

NATIONAL SECURITIES CLEARING CORPORATION LIMITED
CORPORATE BONDS SETTLEMENT
Circular No. 532

Ref No. NSE/CMPT/13525

November 23, 2009

Dear Members / Custodians

Sub : Clearing and Settlement of trades in Corporate Bonds

With reference to SEBI circular SEBI/IMD/DOF-1/BOND/Cir-4/2009 dated October 16, 2009, RBI Circular RBI/2009-10/184 IDMD No.1764 /11.08.38/2009-10 dated October 16, 2009 & in continuation to NSE circular no 464 dated October 20, 2009 regarding Clearing and Settlement of trades in Corporate Bonds through Clearing Corporations, members are requested to please note the procedure for Clearing and Settlement for Corporate Bonds.

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For any further clarifications members may contact the following officials of the Clearing Corporation: Ms. Meghana Mukadam, Mr. Sanjay Das, Mr. Samir Naringrekar and Ms. Deepa Menon

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Yours faithfully,

For National Securities Clearing Corporation Ltd.

Rana Usman

Assistant Vice President

Item 1

PARTICIPANT REGISTRATION

1.1 Eligibility

All the entities (participants) desirous of settling trades in corporate bonds through NSCCL shall register with NSCCL. These entities inter-alia include those specified in the SEBI circular for mandatory clearing and settlement of corporate bond trades through the Clearing Corporation viz., mutual funds, foreign institutional investors/ sub-accounts, venture capital funds, foreign venture capital investors, portfolio managers, and RBI regulated entities as specified by RBI. Entities carrying out settlement on behalf of participants shall also be registered as participants.

1.2 Registration Procedure

All entities desirous of carrying out clearing and settlement of trades in corporate bonds through NSCCL shall be required to submit following documents as a part of registration procedure:

Agreement

- Participants carrying out clearing and settlement for themselves to execute the Corporate Bond Settlement Agreement as per format specified in Annexure I.
- Participants carrying out clearing and settlement on behalf of other participants i.e., custodians to execute the Corporate Bond Settlement Agreement as per format specified in Annexure II.

The agreement shall be required to be executed on Rs.100 franked document and signed and stamped on all pages.

Submission of account details

Participants shall also submit the details of their bank and DP account, through which the pay-in and payout shall be done, to the Clearing Corporation in the specified format as per Annexure III.

Application for FIMMDA platform

Participants desirous of availing the facility of viewing online status of transactions, receiving online alerts, messages etc may submit the application form for the FIMMDA platform. The platform may be used by the participants for reporting trades in corporate bonds and marking the trades for clearing & settlement by NSCCL. The format for application form for the FIMMDA platform is specified in Annexure IV.

1.3 Activation by NSCCL

On submission of necessary documents as per 1.2 above, the participants / custodians,

shall be provided login id and password for login in the FIMMDA platform for reporting and clearing and settlement. Entities that have signed the undertaking and provided bank and depository account details as enumerated in 1.2 above shall be provided the details of NSCCL's Bank Account and Depository Account which shall be used for carrying out settlements.

All the registered participants shall be eligible to carry out clearing & settlement of Corporate Bond trades through NSCCL

Item 2

SETTLEMENT SCHEDULE

The settlements of corporate bond trades shall be carried out between Monday to Friday for three settlement cycles viz., T+0, T+1 and T+2. The indicative cut-off timings for settlements are as under:

Details	Timings upto
<u>T+0 settlement</u>	
Intimation of intention to settle upto	2:00 pm
Settlement timings upto	3:00 pm
<u>T+1 and T+2 settlements</u>	
Intimation of intention to settle upto	10:00 am
Settlement timings upto	11:00 am

To start with, the exchange calendar followed for settlement holidays in the Capital Market Segment shall be applicable for the purposes of determining holidays for settlement of corporate bond trades through NSCCL.

Item 3

SETTLEMENT PROCEDURE

3.1 Settlement of Corporate Bond Transactions

All trades in corporate bonds available in demat form which are reported on any of the platforms provided by NSE viz., FIMMDA, NSE-WDM and NSE web site shall be eligible for settlement through NSCCL.

In order to facilitate settlement of corporate bond trades through NSCCL, both buy and sell participants shall be required to explicitly express their intention to settle the corporate bond trades through NSCCL. Where trades are reported on the FIMMDA reporting platform the participants can directly express their intent to settle on the platform in the clear & settle screen.

The trades will be settled at participant level on DVP I basis i.e., on gross basis for securities and funds. The settlements shall be carried out through the bank and DP accounts specified by the participants.

On the settlement date, during the pay-in, participants shall be required to transfer the securities to the Depository account specified by NSCCL and transfer the funds to the bank account specified by NSCCL within the stipulated cut-off time.

On successful completion of pay-in of both securities and funds, the securities / funds shall be transferred by NSCCL to the depository / bank account of the counter-party.

3.2 Custodian Trades

The participants desirous of clearing and settling the trade through a custodian may do so by specifying the custodian details.

Custodian may be specified either for a participant wherein all the trades for such participant shall be eligible for settlement by custodian or for a trade wherein only that trade shall be eligible for settlement by custodian.

In order to facilitate settlement of trades identified for settlement by custodian, through NSCCL, the custodian shall be required to explicitly express its intention to settle such trades through NSCCL. The settlement of trade in such case shall take place through the custodian's bank and DP account as specified by the custodian.

3.3 Failure of Settlement Obligation of Corporate Bond Transactions

If either of the participants / custodians fails to honor their pay-in obligation, either fully or partially, by stipulated time then the transaction shall be cancelled and shall not be considered for settlement. Further the securities / funds received towards the pay-in obligation shall be returned back to the respective participants / custodians.

Item 4

REPORTS

Participants who are registered on the FIMMDA platform shall be able to download below mentioned reports from the platform:

1. Trade Transaction
2. Obligation
3. Settlement Status
4. Pre Settlement Intimation
5. Market Data

Custodians who are registered on the FIMMDA platform shall be able to download below mentioned reports from the platform:

1. Obligation
2. Settlement Status
3. Pre Settlement Intimation