" only                                                                                                                                                                                                                                                                                                                                |

|    |                                                                                            |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                            |
|----|--------------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| 54 | Govt. Securities / T bills received by TM from clients and by CM from TM(Pro) and from CPs | Number (20) | Value in Rs.<br>Decimals shall be allowed upto 3 digits Value of G-Sec / T-bills which is provided through E-Kuber and not by way of margin pledge-repledge mechanism                                                                                                                                                                                                                                                                                                                      | If the reason code is entered in Column (52) then Value should be "0" only |
| 55 | Govt. Securities /T-bills Retained by TM                                                   | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits Value of G-Sec / T-bills which is provided through E-Kuber and not by way of margin pledge-repledge mechanism                                                                                                                                                                                                                                                                                                                         | If the reason code is entered in Column (52) then Value should be "0" only |
| 56 | Govt. Securities/T bills placed with CM                                                    | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits Value of G-Sec / T-bills which is provided through E-Kuber and not by way of margin pledge-repledge mechanism                                                                                                                                                                                                                                                                                                                         | If the reason code is entered in Column (52) then Value should be "0" only |
| 57 | Govt. Securities/T bills retained with CM                                                  | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits Value of G-Sec / T-bills which is provided through E-Kuber and not by way of margin pledge-repledge mechanism                                                                                                                                                                                                                                                                                                                         | If the reason code is entered in Column (52) then Value should be "0" only |
| 58 | Govt. Securities– T bills placed with NCL                                                  | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits Value of G-Sec / T-bills which is provided through E-Kuber and not by way of margin pledge-repledge mechanism                                                                                                                                                                                                                                                                                                                         | If the reason code is entered in Column (52) then Value should be "0" only |
| 59 | Bank Guarantee (BG) Funded portion retained with CM                                        | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. For account type 'C' and 'P' the details shall include only funded portion of BG retained with CM. (Funded portion of BG to be shown for account type 'C' would be equal to value shown in account type 'C' in the column "Bank Guarantee (BG) retained with CM". Aggregate value of Funded portion of BG to be shown for account type 'P' in column "Bank Guarantee (BG) Funded portion retained with CM" and Non funded portion of | If the reason code is entered in Column (52) then Value should be "0" only |

|    |                                                         |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                            |
|----|---------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
|    |                                                         |             | BG to be shown for account type 'P' in column "Bank Guarantee (BG) Non funded portion retained with CM" should be equal to the value shown in account type 'P' in the column "Bank Guarantee (BG) retained with CM")                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                            |
| 60 | Bank Guarantee (BG) Non funded portion retained with CM | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. For account type 'P' the details shall include non-funded portion of BG retained with CM For account type 'C' same is NA<br>Note: Aggregate value of Funded portion of BG to be shown for account type 'P' in column "Bank Guarantee (BG) Funded portion retained with CM" and Non funded portion of BG to be shown for account type 'P' in column "Bank Guarantee (BG) Non funded portion retained with CM" should be equal to the value shown in account type 'P' in the column "Bank Guarantee (BG) retained with CM".                                                                               | If the reason code is entered in Column (52) then Value should be "0" only |
| 61 | Bank Guarantee (BG) Funded portion placed with NCL      | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. For account type 'C' and 'P' the details shall include only funded portion of BG placed with NCL.<br>Note: Funded portion of BG to be shown for account type 'C' would be equal to value shown in account type 'C' in the column "Bank Guarantee (BG) placed with NCL". Aggregate value of Funded portion of BG to be shown for account type 'P' in column "Bank Guarantee (BG) Funded portion placed with NCL" and Non funded portion of BG to be shown for account type 'P' in column "Bank Guarantee (BG) Non funded portion placed with NCL" should be equal to the value shown in account type 'P' | If the reason code is entered in Column (52) then Value should be "0" only |

|    |                                                        |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                            |
|----|--------------------------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
|    |                                                        |             | in the column "Bank Guarantee (BG) placed with NCL".                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                            |
| 62 | Bank Guarantee (BG) Non funded portion placed with NCL | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. For account type 'P' the details shall include non-funded portion of BG placed with NCL. For account type 'C' same is NA<br>Note: Aggregate value of Funded portion of BG to be shown for account type 'P' in column "Bank Guarantee (BG) Funded portion placed with NCL" and Non funded portion of BG to be shown for account type 'P' in column "Bank Guarantee (BG) Non funded portion placed with NCL" should be equal to the value shown in account type 'P' in the column "Bank Guarantee (BG) placed with NCL".                                                                               | If the reason code is entered in Column (52) then Value should be "0" only |
| 63 | Settlement Amount                                      | Number (20) | Value in Rs. Decimals shall be allowed upto 3 digits. Note: The amount of funds released on account of running account settlement of client on settlement date as per NSE circular NSE/INSP/53115 dated July 27, 2022 and debited from bank account on next day of settlement date shall be provided. Aforesaid value shall be provided only in the submission made for the next working day after the settlement date as per aforesaid circular e.g., if settlement date is October 07, 2022 as per aforesaid circular, then said data needs to be provided in the submission made for next day i.e. October 10, 2022. Value should be mentioned 0 in the | If the reason code is entered in Column (52) then Value should be "0" only |

|    |                                            |             |                                                                                                                                                                                                                                                                                    |                                                                               |
|----|--------------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
|    |                                            |             | submissions made for other days.                                                                                                                                                                                                                                                   |                                                                               |
| 64 | Unclaimed/<br>Unsettled<br>Client<br>Funds | Char(03)    | YES<br>NA<br>Note: In case a member is unable to settle the client account due to non-availability of client's bank accounts and non-traceability of client as per NSE Circular No. NSE/INSP/43488 dated February 10, 2020, then member shall write Yes, else NA                   | If the reason code is entered in Column (52), only then NA should be entered. |
| 65 | Cash<br>Collateral<br>FOR MTF<br>Position  | Number (20) | Value in Rs. (Decimals shall be allowed upto 3 digits)<br>NA<br>Note: Cash collateral collected from clients for the MTF positions and available in books of accounts maintained for MTF. Value will be mentioned in MTF indicator only and Value will be NA for Non-MTF indicator | If the reason code is entered in Column (52) then Value should be "0" only    |

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A list of frequently asked questions is given below:

**FAQ for Segregation and Monitoring of Collateral at Client Level - Reporting Format**

- 1. Whether the reporting is applicable to Members who clear proprietary trades and don't deal with clients?**

Members carrying out only proprietary trading are exempted from reporting.

- 2. Are members required to report NIL holding or for Zero balance clients?**

Members are required to submit details only for those clients who have placed collaterals with the Members.

- 3. Reporting is applicable for Monday to Saturday or Monday to Friday?**

Reporting is applicable for Monday to Saturday. Report for Friday and Saturday shall be uploaded on the next trading day before the cut-off time.

- 4. Whether financial Ledger balance-A signify the total collateral in the books of TM/CM for clients?**

The Financial ledger balance to be reported shall include total funds(cash) including open bills of the client, un-cleared cheques deposited or issued and the margin obligations available in the books of TM for clients and in the books of CM for TM (Pro) and in the books of CM for CP. It shall also include the Credit entry on account of EPI and MTM values.

- 5. Whether Financial Ledger balance (clear)-B signify the closing collateral in the books of TM/CM for clients?**

The financial Ledger balance (clear) signifies the funds (cash) in the books after adjusting for open bills of the client, un-cleared cheques deposited or issued and the margin obligations.

Open bills also contain 'value of credit entry posted in client ledger in lieu of successful EPI to CC.

- 6. Which value is required to be reported for Sr.no 12 i.e. Peak Financial Ledger Balance (Clear)-?**

Peak Financial ledger balance (clear) to be reported is the balance after adjusting open bills of the client, un-cleared cheques deposited or issued and the margin obligations. Open bills also contain 'value of credit entry posted in client ledger in lieu of successful EPI to CC. The value to be reported for Peak Financial Ledger Balance (Clear) is the highest net credit balance for the segment during the day.

However, in case there is clear debit balance for the segment, then report lowest net debit balance.

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**7. Which amount is required to be reported if segregated balance for client and TM Pro is not maintained in financial ledger balance?**

The members are required to segregate balances of client and Pro in their financial ledger and report both the balances separately.

**8. Whether the balances to be reported for sr. no. 10 to 12 are the same balances i.e. collateral details currently being submitted by CMs on a weekly basis?**

Broadly the logic of balances to be reported for sr. no. 10 to 12 are the same ledger balances currently being submitted by CMs on a weekly basis apart from reporting clear balances under sr. no. 11 and 12.

**9. Are members required to report debit client's balances?**

Yes, members are required to report debit balances of clients for sr. no. 10 to 12

**10. In case of Self Clearing Member, whether the collaterals retained by the member are required to be reported under 'retained with TM' columns or 'retained with CM' columns?**

Self-Clearing Members needs to report the collaterals retained under Column No 22 to 29 'retained with TM' columns.

**11. Please clarify the PAN required to be reported for PAN Exempt clients from Sikkim / Nagaland.**

For such clients, members are required to enter 'PAN EXEMPT' in the Client PAN column (Column 6) along with UCC in Column 9.

**12. NRI clients have more than 1 code for trading. While reporting NRI clients details, whether we need to combine balance across client code and need to report collaterals under single PAN?**

UCC code wise reporting shall be made for such clients.

**13. Can the fields left blank, or any specific value is to be mentioned such as NA or 0 related to the fields wherever applicable?**

In case there are fields where no value is available, such fields must be populated with 0 (zero).

**14. What is the appropriate percentage of hair cut to be applied for calculating value of securities?**

Haircut rates shall be as per the rates prescribed by CCs.

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**15. What is meant by Approved Securities Cash / Non-Cash component in the reporting format?**

Clearing Corporation publishes the list of approved securities along with classification of cash/ non-cash component on a monthly basis. Members may be guided by that circular.

**16. Whether segregation of collateral is applicable for those clients who have placed securities through pledge – repledge module?**

Yes, the circular is applicable for all types of Clearing Members.

**17. What is meant by approved and non-approved securities?**

Clearing Corporation publishes the list of approved securities along with classification of cash/ non-cash component on a monthly basis. Members may be guided by that circular. Securities other than approved securities shall be classified as non -approved securities.

All the Clearing Members are hereby informed that data as sought is required to be uploaded to NCCL on a daily basis (Monday to Saturday). Clearing Members are requested to upload the data in the prescribed format on Web Extranet – in the 'COLLATERALUPLOAD' folder in the 'UPLOAD' tab within the cut off time as prescribed by NCCL from time to time. The guidelines for data submission is mentioned below:

**Guidelines for submitting Segregation and monitoring of collateral at client level file:**

1. The file shall be in csv and zip format only.
2. The file shall be uploaded by the members with column headers. The headers should be exactly same as prescribed in the circulars issued by NCCL from time to time.
3. One zip file shall contain one csv file only. Naming convention of zip file shall be same as of the csv file. The csv file itself needs to be converted into zip file.
4. File size shall not exceed 500 MB.
5. Batch/Seq No. starts from 01, in case of multiple files for a date.
6. If the file is not successfully uploaded then file needs to be rectified and uploaded with the different batch number.
7. Files uploaded will be processed for validation check. Clearing Members are required to check the "COLLATERALFOLDER" for success/error status of the uploaded file(s). In case of failure status, members have to correct the data as per the remarks provided in the file and re-upload the entire file with correct data promptly.
8. If Clearing Member wishes to add new records / modify the data which is successfully uploaded then the member may upload new records / upload only those records for which

modification is required with different batch number. No modification is allowed beyond T+1 by 11.59 pm

9. In case there are fields where no value is available, such fields must be populated with 0 (zero).

10. No special characters shall be allowed in any field.

11. The sum of client collateral retained by the TM/CM and client collateral passed on to CM/CC shall equal the amount of collateral received by the TM/CM from the client.

12. CMs shall perform validations at their end in respect of reporting done by TMs.

13. Client active in MTF and NON MTF: Maximum two rows/entries (one for MTF and second for NON MTF) shall be reported in CM segment of a particular client for a particular day.

14. Client active either in NON MTF or MTF only: Only single rows/entries (for MTF or NON MTF) in CM segment shall be reported of a particular client for a particular day.

15. Member shall not upload duplicate/multiple records of the same client for one segment.

Further, it is clarified that clearing members who are registered with multiple clearing corporations i.e. registered with more than one commodity clearing corporation are required to report the collaterals which are available with respective clearing corporation only instead of aggregated collateral across all clearing corporations. Collaterals lying with other clearing corporations should be reported to the respective clearing corporations with whom the same is available. Members are not required to report aggregated value of collateral across Clearing Corporations.

The penalty structure prescribed for the irregularities observed with respect to the daily collateral reporting by the Clearing members is given below:

#### **Violation 1: Non reporting of data**

| <b>Period</b>              | <b>Applicable penalty</b>                                                                                                                                                                                                                                                                                         |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| From April 1, 2022 onwards | <p>Collateral reporting is not done by the CM for clients where there exists collateral with the CC/CM/TM. In such case, penalty of 0.5% on the amount of margin reported shall be applicable.</p> <p>For this purpose, EOD margin reported or peak margin reported, whichever is higher shall be considered.</p> |

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**Violation 2: Incorrect data reporting (checked during inspection)**

| <b>% of the violation in the current inspection</b><br><br><b>(Proportion of the instances with false reporting to the Total sample instances verified)</b> | <b>Penalty As A Percentage (%) Of The False Reporting</b> |                                                                                               |                                                                                          |                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
|                                                                                                                                                             | <b>Observed only in current Inspection</b>                | <b>Observed only in 1 out of 3 previous Inspections in addition to the current Inspection</b> | <b>Observed in 2 out of 3 previous inspections in addition to the current Inspection</b> | <b>Observed in all the previous 3 Inspections in addition to the current Inspection</b> |
| Above 50%                                                                                                                                                   | 50%                                                       | 60%                                                                                           | 75%                                                                                      | 100%                                                                                    |
| 25%-50%                                                                                                                                                     | 25%                                                       | 50%                                                                                           | 60%                                                                                      | 75%                                                                                     |
| 10%-25%                                                                                                                                                     | 10%                                                       | 25%                                                                                           | 50%                                                                                      | 60%                                                                                     |
| Less than 10%                                                                                                                                               | 5%                                                        | 10%                                                                                           | 25%                                                                                      | 50%                                                                                     |

Along with the monetary penalty, the Member may also be subjected to suspension for one day in the respective segment in case of material instances. The false reporting shall be treated as material for the purpose of suspension, if it meets all the following broad criteria: -

1. Instances of false reporting is more than 5% of the instances verified (minimum 3 instances) during inspection, and
2. Percentage of value of false reporting is more than 5% of total margin required to be collected for the instances verified during inspection, and
3. Value of false reporting of margin is more than Rs. 15 lakh

In case of a revision, in penalty, the above penalty structure shall stand modified to that extent in accordance to that circular.

Further, Clearing Members may please note the following:

1. Files uploaded will be processed for validation check. Clearing Members are required to check the "COLLATERALFOLDER " for success/error status of the uploaded file(s). In case of failure status, members have to correct the data as per the remarks provided in the file and re-upload only those records for which error is generated.
2. If Clearing Member wishes to modify the data which is successfully uploaded, then the member should upload only those records for which modification is required with different batch number. Any re-submission of complete file i.e. including the modified data shall be treated as modification for the purpose of penalty.
3. Clearing Members carrying out only proprietary trading shall submit a declaration to NCCL as per the format provided in NCCL circular no: NCCL/COMPLIANCE-017/2021.

### Regulatory Requirements/ References:

| Sr.No | Subject                                                                                                              | Circular Date | Circular No               |
|-------|----------------------------------------------------------------------------------------------------------------------|---------------|---------------------------|
|       | Segregation and Monitoring of Collateral at Client Level                                                             | 23-Aug-21     | NCCL/COMPLIANCE-009/2021  |
|       |                                                                                                                      | 01-Oct-21     | NCCL/COMPLIANCE-011/2021  |
|       |                                                                                                                      | 15-Dec-21     | NCCL/COMPLIANCE-017/2021  |
|       |                                                                                                                      | 27-Oct-22     | NCCL/COMPLIANCE-005/2022  |
|       |                                                                                                                      | 21-Nov-22     | NCCL/COMPLIANCE-007/2022  |
|       |                                                                                                                      | 09-May-23     | NCCL/COMPLIANCE-002/2023  |
|       |                                                                                                                      | 17-Aug-23     | NCCL/COMPLIANCE-06/2023   |
|       |                                                                                                                      | 19-Mar-24     | NCCL/COMPLIANCE- 001/2024 |
|       |                                                                                                                      | 25-Apr-24     | NCCL/COMPLIANCE- 005/2024 |
|       |                                                                                                                      | 27-Sep-24     | NCCL/INSPECTION-002/2024  |
|       |                                                                                                                      | 04-Oct-24     | NCCL/INSPECTION -003/2024 |
|       |                                                                                                                      | 28-Jan-25     | NCCL/INSPECTION-001/2025  |
|       | Segregation and Monitoring of Collateral at Client Level - Change in Reporting Format and Frequently Asked Questions | 20-Sep-21     | NCCL/COMPLIANCE-010/2021  |
|       | Segregation and Monitoring of Collateral at Client Level – Penalty                                                   | 26-Nov-21     | NCCL/COMPLIANCE-014/2021  |
|       |                                                                                                                      | 17-Dec-21     | NCCL/COMPLIANCE-018/2021  |

### **8. Upstreaming of Clients' funds by Stock brokers (SBs)/Clearing Members (CMs) to Clearing Corporations (CCs)**

Reference is made to SEBI circulars no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/84 dated June 08, 2023 on Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs).

In this regard, with a view to safeguard clients' funds placed with SBs/CMs, it has been decided to require the upstreaming of all client funds received by SBs/CMs to the Clearing Corporations (CCs).

As per the framework, no clients' funds shall be retained by SBs/ CMs on End of Day (EoD) basis. The clients' funds shall all be upstreamed by SB/ CMs to CCs only in the form of either cash, lien on FDR (subject to certain conditions enumerated below), or pledge of units of Mutual Fund Overnight Schemes (MFOS).

### Regulatory Requirements/ References:

| Sr.No | Subject                                                                                                     | Circular Date | Circular No                             |
|-------|-------------------------------------------------------------------------------------------------------------|---------------|-----------------------------------------|
| 1.    | Upstreaming of Clients' funds by Stock brokers (SBs)/Clearing Members (CMs) to Clearing Corporations (CCs). | 08-Jun-23     | SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/84 |
|       |                                                                                                             | 09-Jun-23     | NCCL/CLEARING-038/2023                  |
|       |                                                                                                             | 13-Dec-23     | NCCL/CLEARING-064/2023                  |
|       |                                                                                                             | 22-Aug-24     | NCCL/INSPECTION-001/2024                |
|       |                                                                                                             | 07-Jun-24     | NCCL/COMPLIANCE- 008/2024               |

## 9. Bank Guarantees (BGs) created out of clients' funds

Reference is made to SEBI Circular SEBI/HO/MIRSD-PoD-1/P/CIR//2023/061 dated April 25, 2023 on Bank Guarantees (BGs) created out of clients' funds.

1. Currently Stock Brokers (SBs)/ Clearing Members (CMs) pledge client's funds with Banks which in turn issue Bank Guarantees (BGs) to clearing corporations for higher amounts. This implicit leverage exposes the market and especially the client's funds to risks., it has been decided to implement the following measures in order to safeguard the interests of the investors: -

a. Beginning May 01, 2023, no new BGs shall be created out of clients' funds by SBs/CMs.

b. Existing BGs created out of clients' funds shall be wound down by September 30, 2023.

2. The provisions of this framework shall not be applicable for proprietary funds of SBs/CMs in any segment and SB's proprietary funds deposited with CM in the capacity of a client.

### Regulatory Requirements/ References:

| Sr.No | Subject                                             | Circular Date | Circular No              |
|-------|-----------------------------------------------------|---------------|--------------------------|
|       | Bank Guarantees (BGs) created out of clients' funds | 29-May-23     | NCCL/COMPLIANCE-003/2023 |

## 10. System Audit of Professional Clearing Members (PCMs):

Reference is made to SEBI circular ref. no: SEBI/HO/MRD/TPD/P/CIR/2024/84 dated June 20, 2024 regarding System Audit of Professional Clearing Members (PCMs).

SEBI vide Master Circular No. SEBI/HO/MRD2/PoD-2/CIR/P/2023/171 dated October 16, 2023 at Clause 8.2 of Chapter 2 has specified the comprehensive framework for System Audit of Stock Brokers (SBs)/Trading Members(TMs). Based on the discussions with Clearing Corporations (CCs) and Technical Advisory Committee (TAC) of SEBI, it has been decided to devise the framework for system audit of Professional Clearing Members (PCMs).

Accordingly, PCMs are required to conduct System Audit as per the framework and Terms of Reference (TOR) prescribed by SEBI. PCMs are also required to maintain a list of all the relevant SEBI and CCs circulars/ directions/ advices, etc. pertaining to technology and compliance thereof and the same shall be included under the scope of System Audit. PCMs are also required to submit information with regard to exceptional major Non-Compliances (NCs)/ minor NCs observed in the System Audit as per the prescribed format and are required to categorically highlight those observations/NCs/suggestions pointed out in the System Audit (current and previous) which remain open

The Systems Audit report including compliance with SEBI/CCs circulars/guidelines and exceptional observation format along with compliance status of previous year observations shall be placed before the Governing Board of the PCM and then the report along with the comments of the Management of the PCM shall be communicated to CCs within one month of completion of audit.

Further, National Commodity Clearing Limited in consultation with other Clearing Corporations has formulated a uniform penalty structure for:

1. Non-submission of system audit report within the due date
2. Penalties/disciplinary action(s)/charges for non-compliances/non-closure reported in System Audit Report
3. Applicable Penalty for each High/Medium/Low risk non-compliance, which has not been closed in ATR (i.e. within six months of submission of due date of preliminary audit report).

The penalty structure shall be effective for the System Audit report submissions from the F.Y. 2023-24 onwards. Penalty Structure is provided as below:

| Penalties /disciplinary action(s) |                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sr. No.                           | Details of Violation/contravention                                                                                          | Penalty/disciplinary actions                                                                                                                                                                                                                                                                                                                                                                  | Penalty/disciplinary action in case of repeat violation/contravention                                                                                                                                                                                                                          |
| 1.                                | Non-submission of System Audit Report within the due date                                                                   | <ul style="list-style-type: none"><li>• For 1st week (calendar days) after due date, Charges of Rs. 2,500/- per day</li><li>• Charges of Rs. 5000/- per day from second week after due date</li><li>• In case of non-submission within three weeks from the due date of submission, New Trading member/CP Code registration to be prohibited till the date of submission of report.</li></ul> | In case of a repeat instance by the Member, levy of applicable monetary penalty along with an escalation of 50%. In case of non-submission for within three weeks from the due date of submission, New Trading member/CP Code registration to be prohibited till date of submission of report. |
| 2.                                | Penalties/disciplinary action(s)/ charges for non-compliances/ non-closure reported in System Audit Report                  | <b>Applicable Penalty for each High/Medium/Low risk Non-Compliance reported</b>                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                |
|                                   |                                                                                                                             | <b>Risk rating reported by auditor</b>                                                                                                                                                                                                                                                                                                                                                        | <b>System Audit Report</b>                                                                                                                                                                                                                                                                     |
|                                   |                                                                                                                             | High Risk                                                                                                                                                                                                                                                                                                                                                                                     | ₹ 15,000/                                                                                                                                                                                                                                                                                      |
|                                   |                                                                                                                             | Medium Risk                                                                                                                                                                                                                                                                                                                                                                                   | ₹ 7,500/-                                                                                                                                                                                                                                                                                      |
|                                   |                                                                                                                             | Low Risk                                                                                                                                                                                                                                                                                                                                                                                      | ₹ 2,500/-                                                                                                                                                                                                                                                                                      |
|                                   |                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                |
| 3.                                | Applicable Penalty for each High/Medium/Low risk noncompliance, which has not been closed in ATR (i.e. within six months of | <b>Applicable Penalty for each High/Medium/Low risk Non-Compliance reported</b>                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                |
|                                   |                                                                                                                             | <b>Risk rating reported by auditor</b>                                                                                                                                                                                                                                                                                                                                                        | <b>System Audit Report</b>                                                                                                                                                                                                                                                                     |
|                                   |                                                                                                                             | High Risk                                                                                                                                                                                                                                                                                                                                                                                     | ₹ 35,000/                                                                                                                                                                                                                                                                                      |

|  |                                                     |             |            |
|--|-----------------------------------------------------|-------------|------------|
|  | submission of due date of preliminary audit report) | Medium Risk | ₹ 15,000/- |
|  |                                                     | Low Risk    | ₹ 5,000/-  |

Thanking you.