Saarth
E-Journal of Research

ISSN NO: 2395-339X

"National Securities Clearing Corporation Ltd"

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The National Stock Exchange of India Ltd (NSE) which came in focus on the base of M.G. Pherwani Committee recommendation and commenced operation from November, 3,1994 with 200 securities. In starting the NSE worked self clearing and settlement function. Thus, the market has been plagued by deficiencies of clearing and settlement such as member to member settlement, lack of transparency in settlement procedures, enforcement of rules & regulations, irregular settlement cycles and lack of organised risk containment measures. It was not only settlement problems of NSE but also overall Indian Capital market. For avoid settlement weekness, NSE has been promoted NSCCL (National Securities Clearing Corporation Ltd).

NSCCL is a wholly-owned subsidiary of National Stock Exchange of India Ltd (NSE). NSCCL was incorporated as a limited company on 31st August, 1995 under the Companies Act, 1956 and commenced its operations from April, 1996.

The NSCCL, othor objectives such as-

:- It provide sustain confidence in settlement and clearing of securities.

:- It promote and maintain short and consistent settlement cycles.

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:- It provide counter party risk quarantee.

:- To operate a tight risk containment system.

:- To introduce a rolling settlement system over time.

National Securities Clearing Corporation Limited (NSCCL) which is the first clearing corporation to be introduce in India and also the first to introduce a settlement guarantee. NSCCL is now known as NSE Clearing Limited (National Clearing). NSCCL has established a "Settlement Guarantee Fund" Contributed by the clearing members of the corporation to provide guarantee settlement. This fund is uniquikr in India that represents an important step in upgrading settlement and clearing of the securities for invester's and bringing Indian financial markets in the line whith international markets.

NSCCL commenced its activities through taken over clearing and settlement function of NSE. The clearing corporation has made a smooth transaction to provide delivery versus payment settlement in a risk contained environment because overall market is moving towards depository environment. NSCCL provide portal for different securities tranded on NSE as centralized clearing. The equities, equity derivatives, commodity derivatives, currency derivatives, Govt. bond, debt segment and corporate bonds are settled through the NSCCL.

The trades of various securities through a structured procedure settle by NSCCL. In this procedures, NSCCL receives all trades executed or locked in during the day for every trading day, in the settlement procedure beging stage.

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Thereafter, NSCCL determines the cumulative obligation of every member and then this data transferred electronically to the clearing member's. During a particular trading period every trade concluded settled togather for every member. Now NSCCL adopts a multilateral netting procedure that determines the net settlement obligation of every clearing member whether it is a delivery or receipt position. After this, the procedure of settlement involves allocating the delivery of securities to arrive at the exact delivery and receipt obligations of fund as well as securities for every member of NSCCL, after settlement process completed the pay-out of funds and securities is declared and released. At last, completed all process, NSCCL requires the delivering members to bring in the securities on the pay-in day and deliver them to the respective receiving members on the pay-out day.

The several participants having a specific role in settlement process of NSCCL. There are sereral partners like clearing member's, Clearing banks. Cusodians, Depositories and professional clearing members. Clearing member is a member of the clearing corporation who clears and settles deals through clearing Corporation. The clearing member clears and settles deals for a segment in a manners and mode and subject to such terms and conditions and procedure which prescribed for them. Further Clearing members (C.M.) may settle and clear either on their own account or an behalf of their clients subject to the terms and conditions prescribed by the Clearing Corporation.

In the Capital Market segment all trading members of the exchanges are required to become clearing members of the Clearing Corporation. In fro

ISSN NO: 2395-339X
segment trading members need not necessarity clear their own deals but can select another clearing member or a professional clearing member to clear and settle their dues.

Trading members who are also clearing members that can clear and settle their deals and can also deals of other trading members who opt to settle their deals through the said clearing members. “Self Cearing Members” May clear and settle only their own proprietory trades and their clints’ trades but can’t clear and settle trades of other trading members.

NSE Clearing offers settlement of fund through fifteen clearing banks i.e. 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 Mahendra Bank, Standard Chartered Bank, SBI, Union Bank of India, Yes Bank and JP. Morgan Chase Bank, Members may open their clearing account with any of the empaneled clearing bank for the purpose of settlement exchange transactions NSCCL have its own clearing house that is located at Mumbai and regional clearing center’s i.e. New Delhi, Kolkata and Madras (Chennai). These are connected over 100 cities of the nation. In starting period of NSCCL had only two clearing banks, namely canara bank and HDFC bank where clearing members maintained his account.

Custodians are clearing members but not trading members. They settle trades on behalf of their clints that are executed through other trading members. A trading member may assign a particular trade to a custodian for settlement

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The custodian is required to confirm whether he is goin to settle that trade or not. If the custodian confirms the trade. NSE clearing assigns the obligation to the custodian. If the custodian rejects the trade, the obligation is assigned back to the trading members. Custodians clearing members are required to request Clearing Corporation for allotment of Custodian participant (C.P.) code for the clints for which they whish to clear and settle. The request has to be made along with documentation for the said purpose like SEBI registration member, PAN number etc. depending on the category of the client.

In order to promote dematerialization of securities. NSE clearing joined hands with trading financial institutions to establish the National Securities Depository (NSDL), the first depository in the country with the objective of enhancing the efficiency in settlement systems as also to reduce the menace of tape/forget and stolen securities. The Second depository in the country, name CDSL (Central Securities Depository Limited) that promoted by the BSE and few commercial banks, was granted certificate of commencement of business in feb. 1999, NSC Clearing is linked both the depositories in India for electronic settlement of securities.

Clearing Corporation admits a special category of members namely professional clearing members. It is not trading member. They are typically banks, Custodian etc. who clear and settle trade executed for their clients. The function and responsibilities of the professional Clearing members (PCM) would be similar to custodian. PCM may undertake clearing and settlement responsibility for trading members.

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There are 17 Clearing Members registered with NSC Clearing Limited (August 2022) namely-Edelweiss Custodian services Ltd., Il & Fs Securities Services Ltd., Orbis financial Corporation Ltd., SBI. SG. Global Securities Services Pvt Ltd., Stock Holding Corp. of India Ltd., DBS Bank India Ltd., ISSL Settlement & Transaction Services Ltd., Axis Bank Ltd., HDFC Bank Ltd., ICICI Banks Ltd., Indusind Bank Ltd, Kotak Mahindra Bank Ltd., Punjab National Bank, Standard Cheritered Bank, The Calcutta Stock Exchange Ltd., The Hongkong and shanghai Banking Corp. Ltd. And Yes Bank Ltd. Above all clearing members settles and clear deals for a segment. Some clearing members deals in currency derivatives segment only and same in currency derivatives & Capital market segment and some in commodity, debt and Futures & options segment (one or two segment).

Thus, It is observe that NSCCL (NSC Clearing) introduced to endure the smooth cleaning of all the trade from various segments. It is providing well-oiled machine on NSCCL platform that dose not accept any deviations or delays on any account. NSCCL will be provide best cleaning and settlement procedure through trading members and others agencies. Its also provide boost to the Indian Capital Market.

(Sources : NSCCL Publications and website of NSE clearing/NSCCL)