

National Stock Exchange Of India Limited**Department : Inspection**

Download Ref No: NSE/INSP/43250

Date : January 16, 2020

Circular Ref. No: 03/2020

To All Members,

Sub: Clarifications on Running Account settlement of funds

This has reference to Exchange circular NSE/INSP/36889 dated February 02, 2018 with respect to actual settlement of client accounts. As per the existing requirement, Members are required to mandatorily settle the client accounts on a monthly / quarterly basis, as per the client preference, after ensuring a gap of maximum 30/90 days (as per the client mandate) between two running account settlements.

It has, however come to the notice of the Exchange that members are not following the said guidelines and are investing the actual settlement amount (Monthly / Quarterly) of the clients with the consent/without consent of the client / through POA in any scheme or investment products including mutual funds, Exchange traded funds such as liquid bees etc. In view of the same all the members are directed to credit the settlement amount (Monthly/Quarterly) to the client bank account directly and not run any schemes to invest the actual settlement amount (Monthly / Quarterly) with the consent/without consent of the client / through POA in any scheme or investment products.

Further Member's attention is also drawn to SEBI Circular CIR/HO/MIRSD/DOP/CIR/P/2019/139 dated November 19, 2019 wherein SEBI has mandated the collection & reporting of margins from clients in capital market segment. In view of the same it is clarified that apart from the retention of 125% of the margin liability in derivative segment as on the date of settlement, Trading Member may additionally retain the margin liability in Capital market segment as on the date of settlement and additional margin (up to 125% of the margin requirement as on the date of settlement). However, in partial modification to the Exchange Circular NSE/INSP/36889 dated February 02, 2018 on running account settlement, it is clarified that henceforth trading members shall not retain the value of funds & securities to the extent of the value of turnover (gross turnover) executed on date of settlement in cash market segment.

Members are hereby, advised to note that the following funds / securities may be retained at the time of settlement:-

- Entire pay-in obligation of funds & securities outstanding at the end of day on date of settlement
- Apart from margin liability as on the date of settlement, in all segments, additional margins (maximum up-to 125% of margin requirement on the day of settlement). The margin liability shall include the margin collected by the Member from their clients as per the risk management policy and informed to the clients.
- An amount of up to Rs 10,000/- (net amount across segment and across stock exchanges) after taking a one-time written consent of the client and in the manner prescribed in Exchange Circular NSE/INSP/36889 dated February 02, 2018.

The above guideline shall be applicable for all upcoming client account settlements from the date of the circular. All members are advised to take note and strictly comply with the above.

For and on behalf of

National Stock Exchange of India Limited

Srijith Menon

Chief Manager-Inspection

In case of any clarifications, Members may contact our below offices:

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