

NSE Clearing Limited

Indicative list of repetitive non-compliances observed during inspection

During the inspection of the clearing members, a few non-compliances with the guidelines/directives/circulars prescribed by SEBI/NCL/NSE are observed repetitively by NSE Clearing Ltd. Please note below an indicative list containing such non-compliances for information of the clearing member to help them understand the compliance expectation.

Prescribed Compliances	Frequent inspection observations	Compliance expected
<p>Weekly collateral reporting</p> <p><u>Reference:</u></p> <p>NCL Circular No. NCL/COMP/41068 dated May 20, 2019, NCL/COMP/41500 dated July 3, 2019 NCL/CMPL/43201 dated January 10, 2020, NCL/CMPL/46450 dated November 25, 2020 and NCL/COMP/41725 dated July 26, 2019</p>	<ul style="list-style-type: none"> - Data reported by the clearing members are inconsistent/ incorrect when compared to data provided at the time of inspection for example:- <ul style="list-style-type: none"> o difference in the value of securities since gross value is reported to NCL instead of value after haircut o Client collaterals reported under PRO and vice versa - The clearing members are not reporting collaterals of custodial participants codes - The clearing members are not reporting their own PRO collaterals 	<p>The data reported needs to correct and consistent across all reporting requirements.</p> <p>The weekly reporting of collateral details is applicable to ALL clearing members who are rendering clearing services to other trading members or custodial participants.</p> <p>These circulars are not applicable to members who are registered with NCL as self-clearing members.</p> <p>Value of Securities should be the value on the basis of which the exposure has been provided to the Trading member/Clients</p>
<p>Closure of demat accounts</p> <ul style="list-style-type: none"> - Client Securities (Beneficiary) 	<ul style="list-style-type: none"> - Non closure of prescribed accounts within timelines. - The clearing members do not provide reasonable explanation for non-closure 	<p>The clearing members are required to follow the prescribed timelines.</p> <p>If members are unable to close the demat accounts due to reasons as stated in NSE circular, the member is required to either</p>

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<p><u>Reference:</u></p> <p>NSE/INSP/4229 dated September 27, 2019, NCL/CMPL/44976 dated July 10, 2020</p> <p>- Client Collateral</p> <p><u>Reference:</u></p> <p>NSE/INSP/45191 dated July 31, 2020, NSE/INSP/47457 dated February 25, 2021</p>		<p>suspend or freeze accounts within timelines.</p>
<p>Risk management policy (RMP)</p> <p><u>Reference:</u></p> <p>NCL Circular No. CMPL/NCL/44977 dated July 10, 2020 reiterated in NCL circular NCL/CMPL/49287 dated August 13, 2021</p>	<ul style="list-style-type: none"> - All the clauses as mentioned in the circular (i.e. from i to xii) are not specifically included in the RMP. - Many clauses of RMP is not applicable to a clearing member who does clearing & settlement only for its own custodial participants and not for other trading members. 	<ul style="list-style-type: none"> - All Clearing Members should have a prudent risk management system to protect themselves against the default made by their clients. The Risk Management Policy is required to be well documented and should cover all the points stated in NCL circular. - These circulars are not applicable to members who are registered with NCL as self-clearing members.
<p>Daily Margin Statement</p> <p><u>Reference:</u></p> <p>NSE/INSP/45191 dated July 31, 2020</p>	<p>Data reported to its client through issuance of DMS is inconsistent/incorrect when compared to data provided at the time of inspection</p>	<p>The data reported needs to be correct and consistent across all reporting requirements.</p>