



CHAPTER 3: SETTLEMENT

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1. ACTIVITY SCHEDULE

1.1. Rolling settlement

In April 2002, the Indian capital markets introduced T+3 rolling settlement cycle. The settlement cycle of T+3 under the Rolling Settlement System, was shortened further to T+2 rolling settlement, w.e.f. April 01, 2003.

1.2. Activity Schedule for T+2 Rolling Settlement¹

The activity schedule is as under:

Sr. No.	Day	Time	Description of activity
1	T		Trade Day
2	T+1	By 1.00 PM	Completion of custodial confirmation of trades to CC/CH. (There is no separate extended time limit for late confirmations).
		By 2.30 PM	Completion of process and download obligation files to brokers/ custodians by the CC/CH.
3	T+2	Until 10.30 AM	Accept Pay-in instructions from investors into pool account
		By 10.30 AM	Submit final pay-in files to the depository and the clearing bank.
		By 1.30 PM	Pay-out of securities and funds.

1.3. Systems for effecting settlement on T+2 basis²

The stock exchanges shall also put in place the following systems for effecting settlement on T+2 basis.

- 1.3.1. A facility of late confirmation of trades by the custodians shall be provided. However, the time limit for late confirmation shall be fixed in a manner that the download of the final obligation files to brokers is not delayed.
- 1.3.2. The stock exchanges would levy an additional charge to discourage late confirmations by the custodians.

¹ Circular No. MRD/Dop/SE/Dep/Cir-18/2005 dated September 02, 2005

² Circular No. SMD/POLICY/Cir - /03 dated February 6, 2003



- 1.3.3. The stock exchanges would provide a system for handling shortages of funds and securities in an expeditious manner to adhere to the time schedule for pay-out.
- 1.3.4. The stock exchanges would also amend their byelaws to mandate the pay out of funds and securities to the clients by the broker within 24 hours of the payout.
- 1.3.5. The stock exchanges shall design an alternative clearing and settlement system in respect of companies whose shares have not been dematerialised to align the clearing and settlement system for such stocks with the T+2 rolling settlement.
- 1.3.6. The stock exchanges shall not normally permit changes in the Client ID and would keep a strict vigil on cases of client code modification and would implement a monetary penalty structure that would escalate with the number of such incidences. Besides, the exchanges may take necessary action against members making repeated changes. However, genuine mistakes may be allowed to be rectified.
- 1.3.7. Stock exchanges would encourage members to adopt automatic downloading of pay-in files for securities and funds. The members would also be encouraged to adopt direct transfer of securities/ funds to clients' account on pay-out.

The stock exchanges may also provide the following facilities desirable for further smoothing clearing and settlement process, though these may not be pre-conditions for introduction of T+2 rolling settlement.

- 1.3.8. Facility of online confirmation of trades by custodians.
- 1.3.9. System to capture the details of the client's depository account and bank account.
- 1.3.10. System for online transmitting the client wise pay-in obligation to depository so that the depository in turn could download the security pay-in instructions to depository participants in respect of the investor maintaining account with them.
- 1.3.11. System wherein the pay-out files could be sent to the clearing banks with a request to online credit to the bank accounts of the clients.
- 1.3.12. The stock exchanges would support development of front end software for brokers to map the Client ID through abbreviated keys to facilitate faster order entry for inserting the unique client code speedily.



1.4. Activity schedule for Auction Session³

Rolling settlement for T day trade

Sr. No.	Day	Description of activity
1	T	Trade Day
2	T+2	Pay-in/Pay-out of securities and funds

Auction settlement for T day trade

3	By T+2	Auction session
4	By T+3	Pay-in/pay-out and close-out of auction

In case of bank holidays, when multiple settlements (say S_1 and S_2) are conducted on the same day (say T_m), on the working day immediately following the day(s) of the closure, the auction session shall be as under:

- 1.4.1. The auction of first settlement (S_1) shall be conducted on the same day (T_m) and settled by next day (T_{m+1}).
- 1.4.2. The auction for the second settlement (S_2) shall be conducted on the next day (T_{m+1}) along with the shortages/auction of that day. The settlement of the same shall happen by the subsequent day (T_{m+2}).

³ Circular No. CIR/MRD/DP/39/2010 dated December 28, 2010, Circular No. CIR/MRD/DRMNP/8/2015 dated May 14, 2015 and Circular No. CIR/MRD/DRMNP/16/2015 dated August 06, 2015



2. CLOSE-OUT AND AUCTION / NO DELIVERY PERIOD / BOOK CLOSURE AND RECORD DATES

2.1. Close-out Procedure⁴

The Close-out Procedure is as below:

"The close out Price will be the highest price recorded in that scrip on the exchange in the settlement in which the concerned contract was entered into and up to the date of auction/close out

OR

20% above the latest available closing price at the exchange on the day on which auction offers are called for

WHICHEVER IS HIGHER

2.2. Close-out procedure for cases where "No Delivery Period"⁵ is abolished

In cases where "no delivery period" is abolished any short delivery by any member in the previous settlement where delivery was to be on cum basis can be closed out to the extent of the short delivery. In case of such direct close-out, the mark-up price would be 10%.

The reference price for such close out shall be the latest available closing price at the exchange.⁶

2.3. Close-out Procedure in case of indefinitely suspended/delisted scrips⁷

In the case of close out for scrips which have been indefinitely suspended/delisted, the reference price would be the twenty-six weeks' average traded price while the close out mark-up would be 20%.

⁴ Circular No. SMD/Policy/Cir-08/2002 dated April 16, 2002 and Circular No. SMD/Policy/IECG/5548/96 dated December 09, 1996

⁵ Circular No. SMD/Policy/Cir-08/2002 dated April 16, 2002

⁶ Circular No. SMD/Policy/Cir-08/2002 dated April 16, 2002

⁷ Circular No. SMD/Policy/Cir-21/02 dated September 04, 2002



2.4. **Close-out mark up in respect of Debentures and Bonds traded on the Stock Exchanges⁸**

The debentures and bond issued by the companies which are traded at the exchanges do not experience daily price variation in fashion similar to the equities. Therefore, close out mark up of 5% would be applied in case of debentures and bonds which are assigned a credit rating of triple A and above. However, for the other debentures and the bonds without the triple A credit rating, the existing close out mark up of 20% shall be applicable as is applicable in the case of equities.

2.5. **Auction⁹**

2.5.1. In no case the auction would be held more than once unless the same is approved by a special resolution of the Governing Board. The outstanding position at the end of the first auction cycle shall be automatically closed out.

2.5.2. In no case the auction shall be held beyond a period of one week from the pay in day of the settlement in which the concerned contract had been entered into.

2.6. **Proceeds from Auction/ Close-out¹⁰**

The Proceeds from Auction/ Close-out should be used to settle the claim of the aggrieved party. Any amount remaining thereof should be credited to the Core Settlement Guarantee Fund instead of crediting it to the defaulting party's account.

⁸ Circular No. SEBI/SMD/SE/Cir-26/2003/25/06 dated June 25, 2003

⁹ Circular No. SMD/Policy/IECG/5548/96 dated December 09, 1996

¹⁰ Circular No. SMD/Policy/Cir-10/99 dated May 04, 1999



3. DELIVERY VERSUS PAYMENT (DVP) / HAND DELIVERY BARGAINS

3.1. Hand Delivery Bargains/ DVP¹¹

All transactions executed on the stock exchanges shall be settled through the Clearing Corporation/House of the stock exchanges except for the following exceptional circumstances under which Hand Delivery Bargains/DVP may be permitted by the stock exchanges without attracting any margins and any penalty:

- 3.1.1. Total connectivity failure to the exchange/STP. (Specific connectivity issues of the custodians and members shall not be considered as valid exceptions).
- 3.1.2. International Holidays that may be decided upfront by the stock exchanges in consultation with the custodians.
- 3.1.3. Closing down of national/international centers due to calamities

¹¹ Circular No. MRD/DoP/SE/Cir- 17/2005 dated September 2, 2005



4. MODE OF PAYMENT AND DELIVERY

4.1. Mode of Payment and Delivery¹²

- 4.1.1. Brokers and APs should not accept cash from the client whether against obligations or as margin for purchase of securities and/ or give cash against sale of securities to the clients.
- 4.1.2. All payments shall be received/ made by the brokers from/ to the clients strictly by account payee crossed cheques/ demand drafts or by way of direct credit into the bank account through EFT, or any other mode allowed by RBI. The brokers shall accept cheques drawn only by the clients and also issue cheques in favour of the clients only, for their transactions.
- 4.1.3. Similarly, in case of securities also, giving/ taking delivery of securities in “demat mode” should be directly to / from the “beneficiary accounts” of the clients, except delivery of securities to a recognized entity under the approved scheme of the stock exchange and/ or SEBI.

¹² Circular No. SEBI/MRD/SE/Cir- 33/2003/27/08 dated August 27, 2003



5. SETTLEMENT IN CASE OF HOLIDAYS

5.1. Settlement of Transaction in case of Holidays¹³

Often the holidays of Banks and Stock Exchanges, holidays among Stock Exchanges in different states, are not common. This results in situations where Stock Exchanges are burdened with multiple settlements on the working day immediately following the day(s) of closure. Thus with the view to enable smooth Settlement process and enable Exchanges meet their obligations the Advisory Committee on Derivatives and Market Risk Management (RMG) in consultation with the Stock Exchanges and the Depositories has provided the following guidelines:

- 5.1.1. The Stock Exchanges shall clear and settle the trades on a sequential basis i.e., the pay-in and the pay-out of the first settlement shall be completed before the commencement of the pay-in and pay-out of the subsequent settlement(s).
- 5.1.2. The cash/Securities pay out from the first settlement shall be made available to the member for meeting his pay-in obligations for the subsequent settlement(s).
- 5.1.3. Further, in-order to meet his pay-in obligations for the subsequent settlement, the member may need to move securities from one depository to another. The Depositories shall, therefore, facilitate the inter-depository transfers within one hour and before pay-in for the subsequent settlement begins.
- 5.1.4. The Stock Exchanges/Depositories shall follow a strict time schedule to ensure that the settlements are completed on the same day.
- 5.1.5. The Clearing Corporation/ Clearing House of the Stock Exchanges shall execute Auto DO facility for all the settlements together, so as to make the funds and the securities available with the member on the same day for all the settlements, thereby enabling the availability of the funds/securities at the client level by the end of the same day.

5.2. Settlement in case of Unscheduled Holidays¹⁴

If the settlement holiday is unscheduled (on account of strike etc.) the clubbing of settlement at the last minute may not be possible and the provision of SEBI letter (ref. No. SMD/Policy/25249/2001 dated march 19, 2001 to Stock Exchanges) referred in the circular shall be applicable.

¹³ Circular No. SEBI/MRD/Policy/AT/Cir-19/2004 dated April 21, 2004

¹⁴ Circular No. SMDRPD/Policy/Cir-43/2001 dated August 20, 2001



6. CORE SETTLEMENT GUARANTEE FUND (CORE SGF)¹⁵

6.1. Definition of Core SGF

6.1.1. Based on deliberations in the Risk Management Review Committee of SEBI and further discussions with clearing corporations, stock exchanges and market participants, it has been decided to issue granular norms related to core settlement guarantee fund, stress testing and default procedures which would bring greater clarity and uniformity as well as align the same with international best practices while enhancing the robustness of the present risk management system in the clearing corporations. These norms are aimed at achieving mainly the following objectives:

- 6.1.1.1. create a core fund (called core settlement guarantee fund), within the SGF, against which no exposure is given and which is readily and unconditionally available to meet settlement obligations of clearing corporation in case of clearing member(s) failing to honour settlement obligation,
- 6.1.1.2. align stress testing practices of clearing corporations with FMI principles (norms for stress testing for credit risk, stress testing for liquidity risk and reverse stress testing including frequency and scenarios),
- 6.1.1.3. capture in stress testing, the risk due to possible default in institutional trades,
- 6.1.1.4. harmonise default waterfalls across clearing corporations,
- 6.1.1.5. limit the liability of non-defaulting members in view of the Basel capital adequacy requirements for exposure towards Central Counterparties (CCPs),
- 6.1.1.6. ring-fence each segment of clearing corporation from defaults in other segments, and
- 6.1.1.7. bring in uniformity in the stress testing and the risk management practices of different clearing corporations especially with regard to the default of members.

6.2. Objective of Core SGF

6.2.1. Clearing Corporation (CC) shall have a fund called Core SGF for each segment of each Recognised Stock Exchange (SE) to guarantee the settlement of trades executed in respective segment of the SE. In the event of a clearing member (member) failing to honour settlement commitments, the Core SGF

¹⁵ Circular CIR/MRD/DRMNP/25/2014 dated August 27, 2014



shall be used to fulfil the obligations of that member and complete the settlement without affecting the normal settlement process.

6.3. Corpus of Core SGF

6.3.1. The corpus of the fund should be adequate to meet out all the contingencies arising on account of failure of any member(s). The risk or liability to the fund depends on various factors such as trade volume, delivery percentage, maximum settlement liability of the members, the history of defaults, capital adequacy of the members, and the degree of safety measures employed by the CC/ SE etc. A fixed formula, therefore, cannot be prescribed to estimate the risk or liability of the fund. However, in order to assess the fair quantum of the corpus of Core SGF, CC should consider the following factors:

- 6.3.1.1. Risk management system in force
- 6.3.1.2. Current and projected volume/turnover to be cleared and settled by the CC on guaranteed basis
- 6.3.1.3. Track record of defaults of members (number of defaults, amount in default)

6.3.2. However, *Minimum Required Corpus of Core SGF (MRC)* for each segment of each stock exchange shall be subject to the following:

- 6.3.2.1. The MRC shall be fixed for a month.
- 6.3.2.2. By 15th of every month, CC shall review and determine the MRC for next month based on the results of daily stress tests of the preceding month. (For example, by 15th February, CC shall determine MRC for March based on results of various stress tests conducted in January). CC shall also review and determine by 15th of every month, the adequacy of contributions made by various contributors and any further contributions to the Core SGF required to be made by various contributors (as per clause 6.4.1) for the next month.
- 6.3.2.3. For every day of the preceding month (i.e., January as per example in 6.3.2.2 above), uncovered loss numbers shall be estimated by the various stress tests for credit risk conducted by the CC for the segment (as per clause 6.14.2) and highest of such numbers shall be taken as worst case loss number for the day.
- 6.3.2.4. Average of all the daily worst case loss numbers determined in 6.3.2.3 above shall be calculated.



- 6.3.2.5. The MRC for next month (i.e., March as per example in 6.3.2.2 above) shall be higher of the average arrived in at step 6.3.2.4 above and the segment MRC as per previous review (i.e., review done on 15th January for the month of February).

6.4. Contribution to Core SGF

- 6.4.1. At any point of time, the contributions of various contributors to Core SGF of any segment shall be as follows:

6.4.1.1. Clearing Corporation contribution: CC contribution to Core SGF shall be at least 50% of the MRC. CC shall make this contribution from its own funds. CC contribution to core SGFs shall be considered as part of its net worth.

6.4.1.2. Stock Exchange contribution: Stock Exchange contribution to Core SGF shall be at least 25% of the MRC

6.4.1.3. Clearing Member primary contribution: If the CC wishes, it can seek risk based contribution from Clearing Members (CMs) of the segment (including custodial clearing members) to the Core SGF subject to the following conditions:

6.4.1.3.1. that total contribution from CMs shall not be more than 25% of the MRC,

6.4.1.3.2. that no exposure shall be available on Core SGF contribution of any CM (exposure-free collateral of CM available with CC can be considered towards Core SGF contribution of CM), and

6.4.1.3.3. that required contributions of individual CMs shall be pro-rata based on the risk they bring to the system.

CC shall have the flexibility to collect CM primary contribution either upfront or staggered over a period of time. In case of staggered contribution, the remaining balance shall be met by CC to ensure adequacy of total Core SGF corpus at all times. Such CC contribution shall be available to CC for withdrawal as and when further contributions from CMs are received.

The above prescribed limits of contribution by CC, SE and CMs may be reviewed by SEBI from time to time considering the prevailing market conditions.



- 6.4.2. Any penalties levied by CC (as per Regulation 32 of SECC Regulations) shall be credited to Core SGF corpus.
- 6.4.3. Interest on cash contribution to Core SGF shall also accrue to the Core SGF and pro-rata attributed to the contributors in proportion to their cash contribution.
- 6.4.4. CC shall ordinarily accept cash collateral for Core SGF contribution. However, CC may accept CM contribution in the form of Central Government Securities, in addition to Cash and Bank Fixed Deposits¹⁶. CC shall adhere to specific guidance which may be issued by SEBI from time to time in this regard.
- 6.4.5. The unutilized portion of contribution made by the stock exchange towards the Core SGF, for any segment(s), maintained by the Clearing Corporation, as available with the Clearing Corporation, shall be refunded to the stock exchange, in case the stock exchange decides to close down its business or decides to avail the clearing and settlement services of another Clearing Corporation for that segment(s), subject to it meeting all dues of the clearing corporation.¹⁷
- 6.5. **Transfer of excess contribution made by Stock Exchanges from Core SGF of one Clearing Corporation to the Core SGF of another Clearing Corporation¹⁸**
- 6.5.1. Stock Exchanges are allowed to of excess contribution made by them from Core SGF of one Clearing Corporation to the Core SGF of another Clearing Corporation, in inter-operable scenario. However, Stock Exchanges and Clearing Corporations are advised to ensure the following:
- 6.5.1.1. Upon receipt of request from an Exchange in this regard, the Clearing Corporation which receives such request shall transfer directly such excess contribution of the Exchange, in its Core SGF to the core SGF of another Clearing Corporation, under intimation to that Exchange.
- For Example, if Exchange 'A' requests to transfer its excess contribution from Core SGF of Clearing Corporation 'B' to Core SGF of Clearing Corporation 'C' then after receipt of such request from 'A', 'B' would transfer directly the excess contribution of 'A' from Core SGF of 'B' to Core SGF of 'C', under intimation to Exchange 'A'.

¹⁶ Circular No. CIR/MRD/DRMNP/33/2017 dated April 26, 2017

¹⁷ Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2016/54 dated May 4, 2016

¹⁸ Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2021/03 dated January 08, 2021



6.5.1.2. The Clearing Corporations shall ensure compliance with requirements of Minimum Required Corpus (MRC) of Core SGF as prescribed by SEBI.

6.6. Contribution to Core SGF of LPCC¹⁹

6.6.1. At any point of time, the contributions of various contributors to Core SGF shall be as follows:

6.6.1.1. Issuer contribution: Contribution of Issuers of Debt securities to Core SGF shall be equivalent to 0.5 basis points of the issuance value of debt securities per annum based on the maturity of debt securities, to be collected upfront, in the manner specified by the Board.

6.6.1.2. Clearing Member (CM) primary contribution:

CMs contribution to Core SGF shall be risk based and equivalent to deficit in MRC post contribution by Issuers. The said contribution by CMs shall be subject to the following conditions:

- 6.6.1.2.1. that no exposure shall be available on Core SGF contribution of any CM (exposure-free collateral of CM available with CC can be considered towards Core SGF contribution of CM), and
- 6.6.1.2.2. that required contributions of individual CMs shall be pro-rata based on the risk they bring to the system.

LPCC shall have the flexibility to collect CM primary contribution, including flexibility to either collect the CM primary contribution upfront or staggered over a period of time. In case LPCC does not seek contribution from CM or seeks staggered contribution, the remaining balance shall be met by LPCC to ensure adequacy of total Core SGF corpus at all times. Such LPCC contribution shall be available to LPCC for withdrawal as and when further contributions from CMs are collected / received.

6.6.1.3. Clearing Corporation contribution: LPCC shall transfer profit to the Core SGF in terms of Regulation 22E(1) of SECC Regulations, 2018, within 30 days of adoption of financial statements by the shareholders in the Annual General Meeting. LPCC may make additional contribution to

¹⁹ Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/245 dated December 21, 2020



Core SGF from its own funds. LPCC's contribution to core SGF shall be considered as part of its net worth.

The above prescribed limits of contribution may be reviewed by SEBI from time to time (latest by end of 5 years from the date of grant of recognition to a LPCC), considering the prevailing market conditions.

6.7. Management of Core SGF

6.7.1. The Member and Core Settlement Guarantee Fund Committee of the Clearing Corporation shall manage the Core SGF.

The CCs shall follow prudential norms of Investment policy for Core SGF corpus and establish and implement policies and procedures to ensure that Core SGF corpus is invested in highly liquid financial instruments with minimal market and credit risk and is capable of being liquidated rapidly with minimal adverse price effect.

6.7.2. While framing the 'Investment policy', the clearing corporations shall consider the following principles:

6.7.2.1. The investment policy of the Clearing Corporation shall be built on the premise of highest degree of safety and least market risk.

6.7.2.2. The investments shall be broadly in Fixed Deposits/ Central Government Securities and Liquid schemes of Debt Mutual Funds.

6.7.3. Accordingly, the Clearing Corporations shall align the investment policy in line with the principles for investment laid down at para 6.7.2 above, subject to the following:

6.7.3.1. Fixed Deposit with Banks [only those banks which have a net worth of more than INR 500 crore and are rated A1 (or A1+) or equivalent, as mentioned at para 12 of SEBI circular dated August 27, 2014];

6.7.3.2. Central Government Securities; and

6.7.3.3. Liquid schemes of debt mutual funds.

6.7.3.3.1. Investment in liquid scheme of debt mutual funds shall not exceed a limit of ten per cent of the total investible resources held by the clearing corporation, at any point in time.



6.7.3.3.2. In case the Clearing Corporation has investments in mutual funds beyond the limits specified above, then such excess investments shall be liquidated by the Clearing Corporation within six months from the date of issuance of this circular. Fresh investments by the Clearing Corporation beyond the threshold limit prescribed above are not permitted.

6.7.4. The CCs shall further ensure that the financial instruments in which the Core SGF corpus is invested remain sufficiently diversified at all times. SEBI may prescribe the investment norms in this regard from time to time.

6.8. Access to Core SGF

6.8.1. CC may utilize the Core SGF in the event of a failure of member(s) to honour settlement commitment.

6.9. Further contribution to/ Recoupment of Core SGF

6.9.1. Requisite contributions to Core SGF by various contributors (as per clauses 6.3.2 and 6.3.26.4.1) for any month shall be made by the contributors before start of the month.

In the event of usage of Core SGF during a calendar month, contributors shall, as per usage of their individual contribution, immediately replenish the Core SGF to MRC. However, such contribution towards replenishment of Core SGF by the members would be restricted to only once during a period of 30 calendar days regardless of the number of defaults during the period. The period of 30 calendar days shall commence from the date of notice of default by Clearing Corporation to market participants.²⁰

In case there is failure on part of some contributor(s) to replenish its (their) contribution, same shall be immediately met, on a temporary basis during the month, in the following order:

- (i) By CC
- (ii) By SE

²⁰ Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/01 dated January 03, 2020



6.10. Further contribution to / Recoupment of Core SGF of LPCC²¹

- 6.10.1. Requisite contributions to Core SGF by various contributors (as per clauses 6.3.2 and 6.5), except upfront contribution by Issuers (as per clause 6.6.1.1) and annual contribution of profits by LPCC (as per clause 6.6.1.3), for any month shall be made by the contributors before start of the month.
- 6.10.2. In the event of usage of Core SGF during a calendar month, contributors shall, as per usage of their individual contribution, immediately replenish the Core SGF to MRC. However, such contribution towards replenishment of Core SGF by the members would be restricted to only once during a period of 30 calendar days regardless of the number of defaults during the period. The period of 30 calendar days shall commence from the date of notice of default by Clearing Corporation to market participants.
- 6.10.3. In case there is failure on part of some contributor(s) to replenish its (their) contribution, same shall be immediately met, on a temporary basis during the month, by LPCC.

6.11. Review of Core SGF

- 6.11.1. The monthly review results shall be communicated to the Risk Management Committee and the Governing Board of the Clearing Corporation. The exception reporting shall be made to SEBI detailing the outcome of the review by the CC Governing Board, including steps taken to enhance the Core SGF.

6.12. Default waterfall

- 6.12.1. The default waterfall of CC for any segment shall generally follow the following order:
 - a. Monies of defaulting member (including defaulting member's primary contribution to Core SGF(s) and excess monies of defaulter in other segments).
 - b. Insurance, if any.
 - c. CC resources (equal to 5% of the segment MRC).
 - d. Core SGF of the segment in the following order:
 - i. Penalties
 - ii. CC contribution to the extent of at least 25% of the segment MRC

²¹ Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/245 dated December 21, 2020



- iii. Remaining Core SGF: CC contribution, Stock Exchange contribution and non-defaulting members' primary contribution to Core SGF on pro-rata basis.
- e. Proportion of remaining CC resources (excluding CC contribution to core SGFs of other segments and INR 100 Crore) equal to ratio of segment MRC to sum of MRCs of all segments*
- f. CC/SE contribution to Core SGFs of other segments (after meeting obligations of those segments) and remaining CC resources to that extent as approved by SEBI.
- g. Capped additional contribution by non-defaulting members of the segment.**²²
- h. Any remaining loss to be covered by way of pro-rata haircut to payouts***

* INR 100 Crore to be excluded only when remaining CC resources (excluding CC contribution to core SGFs of other segments) are more than INR 100 Crore.

** (i) CC shall call for the capped additional contribution only once during a period of 30 calendar days regardless of the number of defaults during the period. The period of 30 calendar days shall commence from the date of notice of default by CC to market participants.

(ii) CCs shall have relevant regulations/provisions for non-defaulting members to resign un-conditionally within the abovementioned period of 30 calendar days, subject to member closing out/settling any outstanding positions, paying the capped additional contribution and any outstanding dues to SEBI. No further contribution shall be called from such resigned members.

(iii) The maximum capped additional contribution by non-defaulting members shall be lower of 2 times of their primary contribution to Core SGF or 10% of the Core SGF of the segment on the date of default in case of equity/ debt segments.

(iv) The maximum capped additional contribution by non-defaulting members shall be lower of 2 times of their primary contribution to Core SGF or 20% of the Core SGF of the segment on the date of default in case of derivatives segment.

(v) In case of shortfall in recovery of assessed amounts from non-defaulting members, further loss can be allocated to layer 'VI' with approval of SEBI."

²² Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/01 dated January 03, 2020



***In case loss allocation is effected through haircut to payouts, any subsequent usage of funds shall be with prior SEBI approval. Further, any exit by CC post using this layer shall be as per the terms decided by SEBI in public interest.

6.13. **Default waterfall of LPCC²³**

6.13.1. The default waterfall of CC shall generally follow the following order:

- a. Monies of defaulting member (including defaulting member's primary contribution to Core SGF.
- b. Insurance, if any.
- c. Issuers contribution to Core SGF.
- d. LPCC resources (equal to 5% of MRC).
- e. Core SGF in the following order:
 - i. Penalties
 - ii. Previous financial years profit of LPCC transferred to Core SGF
 - iii. Remaining Core SGF: LPCC contribution and non-defaulting members' primary contribution to Core SGF on pro-rata basis.
 - iv. Remaining profit of LPCC transferred to Core SGF
- f. Remaining LPCC resources (excluding INR 100 Crore).*
- g. Remaining LPCC resources to the extent as approved by SEBI
- h. Capped additional contribution by non-defaulting members.**
- i. Any remaining loss to be covered by way of pro-rata haircut to payouts.***

* INR 100 Crore to be excluded only when remaining LPCC resources are more than INR 100 Crore.

** (i) LPCC shall call for the capped additional contribution only once during a period of 30 calendar days regardless of the number of defaults during the period. The period of 30 calendar days shall commence from the date of notice of default by LPCC to market participants.

(ii) LPCC shall have relevant regulations/provisions for non-defaulting members to resign un-conditionally within the abovementioned period of 30 calendar days, subject to member closing out/settling any outstanding positions, paying the capped additional contribution and any outstanding dues to SEBI. No further contribution shall be called from such resigned members.

²³ Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/245 dated December 21, 2020



(iii) The maximum capped additional contribution by non-defaulting members shall be lower of 2 times of their primary contribution to Core SGF or 10% of the Core SGF on the date of default.

(iv) In case of shortfall in recovery of assessed amounts from non-defaulting members, further loss can be allocated to layer 'VII' with approval of SEBI."

***In case loss allocation is effected through haircut to payouts, any subsequent usage of funds shall be with prior SEBI approval. Further, any exit by CC post using this layer shall be as per the terms decided by SEBI in public interest.

6.14. Stress testing and back testing

6.14.1. CC shall effectively measure, monitor, and manage its credit exposures to its participants and those arising from its payment, clearing, and settlement processes.

6.14.2. **Stress test for credit risk:** CC shall carry out daily stress testing for credit risk using at least the standardized stress testing methodology prescribed for each segment viz. equity, equity derivatives and currency derivatives in the Annexure. Apart from the stress scenarios prescribed for cash market and derivatives market segments in the Annexure, CCs shall also develop own scenarios for a variety of 'extreme but plausible market conditions' (in terms of both defaulters' positions and possible price changes in liquidation periods, including the risk that liquidating such positions could have an impact on the market) and carry out stress testing using self-developed scenarios. Such scenarios should include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions.

Also, for products for which specific stress testing methodology has not been prescribed in this circular, CCs shall develop extreme but plausible market scenarios (both hypothetical and historical) and carry out stress tests based on such scenarios and enhance the corpus of Core Settlement Guarantee Fund/ reserves, as required by the results of such stress tests.

6.14.3. **Liquidity stress test and adequacy of liquidity arrangements:** CC shall ensure that it maintains sufficient liquid resources to manage liquidity risks from members, settlement banks and those generated by its investment

policy. CC shall daily test the adequacy of its liquidity arrangements in order to ensure that its liquid resources are adequate to meet simultaneous default of at least two clearing members and their associates that would generate the largest aggregate liquidity obligation for the CC in extreme but plausible market conditions and compare such obligation with the resources mentioned hereunder:

- a) Cash
- b) Committed lines of credit available to CC

- 6.14.4. **Reverse stress test:** CC shall periodically carry out reverse stress tests designed to identify under which market conditions and under what scenarios the combination of its margins, Core SGF and other financial resources prove insufficient to meet its obligations (e.g. simultaneous default of top N members or N% movement in price of top 2 scrips by turnover or 20% movement in price of top N scrips by turnover etc.)
- 6.14.5. **Back testing for adequacy of margins:** CC shall daily conduct back testing of the margins collected vis-à-vis the actual price changes for the contracts being cleared and settled in every segment to assess appropriateness of its margining models.
- 6.14.6. **Adequacy of financial resources:** CC shall ensure that it maintains sufficient financial resources to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their associates that would potentially cause the largest aggregate credit exposure to the CC in extreme but plausible market conditions. Thus, CC shall continuously monitor the adequacy of financial resources (as available in its default waterfall) against the uncovered loss estimated by the various stress tests conducted by the CC and take steps to beef up the same in case of shortfall.
- 6.14.7. On at least a monthly basis, CC shall perform a comprehensive and thorough analysis of stress testing scenarios, models, and underlying parameters and assumptions used to ensure they are appropriate for determining the CCP's required level of default protection in light of current and evolving market conditions. CC shall perform this analysis of stress testing more frequently when the products cleared or markets served display high volatility, become less liquid, or when the size or concentration of positions held by a CC's



participants increase significantly. A full validation of CC's risk-management model shall be performed at least annually.

The results of tests carried out as per clauses 6.10.1. to 6.10.5. above and review conducted as per clause 6.10.6. shall be monitored by the Risk Management Committee of the CC and the same should be communicated for discussion and review by the Board of the CC.

Annexure

Standard Stress Test Scenarios

Day of Stress test - 'S' day

Cash Market Segment:

Scenario 1: Default by 2 Brokers

1. CC shall compute the 'Cumulative Funds pay-in', 'Cumulative Funds pay-out', 'Cumulative Securities pay-in' and 'Cumulative Securities pay-out' of all members as on the end of pay-in deadline on the 'S' day. For this purpose, cumulative payin/payout of each member's trades (shall include non-institutional trades as well as 2X% by value of those institutional trades which have not yet been confirmed by the custodian) undertaken on 'S-2' day, 'S-1' day and on 'S' day till the pay-in deadline shall be considered. (X being the highest daily % by value of custodial rejects in the previous 12 months)
2. Any early pay-in of funds/securities shall be ignored.
3. It shall be assumed that each clearing member would default in meeting its 'cumulative funds pay-in' and 'cumulative securities pay-in' obligations.
4. **Loss:**

I. Securities pay-in failure of the member: It shall be assumed that the failure to bring in securities would result in financial close-out and the clearing corporation would suffer a loss of 20% (at the minimum) of the value of such securities pay-in obligation.

II. Funds pay-in obligation failure of the member: The assumed loss on liquidation of securities that would have been paid-out to the defaulting member shall be -

a. Group 1 securities - 20%

b. Group 2 & 3 securities - 20% scaled up by root of 3.

III. Gross loss due to member = (Funds pay-in) + (120% of securities pay-in) - (funds pay-out) - (liquidation value of securities pay-out)

5. Coverage:

Clearing corporation shall calculate the gross loss (as per 4 above) for each clearing member and assess that against the defaulting clearing members'



required margins (In case of early pay-in, those margins which would have been applicable had the early pay-in was not made, to be considered. Excess collateral, if any, shall be ignored) and other mandatory deposits to find the credit exposure of CC towards each member. Equity scrips as collateral, if any, shall be valued with minimum 20% haircut.

6. Clearing Corporation shall calculate the total credit exposure due to simultaneous default of at least two clearing members (based on residual loss calculated in 5 above) and their associates causing highest credit exposure.

Scenario 2: Default by 1 Custodian

1. CC shall compute the 'Cumulative Funds pay-in', 'Cumulative Funds pay-out', 'Cumulative Securities pay-in' and 'Cumulative Securities pay-out' of all custodians as on the end of pay-in deadline on the 'S' day. For this purpose, cumulative pay-in/payout of each custodian's trades (shall include those trades which have been confirmed by the custodian) undertaken on 'S-2' day, 'S-1' day and on 'S' day till the pay-in deadline shall be considered.
2. Any early pay-in of funds/securities shall be ignored.
3. It shall be assumed that each custodian would default in meeting its 'cumulative funds pay-in' and 'cumulative securities pay-in' obligation.
4. **Loss:**

I. Securities pay-in failure of the member: It shall be assumed that the failure to bring in securities would result in financial close-out and the clearing corporation would suffer a loss of 20% (at the minimum) of the value of such securities pay-in obligation.

II. Funds pay-in obligation failure of the member: The assumed loss on liquidation of securities that would have been paid-out to the defaulting member shall be -

a. Group 1 securities - 20%

b. Group 2 & 3 securities - 20% scaled up by root of 3.

III. Gross loss due to member = (Funds pay-in) + (120% of securities pay-in) - (funds pay-out) - (liquidation value of securities pay-out)

5. **Coverage:**

Clearing corporation shall calculate the gross loss (as per 4 above) for each custodian and assess that against the defaulting custodians' *required margins* (In case of early pay-in, those margins which would have been applicable had the early pay-in was not made, to be considered. Excess collateral, if any, shall be ignored) and other mandatory deposits to find the credit exposure of CC towards each custodian. Equity scrips as collateral, if any, shall be valued with minimum 20% haircut.

6. Clearing Corporation shall calculate the total credit exposure due to default of the custodian (based on residual loss calculated in 5 above) causing highest credit exposure.



Equity Derivatives and Currency Derivatives segments:

The loss on closing out of client/proprietary positions shall be as per the following scenarios:

Hypothetical

Price movement in respect of each underlying to the extent of 1.5 times the normal price scan range (PSR) and 1.5 times the normal volatility scan range shall be considered.

Scenario 1: Underlying price increasing by 1.5 PSR, volatility increasing by 1.5 VSR.

Scenario 2: Underlying price decreasing by 1.5 PSR, volatility increasing by 1.5 VSR.

Historical:

Price movement in respect of each underlying over the last 10 years to be considered. The maximum percentage price movement shall be applied to the price on the day for which the stress test is being done:

Scenario 3: Maximum percentage rise over a period of 1 day

Scenario 4: Maximum percentage fall over a period of 1 day

All open positions shall be assumed to be squared up at the theoretical price corresponding to the revised prices of the underlying in each of the scenarios 1, 2, 3 and 4. The net profit/loss in squaring off the portfolio is to be calculated under each of the scenarios 1, 2, 3 and 4.

For each clearing member, the credit exposure to CC shall be calculated as follows:

- a. The time of stress test shall be the time of pay-in deadline.
- b. It shall be assumed that clearing member will default at the time of pay-in.
- c. Loss shall be calculated at client portfolio level.
- d. For each client, residual loss shall be equal to \rightarrow (loss due to close-out of client positions - margin supporting client positions)
- e. All residual losses (residual profits to be ignored) for all clients shall be grossed to compute total residual losses due to client positions.
- f. Loss due to close-out of proprietary positions shall be considered.
- g. Loss at (e) and loss at (f) and the net pay-in/pay-out requirement of the clearing member (pay-in and pay-out pertaining to requirements of both S-1 and S (till pay-in time) day to be reckoned) shall be assessed against required margins (excluding margin supporting client positions and excess collateral, if any) and other mandatory deposits of defaulting member to calculate credit exposure of CC to the member. Equity scrips as collateral, if any, shall be valued with minimum 20% haircut.

For each of the scenarios 1, 2, 3 and 4, Clearing Corporation shall calculate the total credit exposure due to simultaneous default of at least 2 clearing members (and their associates) causing highest credit exposure.



7. TRANSFER OF FUNDS AND SECURITIES

7.1. Transfer of Funds and Securities from member to client²⁴

- 7.1.1. The member shall transfer Funds and Securities from their respective pool account to the respective beneficiary account of their client within **1 working day after the pay-out day**.
- 7.1.2. The Securities lying in the pool account beyond the above period would not be eligible for delivery in the subsequent settlement(s) and would also be not eligible for pledging or stock lending purpose, until the same is credited to the beneficiary accounts.
- 7.1.3. The Securities lying in the pool account beyond the stipulated 1 day shall attract a penalty at the rate of 6 basis point per week on the value of securities. The penalty so collected by the depositories shall be credited to a separate account with the depository and earmarked for defraying the expenses in connection with the investors' education and awareness programs conducted by the depositories.
- 7.1.4. The securities, which are lying in these accounts beyond the specified time period, shall initially be identified based on FIFO (First-In First-Out) basis. However, with effect from March 5, 2001, the securities shall be identified based on the settlement number basis. The clearing corporation/houses of the stock exchanges shall provide the settlement-wise details of securities to the depositories and the depositories shall maintain the settlement-wise records for the purpose.
- 7.1.5. Further with effect from April 2, 2001, stock exchanges shall introduce the settlement system for direct delivery of securities to the investors. Clearing corporation/clearing house (CC/CH) shall ascertain from each clearing member, the beneficial account details of their respective clients who are due to receive pay out of securities. Based on this, the CC/CH shall send pay out instructions to the depositories so that the client receives pay out of securities directly to the extent of instructions received from the respective clearing members. To the extent of instruction not received, the securities shall be credited to the CM pool account.

²⁴ Circular Nos. MRD/DoP/SE/Dep/Cir-30/2004 dated August 24, 2004, SEBI/MRD/Policy/AT/Cir-19/2004 dated April 21, 2004 and SMDRP/Policy/Cir-05/2001 dated February 01, 2001



8. TRANSFER DEED

8.1. Affix stamp of member affiliation to stock exchange on reverse of transfer deed (Physical Shares)²⁵

While delivering shares in the market, the delivering broker is required to affix, on the reverse of the transfer deed a rubber stamp indicating his name, clearing number allotted to him by the Stock Exchange of which he is a member and date of such delivery. The following steps are to be followed in order to facilitate the last purchaser, in the event of any problems of bad delivery etc., to approach the first introducing broker for rectification of defect(s).

8.1.1. All the brokers should have their SEBI Registration number preprinted on their contract notes.

8.1.2. All brokers should affix rubber stamp on the reverse of transfer deeds with their trade name and SEBI registration number as it appears in the SEBI Registration Certificate. Also the stamp should indicate the name of the Stock Exchange of which the Broker is a member. The rubber Stamp should be as under:

Name & Name of the Stock Exchange: e.g. J.V.Shah, BOM
SEBI Registration Number:

The brokers should also be instructed to invariably fill in the date of delivery while delivering the shares in the market.

8.1.3. All the stock Exchanges should incorporate the SEBI Registration numbers of the brokers in the various computer reports generated by them.

8.2. Transfer Deed with or without Inscription²⁶

All Transfer Deeds with or without the inscription of the name of the Stock Exchange on the reverse shall be treated as good delivery provided they are complete in all other respects and otherwise in order.

²⁵ Ref.SMD-I/22532 dated October 19, 1993

²⁶ Ref. SMD/6059 dated October 17, 1994



8.3. Delay in transfer of shares by companies²⁷

8.3.1. Pending Transfer of Share

8.3.1.1. In case the transfer deed and the share certificates are with the company awaiting transfer beyond 30 days and in cases where the same are returned by the company to the investor with a company objection including due to signature difference (other than court cases where injunction has been ordered), companies shall effect the transfer of shares on obtaining from the transferee the proof of purchases duly acknowledged by the stock exchange/broker. If so desired, a company may also obtain indemnity bond from the transferee. Before effecting transfer, the company shall within 10 days of the date of such direction, send letters under registered post AD/Speed Post AD to the transferor(s) asking for their confirmations/no-objection, so as reach the company within 15 days from the date of receipt of the letter by the transferor. If the confirmation is received /no-objection is not received within 15 days from the transferor(s), the transfer would be effected immediately thereafter. The valid objection, if any should be accompanied by correspondingly old prohibitory order from a competent authority. Immediately after effecting the transfer of shares, the benefits (i.e. Bonus, rights, dividend) held back by the company shall be handed over to the transferee. If such benefits have been passed on to the transferor, the concerned stock exchange shall arbitrate through the brokers of the transferor and the transferee to determine the rightful claimant. Keeping in view the provisions of Section 206 A of the Companies Act and Section 27 of the Securities Contracts (Regulation) Act, 1956, in such cases, the Stock Exchanges should entertain claims for resolving through arbitration even if they are beyond the stipulated time of 4 months.

8.3.1.2. In respect of complaints (other than court cases where injunction has been ordered) where the original transfer deeds have been lost in the process of rectification on account of company objection, companies shall transfer the shares as per the first proviso to sub-section (1) of Section 108 of the Companies Act on obtaining from the transferee the proof of purchases duly acknowledged by the stock exchange/broker on an indemnity bond from the transferee. Before effecting transfer, the

²⁷ Circular No. SMDRP/POLICY/CIR-46/2001 dated September 27, 2001



company shall within 10 days of the date of such direction, send letters under registered post AD/ Speed post AD to the transferor(s) asking for their confirmations/no -objection, so as reach the company within 15 days from the date of receipt of the letter by the transferor. If the confirmation is received/no objection is not received within 15 days, the transfer would be effected immediately thereafter. The valid objection, if any, by the transferor shall be accompanied by correspondingly old prohibitory order from a competent authority. Immediately after effecting the transfer of shares, the benefits (i.e. Bonus, rights, dividend) held back by the company shall be handed over to the transferee. If such benefits have been passed on to the transferor, the concerned stock exchange shall arbitrate through the brokers of the transferor and the transferee to determine the rightful claimant. Keeping in view the provisions of the Section 206 A of the Companies Act and Section 27 of the Securities Contracts (Regulation) Act, 1956, in such cases, the Stock Exchanges should entertain claims, even if they are beyond the stipulated time.

- 8.3.1.3. In respect of companies where shares and transfer deeds are lying with the investor or introducing broker-member (IM), and IM has already paid/replaced shares to buyer/broker due to bad delivery on account of objection memo raised by the company, but there was a delay on the part of the company in raising objection beyond the stipulated time period of 1 month, shares shall be transferred by the company to the investor/IM, as applicable, provided no objection certificate of the buyer/buying broker is provided.

8.3.2. Procedure for dealing with Company objections in future

- 8.3.2.1. In respect of complaints where shares and transfer deeds are lying with the investor of introducing the broker-member (IM) and IM has already paid/replaced shares to buyer /broker due to bad delivery on account of objection memo raised by the company, but there was a delay on the part of the company in raising objection beyond the stipulated time period of 1 month. In such cases the company would be liable to compensate the aggrieved party for the opportunity losses during the intervening period.
- 8.3.2.2. In cases of company objection due to signature difference (Other than court cases where injunction is ordered), companies shall effect the



transfer of shares by following the procedure mentioned below. Before effecting transfer, the company shall within 10 days of receipt of shares from the transferee, send letters under registered post AD/ Speed Post AD to the transferor(s) asking for their confirmations/no-objection, so as to reach the company within 15 days from the date of receipt of the letter by the transferor. If the confirmation is received/no objection is not received within 15 days, the transfer would be effected immediately thereafter. The valid objection, if any, should be followed/accompanied by a prohibitory order from a competent authority and should reach the company within 30 days thereafter, failing which the transfer would be effected. Immediately, after effecting the transfer of shares, the benefits (i.e. Bonus, rights, dividend) held back by the company shall be handed over to the transferee. If such benefits have been passed on to the transferor, the concerned stock exchange shall arbitrate through the brokers of the transferor and the transferee to determine the rightful claimant. Keeping in view the provisions of Section 206 A of the Companies Act and Section 27 of the Securities Contracts (Regulation) Act, 1956, In such cases, the Stock Exchanges are hereby advised to entertain claims even if they are beyond the stipulated time.

- 8.3.2.3. In cases where transfer deed and the share certificates are with the company and the company has not effected transfer of shares, within the stipulated time period of one month, without communicating the investor any valid objection. In such cases the company would be liable to compensate the opportunity losses occurred to the investor (buyer). In addition, the company shall transfer the shares immediately and keeping in view the provisions of Section 206A of the Companies Act and Section 27 of the Securities Contracts (Regulation) Act, 1956, provide all benefits (i.e. bonus shares, dividend) which accrued to the investor during the intervening period on account of such delay.
- 8.3.2.4. Once a share certificate is returned by a transfer agent as a "company Objection" keeping in view the provisions of Section 206 A of the Companies Act and Section 27 of the Securities Contracts (Regulation) Act, 1956, all benefits must be held in abeyance by the company till such time the transfer actually takes place or a valid no objection is received from the Transferee on his receiving replacement.
- 8.3.2.5. Every time an introducing broker replaces a bad delivery share or pays for the share to the receiving broker/buyer investor as per market



norms, a No Objection Certificate to transfer the shares in the name of introducing member from the receiving broker/buyer investor shall be given to the introducing member broker/seller investor, as applicable, through the Bad Delivery Cell mechanism.

8.3.3. Duplicate Share Certificate

Where the investor has complained about issuing of duplicate share certificate(s) by the company on the basis of allegedly forged/stolen documents furnished by a third party, the company shall verify and satisfy itself of the claim of the investor, within 15 days of receipt of the claim and take steps including invoking of indemnity bond to issue shares and corresponding benefits to the rightful owner in terms of section 84 of the Companies Act read with Rule 3 of the Companies (Issue of Share Certificates) Rules, 1960.



9. UNIFORM NORMS FOR GOOD/ BAD DELIVERY NORMS²⁸

9.1. Transfer Deeds

No.	Description	Good/Bad
1.	<p>Transfer Deeds in the prescribed form and printed with the words "For the _____ Stock Exchange."</p> <p>Stock Exchange emblem may or may not be printed. Month and year of printing may or may not be put on the reverse of the Transfer Deed.</p>	GOOD
2.	<p>Mutilated Transfer Deed with the signatures of the transferor, witness, Directors and officer of the Company/distinctive numbers/ any material portion badly torn overwritten, or defaced.</p> <p><u>Typical Cases:</u></p> <p>A) Material portion defined here only pertains to the material portions at the time of delivery and not prospective one. For a buyer Consideration column, Specimen signature column, Name, Address, Occupation will also be the material portion.</p> <p>Material portion includes of transferor's name and signature, company name, folio no., certificate number, distinctive nos., number of shares, name and signature of the transferee, specimen signature of transferee</p> <p>B) Transfer Deed torn in the prospective material portion</p> <ul style="list-style-type: none">• Torn and pasted with self-adhesive tape on which the required details can filled in without any difficulty.• Transfer Deed torn in non-material portion and held together by a transparent tape.• Transfer Deed torn end-to-end in any angle.	<p>BAD</p> <p>GOOD GOOD BAD</p>

²⁸ Circular no. SMD/RCG/2796/96 dated July 16, 1996

Circular no. SMD/POLICY/CIR/7-97 dated April 16, 1997

Circular no. SMD/POLICY/GBDN/CIR-25/97 dated October 09, 1997



3.	Transfer Deeds with correction in the material portion like, erasure, overwriting, alteration or crossing out by transferor / Authorised Signatory.	GOOD if properly authenticated under the full signatures of the transferors.												
	<p>Transfer Deeds with correction in the material portion like, erasure, overwriting, alteration or crossing out in material portion.</p> <p>Undernoted corrections/ alterations are not considered in material portion.</p> <p>A) Minor spelling mistake in the following fields are valid without the transfer's authorization provided the word can be properly identified:</p> <ol style="list-style-type: none"> Name of the company. Number of shares in words. names of the Shareholders <table border="1" data-bbox="399 1164 877 1344"> <thead> <tr> <th>Illustration</th> <th>Good</th> <th>Bad</th> </tr> </thead> <tbody> <tr> <td>Telco</td> <td>Teelco</td> <td>Tisco</td> </tr> <tr> <td>Fifty</td> <td>Feefty</td> <td>feefteen</td> </tr> <tr> <td>Ramesh</td> <td>Rameesh</td> <td>Rajesh</td> </tr> </tbody> </table> <p>B) Erasure, overwriting, alteration or crossing out in one or two character in folio numbers.</p> <p>C) Erasure, overwriting, alteration or crossing out in one or two character of "Distinctive Numbers".</p> <p>D) Erasure, overwriting, alteration or crossing out in one or two character of "Certificate Numbers".</p>	Illustration	Good	Bad	Telco	Teelco	Tisco	Fifty	Feefty	feefteen	Ramesh	Rameesh	Rajesh	<p>Good if properly authenticated under the full signatures of all the transferor(s).</p> <p>Good.</p> <p>Good.</p> <p>Good if certificate number does not contain any erasure, overwriting, alteration or crossing out.</p> <p>Good if distinctive number does not contain</p>
Illustration	Good	Bad												
Telco	Teelco	Tisco												
Fifty	Feefty	feefteen												
Ramesh	Rameesh	Rajesh												



	<p>E) Erasure, overwriting, alteration or crossing out in Number of Shares in figure.</p> <p>F) Erasure, overwriting, alteration or crossing out in Number of Shares in figures. Erasure, overwriting, alteration or crossing out in one or two character in "Numbers of Shares "in words.</p> <p>G) List of certificate numbers and distinctive numbers attached to transfer deed signed by all transferors.</p>	<p>any erasure, alteration or crossing out.</p> <p>Good if Numbers in words does not contain any erasure, overwriting, alteration or crossing out.</p> <p>Good if Numbers of Shares of figures does not contain any erasure, overwriting, alteration or crossing out.</p> <p>Good</p>
4.	<p>If the name of the transferor (s) in the share certificate & the name in the transfer deed(s) differs materially.</p> <p>Differences of the following type (vice-versa)</p> <p>A) Addition or Deletion of 1 or 2 alphabets</p> <p>B) Krishna Chandra Chelura - C C Krishna</p> <p>C) Corporation - Corpn/Corp.</p> <p>D) Ashok Gupta - Gupta Ashok</p>	<p>BAD</p> <p>GOOD</p> <p>BAD</p> <p>GOOD</p> <p>GOOD</p>
5.	<p>Transfer Deeds signed as 'Choonilal' whereas in share certificate the name is spelt as 'Chunilal'.</p> <p>Other than any apparent difference in seller's signature must be accepted.</p>	<p>GOOD</p> <p>BAD</p>



	<p>In case of apparent difference like S Rao signing as David</p> <p>In case S Rao signing as Subhash since the first letter of the signature matches with the initial.</p>	GOOD
6.	<p>Transferor's signature in English, Hindi or any one of the Scheduled languages in India.</p> <p>Assamese, Bengali, Gujarati, Hindi, Kannada, Kashmiri, Malayalam, Marathi, Oriya, Punjabi, Sanskriti, Tamil, Telugu and Urdu - as per Constitution of India - English Schedule (Article 314 (I) and 451).</p>	GOOD
7.	<p>Signature of the Transferor is in an Indian language other than the Scheduled languages of India or when the Transferor has affixed his thumb impression. If attested by any person authorised to attest signatures under the Seal/Stamp of his office.</p>	GOOD
8.	<p>Transfer Deeds in respect of joint holdings signed by all the joint holders in any order.</p> <p>Provided the signatures are against the relative names filled up in the Transfer Deed.</p>	GOOD
9.	<p>Transfer Deeds without the name of the Company, name(s) of Transferor(s), Folio No., share certificate no., Distinctive no., and number of shares being written.</p>	BAD
10.	<p>In one lot with one Transfer Deed name on one certificate reading as "Ramesh C Talati" an on another certificate as "Ramesh Chunilal Talati" but Register Folios same on both.</p> <p>In one lot, separate transfer deeds are required for each registered folio.</p> <p>If the transferor's name is identical and folios are different and there is only one transfer deed.</p>	GOOD GOOD GOOD
11.	<p>In one lot with one Transfer Deed names on different certificates reading as Ramesh Chunilal Talati and Talati Ramesh Chunilal but Register Folio is same.</p>	GOOD
12.	<p>Income Tax Authority or Collector signs as Transferor. (Number and Date of the relative Order necessary).</p>	GOOD
13.	<p>Instead of Executor's signature, his Agent's Signature is put on the Transfer Deed. (Number and Date of Registration of Poser of Attorney necessary).</p>	GOOD



14.	Executor's signature without his rubber stamp. (Number and Date of Registration of Power of Attorney necessary).	GOOD
15.	In the case of Units transfer deed in the name of a Minor and signed by natural Guardian. (In the case of Court Guardian, a court order is required). Shares cannot be held in the name of a Minor unless accompanied by Court Order granting permission for sales/purchase which is beneficial to the Minor.	GOOD GOOD - if accompanied by the relevant Court Order for sale.
16.	Transfer Deeds signed by an individual against whom insolvency proceedings are pending. <ul style="list-style-type: none">• Unless the transfer deed is duly certified and countersigned by the Official Assignee.	BAD GOOD
17.	Transfer deeds signed under Power of Attorney where the power given is subject to conditions. <ul style="list-style-type: none">• Transfer deed signed by Director of the Company and under board Resolution not mentioned on the front or the reverse of the transfer deed.• Transfer deed signed by an authorised signatory under Power of Attorney.• Transfer deed signed by an authorised signatory of a custodian and the P A registration no is mentioned on face or the reverse of the transfer deed.• Where the transfer deeds are signed by an authorised signatory under a Board Resolution and the stamp UNDER BOARD RESOLUTION is mentioned on the face or the reverse of the transfer deed.	BAD GOOD GOOD only if P A regn no, date signature and stamp of the introducing Member is mentioned on the reverse of the Transfer Deed. GOOD GOOD
17.	Transfer deeds signed under Power of Attorney where the power given is subject to conditions. <ul style="list-style-type: none">• Transfer deed signed by Director of the Company and under board Resolution not mentioned on the front or the reverse of the transfer deed. (Stamp of introducing member is not required to be affixed on the reverse of the transfer deed)	BAD GOOD GOOD only if P A regn no, date signature



	<ul style="list-style-type: none">• Transfer deed signed by an authorised signatory under Power of Attorney.• Transfer deed signed by an authorised signatory of a custodian and the P A registration no. is mentioned on face or the reverse of the transfer deed. (Stamp of introducing member is not required to be affixed on the reverse of the transfer deed)• Where the transfer deeds are signed by an authorised signatory under a Board Resolution and the stamp UNDER BOARD RESOLUTION is mentioned on the face or the reverse of the transfer deed. (Stamp of introducing member is not required to be affixed on the reverse of the transfer deed)	and stamp of the introducing Member is mentioned on the reverse of the Transfer Deed. GOOD GOOD
18.	Transfer Deed signed by a custodian on behalf of a client <ul style="list-style-type: none">• In the signature column the custodian does not put the stamp as 'Constituted Attorney' on behalf of the transferor.• Transfer Deed signed by a Custodian on behalf of the client and in the signature column it puts the stamp "By Constituted Attorney to the transferor" with the P/A number given on the reverse of the TD with the stamp and signature of the custodian. The above mentioned details entered on the face of the TD and not mentioned on the reverse of the TD	BAD GOOD GOOD
18.	Transfer Deed signed by a custodian on behalf of a client <ul style="list-style-type: none">• In the signature column the custodian does not put the stamp as 'Constituted Attorney' on behalf of the transferor.• Transfer Deed signed by a Custodian on behalf of the client and in the signature column it puts the stamp "By Constituted Attorney to the transferor" with the P/A	BAD GOOD GOOD



	<p>number given on the reverse of the TD with the stamp and signature of the custodian.</p> <p>The above mentioned details entered on the face of the TD and not mentioned on the reverse of the TD</p>	
19.	<p>Shares sold by FIIs and transfer deed signed by a Custodian on behalf of the FII.</p> <p>(Copy of RBI approval is not required to be attached with each market lot).</p>	GOOD
19.	<p>Shares sold by FIIs and transfer deed signed by a Custodian on behalf of the FII.</p> <p>(Copy of RBI approval is not required to be attached with each market lot).</p>	GOOD
20.	<p>In case of GDR,</p> <ul style="list-style-type: none">• photocopies of the RBI approval attached to the deliveries; OR• if RBI approval number and date is mentioned on the transfer deed and attested by the introducing member.	GOOD GOOD
21.	<p>Consideration amount and date of execution of the transfer deeds are filled in.</p>	BAD
22.	<p>Transfer Deeds signed by or on behalf of a Company against which liquidation proceedings are pending.</p> <ul style="list-style-type: none">• Unless the Transfer Deed is certified and countersigned by the Liquidators.	BAD GOOD
23.	<p>The name of the delivering broker with his SEBI Registration number and date not mentioned at the back of the Transfer Deed.</p> <p>In case the shares are delivered to the Clearing House by the Custodian and the Transfer deed bears the stamp of Custodian along with the Clearing Number of the Broker on whose behalf the shares are delivered.</p> <p>The date should be the pay-in date/ delivery date only.</p>	BAD GOOD
24.	<p>Shares held by a TRUST and Signed on the Transfer Deed as 'NAME OF TRUST - PROPRIETOR'.</p> <p>TD signed as "NAME OF TRUST - TRUSTEE'.</p> <p>Shares held in the name of a trust, if accompanied by a copy of the resolution or the relevant portion of the trust</p>	BAD BAD GOOD



	deed authorising the trustees to transact in securities on behalf of the trust.	
25.	If shares held are duly registered by the company in the name of the HUF (Shares held by HUF and signed by KARTA).	GOOD
26.	Transferor's signature witnessed by a person but his full name not give. (as long as the name and address of the witness are perfectly legible).	GOOD
27.	Witness's name, address and signature is in a language other than English specified by the Ministry of Finance. Assamese, Bengali, Gujarati, Hindi, Kannada, Kashmiri, Malayalam, Marathi, Oriya, Punjabi, Sanskrit, Tamil, Telugu and Urdu - as per Constitution of India - English Schedule (Article 314(I) and 451). If signed in a language other than specified by the Ministry of Finance.	GOOD BAD
28.	Attestation stamp in any one of the Scheduled languages in India, Indian languages: Assamese, Bengali, Gujarati, Hindi, Kannada, Kashmiri, Malayalam, Marathi, Oriya, Punjabi, Sanskrit, Tamil, Telugu and Urdu - as per Constitution of India - English Schedule (Article 314(I) and 451).	GOOD
29.	Transferor's signature attested by a Bank official <ul style="list-style-type: none">• Only the designation mentioned.• If the name, Designation of the attesting authority signing along with the complete address is given	BAD GOOD
30.	Attestation by Gram Panchayat or a Surpanch or Village Magistrate or Village Munsiff under his seal.	GOOD
31.	Signature attested by any person authorised to attest signatures with his full name and address with the Official Seal/Stamp of his office.	GOOD
32.	Transferor's signature is attested by a Notary Public. (The necessary seal, rubber stamp, adhesive stamps as prescribed for such attestation should be affixed in cases where Notary attestation is required i.e. In cases where Rectification of objections is required due to signature differences).	GOOD
33.	Transfer Deed is signed by the transferor	BAD



	<ul style="list-style-type: none">Signature is clearly of a name different than the name of the transferor.If signature is same for two different shareholders under two different Transfer Deeds.	BAD
34.	Marketable lot with more than five transfer deeds. Up to five transfer deeds used to make a marketable lot.	BAD GOOD
35.	New shares which are issued on pro rata basis and old shares standing in the folio and name of same transferor and accompanied by one transfer deed for a marketable lot. (The new share dividend declared for the previous year i.e. the old new compensatory value (ONCV) would be payable on the entire market lot).	GOOD
36.	Company's name has been changed but it has not been corrected on the share certificate.	GOOD
37.	Abbreviated name of a Company filled up in the transfer deed. If from the abbreviated name, the identity of the company can be ascertained. The name of the Company should be identifiable, e.g. TELCO, TISCO, L&T, etc.	GOOD
38.	Exact position of TDS to be attached on top of the certificate. TD should be placed on the top of the share certificate.	
39.	Transferor and witness is the same.	BAD
40.	Transfer Deed in the prescribed form and name of a particular Stock Exchange filled in or not.	GOOD
41.	Transfer Deed not in the prescribed form.	BAD
42.	Witness and attesting authority identical.	GOOD
43.	Transfer Deeds bearing signatures of witnesses, the address of the witness being in a different city or town or Centre other than that of Transferor or Transferee.	GOOD
44.	Prescribed Authority (ROC) seal overlapping and stamped twice. Even if the signature of the Registrar of Companies is partly printed and the date stamp is also partly printed but both the signature and the date should be apparent.	GOOD
45.	The Endorsement of the Prescribed Authority (e.g. Registrar of Companies) bears the same date as the date from which the Register of Members of the Company is closed.	GOOD



46.	If the Endorsement of the Prescribed Authority (e.g. Registrar of Companies) bears a date prior to the date of issue of share certificate or the date of allotment of shares. Provided the Endorsement of the Prescribed Authority bears a date of or after the date from which the Register of Members of the Company closed last.	GOOD
47.	Transfer Deed endorsed by the Prescribed Authority on a date prior to closure of the Register of Members of the Company delivered after the date of closure of Register of Members.	BAD
48.	Transfer Deeds accompanying debenture certificates or any other permissible listed security (other than equity) whether date-stamped by the Prescribed Authority or not. Provided for the convertible portion a separate date-stamped Transfer Deed is delivered.	GOOD
49.	Transferor's signature on the transfer deed with the date on which he has signed.	GOOD
50.	Witness is a Non-Resident and the address given is of a foreign country.	GOOD
51.	Distinctive numbers range "To" partly filled in the transfer deed., e.g. 4589201 - 300 etc.	GOOD
52.	In the case of mutual funds, the ROC stamp and signature are missing (except in case of Schemes of Unit Trust of India).	GOOD
53.	Certificates with multiple folios per market lot attached to separate transfer deed (subject to guideline no.35 above).	GOOD
54.	Logo of the Stock Exchange on the reverse of the transfer deed missing.	GOOD
55.	Attestation of the transferor's signature is not mandatory. Except in the case where the transfer has been returned by the company due to SIGNATURE DIFFERENCE.	GOOD
56.	Units issued with the terms 'either or survivor', if signed by all holders If signed by any one of the holders	GOOD GOOD
57.	Transferor's signature on the transfer deed is facsimile signature for Registered Custodians.	GOOD
58.	Certified Transfer Deed	GOOD



	Provided the name and address of the Transferor the distinctive numbers of the shares covered by the Transfer Deed and date of certification are given.	
59.	Any erasure or alteration in the Certified Transfer Deed. When authenticated by an authorised signatory of the Company.	GOOD
60.	Certified Transfer Deeds and share certificates delivered in part for bargains in market trading unit.	GOOD
61.	In case of shares under lock in-period, if the transfer deed date is prior to the lock-in period last date but the date of introduction into the market is after the last date of lock-in period. If the transfer deed date is prior to the lock-in period last date and the date of introduction into the market is before the last date of lock-in period.	GOOD BAD
62.	Some companies allot record numbers for shares issued by them apart from distinctive number ranges. For these shares, if record number is filled up along with distinctive number ranges on the transfer deed. If only the record number has been filled up instead of distinctive number ranges on the transfer deed.	GOOD BAD
62A.	Transfer deeds (dated July 1, 1997 and thereafter) ²⁹ bearing rubber stamps on the reverse thereof other than those of members of the stock exchanges/clearing house/clearing corporations, SEBI registered APs and Remisiers registered with the stock exchanges.	BAD

9.2. Share Certificates

63.	<u>Name of the company or emblem is not readable in the common seal or there is no common seal on the share certificate -</u>	GOOD
64.	The last date for payment of call has expired and the call has not been paid or if the call has been paid, the necessary Call Report has not been attached. The call payment receipt with the stamp of the Bank before or on the due date if attached to the securities is good delivery for three months from the last date of call	BAD GOOD GOOD

²⁹ Circular No. SMD/POLICY/SUB BROKER/CIR-12/97 dated June 2 1997



	payment or next book closure announced by the company whichever is later. All call payment receipts after due date must be endorsed as "cheque/draft realised" by the Bank/co./Registrars.	
65.	All securities with stickers issued by the companies in lieu of endorsement.	GOOD
66.	If call money paid but not endorsed on share certificate even after the book closure but transfers affected after the call payment date.	BAD
67.	If the final call is endorsed but the initial or the initial and the second call not endorsed. (i.e. if marked "FULLY PAID").	GOOD
68.	In case of fully convertible debentures, after the debentures have been converted into equity, if the call money endorsement has been done only for the equity portion and not for the debenture portion.	GOOD
69.	Call paid endorsements made by the Company with the call amount, date of payment and signature of the Authorised Signatory <u>with or without</u> the Rubber Stamp of the Company.	GOOD
70.	In the case of partly paid shares, when a call has been made but not paid and delivery effected during the period of ten days before the last date fixed for payment. If the call receipts are attached to the documents.	BAD GOOD
71.	Application Receipts and Call money receipts not bearing bank stamps and payment details.	BAD
72.	Any significant correction, erasure, overwriting, crossing out or alteration in the quantity of shares, in the last registered holders name or in any material particulars on the share certificate. Unless the Authorised Signatory who has signed on the certificate, authenticates the correction Or the correction is initialed and authenticated by any other officer under the Company's rubber stamp.	BAD GOOD
73.	Certificates badly torn as is not to be in deliverable condition or share certificate torn through and through or badly torn as to obliterate or render illegible or create the impression of cancelling the numbers or directors or other signature or the date or any other particulars or if it is	BAD



	written upon or damaged or mutilated by advertisements, printing, rubber stamp or otherwise or if a material part of the certificate be torn out or cut off.	
74.	Share certificates defaced or mutilated in portion: The following will be considered as material portion in the case of share certificate: (i) Share certificate torn end to end and pasted with transparent self-adhesive tape. (ii) Where shares have been transferred to a new holder and if torn at the original holders name portion. (iii) Folio number and name overwritten in one or two characters and not authenticated by the authorised signatory. (iv) If the share certificate is torn at the company name portion but is decipherable. (v) Corrections in transfer Number or Date of transfers, if legible and not authenticated. (vi) Share Certificates with bar codes not concealing any material information.	BAD BAD GOOD GOOD GOOD GOOD
75.	If the name of the Company has been disfigured in the body of the share certificate so as to affect it materially. If the name of the company is identifiable.	BAD GOOD
76.	Certificates in the case of UNITS discharged by the transferor for purpose of repurchase and then cancelled by him and initialled.	BAD
77.	Share certificate contains one name but the transfer deed consists of two signatures. If both the signatures on the transfer deed are identical in nature or can be identified as signature of the same person. If the transferor has signed twice but has struck off the 2 nd signature.	BAD GOOD
78.	Share certificate contains name of one transferor but transfer deed contains two names and signature respectively.	BAD
79.	Preferential / promoters quota shares under lock-in period delivered which are not transferable.	BAD
80.	Share certificate issued without the signature of Secretary/ Authorised signatory.	BAD GOOD



	If the shares are transferred subsequently and the authorised signatory has signed against such transfer.	
81.	Signature missing in the initial column but signed by Authorised signatory in the required column on the reverse of the certificate.	GOOD
82.	Endorsement effected on the reverse of the certificate and struck off and again endorsed.	GOOD subject to proper authentication by the Company by putting a round stamp of the Company.
83.	Certificate with company's old registered office crossed out and new address stamped without authentication.	GOOD
84.	Certificate without mentioning the place of issue.	GOOD
85.	Revenue stamp affixed on the certificate concealing any material portion of the certificate. Provided any material portion like lock-in period date, NRI details are not affected.	GOOD
86.	Revenue stamps affixed / impressed by the Company on the share certificate has come off.	GOOD
87.	Any alteration or erasure or correction without initials in the transfer endorsement on the back of the share certificate as for example made in the year 1960 and subsequently the shares have again been transferred by the Company, say in 1961.	GOOD
88.	Share certificates with irrelevant or extraneous rubber stamp or writings on the scrip. Provided the rubber stamp or the writings does not affect any material portion of the scrip.	GOOD
89.	Increase or decrease of the Capital and if the certificate does not carry the endorsement on the face of the certificate.	GOOD
90.	Absence of holder's discharge on the Letter of Allotment.	GOOD
91.	Share Certificate and Transfer Deed not attached together.	BAD
92.	Shares standing in the name of Non-Resident Individuals.	GOOD



	Provided the declaration stamp as per the RBI guideline is affixed and countersigned by the introducing member.	
93.	Name of the holder printed in two lines which looks like joint holding or one line of address printed and looking like second holder.	GOOD
94.	Lock in period mentioned in the certificate, without specific date of release of lock in.	BAD
95.	Shares issued in the name of Sole Proprietor / Partnership firm signed by the Proprietor / Partner. Units / debentures issued in the name of Sole Proprietor / partnership firm signed by the Proprietor / partner.	BAD
96.	In case the shares of a company are not pari passu with the existing equity shares of the company in two financial years then new share dividend declared for the previous year i.e. the old new compensatory value (ONCV) for two years has to be paid. The full dividend declared will have to be paid (interim + final).	GOOD

9.3. Miscellaneous

No.	Description
97	Validity period of Company Objection by the last buying broker to be notified to the Exchange/ Introducing Broker is 12 months from the date of the objection memo. In all other pending cases of company objections bearing a date prior to July 16, 1996, the validity period will be as per rules - of the respective exchanges - as existing prior to July 16, 1996.
98	Objections must be accompanied with Share Certificates.
99	Shares lodged for transfer after book closure (but before one year from the date of date stamping the transfer deed) are returned under objection can be lodged as company objection.
100	Where the shares have been duly transferred by the company in the name of the transferee, and thereafter the company sends a letter informing transferee that the shares have been transferred based on fraudulent documents, such cases <u>can be</u> lodged as company objection subject to the following conditions and procedure: <ul style="list-style-type: none">• In cases where the company has transferred certificates which are fake and later sends a letter informing that the shares have been transferred on



fraudulent certificates, such cases will NOT be treated as company objections and the company will be responsible for the transfer.

- In cases where the shares are under stop transfer, stay order, non-transferable (lock-in period) or shares are partly paid and the company has transferred the shares and later sends a letter informing that the shares have been transferred on fraudulent documents, such cases will NOT be treated as company objections and the company will be responsible for the transfer.
- In cases where the certificates are genuine but the transfer deed is forged (i.e. the company has transferred the shares in good faith) the shares can be accepted as company objection. In such cases the company should necessarily enclose the copies of both sides of the transfer deeds based on which shares were transferred by the company in favor of the holder and which later on has been found to be based on forged documents, and all subsequent transfers thereafter along with the objection.

Procedure:

(In order to simplify the understanding of the procedure, the following illustration has been used:

A ---> B ---> C ---> D ---> X ---> Y ---> Z

The shares were first sold through 'A' in the market. After passing through 'B' and 'C' the shares were lodged by 'D' to the company for transfer. After receiving the shares duly transferred from the company in his name 'D' sold the shares in the market. These shares after passing through 'X' and 'Y' are finally sent by 'Z' to the company for transfer in his/her name. After receiving the shares from the company duly transferred in his name, 'Z' has received a letter from the company stating that the shares transferred in the name of 'D' were based on fraudulent documents.

- 'Z' will report the objection along with the company objection against 'D'.
- 'D' will rectify/replace the shares within 21 days as per the BDC procedures.
- 'D' may in turn lodge the bad delivery for rectification through the BDC against 'A'.

The validity period of reporting such cases will be 36 months from the date of latest transfer by the company (in the above example 36 months from the date the shares were transferred in the name of 'Z').

The company will also furnish copies of both sides of transfer deed based on which shares were transferred in favour of 'Z' and 'D' along with the objection memo.



101	<p>In case of joint holding, and in event of death of any of the holders, transfer can take place on the basis of death certificate accompanying the transfer deed only for a period of two years from the date of the death or ensuing book closure, whichever is later.</p> <p><u>The Introducing member of a recognised stock exchange may certify/attest copy of the death certificate and also issue an identity certificate in case where the name of the deceased on the share certificate is not identical with the name on the death certificate - GOOD</u></p>
102	<p>While rectifying objections due to signature differences, a fresh signature by the transferor (if the same transfer deed is re-submitted) along with attestation is mandatory. Fresh transfer deed is mandatory if objection is rectified after book closure date.</p>
103	<p>In case Rights/Bonus shares tendered as corporate benefits are reported as bad delivery, if it is odd lot, the value of shares based on the rate prevalent on the day of reporting bad delivery will be paid.</p>
104	<p>Rectification/replacement of transfer deed under objection should be in market lot only (even if transfer deed under objection is submitted in non-market lot).</p>
105	<p>If Jumbo transfer deed is submitted as company objection, original transfer deeds need not be returned by the receiving member.</p>
106	<p>When documents are returned under signature difference, the transfer deed can be attested by the introducing member. If the introducing member is a corporate, the Director or authorised signatory can attest the transfer deed, under his company's stamp, with SEBI Registration Number.</p>
107	<p>For reporting as company objections, the transferee portion of the transfer deed should be duly filled in.</p>
108	<p>For reporting as company objection, the following documents are required:</p> <p>A. If they are returned as objection from the company due to the above reason:</p> <ul style="list-style-type: none">. company objection memo stating that the shares are fake/ forged. copies of both sides of the transfer deeds. copies of both sides of the share certificates <p>B. Otherwise one of the following documents are required:</p> <ul style="list-style-type: none">. public notice given by the company/ registrar. notification from any stock exchange. letter of intimation from the company to stock exchange.



109	<p>For reporting missing/lost/stolen shares as objection the following documents are required:</p> <p>A. If they are returned as objection from the company due to above reason:</p> <ul style="list-style-type: none">• company objection memo stating that the shares are missing/lost/ stolen accompanied by a copy of Court Order or FIR or copy of acknowledged police complaint• copies of both sides of the transfer deeds• copies of both sides of the share certificates <p>B. Otherwise one of the following documents are required:</p> <ul style="list-style-type: none">• public notice given by the company / registrar• notification from any stock exchange• letter of intimation from the company to stock exchange <p><u>In cases where duplicate shares have been issued to a third party under the provisions of section 108 (1) A of the Companies Act, the company should also provide the name and address of the third party to whom the duplicate shares have been issued along with the date of request for duplicate shares by the third party.</u></p>
110	<p>Attestation is required where signature of transferor is in an Indian language other than the Scheduled languages in India or when the transferor has affixed his thumb impression (guideline no. 7) In other cases, attestation is compulsory only when shares come under objection due to signature difference. Hence, guideline Nos. 28, 29, 30, 31 & 32 apply only to transfer deeds which come under objection due to signature difference.</p>

Note:

Text in **BOLD** has been amended vide circular dated August 19, 1996

Text in *Italics* has been amended vide circular dated April 16, 1997

Text underlined has been amended vide circular dated October 09, 1997.

9.4. Clarification with regard to 97 and 100 of the Norms for G/B Norms³⁰

It has come to the notice of SEBI that there is a conflicting interpretation of clause 97 and clause 100 of uniform norms for Good/Bad delivery with respect to validity period of company objection memos. Keeping in view the above and as discussed with representatives of the Stock Exchanges, in such cases the provisions of clause 97 will prevail.

³⁰ Circular No. SMDRP/POLICY/CIR-42/2001 dated August 10, 2001



10. ABOLITION OF NO-DELIVERY PERIOD FOR ALL TYPES OF CORPORATE ACTIONS³¹

- 10.1. Pursuant to the recommendations made by the Secondary Market Advisory Committee of SEBI at its meeting held on June 30, 2009, it is decided to do away with 'no-delivery period' for all types of corporate actions in respect of the scrips which are traded in the compulsory dematerialized mode and accordingly, short deliveries, if any, of the shares traded on cum-basis may be directly closed out. In case of such direct close-out, the mark-up price would be as stated in SEBI circular no. SMD/POLICY/Cir-08/2002 dated April 16, 2002.
- 10.2. The aforesaid will come into effect from August 1, 2009, and accordingly will apply to all corporate actions for which the record date/ book closure falls on or after August 10, 2009.

³¹ Circular No. MRD/DoP/SE/Cir-07/2009 dated July 21, 2009



11. MISCELLANEOUS

11.1. Establishment of Connectivity with both the Depositories NSDL and CDSL - Companies eligible for shifting from Trade for Trade to Rolling Settlement³²

11.1.1. With effect from March 24, 2015 the following procedure shall be followed for the purpose of shifting of trading in securities from TFTS to Normal Rolling Settlement:

11.1.1.1. A company, after establishment of connectivity with both the Depositories, shall approach the stock exchange(s) having nationwide terminals for shifting the trading of its securities from TFTS to Rolling settlement.

11.1.1.2. The stock exchange(s) shall verify the establishment of connectivity of the company with both the Depositories.

11.1.1.3. The stock exchange upon verification of status of establishment of connectivity by the company with both the Depositories may consider shifting the trading in these securities to Rolling Settlement subject to the following:

11.1.1.3.1. At least 50% of other than promoter holdings as per clause 35 of Listing Agreement are in dematerialized mode before shifting the trading in the securities of the company from TFTS to Rolling Settlement. For this purpose, the companies shall obtain a certificate from its Registrar and Transfer Agent (RTA) and submit the same to the stock exchange(s). However, if an issuer-company does not have a separate RTA, it may obtain a certificate in this regard from a practicing Company Secretary/Chartered Accountant and submit the same to the stock exchange(s).

11.1.1.3.2. There are no other grounds/ reasons for continuation of the trading in TFTS.

11.1.1.4. The stock exchanges shall inform the market of the names of companies which have been shifted from TFTS to Rolling Settlement.

³² Circular No. CIR/MRD/DP/09/2014 dated March 11, 2014



12. REFERENCE: List of Circulars

1. Ref. No. SE/10118 dated October 12, 1992.
2. Ref. SMD-I/22532 dated October 19, 1993.
3. Ref. SMD/6059 dated October 17, 1994.
4. Circular No. SMD/RCCG/2796/96 dated July 16, 1996.
5. Circular No. SMD/Policy/IECG/5548/96 dated December 09, 1996.
6. Circular No. SMD/POLICY/CIR/7-97 dated April 16, 1997.
7. Circular No. SMD/POLICY/SUB BROKER/CIR-12/97 dated June 2 1997.
8. Circular No. SMD/POLICY/SGE/CIR-13/97 dated June 09, 1997.
9. Circular No. SMD/POLICY/GBDN/CIR-25/97 dated October 09, 1997.
10. Circular No. SMD/Policy/Cir-32/97 dated December 03, 1997.
11. Circular No. SMD/Policy/Cir-10/99 dated May 04, 1999.
12. Circular No. SMD/DBA-1/SS/Policy/Cir-34/2000 dated August 2, 2000.
13. Circular No. SMDRP/Policy/Cir-05/2001 dated February 01, 2001.
14. Circular No. SMDRP/POLICY /CIR -16/2001 dated March 9, 2001.
15. Circular No. SMDRP/POLICY/CIR-42/2001 dated August 10, 2001.
16. Circular No. SMDRPD/Policy/Cir-43/2001 dated August 20, 2001.
17. Circular No. SMDRP/POLICY/CIR-46/2001 dated September 27, 2001.
18. Circular No. SMD/Policy/Cir-08/2002 dated April 16, 2002.
19. Circular No. SMD/Policy/Cir-15/2002 dated June 26, 2002.
20. Circular No. SMD/Policy/Cir-21/02 dated September 04, 2002.
21. Circular No. SMD/POLICY/Cir - /03 dated February 6, 2003.
22. Circular No. SEBI/SMD/SE/21 /2003/05/06 dated June 5, 2003.
23. Circular No. SEBI/SMD/SE/Cir-26/2003/25/06 dated June 25, 2003.
24. Circular No. SEBI/MRD/SE/Cir- 33/2003/27/08 dated August 27, 2003.
25. Circular No. SEBI/MRD/SE/SU/Cir-15/04 dated March 19, 2004.
26. Circular No. SEBI/MRD/Policy/AT/Cir- 19/2004 dated April 21, 2004.
27. Circular No. MRD/DoP/SE/Dep/Cir-30/2004 dated August 24, 2004
28. Circular No. MRD/DoP/SE/Cir-38/2004 dated October 28, 2004
29. Circular No. MRD/DoP/SE/Cir- 17/2005 dated September 2, 2005
30. Circular No. MRD/Dop/SE/Dep/Cir-18/2005 dated September 02, 2005
31. Circular No. MRD/DoP/SE/Cir-21/2006 dated December 14, 2006
32. Circular No. MRD/DoP/SE/Cir-07/2009 datad July 21, 2009
33. Circular No CIR/MRD/DP/ 39 /2010 dated December 28, 2010
34. Circular No. CIR/MRD/DP/06/2011 dated June 16, 2011
35. Circular No. CIR/MRD/DP/09/2014 dated March 11, 2014
36. Circular No. CIR/MRD/DP/28/2014 dated September 29, 2014
37. Circular No. CIR/MRD/DRMNP/25/2014 dated August 27, 2014
38. Circular No. CIR/MRD/DRMNP/8/2015 dated May 14, 2015



39. Circular No. CIR/MRD/DRMNP/16/2015 dated August 06, 2015
40. Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2016/54 dated May 4, 2016
41. Circular No. CIR/MRD/DRMNP/33/2017 dated April 26, 2017
42. Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/01 dated January 03, 2020
43. Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/245 dated December 21, 2020
44. Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2021/03 dated January 08, 2021

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