in the 'Limited Physical Market' (small window).
Salient features
Settlement cycle

- **Bad Deliveries (in case of physical settlement)**
  Bad deliveries (deliveries which are prima facie defective) are required to be reported to the clearing house within two days from the receipt of documents. The delivering member is required to rectify these within two days. Un-rectified bad deliveries are assigned to auction on the next day.
  Company Objections (in case of physical settlement
  The CM on whom company objection is lodged has an opportunity to withdraw the objection if the objection is not valid or the documents are incomplete (i.e. not as required under guideline No.100 or 109 of SEBI Good/Bad delivery guidelines), within 7 days of lodgement against him. If the CM is unable to rectify/replace defective documents on or before 21 days, NSCCL conducts a buying-in auction for the non-rectified part of defective document on the next auction day through the trading system of NSE. All objections, which are not bought-in, are deemed closed out on the auction day at the closing price on the auction day plus 20%. This amount is credited to the receiving member's account on the auction pay-out day.

Salient features of Limited Physical Market

- Delivery of shares in street name and market delivery (clients holding physical shares purchased from the secondary market) is treated as bad delivery. The shares standing in the name of individuals/HUF only would constitute good delivery. The selling/delivering member must necessarily be the introducing member.
  Any delivery of shares which bears the last transfer date on or after the introduction of the security for trading in the LP market is construed as bad delivery.
  Any delivery in excess of 500 shares is marked as short and such deliveries are compulsorily closed-out. Shortages, if any, are compulsorily closed-out at 20% over the actual traded price. Non rectification/replacement for bad delivery are closed out at at 10% over the actual trade price. Non rectification/replacement for objection cases are closed out at at 20% above the official closing price in regular Market on the auction day.
  The buyer must compulsorily send the securities for transfer and dematerialisation, latest within 3 months from the date of pay-out.
  Company objections arising out of such trading and settlement in this market are reported in the same manner as is currently being done for normal market segment. However securities would be accepted as valid company objection, only if the securities are lodged for transfer within 3 months from the date of pay-out.

Limited Physical Market
Legend for **series** of different securities
Funds Settlement

- NSCCL has empanelled 13 clearing banks namely Axis Bank Ltd., Bank of India, Canara Bank, Citibank N.A, HDFC Bank, Hongkong & Shanghai Banking Corporation Ltd., ICICI Bank, IDBI Bank, IndusInd Bank, Kotak Mahindra Bank, Standard Chartered Bank, State Bank of India and Union Bank of India.

  Every Clearing Member is required to maintain and operate clearing accounts with any of the empanelled clearing banks at the designated clearing bank branches. The clearing accounts are to be used exclusively for clearing & **settlement** operations.
  Contact Details of the Clearing Banks
  Clearing Account
  Change in Primary Clearing Bank
  Funds settlement
  Funds shortages

Funds Settlement

- **Members are informed of their funds obligation for various settlements through the Obligations reports. The daily funds statement gives date-wise details of each debit/ credit transaction in the member's clearing accounts whereas the bank summary statement summarizes the same information for a quick reference.**

  The member's primary clearing account may be debited for various types of transactions on a daily basis. The member is required to ensure that adequate funds are available in the primary clearing account towards all obligations, on the scheduled date and time. Members may refer to their obligation statements and provide for funds accordingly. To ensure timely fulfillment of funds obligations, members may avail of the facility of standing instructions to transfer the requisite amount from some other account to the primary clearing account or a TOD facility from the bank. The members with a funds pay-in obligation are required to have clear funds in their primary clearing account on or before 10.30 a.m. on the settlement day. The payout of funds is credited to the primary clearing account of the members on or after 1.30 p.m. on the settlement day.
- **Funds Settlement**

Members are informed of their funds obligation for various settlements through the Obligations reports. The daily funds statement gives date-wise details of each debit/ credit transaction in the member's clearing accounts whereas the bank summary statement summarizes the same information for a quick reference. The member's primary clearing account may be debited for various types of transactions on a daily basis. The member is required to ensure that adequate funds are available in the primary clearing account towards all obligations, on the scheduled date and time. Members may refer to their obligation statements and provide for funds accordingly. To ensure timely fulfillment of funds obligations, members may avail of the facility of standing instructions to transfer the requisite amount from some other account to the primary clearing account or a TOD facility from the bank.

The members with a funds pay-in obligation are required to have clear funds in their primary clearing account on or before 10.30 a.m. on the settlement day. The payout of funds is credited to the primary clearing account of the members on or after 1.30 p.m. on the settlement day.

- **Funds Shortages**

  Members are required to ensure that adequate funds are available in the clearing account towards all obligations, on the scheduled date and time.

  Trading and/or clearing facility of members failing to fulfill their funds obligations, in all markets including the valuation debit raised on account of securities shortages to Clearing Corporation, shall be withdrawn. Further, securities pay-out, due to such clearing member shall also be withheld.

  The above provisions apply if net cumulative fund shortage for a member is:

  1. Equal to or greater than Rs. Five (5) lakhs at the end of pay-in.
  2. Equal to or greater than Rs. Two (2) lakhs for six (6) or more occasions in the last three (3) months on any given day

  In case, the member is disabled on account of (2) above, on making good the shortage amount, the member shall be permitted to trade subject to its providing a deposit equivalent to its cumulative funds shortage as the 'funds shortage collateral'. Such deposit shall be kept with the Clearing Corporation for a period of ten settlements and shall be released only if no further funds shortages are reported for the member in next ten consecutive settlements. Members may further note that there shall not be any margin benefit or any interest payment on the amount so deposited as 'funds shortage collateral'. The amount may be provided by way of cash, fixed deposit receipts, or bank guarantee, equivalent to the cumulative funds shortage.

  Apart from the above, the member will be required to pay a penal charge on the amount outstanding at the end of the day, till the amount is recovered.

  On the settlement day NSCCL accepts pay-in of securities made by members through depositories and identifies the shortages. The members are debited by an amount equivalent to the securities not delivered and valued at a valuation price. This is known as valuation debit. For all such short deliveries NSCCL conducts a buying-in auction on the T+2 day, after completion of the pay-out, through the NSE trading system.
- **If the buy-in auction price is more than the valuation price, the CM is required to make good the difference. All shortages not bought-in are deemed closed out.**
- **VALUATION PRICES**

- **CLOSE-OUT PROCEDURES**
- **FUNDS SHORTAGE**

Valuation prices

- **Valuation prices at which valuation debits are conducted are calculated as below:**
- **Valuation Price for failure to deliver**

The valuation price for securities which were not delivered on the settlement day is the closing price of such securities on the immediate trading day preceding the pay-in day. The closing price is the price as announced by NSE at the end of the trading day..

- **Valuation Price for Bad Delivery**

The valuation price for securities which constitute bad deliveries, shall be the closing price of such securities, on the trading day preceding the settlement day unless prescribed otherwise from time to time by the relevant authority

- **Criteria for quarterly review of securities:-**
  The detailed criteria for transfer of securities to/from Trade for Trade segment is as follows:
  Criteria A
- Price Earnings Multiple (P/E) less than 0 or greater than or equal to upper limit # subject to a minimum of 25 as on the relevant date (#explained above in fortnightly criteria) **AND**
  Price variation greater than or equal to 20% plus Nifty variation for the month; subject to a minimum of 10% **AND**
  Volatility greater than three times Nifty volatility over a period of three months. Volatility is computed as standard deviation of log normal close to close returns.
  OR
- **Criteria B**
- Price Earnings Multiple (P/E) greater than 0 but less than the upper limit # subject to a minimum of 25 as on the relevant date (#explained above in fortnightly criteria) **AND**
- Price variation greater than or equal to 40% plus Nifty variation for the month **AND**
- Volatility greater than three times Nifty volatility over a period of three months.
  OR
- **Criteria C**
  Criteria C shall be applicable to securities with a market capitalization of less than 2 times of the market capitalization* arrived at for the review (*refer explanation in fortnightly criteria)
- Average daily volume variation month over month greater than 200% + Average volume variation of S&P CNX 500 constituents. (computed as average of average volume variation month over month across the constituents as on relevant date, rounded off to the nearest 5%), subject to minimum of 200% (average daily volume in the recent month being more than 1000 shares) **AND**
- Concentration (Gross Purchase plus Gross Sales) of top 10 Clients on the basis of PAN during the month more than 25% **AND**
- Price variation greater than or equal to 20% plus Nifty variation for the month; subject to a minimum of 10%.
- **OR**
- **Criteria D**

- Number of non promoter shareholders less than 500 as per the latest shareholding pattern available with the Exchange.
- **Dropping criteria:**
- Securities satisfying any of the above criteria A, B, C or D with market capitalization greater than the calculated threshold* (explained above) subject to the upper limit of Rs.500 crores , shall be excluded from transfer to Trade for Trade segment, if they satisfy any of the following conditions:
- The companies which have declared dividends or issued bonus shares in the last two years out of three years shall be excluded **OR**
- Securities having Institutional or government holding of more than 20% as per the latest available shareholding pattern. **OR**
- In case of IPO and the securities which are made available for trading in Trade for Trade segment for the first 10 trading days with applicable price band, while keeping the price band open on the first day of trading as per SEBI circular no SEBI/Cir/ISD/1/2010 dated September 2, 2010 shall be given the benefit of dividend paying record till they declare their first annual results.
- Securities satisfying criteria for movement to trade for trade segment in the preceding fortnight will not be considered in the quarterly review for movement from trade for trade segment to rolling segment.
  Additionally, SEBI has vide circular no SEBI/Cir/ISD/1/2010 dated September 02, 2010 laid down further guidelines for shifting of a security to trade for trade segment, which are as under:
  a. The securities of all companies shall be traded in the normal segment of the exchange if and only if, the company has achieved at least 50% of non-promoters holding in dematerialized form by October 31, 2010 (with the exception of the government holding in non promoter category)
  b. In all cases, wherein based on the latest available quarterly shareholding pattern, the companies do not satisfy above criteria, the trading in such scrips shall take place in Trade for Trade segment (TFT segment) with effect from the time schedule specified above.
  c. In addition to above measures, in the following cases (except for the original scrips, on which derivatives products are available or included in indices on which derivatives products are available) the trading shall take place in TFT segment for first 10 trading days with applicable price band while keeping the price band open on the first day of trading.
  Merger, demerger, amalgamation, capital reduction/consolidation, scheme of arrangement, in terms of the Companies Act and/or as sanctioned by the Courts, in cases of rehabilitation packages approved by the Board of Industrial and Financial Reconstruction under Sick Industrial Companies Act and in cases of Corporate Debt Restructuring (CDR) packages by the CDR Cell of the RBI.
- Securities that are being admitted to trading from another exchange by way of direct listing/MOU/securities admitted for trading under permitted category,
  Where suspension of trading is being revoked after more than one year.
  Besides, securities which have not established connectivity with both the depositories as per SEBI directive are available for trading in Trade for Trade segment under series BT
- **Criteria for fortnightly review of securities:-**
  The detailed criteria for transfer of securities to Trade for Trade segment is as follows:
  Price Earnings Multiple (P/E) less than 0 or greater than or equal to upper limit # subject to a minimum of 25 as on the relevant date.
  (# If Nifty P/E on the relevant date is in the range of 15-20, then the upper limit will be 30. If Nifty P/E>20 or <15 then the difference rounded off to nearest number will be added to or subtracted from 30).
  AND
  Price variation greater than or equal to 20% plus Nifty variation for the fortnight; subject to a minimum of 10%.
  AND
  Market capitalization less than or equal to the threshold* as calculated in the last quarterly review subject to an upper limit of Rs. 500 crores as on the relevant date.

  *Market capitalization threshold shall be linked to the Nifty / Sensex movement between December 01, 2003 taking base as Rs. 200 crores and present quarterly relevant date (after rounding off to the nearest Rs. 50 crores of higher of Nifty / Sensex movement).
- **Dropping criteria:**

- Newly listed scrips (IPO) and the securities which are made available for trading in Trade for Trade segment for the first 10 trading days with applicable price band, while keeping the price band open on the first day of trading as per SEBI circular no SEBI/Cir/ISD/1/2010 dated September 2, 2010 shall be dropped till the time they declare their first Quarterly results.
- Securities transferred out of Trade for Trade segment to Rolling settlement as per quarterly review will not be considered for transfer to Trade for Trade in the immediately following fortnightly review.