

TABLE OF CONTENTS

1. Introduction	1
2. Role of NSDL in settlement process	2
3. Opening a Clearing Account:	2
<input type="checkbox"/> Procedure for opening a clearing account for the first time	2
<input type="checkbox"/> Procedure for shifting clearing account from one DP to another DP - closing with one and opening with another	3
<input type="checkbox"/> Procedure for opening a <i>Vyaj Badla</i> clearing account	4
<input type="checkbox"/> Procedure for name and/or address change of a clearing member	4
4. Overview of trading, clearing & settlement systems at stock exchanges - A depository perspective	5
5. Structure of Clearing Account	6
<input type="checkbox"/> Arrangement of clearing account	6
<input type="checkbox"/> Market Type & Settlement Number	7
▪ Settlement Calendar	7
▪ NSDL Deadline	8
6. Market Transfers	8
<input type="checkbox"/> Receiving securities for pay-in from clients	9
▪ Tracking of securities received for pay-in	11
<input type="checkbox"/> Inter-Settlement instructions	11
<input type="checkbox"/> Delivering securities to the clearing house/clearing corporation for pay-in ...	12
▪ Part pay-in of securities	14
▪ Excess delivery to the clearing house/clearing corporation	14
▪ Additional window for late instructions	14
▪ Irreversible Delivery-out instructions	15
<input type="checkbox"/> Receiving pay-out from the clearing house/clearing corporation	15
<input type="checkbox"/> Distribution of pay-out to its clients	16
7. Off Market Transfers	18
<input type="checkbox"/> Points to remember	18

8	Inter-Depository Transfers	19
9	Transaction statement from the Depository Participant	20
10	Automation by a clearing member	20
	<input type="checkbox"/> Internet services from NSDL - SPEED	21
11	Charges	22
12	Corporate Benefits	22
	<input type="checkbox"/> Claiming corporate benefits for securities lying in clearing account	23
	<input type="checkbox"/> Procedure for claiming corporate benefits	23
	<input type="checkbox"/> Claiming corporate benefits for pre pay-in of securities	23
	<input type="checkbox"/> Corporate benefits for <i>Vyaj Badla</i> clearing account	23

Exhibits:


- 1. Form for 'Application for opening an account (for corporates/clearing members)'**
- 2. Format for 'Application for shifting of clearing account'**
- 3. Form for 'Application for closing an account'**
- 4. Form for 'Delivery Instructions by Clients'**
- 5. Form for 'Inter-Settlement Instructions'**
- 6. Form for 'Delivery-out Instructions by Clearing Members for pay-in'**
- 7. Form for 'Delivery Instructions by Clearing Members on pay-out'**
- 8. Form for 'Inter-Depository Delivery Instructions'**
- 9. Specimen of 'Transaction Statement'**
- 10. Application form for Clearing Member to joint SPEED.**

1. INTRODUCTION

Trades done at stock exchanges are settled by the clearing house/clearing corporation of a stock exchange through their clearing members (brokers and custodians). At NSDL, we recognise the vital role played by the clearing member in the settlement process. Hence, a clearing member, can open a special account in the depository system for the purpose of clearing trades done on stock exchanges. The clearing account enables the clearing member to receive securities from its clients for delivery to the clearing house/clearing corporation as pay-in, and to distribute the pay-out to its clients received from the clearing house/clearing corporation.

As the clearing account is only a transit account, securities cannot be kept in this account except for the purpose of delivering to the stock exchange for pay-in, or distribution to its buying clients after pay-out. As per SEBI guidelines, the clearing members should deliver the securities purchased within two working days of pay-out unless the client has requested otherwise. As per recent SEBI guideline, it has directed that clearing members must give instructions to their DPs for transferring the securities lying in their clearing accounts to the respective beneficiary accounts immediately after pay-out and must ensure that the balances in the clearing accounts are brought to nil within fifteen days of pay-out.

This booklet deals with the settlement related operating procedures that are to be followed by a clearing member in a depository environment. It will also attempt to provide answers to various questions, issues and concerns of clearing members that they may come across while operating in the depository environment. A special chapter has been devoted to assist the clearing members in further automating its back-office for settlement processing. Such automation will reduce errors, cost per transaction and thus provide much needed safety and convenience in settlement processing.

 A special chapter is devoted on automation by CMs


Apart from clearing members, this booklet can be used by anyone else like a student, branch office of DP, etc. as an effective guide to understand settlement system in depository environment.

2. ROLE OF NSDL IN SETTLEMENT PROCESS

Settlements are conducted by stock exchanges through their respective clearing house/ clearing corporation. NSDL provides the necessary infrastructure to hold securities in an electronic form and to transfer them between accounts in a depository. Settlement of funds is facilitated by clearing banks appointed by the stock exchanges.

3. OPENING A CLEARING ACCOUNT:

Each Clearing Member of the stock exchange connected to NSDL is required to open one clearing account with a Depository Participant (DP) of his choice. If a clearing member is a member of more than one stock exchange, then one clearing account per stock exchange must be opened.

 *CM can open only one clearing account*

Procedure for opening a clearing account for the first time

- Approach any DP.
- Fill up an account opening form (form taken from DP).
- Submit account opening form alongwith the following:
 - a copy of letter given by the stock exchange for allotment of its Clearing Member ID - CM ID
 - a copy of SEBI registration certificate as a stock broker
- Sign an agreement with the DP.
- DP will forward a copy of this application to NSDL.
- NSDL will allot a CM-BP-ID (Clearing Members Business Partner ID). This number is of eight characters and appears like IN500025, which uniquely identifies the clearing member across the entire depository system. The clearing member should provide this number (CM-BP-ID) to its clients. This can be done by printing it on the contract note.
- On receiving the CM-BP-ID, DP opens account and an account number (Client ID) is generated. This Client ID is of eight characters and appears like 10000025. This Client ID will be pre-stamped on the delivery instruction booklet given by the DP.

□ **Procedure for shifting clearing account from one DP to another DP - closing with one and opening with another**


- Submit an account closing form to the old DP (form taken from old DP).
- Obtain acknowledgment on the account closing form from the old DP
- Approach a new DP
- Submit the following to the new DP
 - Account opening form (form taken from new DP)
 - Shifting form (form taken from new DP)
 - Copy of account closing form bearing the acknowledgment of the old DP.
- Sign an agreement with the new DP.
- New DP will forward a copy of this application alongwith the above enclosures to NSDL.
- NSDL will allot a new CM-BP-ID (Clearing Members Business Partner ID). This number is of eight characters and appears like IN550027, which uniquely identifies the clearing member across the entire depository system. Clearing member should provide this new number (CM-BP-ID) to its clients. This will help the clients in specifying the same on their delivery instruction slips.
- On receiving the CM-BP-ID, DP opens the account and an account number (Client ID) is generated. This number is of eight characters and appears like 10000025.
- DP informs the Client ID to NSDL. On receiving the Client ID from the DP, NSDL will change the default indicator for receiving pay-outs from old DP to new DP. With this, all pay-outs will be received in the account with the new DP and automatic delivery-out instructions for transfers from clearing account to clearing house/clearing corporation will be generated from the account with the new DP. NSDL will also inform the old DP to close the clearing account.
- Clearing member must inform its old DP to remove standing instructions for receiving credits immediately after the account with the new DP is opened. This will ensure that no credits from clients are received in the account with the old DP.
- Clearing member must transfer all balances lying in its clearing account with the old DP to its clients accounts. Balances cannot be directly transferred from

the clearing account with old DP to the clearing account with new DP. Clearing member must ensure that the old DP has closed its clearing account .

- Clearing member can operate its clearing account with the old DP till the time the clearing account with the new DP is not operational.

□ **Procedure for opening a Vyaj Badla clearing account**

- If the stock exchange permits badla trading, and the clearing member intends to participate as a financier, then a special account shall be opened by the clearing member for this purpose.
- This special account designated as 'Vyaj Badla Clearing Account', can be opened only with the clearing house of the stock exchange and not with any other DP.
- Procedure for opening a Vyaj Badla Clearing Account is the same as opening a normal clearing account.
- Standing instructions to receive credits cannot be given for Vyaj Badla Clearing Accounts.
- A special agreement with the clearing house of the stock exchange will have to be executed by the clearing member to authorise them to debit/credit its account. (Agreement can be obtained from the clearing house of the stock exchange)

 Vyaj
Badla CM
account can be
opened only
with the
clearing house
of stock
exchange

□ **Procedure for name and/or address change of a clearing member**

As the clearing account is a transitory account in the depository system meant for the purpose of clearing trades, the name of the clearing account can be changed. This is unlike a beneficial owner account whose name cannot be changed. In a beneficial owner account, for a change of name a new account has to be opened in the new name. This new account will also receive a new account number (Client ID).

The procedure for effecting the change of name and/or address in the depository system is given below:

- Clearing member will write a simple letter to the DP for effecting its name change alongwith a copy of SEBI registration certificate recognising the new name.
- DP will forward this letter to NSDL
- NSDL will change the name of the clearing member in the depository system. Hence, this information will be registered with both NSDL & the DP.
- The new name will now appear in all statements given by the DP to the clearing member.

4. OVERVIEW OF TRADING, CLEARING & SETTLEMENT SYSTEMS AT STOCK EXCHANGES - A DEPOSITORY PERSPECTIVE

Dematerialised securities can be traded at all stock exchanges connected to NSDL. Trading can be done in various windows of stock exchanges. A stock exchange may have separate windows for trading. Typically, a stock exchange has following separate windows for trading:

- Physical (Account Period)
- Rolling
- Auction Physical
- Auction Rolling

A separate market type is allotted in the depository for each of the above window to facilitate the settlement of obligations in each window separately.

Demat securities can be delivered (sold) in the physical segments of stock exchanges. However, in Rolling segments only demat securities can be bought or sold. Stock exchanges may also permit rectification of company objections or a bad delivery arising out of paper delivery in a demat form. To facilitate settlement of such rectification, the following two market types are used:

- Company Objection
- Bad Delivery

For each market type, the stock exchange will have various settlements. Hence, there is a need to identify each settlement within a market type separately. In order to identify each settlement, the stock exchanges normally gives a separate number for each settlement.

For e.g.,

National Stock Exchange has 250 rolling settlements in a year. In order to segregate each settlement, it identifies them by a separate number. Say, the 152nd settlement number of the year 2000 is denoted as 2000152. The first four characters (i.e 2000) denote the year and the last three characters (i.e. 152) denote the running number for that year.

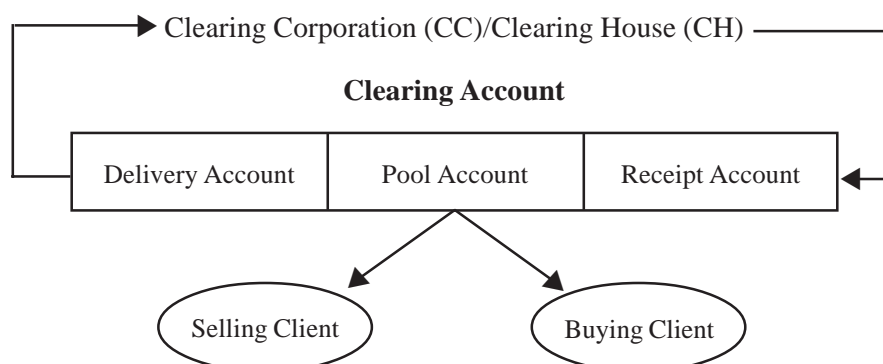
Delhi Stock Exchange too has 250 rolling settlements in a year. In order to segregate each settlement, it identifies them by a separate number. Say, the 152nd settlement number of the year 2000 is denoted as T500152. The first two characters (i.e. T5) indicate rolling settlement on T+5 basis, the second and third character (i.e. 00) denotes the year and the last three characters (i.e., 152) denote the running number for that year.

5. STRUCTURE OF CLEARING ACCOUNT

The Clearing Account is identified in the depository system by its CM-BP-ID. The internal structure of the Clearing Account consists of three parts to facilitate easy book keeping.

□ Arrangement of clearing account

- Pool Account
- Delivery Account
- Receipt Account



a) Pool Account: It has two roles to play in clearing of securities, viz., before pay-in, the selling client of the clearing member transfers securities from his Client Account to the Clearing Account. After receiving pay-out, the clearing member transfers securities from his Clearing Account to the account of the buying client.

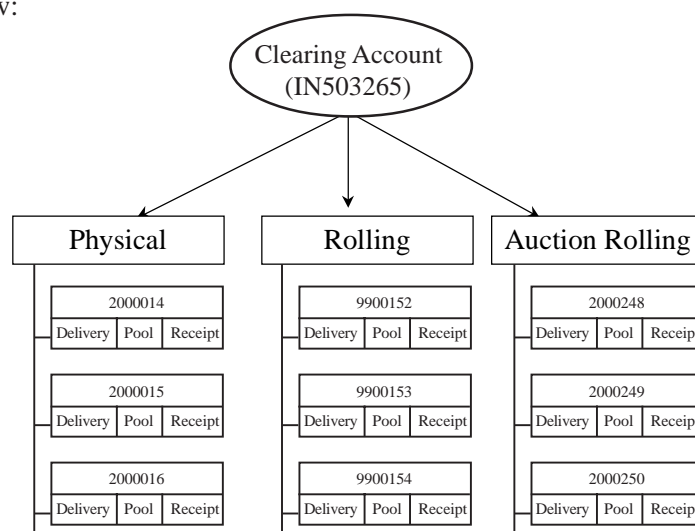
b) Delivery Account: The securities before pay-in, the securities move from the Pool Account to the Delivery Account. This movement will be automatic if clearing member has given such an undertaking to its clearing house/clearing coporation. It will be effected on the basis of instructions received from the clearing house/ clearing corporation. If the

clearing house/clearing corporation has not taken such an undertaking, a delivery instruction form must be submitted by the clearing member to its DP. At the time of pay-in, NSDL flushes out the securities in the Delivery Account and transfers the same to the clearing house/clearing corporation.

c) **Receipt Account:** On pay-out day, the clearing house/clearing corporation transfers securities to the Pool Account (to the extent of net receipt) through the Receipt Account. This account can be used to trace details of settlement-wise receipt of the clearing member.

□ **Market Type & Settlement Number**

A clearing account can be broken into compartments and sub-compartments. Each compartment can be called as market type and each sub-compartment can be called as settlement number. Hence, if securities are moved to, or moved from any clearing account, apart from the CM-BP-ID, the combination of market type and settlement number must be provided. A diagrammatic illustration of the internal structure of a clearing account is depicted below:



▪ ***Settlement Calendar***

Settlement calendar is decided by the stock exchange. It contains details for each market type and settlement number. The details for each settlement consists of date of trading, pay-in date, pay-in time, pay-out date, settlement number etc. Clearing member can obtain the settlement calendar from its own stock exchange. This is also available in the depository software of the DP.

▪ **NSDL Deadline**

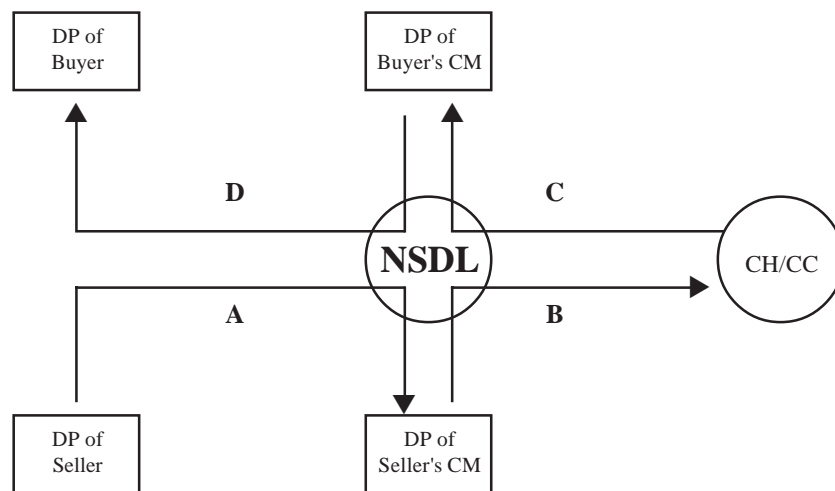
The pay-in time decided by the stock exchanges for each settlement is the NSDL Deadline time. The significance of NSDL Deadline time is that securities can be moved from the client account to the clearing account (client to clearing member), or from clearing account to the stock exchange (clearing member to stock exchange) or from one settlement to another (inter-settlement) only till the NSDL Deadline of the relevant settlement. Securities cannot be transferred to a settlement after the NSDL Deadline for that settlement is over.

6. MARKET TRANSFERS

Any trade, which is cleared and settled by the clearing house/clearing corporation of the stock exchange is considered as a market trade in the depository. Consequently, the transfers are routed through the clearing account. Typically, a market trade has the following legs of transactions.

- A. Receiving securities for pay-in from clients (client to clearing members)
- B. Delivering securities to the clearing house/clearing corporation for pay-in. (clearing member to clearing house/clearing corporation)
- C. Receiving pay-out from the clearing house/clearing corporation. (clearing house/clearing corporation to clearing member)
- D. Distribution of pay-out to clients. (clearing member to client)

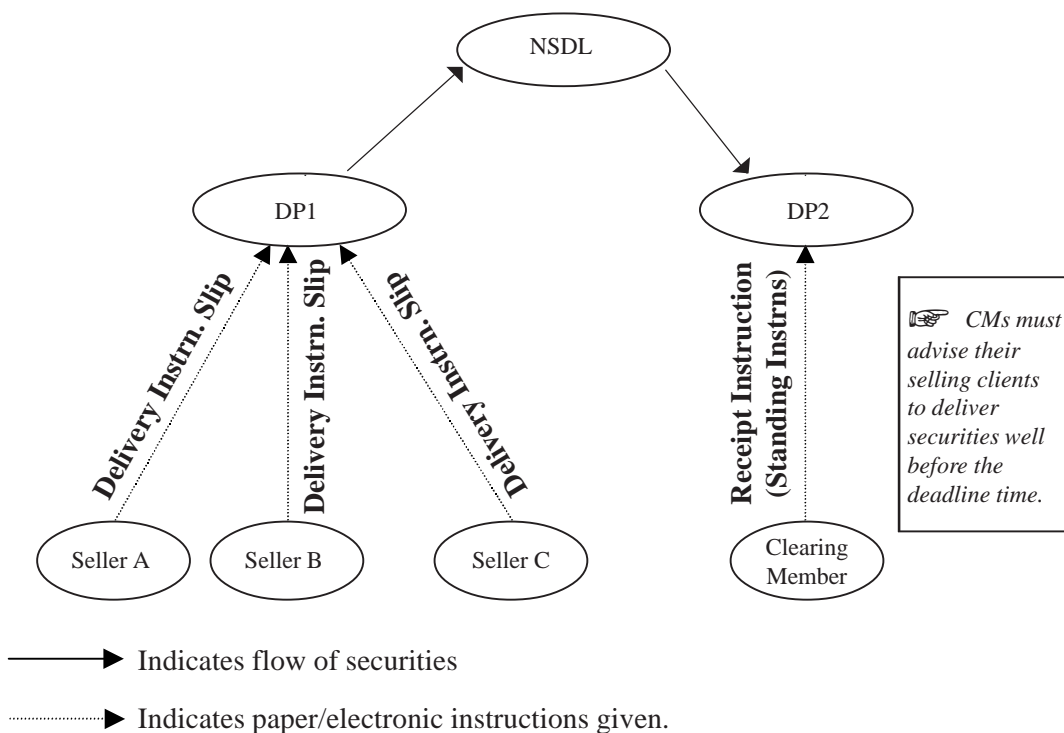
A diagrammatic illustration of the settlement of a market trade in a depository is depicted below:



❑ **Receiving securities for pay-in from clients (client to clearing member)**

A selling client of a clearing member (broker) would transfer securities from his beneficial owner account to the clearing account of the clearing member for onward delivery to the clearing house/clearing corporation. This transfer is effected by his DP on the basis of a delivery instruction provided by the selling client.

A diagrammatic illustration for securities received for pay-in from clients is depicted below:



Points to Remember

- Clearing member must give the following details to its selling client alongwith other details like security name, quantity sold, etc.
 - Its CM-BP-ID (say IN550365)
 - Market Type (say Rolling)
 - Settlement Number (say 9900052)
 - The latest date by which securities must be transferred to its clearing account.

- Seller (deliverer of securities) must submit the form for "Delivery Instructions by Clients" to his DP. A specimen form is enclosed. This form should be delivered to the DP before the DP's acceptance deadlines. SEBI has advised the DPs to instruct their clients to submit the settlement instructions at least 24 hours, i.e. one working day prior to the pay-in date. However, a DP is allowed to fix more stringent standards for its clients.
- The selling client and the clearing member can have their respective accounts either with the same DP or with different DPs.
- While the selling client fills the delivery form, he must take care to
 - Strike off the portion for 'For Off-Market Trades (Receiver Details)' and fill up all other details completely.
 - Ensure that only delivery instruction form given by the DP having the pre-printed serial no. is used. Do not use the form belonging to another client. If loose delivery instruction slips are used by the client, he should obtain it directly from his DP after proper identification.
 - Ensure that his Client ID and DP's 'DP ID' is available on the form. This would be printed/stamped by his DP.
 - Write the CM-BP-ID, name of the clearing member, market type and settlement number as given by the clearing member in the portion 'For Market Trades (Receiver Details)'.
 - Write the ISIN of the security, which is to be transferred. This ISIN will be available in the statement of account received from the DP giving details of the security holding.
 - Write the security name as it appears in the statement of account.
 - Write the quantity both in figures and words.
 - Execution date is the date on which the transfer should take place. This should be on or before the delivery date prescribed by the clearing member.
- As the clearing member would have in all probability given a standing instruction for automatically receiving credits into its account (whether at the time of account opening or later), the securities will be transferred from the account of the seller to the account of the clearing member on the execution date given by the deliverer. Clearing member is not required to do anything in this case.
- In the exceptional case of a clearing member not having given a standing instruction to automatically receive credits, the clearing member must submit the "Receipt Instruction" form to his DP for every such credit into its account. DP of the clearing

member would execute the receipt instruction in the depository system and if the details match, the securities would be credited to the clearing member's account on the execution date.

- If there are partial/nil balances in the account of the seller, the instructions will fail and the securities will not be transferred.
- A client can cancel a delivery instruction by means of a simple letter giving reference to the instruction slip. This letter should be signed by all the joint holders. DP can cancel the instructions in the depository system anytime before the transfer is effected.
- ***Tracking of securities received for pay-in***

A clearing member is required to track the securities, which it has received for pay-in. A clearing member can obtain such information from the following sources:

1. its clients
2. its DP
3. Internet - using SPEED service of NSDL (details given in section 10).

□ **Inter-Settlement instructions**

In a clearing account, the securities are always kept in a bucket of specific market type and settlement number. Hence, the clearing member may have to move securities from one bucket with a different market type-settlement number combination to another bucket from where pay-in is to be effected. To effect this movement a clearing member can give an instruction to move securities from one settlement to another settlement.

For e.g., 100 shares of INE002A01018 (Reliance Limited) can be transferred from Market Type ***Physical*** Settlement Number ***1999048*** to Market Type ***Rolling*** Settlement Number ***1999251***.

Points to Remember

- Clearing member must submit the form for "Inter-Settlement Instructions" to his DP. A specimen of the form is enclosed. This form should be delivered to the DP before the DPs acceptance deadlines.
- Securities can be transferred only to a settlement whose deadline for pay-in is not complete. In other words, it means that securities can be transferred only to a current or future settlement and not to an old settlement. SEBI has advised the DPs to instruct their clients to submit the settlement instructions at least 24 hours, i.e. one working day prior to the pay-in date. However, a DP is allowed to fix more stringent standards

for its clearing members.

- While the clearing member fills the delivery form he must take care to
 - Ensure that only delivery instruction form given by the DP having the pre-printed serial no. is used.
 - Ensure that his 'Client ID' and DP's 'DP ID' is available on the form. This would be printed/stamped by his DP.
 - Write the ISIN of the security, which is to be transferred. This ISIN will be available in the statement of account received from the DP giving details of the security holding.
 - Write the security name as it appears in the statement of account.
 - Write the market type and settlement number (both from and to).
 - Write the quantity both in figures and words.
 - A clearing member can cancel an inter-settlement instruction by means of a simple letter giving reference to the instruction slip. This letter should be signed by the authorised signatories. DP can cancel the instructions in the depository system anytime before the transfer is effected.

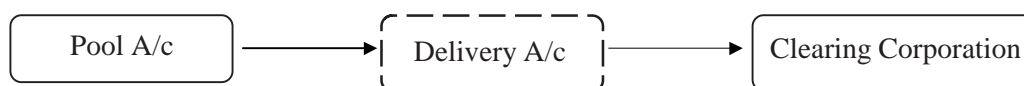
❑ **Delivering securities to the clearing house/clearing corporation for pay-in (clearing member to clearing house/clearing corporation)**

At the time of pay-in, the securities move from the clearing account of the clearing member to the clearing house/clearing corporation. This movement will be automatic if the clearing member has given such an undertaking to its clearing house/clearing corporation. It will be effected on the basis of instruction received from the clearing house/clearing corporation. If the clearing house/clearing corporation has not taken such an undertaking, a delivery instruction form must be submitted by the clearing member to its DP.

However, even if the clearing member has given such an undertaking it may have to submit a separate delivery instruction form in the the following cases :

- Non pari-passu securities
- Irreversible delivery-out instructions
- If the clearing member desires to deliver securities other than the instructions automatically generated based on instruction received from the clearing house/clearing corporation

A diagrammatic illustration for delivering securities to the clearing house/clearing corporation for pay-in is depicted below:



Points to Remember

- Clearing member must submit the form for "Delivery-out Instructions by clearing members for pay-in" to his DP. A specimen of the form is enclosed. This form should be delivered to the DP before the DP's acceptance deadlines. SEBI has advised the DPs to instruct their clients to submit the settlement instructions at least 24 hours, i.e. one working day prior to the pay-in date. However, a DP is allowed to fix more stringent standards for its clearing members.
- While the clearing member fills the delivery form he must take care to
 - Ensure that only delivery instruction form given by the DP having the pre-printed serial no. is used.
 - Ensure that his 'Client ID' and DP's 'DP ID' is available on the form. This would be printed/stamped by his DP.
 - Write the ISIN of the security which is to be transferred. This ISIN will be available in the statement of account received from the DP.
 - Write the security name as it appears in the statement of account.
 - Quantity must be written both in figures and words.
 - Tick the instruction as 'Reversible' or 'Irreversible'. Those instructions which the clearing member cannot cancel after given effect to are irreversible. They are normally used for effecting pre pay-in of securities. All other instructions should be ticked as 'Reversible'.
 - Execution date is the date on which the transfer should take place. This should preferably be a future date. Clearing members must check with their DP its deadlines for acceptance of instructions.
 - A clearing member can cancel a delivery instruction by means of a simple letter giving reference to the instruction slip. This letter should be signed by the

authorised signatories. DP can cancel the instructions in the depository system anytime before NSDL the transfer is effected.

▪ ***Part pay-in of securities***

If the securities available in the relevant bucket in the clearing account is less than the securities to be delivered, then at the time of settlement, the securities to the extent available in the bucket would be transferred. The instruction for the full quantity would not be rejected.

E.g.,

If the delivery instruction by the clearing member to its DP is for the full quantity (say 1000) and only part balances are available in the clearing account (say 800) in the relevant market type and settlement number, the following will occur

- If the other part of the quantity (say 200) securities are transferred to the relevant market type and settlement number of the clearing account, the entire quantity (say 1000) will immediately be transferred to the delivery account of the clearing member. The clearing house/clearing corporation will pick up these securities from the delivery account of the clearing members.
- The system will wait till the NSDL deadline time of the relevant settlement for the balance securities. If the balance securities are not transferred to the Pool account of clearing member till the NSDL deadline, the part quantity (say 800) will be transferred to the delivery account of the clearing member. The clearing house/clearing corporation will pick up these securities from the delivery account of the clearing members.

▪ ***Excess delivery to the clearing house/clearing corporation***

If the clearing member has delivered securities which are in excess of its obligation, the clearing house/clearing corporation will return the excess securities back to the clearing member as a part of pay-out.

▪ ***Additional window for late instructions***

A facility of an additional window is provided for late pay-in with payment of late fees. DP may recover such charges from its clearing members. The key features of this are:

- It is only for specific settlements on few stock exchanges. At present this facility is available for "Physical" segments of NSE & BSE.
- This window is available for a specific time period only after the NSDL deadline for the original settlement is over. At present, this additional window for both NSE & BSE opens at 3:00 p.m. and closes at 6:00 p.m.
- Securities which could not be delivered in the original settlement due to partial/nil balances will now automatically be delivered in the additional window, if they are received after the deadline for original settlement, but before the deadline for the additional window. In other words, a separate instruction need not be given in such cases for delivery of securities in the additional window.

▪ ***Irreversible Delivery-out instructions***

Delivery instructions wherein the column for "Irreversible" is ticked cannot be canceled once they are executed. Such irreversible instructions are used for pre pay-in of securities for margin purposes.

□ **Receiving pay-out from the clearing house/clearing corporation (clearing house/clearing corporation to clearing member)**

The pay-out is declared and distributed by the clearing house/clearing corporation of the stock exchange. The clearing member will automatically receive pay-out in its Pool account via its Receipt account. Clearing member is not required to submit any instruction to its DP for this purpose.

A diagrammatic illustration for receiving securities from the clearing house/clearing corporation as pay-out is depicted below:

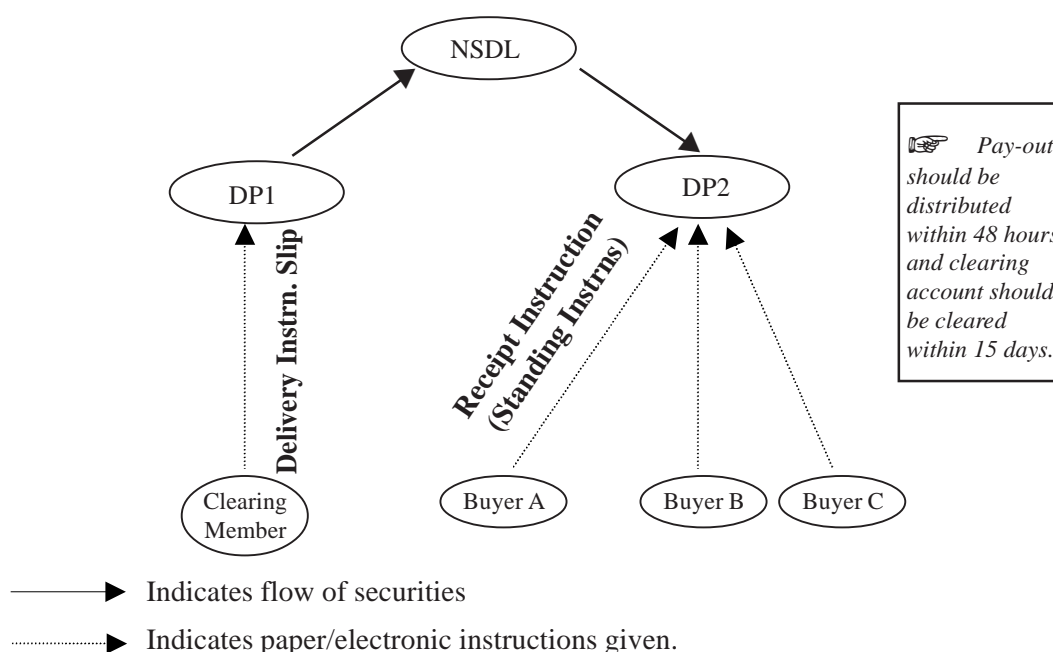


The statement of account provided by the DP will contain the details of the pay-out. This can also be viewed on the Internet using SPEED service of NSDL.

□ **Distribution of pay-out to its clients (clearing member to clients)**

After pay-out of securities by the clearing corporation/clearing house, the clearing member would deliver securities from its clearing account to the beneficial owner account of the buying client. This transfer is effected by its DP on the basis of a delivery instruction provided by the clearing member.

A diagrammatic illustration for distribution of pay-out to its client is depicted below:



Points to Remember

- Clearing member must submit the form for "Delivery Instructions by clearing members on pay-out" to his DP. A specimen of the form is enclosed. This form should be delivered to the DP before the DPs acceptance deadlines. SEBI has advised the DPs to instruct their clients to submit the settlement instructions at least 24 hours, i.e. one working day prior to the pay-in date. However, a DP is allowed to fix more stringent standards for its clearing members.

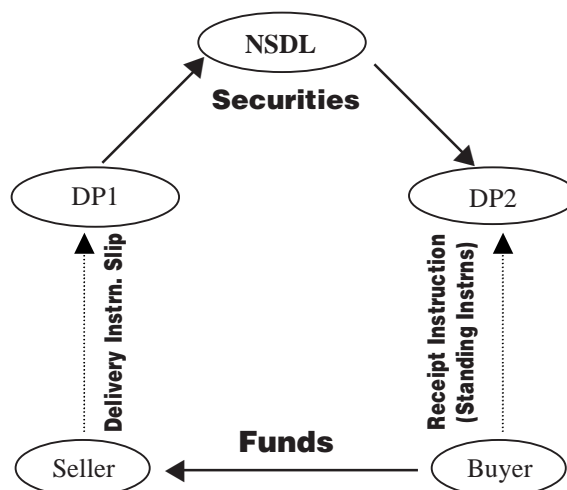
- While the clearing member fills the delivery form he must take care to
 - Ensure that only delivery instruction form given by the DP having the pre-printed serial no. is used.
 - Ensure that his 'Client ID' and DP's 'DP ID' is available on the form. This would be printed/stamped by his DP.
 - Write the ISIN of the security, which is to be transferred. This ISIN will be available in the statement of account received from the DP.
 - Write the security name as it appears in the statement of account.
 - Quantity must be written both in figures and words.
 - Write the DP ID, Client ID and client name of the buyer (receiver of securities).
 - Execution date is the date on which the transfer should take place. This should preferably be a future date.
 - Clearing member can take a print-out of the details of its receiving clients from its back office software. This can be attached to the single delivery instruction slip after fulfilling certain conditions. Refer chapter 10 for details.
- As the buyer would have in all probability given a standing instruction for automatically receiving credits into its account (whether at the time of account opening or later), the securities will be transferred from the account of the clearing member to the account of the buyer on the execution date. Buyer is not required to do anything.
- In the exceptional case of a buyer not having given a standing instruction to automatically receive credits, the buyer must submit the form for "Receipt Instruction" to his DP for every such credit into his account.
- A clearing member can cancel a delivery instruction by means of a simple letter giving reference to the instruction slip. This letter should be signed by the authorised signatories. DP can cancel the instructions in the depository system before the transfer is effected.

7. OFF MARKET TRANSFERS

Any trade, which is not cleared and settled by the clearing house/clearing corporation of the stock exchange, is considered as an off-market trade in the depository. Consequently, the transfer is not routed through the clearing account. Such transfers take place directly between two beneficiary accounts. Both buyer and seller may open accounts either with the same DP or with different DPs. The buyer and seller will trade amongst themselves and later on will exchange money, i.e., settle funds amongst themselves.

The selling client would deliver securities from its beneficiary account to the beneficiary account of the buying client. This transfer is effected by the DP of the selling client on the basis of a delivery instruction provided by the selling client.

A diagrammatic illustration of the settlement of an off-market trade in a depository is depicted below:



—————▶ Indicates flow of securities/funds

.....▶ Indicates paper/electronic instructions given.

□ Points to remember

- Seller (deliverer of securities) must submit the form for "Delivery Instructions by Clients" to his DP. A specimen form is enclosed. This form should be delivered to the DP before the DPs acceptance deadlines.
- While the seller fills the delivery form he must take care to
 - Strike off the portion for 'For Market Trades (Receiver Details)' and fill up all other details completely.

- Ensure that only delivery instruction form given by the DP having the pre-printed serial no. is used.
 - Ensure that his 'Client ID' and DP's 'DP ID' is available on the form. This would be printed/stamped by his DP.
 - Write the DP ID and Client ID of the buyer (receiver of securities) in the portion 'For Off-Market Trades (Receiver Details)'.
 - Write the ISIN of the security, which is to be transferred. This ISIN will be available in the statement of account received from the DP.
 - Write the security name as it appears in the statement of account.
 - Quantity must be written both in figures and words.
 - Execution date is the date on which the transfer should take place. This should preferably be a future date. Please check with the DP its deadlines for acceptance of instructions.
- DP of the seller would execute the instruction in the depository software.
 - As the buyer would have in all probability given a standing instruction for automatically receiving credits into its account (whether at the time of account opening or later), the securities will be transferred from the account of the seller to the account of the buyer on the execution date. Buyer is not required to do anything.
 - In the exceptional case of a buyer not having given a standing instruction to automatically receive credits, the buyer must submit the form for "Receipt Instructions" to his DP for every such credit into its account. DP of the buyer would execute the receipt instruction in the depository system and if the details match, the securities would be transferred on the execution date.
 - If there are partial/nil balances in the account of the seller, the instructions will fail and the securities will not be transferred.
 - A client can cancel an off market delivery instruction by means of a simple letter giving reference to the instruction slip. This letter should be signed by all the joint holders. DP can cancel the instructions in the depository system anytime before the transfer is effected.

8. INTER-DEPOSITORY TRANSFERS

Transfer of securities from an account in one depository to an account in another depository is termed as an inter-depository transfer. This facility is quite similar to the account transfers within NSDL.

- It can be done only for securities that are available for dematerialisation on both the depositories.

- The account in NSDL can be either a clearing account or a beneficiary account.
- For debiting the clearing account or the beneficial account with NSDL, the form for "Inter-depository delivery instruction" is required to be submitted by the clearing member/beneficial owner to its DP.
- For crediting the clearing account or the beneficial account, the standing instruction given for automatically crediting the account is applicable. In case the standing instructions are not given, then the form for "Inter-Depository Receipt Instruction" is required to be submitted by the clearing member/beneficial owner to its DP.
- As both the depositories are connected to each another, the batches to effect inter-depository transfers are presently exchanged twice on each working day.
- The Issuer/Registrar & Transfer Agent is informed about the transfer by both the depositories and it amends its records accordingly.

9. TRANSACTION STATEMENT FROM THE DEPOSITORY PARTICIPANT

As per the agreement between the DP and the clearing member, the DP is required to give a transaction statement to the clearing member atleast once a fortnight, unless agreed at shorter intervals. However, such a statement can be given once a quarter, if there are no transactions in the account.

The transaction statement will show the transactions done for each security giving counterparty details, ISIN, ISIN name, transaction date, quantity and the balance quantity in the account. A specimen of the transaction statement is enclosed.

10. AUTOMATION BY A CLEARING MEMBER

Typically, the back-office systems of a clearing member are automated which reduces errors, cost per transaction and thus providing much needed safety and convenience in settlement processing. The clearing members can include the details like DP ID & Client ID of clients in the back office system so that the delivery instructions can be generated from its back office.

NSDL has allowed its DPs to accept delivery instruction forms from its clearing members or clients accompanied with computer printouts of the instruction details subject to certain conditions.

Conditions

1. The computer printout (enclosure) should contain all the details as specified in the delivery instruction form.
2. Words "Details as per _____ (total) number of pages attached" should be written on the delivery instruction form.

3. The pre-printed serial number of the delivery instruction form should be mentioned on every page of the enclosure.
4. Every page of the enclosure and the delivery instruction form should be signed and stamped by the authorised signatory(ies).

The clearing member may also give the instructions in an electronic form in addition to the hard copy, if the DP is willing to accept the same. This will eliminate the need for manual data entry at the DPs office.

As the above facility is also extended for all clients with the above conditions, sub-brokers and corporates may avail of this facility of giving computerised instructions subject to the agreement of their DP.

Hints for automation

1. Clearing Member can map the trading client code with the demat account number (viz, DP ID & Client ID) of its client in its back-office. At the time of distribution of pay-out, everytime the DP ID and Client ID need not be written manually on the delivery instruction slip. It can be easily generated directly from its back-office.
2. Tracking of the record date/book closure of each security can be done to give an alert to move those securities to the beneficial owner accounts.

Internet services from NSDL - SPEED

NSDL offers a secured Internet based service for clearing members (such as brokers) of the connected stock exchanges linked to NSDL. This service named SPEED (Securities Position Easy Electronic Dissemination) enables the clearing members to view details of their clearing member pool accounts directly on the Internet. Data available include:

- Balance lying in CM Pool account
- Transactions for securities delivered by the clients (for Pay-in)
- Transactions for securities delivered by clearing member to Clearing Corporation (Pay-in)
- Transactions for securities delivered by Clearing Corporation to clearing member (Pay-out)
- Transactions for securities delivered by clearing member to clients (after Pay-out)

Details of all settlements for which pay-in had taken place in last 10 days and for which pay-in is scheduled in next 10 days is available. Data is updated 5 times in a day.

All the above data can be downloaded and input in clearing member's back office for further use. This facility will be of immense help to the clearing members as the downloaded data can be applied in their back-office system to automatically flag the clients who are yet

to deliver the securities for pay-in. This will enable them to follow-up with such clients for pending deliveries.

NSDL will keep on enhancing the SPEED facilities at regular intervals based on feedback received from users. You may visit us at www.nSDL.co.in or contact us at any of our offices for further details. An application form for joining SPEED is enclosed. In case you have any suggestions relating to SPEED, you are welcome to write to us or email us at speed@nSDL.co.in

11. CHARGES

NSDL adopts a two tier charge structure. NSDL does not directly charge the clearing members. NSDL charges its DPs and the DPs charges to the clearing members.


12. CORPORATE BENEFITS

Balances lying in the clearing accounts are not eligible for corporate benefits as these are only transit balances and not beneficiary positions. Recently, as per SEBI's press release dated May 23, 2000, it was decided that the corporate actions such as dividend payment and the bonus shares in respect of balances in the clearing account which remain outstanding on the record date must be credited to the bank/clearing account of the clearing member and the clearing member must credit the amount to his clients. This will enable the clients to receive the benefits of corporate actions. The depository system to facilitate sending the names of clearing members alongwith the beneficial ownership is presently under development.

Hence, it is necessary that as on the record date or one day prior to the book closure start date of any security, there should be nil balance of that security in the clearing account.

As per SEBI press release dated November 18, 1993, it was stipulated that for regulation of transactions between clients and brokers, the member brokers should deliver the securities purchased within two working days of pay-out unless the client has requested otherwise.

As per SEBI's letter dated May 7, 1999 to all stock exchanges, it directed that clearing members must give instructions to their DPs for transferring the securities lying in their clearing accounts to the respective beneficiary accounts immediately after pay-out. All clearing members must also ensure that the balances in the clearing accounts are brought to nil within fifteen days of pay-out.

 As on record date/book closure, there should be nil balance in clearing account.

In the event that, some securities remain in the clearing account as on the record date/book closure, the corporate benefits on these securities may either be delayed or lost. In such a case, the following procedure can be followed:

❑ **Claiming corporate benefits for securities lying in clearing account**

If some securities remain in the clearing account as on the record date/book closure, the corporate benefits on these securities may either be delayed or lost. The corporate benefit will always be given to the rightful beneficial owner of the securities as on the record date/book closure.

❑ **Procedure for claiming corporate benefits**

- Clearing member must transfer the securities to the beneficial owner account.
- Clearing member must write to NSDL giving details including CM-BP-ID, record date/book closure, ISIN, quantity, and a copy of the transaction statement reflecting the above transaction.
- In such a case, an inter-settlement transfer from cum-benefit settlement to ex-beneficial settlement should be avoided. If it is done, contact NSDL for guidance.
- NSDL will track the movement of securities and accordingly determine the beneficial ownership of such security.
- The beneficial ownership information will be given by NSDL to the concerned Issuer/Registrar & Transfer Agent.
- The concerned Issuer/Registrar & Transfer Agent will now distribute corporate benefits.

❑ **Claiming corporate benefits for pre pay-in of securities**

Sometimes securities may remain in the clearing account at the time of record date/book closure, if the clearing member does a pre pay-in of securities. In such a case, the same procedure, as given above, must be adopted.

❑ **Corporate benefits for Vyaj Badla clearing account**

Normally, securities lying in the Vyaj Badla clearing account can be moved only to the clearing house/clearing corporation. They cannot be transferred to any other account. Balances lying in the Vyaj Badla clearing accounts are also not eligible for corporate benefits, as these are only transit balances and not beneficiary positions. In view of this, the clearing house permits these securities to be moved to the beneficiary accounts only at the time of record date/book closure. Clearing members must ensure the same to avail of the corporate benefits.

DISCLAIMER

This booklet deals with the settlement related operating procedures that are to be followed by a clearing member in a depository environment. As the procedures may undergo a change, you should keep track of such changes. While every care has been taken to ensure accuracy and completeness of this booklet, NSDL shall not be responsible for any unintentional errors or omissions. This booklet cannot be any basis for any claims or demand or cause of action.

Trading & Settlement information of stock exchanges connected to NSDL

Stock Exchanges CC Id Trading System	NSE IN001002 NEAT	BSE IN001019 BOLT	CSE IN001027 COLT	DSE IN001035 DOTS	LSE IN001043 VECTOR	BgSE IN001051 BEST	OTCEI IN001060 OASIS	MSE IN001078 MANTRA	ISE IN001086 ICMS	ASE IN001094 ACTS
<u>Market Types</u>										
Physical (Account Period)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Auction Physical	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Rolling Market Lot	No	Yes	Yes	Yes	No	Yes	Yes	No	No	No
Rolling Odd Lot	Yes	No	No	No	No	No	Yes	No	No	No
Auction Rolling	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes	No
Bad Delivery	Yes	Yes	Yes	Yes	No	No	Yes	No	Yes	No
Company Objection	Yes	Yes	No	No	No	No	Yes	No	Yes	No
3D Market	Yes	No	No	No	No	No	No	No	No	No
Institutional	Yes	No	No	No	No	No	No	No	No	No
Rolling Type	T+5	T+5	T+5	T+5	NA	T+5	T+5	NA	NA	NA
<u>Physical (Account Period)</u>										
<u>Trading Days</u>	Wed-Tue	Mon-Fri	Fri-Thu	Mon-Fri	Mon-Fri	Tue-Mon	Sat-Fri	Thu-Wed	Thu-Wed	Fri-Thu
Day Nos.	1-7	1-5	1-7	1-5	1-5	1-7	1-7	1-7	1-7	1-7
<u>Securities Pay-in</u>										
Day	Tue	Thu	Thu	Fri	Fri	Thu	Fri	Tue	Fri	Wed
Day No.	14	11	14	12	12	10	14	13	9	13
<u>Securities Pay-out</u>										
Day	Wed	Fri	Fri	Sat	Sat	Fri	Sat	Thu	Tue	Fri
Day No.	15	12	15	13	13	11	15	15	13	15
<u>Funds Pay-in</u>										
Day	Tue	Thu	Thu	Thu	Sat	Fri	Fri	Mon	Mon	Thu
Day No.	14	11	14	11	13	11	14	12	12	14
<u>Funds Pay-out</u>										
Day	Wed	Sat	Fri	Sat	Mon	Fri	Sat	Thu	Wed	Sat
Day No.	15	13	15	13	15	11	15	15	14	16
<u>Auction Trading</u>										
Day	Wed	Mon	Fri	Mon	Fri	Fri	Sat	Thu	Mon	Thu
Day No.	15	15	15	15	12	11	15	15	12	14
<u>Securities Auction Pay-in</u>										
Day	Fri	Tue	Tue	Tue	Mon	Mon	Tue	Fri	Tue	Fri
Day No.	17	16	19	16	15	14	18	16	13	15
<u>Securities Auction Pay-out</u>										
Day	Sat	Wed	Tue	Tue	Mon	Tue	Wed	Mon	Sat	Sat
Day No.	18	17	19	16	15	15	19	19	17	16
<u>Clearing Bank</u>	Canara Bank, Global Trust Bank, HDFC Bank	Bank of India, HDFC Bank	Canara Bank, United Bank of India	Canara Bank, HDFC Bank, Punjab & Sindh Bank, Standard Chartered Bank	State Bank of India	Canara Bank	Canara Bank, Global Trust Bank, HDFC Bank	Bank of Baroda	Vysya Bank, ABN Amro Bank	Central Bank, HDFC Bank