



ISS Enterprise Limited

(Erstwhile : ISE Securities & Services Ltd.)

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CIN : U67100MH2000PLC123707



Ref.:19-20/ISS/COMP/7257/KS
October 16, 2019.

To:
All Registered Intermediaries of ISS.

Dear Sir/Madam,

Sub: - Update payment mode NEFT/RTGS

As per NSE FAQ (copy enclosed) settlement of funds should be done through NEFT\RTGS only. To comply with the regulations, We have sent a separate e-mail to you containing list of clients whose IFSC codes are missing in our system. You need to send scanned copy of the cheque containing the account number, IFSC code and name of client by e-mail to crd@iseindia.com or whatsapp to 9323189537.

If client provides a different account number which is not registered with us then he has to submit physical copy of the cancelled cheque along with the modification form duly signed by client.

Kindly note, we have sent e-mail and SMS to your active/inactive clients for updating the payout mode to NEFT/RTGS instead of cheque.

At the time of settlement of funds (quarterly/monthly) for inactive client's (who have not traded for 90 days or more) full payout up to the last Rupee should be done i.e No retention of funds.

Kindly note that severe penalty will be imposed by regulators, if we do not release payout through NEFT and the same will have to be done by you in full amount.

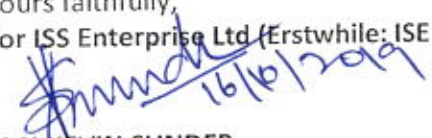
Please update the client IFSC code details within 7 working days or we will be forced to shift inactive client's funds to our suspense account which may be taken over/ freezed by SEBI or exchange.

For any further clarification, please contact the undersigned or Ms. Mayuri M or Your Relationship Managers on 022- 61829528/6/7/9 or e-mail helpdesk@iseindia.com.

Thanking you,

Yours faithfully,

For ISS Enterprise Ltd (Erstwhile: ISE SECURITIES & SERVICES LIMITED)


M N KEVIN SUNDER
DVP - ISS OPERATION

ISS Enterprise Limited

(Erstwhile : ISE Securities & Services Ltd.)

SEBI Registration No. INZ000157633

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NATIONAL STOCK EXCHANGE OF INDIA LIMITED

DEPARTMENT : INSPECTION

Download Ref. No.: NSE/INSP/36889

Date : February 02, 2018

Circular Ref. No.:318/2018

All Members

Sub : FAQ on Actual Settlement of Client Accounts

This is further to Exchange Circulars NSE/INSP/13606 dated Dec 03, 2009, NSE/INSP/14048 dated Feb 03, 2010, NSE/INSP/15008 dated June 17, 2010, NSE/INSP/21651 dated Sep 07, 2012, NSE/INSP/24849 dated October 29, 2013 and NSE/INSP/29096 dated March 11, 2015 regarding Actual Settlement of Client Accounts.

Based on representations received from Members regarding settlement of client accounts and changes in the regulatory requirements, Exchange is pleased to issue an updated frequently asked questions (FAQs) as **Annexure-A** on the subject. The same is also made available at:

https://www.nseindia.com/membership/resources/download/faq_sett_funds_securities.pdf

All Members are requested to take note and comply with the same.

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

CENTRE	CONTACT NO.	E MAIL ID
Ahmedabad	079-49008632	inspectionahm@nse.co.in
Chennai	044-28479915 / 17	Inspection_CRO@nse.co.in
Delhi	011-23459138/146/127	Delhi_Inspection@nse.co.in
Kolkata	033-40100411 / 406	Inspection_Kolkata@nse.co.in
Mumbai	022-25045264 / 271	compliance_wro@nse.co.in

For and on behalf of
National Stock Exchange of India Limited

Dr Dinesh Kumar Soni
Head- Inspection & Exchange Compliance

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Annexure-A

FAQS – ACTUAL SETTLEMENT OF FUNDS & SECURITIES

1. When does a client account need to be settled?

As per SEBI circular MIRSD/ SE /Cir-19/2009 dated December 3, 2009 (Exchange Circular NSE/INSP/13606 dated December 03, 2009), the settlement of funds and / or securities shall be done within 1 working day of the pay-out, unless client specifically authorizes the trading member in writing to maintain a running account.

Clients whose funds and securities are maintained on a running account basis have to be settled by members on a monthly / quarterly basis as per the client mandate. Members should ensure that there is a gap of maximum 30/ 90 days (as per the client mandate) between two running account settlements.

2. What should be the periodicity for settlement of client funds and securities?

In case a client wishes to maintain a running account for its funds and securities with the trading member, the client has to authorize the member in writing to retain its funds and securities. Such authorization should also contain:

- Mandate of the client as to whether the settlement of funds and securities should be done on a monthly or quarterly basis
- A clause stating that the Client may revoke the authorization at any time (i.e. without notice)

In case of internet clients, authorisation received through online secured access by way of client specific user Id & password, is considered as authorisation in writing.

Accordingly, the actual settlement of funds and securities shall be done by the member at least once in a calendar quarter or month, depending on the mandate of the client and the gap of between two running account settlements should not exceed 90 or 30 calendar days respectively.



3. What balances need to be considered while settling funds and securities of clients?

Members need to consider the EOD balance of funds and securities of clients as on the date of settlement either across all segments of the Exchange or across Stock Exchanges depending on the practice followed while settling the client accounts. However, the member needs to follow a uniform and consistent practice of considering the balances either across all segments of the Exchange or across Exchanges.

It is clarified that while settling client accounts, both funds and securities of clients need to be settled on the same day.

4. What is the value of funds / securities that a trading member can retain while doing the settlement?

For the clients having outstanding obligations on the settlement date, a member may retain the requisite securities / funds towards such obligations and may also retain the funds expected to be required to meet margin obligations for next 5 trading days, calculated in the manner specified by the exchanges.

Accordingly the following funds / securities may be retained by a member at the time of settlement

- entire pay-in obligation of funds & securities outstanding at the end of day on date of settlement
- funds / securities to the extent of value of transactions (gross turnover) executed on the day of such settlement in the capital market
- in derivative segment apart from margin liability as on the date of settlement, additional margins (maximum up-to 125% of margin requirement on the day of settlement) . The margin liability shall include the margin collected by the Member from their clients as per the risk management policy and informed to the clients.

An indicative format of retention statement is attached as **Annexure 1**. In case of any other format, members should ensure that the contents specified by the relevant circulars are covered in the retention statement.



Note:

- a) While computing the value of securities, the closing rate for the trade date prior to the settlement date (T-1 day) should be considered after appropriate hair-cut viz. VaR margin rate applicable for the security in the Capital Market segment
- b) In case the member applies hair cut in excess of VaR rate on a regular basis then such higher rate may be considered for determining the amount to be retained, provided the member has intimated the requirement of additional margins to the clients through the policy and procedures document and consistently through the daily margin statements issued to clients.
- c) No inter client adjustment can be done for the purpose of settling client accounts.
- d) Obtaining of authorization from the clients to the effect that no settlement need be done for particular month(s) / quarter(s) is contradictory to the SEBI requirement and hence not permissible.
- e) In case of settlement done on trading holiday(s), the turnover/margin applicable to previous trading day shall be reckoned for computing the amount to be retained.
- f) Illiquid / volatile scrip's having VaR margin (hair cut) as 100% also need to be returned to the client.
- g) In case there are no amounts (funds or securities) to be retained for a client in a particular settlement cycle, no retention statement needs to be sent to such client. However, the member shall continue to send statement of accounts for funds / securities once in a month/quarter.

5. Can Members issue payments through physical mode, while settling the accounts of the clients?

For the purpose of settlement of funds, the mode of transfer of funds shall be by way of electronic funds transfer viz., through National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), etc. The required bank details for initiating electronic fund transfers shall be obtained from new clients and shall be updated for existing clients.

Members may issue a physical payment instrument, only in cases where electronic payment instructions have failed or have been rejected by the bank and after keeping adequate record of the same. However, settlement

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will be deemed to have been done only if proof of clearing the funds is on record.

6. Can Members use different haircut for valuation of securities for retention purposes while settling the accounts and for valuation of securities towards margin collection?

The application of haircut for the purpose of valuation of securities towards actual settlement as well as towards margin collection should be based on the risk management policy adopted by the Member and informed to the clients. The policy should be uniform across all their clients and should be applied consistently for a minimum period of 1 year.

7. Is there any threshold amount below which members may not be required to settle client's account?

As per Exchange Circular NSE/INSP/24849 dated October 29, 2013, Members may retain an amount of up to Rs 10,000/- (net amount across segment and across stock exchanges) after taking a one-time written consent of the client.

The above threshold limit on retention of amount shall not be applicable in case of clients who have not traded even once during the month/quarter in which the settlement is being undertaken.

The retention amount of Rs. 10000/- shall be arrived at as per the below guidelines:

EOD financial Balance (In Rs.)	Amount of Retention as per Point 4 above (In Rs.)	Balance Amount (In Rs.)	Remarks
50,000.00	45,000.00	5,000.00	Not required to be settled
50,000.00	30,000.00	20,000.00	Rs. 10,000 can be retained and remaining needs to be settled
50,000.00	Nil	50,000.00	Rs. 10,000 can be retained and Rs. 40,000 needs to be settled

Handwritten signature

However, Member has to ensure that Statement of Account/retention statement is sent to such client, whose settlement is not required, on a quarterly/monthly basis.

- 8. In case of MFSS, where the client has given a SIP mandate, what amount can be retained by the Member to meet the upcoming MFSS SIP requirement?**

A Member may retain an amount equivalent to the value of the immediate upcoming MFSS SIP obligation as per the specific mandate given by the client.

- 9. When should a member send statement of accounts for funds / securities?**

A Member is required to send to the client 'statement of accounts' containing an extract from the client ledger for funds, an extract from the register of securities displaying all receipts and deliveries of securities and a statement explaining the retention of funds and / or securities within 5 days from the date of settlement.

The statement of accounts sent at the time of settlement may be sent in hard or in soft form as per the consent obtained from the client and POD / dispatch register / logs of email sent should be retained by the member.

- 10. What details should the statement of accounts sent at the time of settlement contain?**

A member could use any format for issue of statement of account for funds & securities at the time of settling client's accounts. However the statement should necessarily contain the following details:

- Transactions / MTM / margins debited and reversed / pay in and pay out of funds for the period from the date of last settlement done till the current settlement date
- Security wise pay in pay out / securities retained as margin / securities pledged for the period from the date of last settlement done till the current settlement date
- Closing balance of funds / securities available with the member on the date of settlement



- An error reporting clause giving clients not less than 7 working days from the date of receipt of funds / securities or statement, to bring any dispute arising from the statement of account or settlement so made to the notice of the broker.
- A clause intimating the client that the client has provided a running account authorization which can be revoked at any time.

In addition to the statement of account for funds members also need to provide to their clients a statement explaining the retention of funds / securities.

11. Is the member required to send statement of accounts for funds / securities at the end of quarter in addition to the statement sent at the time of quarterly / monthly settlement?

In case a member has done monthly / quarterly settlement of client accounts (under running account mandate) and has sent statement of accounts for funds & securities as well as retention statement to the clients at the time of settlement as a part of settlement process, it would be considered adequate compliance for the purpose of sending quarterly statement of accounts for funds / securities for such clients provided statement of accounts (issued at the time of settlement) is sent on a regular basis to clients.

However, for clients whose settlement is not required to be done (e.g. Clients maintaining bill to bill pay in and pay out or with nil/debit balance), the member is required to send statement of accounts for funds / securities once in a month/quarter, as the case may be.

It will be adequate if only statement of account is sent to a client whose funds or securities are not required to be retained.

12. Is statement of account required to be issued in case no trades are done by clients in the quarter / month?

In case a client has not traded during the quarter / month and the trading member does not hold any funds or securities for the client at any point of time during the quarter / month for which settlement needs to be done, then the member may decide not to issue statement of account to the client.



13. In which circumstances settlement need not be done by a member?

Periodic settlement as per the above mentioned rules (Point no.1) is not required to be done in the following cases:

- a) Clients settling trades through "custodians"
- b) Clients availing margin trading facility (to the extent of funds / securities relating to margin trading facility used by client), provided the Member is registered for Margin trading with the Exchange in accordance with the applicable rules & regulations. Margin trading accounts with no transactions for 90 days shall be settled immediately.
- c) Margin received in the form of Bank Guarantees and Fixed Deposit Receipts which are created by clients.
- d) Clearing members who are clearing trades of custodial participants / trading members
- e) Member may retain funds and securities where the net amount due to active client across segments and across exchanges is up to Rs 10,000/- subject to written consent from client. Please note this provision shall not be applicable to clients who have no trades in the month/quarter considered for settlement.
- f) Cheques received by the Member from the clients and credited in the respective client ledger but uncleared on the date of settlement.
- g) In case of new clients, no settlement would be required in the month/quarter in which funds/securities are received by the Member for the first time.

14. Can a member retain funds of clients towards obligations towards its sister companies?

While settling client accounts on monthly / quarterly basis a member cannot retain funds or securities in excess of the balances mentioned in Point 4.

Accordingly, while ascertaining retention amount, a member cannot consider debit balances of client which are arising in the books of sister concern / associate of the member which is registered in same/other exchanges / commodities broking.



Annexure 1

INDICATIVE FORMAT FOR RETENTION STATEMENT***(A) Total value of clients Funds and Securities available prior to settlement**

Particulars		Amount (Rs.)	Amount (Rs.)
Unencumbered balance in client ledger <i>(after reversing value of unsettled bills if any in case of trade day billing and margin amount if debited in client ledger)</i>		<u>XXXX</u>	
Unencumbered balance in margin ledgers		<u>XXXX</u>	<u>XXXX</u>
Value of Securities Available on T Day with member <i>(at closing rate of T-1 Day after appropriate Haircut)</i>			<u>XXXX</u>
Total Funds and Securities available			<u>XXXX</u>

(B) Explanation regarding Retention of Funds and Securities

Particulars	NSE CM Segment	NSE F&O Segment	NSE CD Segment	Other Exchange	Amount (Rs.)
Unencumbered Debit balance in client ledger <i>(across segments / exchanges after reversing value of unsettled bills if any in case of trade day billing and margin amount if debited in client ledger)</i>					<u>XXXX</u>
T Day Funds Pay in obligation	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	
T-1 Day Funds Pay in obligation	<u>XXXX</u>	N.A.	N.A.	<u>XXXX</u>	
T Day Securities Pay in obligation in CM segment	<u>XXXX</u>	N.A.	N.A.	<u>XXXX</u>	
T-1 Day Securities Pay in obligation in CM segment	<u>XXXX</u>	N.A.	N.A.	<u>XXXX</u>	
225% of T Day Margin Requirement in Derivatives segment	N.A.	<u>XXXX</u>	<u>XXXX</u>	N.A.	
T Day turnover in CM segment	<u>XXXX</u>	N.A.	N.A.	<u>XXXX</u>	<u>XXXX</u>
Maximum Funds and Securities that can be retained					<u>XXXX</u>

(C) Retention of Funds and Securities (Value)

Value of Funds received from client retained						<u>XXXX</u>
Value of Securities of client – retained						
Scrip Name	ISIN	Quantity	Closing Rate on T-1 Day	Haircut	Value	
		<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	
		<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	
		<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
Total Retention						<u>XXXX</u>

(D) Details of Payout to client

Funds released						<u>XXXX</u>
Details of Securities released						
Scrip Name	ISIN	Quantity	Rate on T- 1 Day	Haircut	Value	
		<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	
		<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	
		<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	
		<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
Total Funds and Securities released						<u>XXXX</u>

(E) Amount not required to be returned

Value of BG's received from client - not required to be returned (With details of each BG)	<u>XXXX</u>
Value of FD's received from client - not required to be returned (With details of each FD)	<u>XXXX</u>

* Enclosed with Circular no. NSE/INSP/36889 dated February 02, 2018