

# **CONSULTATION PAPER**

## **OPERATING GUIDELINES FOR STOCK BROKER CONNECT**

25 March 2025

# Consultation Paper on Operating Guidelines for Stock Broker Connect

## 1. Introduction

These guidelines shall be known as Stock Broker Connect Guidelines and shall relate to the following activities:

- i. Registration of recognised Stock Broker as Trading Member of NDS OM,
- ii. Appointment of Clearing Member by Stock Broker, &
- iii. Registration of Individual Constituents by Trading Member/Clearing Member; and/or
- iv. Secondary market outright purchases and/or sales in all kinds of Government Securities
- v. Settlement of such secondary market trades by the Clearing Member through Clearing Corporation of India Limited as Central Counterparty.

Stock Broker Connect: Shall mean a mechanism through which a stockbroker provides access to NDS-OM to its individual constituents / clients maintaining demat accounts with depositories registered with the Securities and Exchange Board of India (SEBI).

## 2. Applicability

These guidelines are applicable to all concerned entities viz Stock Broker, Clearing Member and Individual Investors of the Stock Broker Connect model.

## 3. Definitions

### i. Eligible Investors

Any individual investor who maintains a demat account with a SEBI-registered depository, herein after referred to as Constituent.

### ii. Eligible Stock Broker

- a) A stock broker registered with SEBI, subject to the general / specific approval of SEBI; and
- b) The stock broker has an agreement with an entity that is member of the securities settlement segment of CCIL (hereinafter “clearing member”) in terms of which the clearing member agrees to assume responsibility for the settlement of transactions undertaken by the constituents of the stock broker.

### iii. Clearing Member

A member of Securities Segment of Clearing Corporation who is permitted under the By-laws, Rules and Regulations to submit its Proprietary Trades and its Constituents’ Trades for clearing and settlement to Clearing Corporation.

### iv. Clearing Corporation

“Clearing Corporation” means The Clearing Corporation of India Ltd. (CCIL) as registered under the Companies Act.

### v. Clearcorp

## Consultation Paper on Operating Guidelines for Stock Broker Connect

“Clearcorp” means Clearcorp Dealing Systems (India) Ltd, a wholly owned subsidiary of CCIL.

vi. Depository

“Depository” shall have the same meaning as in the Depositories Act, 1996.

vii. NDS OM

“NDS OM” (means the system of Reserve Bank of India, which facilitates secondary market dealings in government securities.

viii. Demat Account

“Demat Account” is a bond ledger account of the entity or a person with the Depository for the purpose of maintaining securities in dematerialised form. Dematerialisation is the process by which the securities in physical form are converted to an equivalent number of securities in electronic form.

ix. FIMMDA

FIMMDA means the Fixed Income Money Market and Derivatives Association.

## Consultation Paper on Operating Guidelines for Stock Broker Connect

### 4. Guidelines Pertaining to Eligible Stock Brokers

- a) Membership
- i. Membership to NDS-OM shall be restricted to only those Stock Brokers eligible under Stock Broker Connect who have received approval from RBI subject to adherence to pre-requisite(s) that RBI may decide in this regard from time to time.
  - ii. An eligible Stock Broker desirous of providing access to its individual constituents maintaining demat accounts with depositories registered with SEBI to NDS-OM may make an application in the prescribed format to the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India, 9th Floor, Central Office Building, Shahid Bhagat Singh Marg, Mumbai – 400001.
  - iii. The Membership of Stock Brokers to NDS OM will be subject to the conditions mentioned in the RBI Master Direction- Access criteria to NDS OM Directions 2025 and SEBI Circular on Facilitation to SEBI Registered Brokers to access NDS OM for trading Government Securities- Separate Business Units as amended or reissued from time to time.
  - iv. The Stock Broker after obtaining the permission of RBI shall submit Membership Application Form to Clearcorp. It will need to furnish details of the CCIL Securities Segment member who will be acting as the Clearing Member for settling trades undertaken by the individual constituents for the Stock Broker. For this purpose, the Stock Broker shall enter into an agreement with the Clearing Member of CCIL, a copy of which is required to be shared along with the Membership Application form.
  - v. The Stock Broker shall carry out the Stock Broker Connect activity directly under the SEBI Registered Entity and will not appoint or sublicense such activity to any other entity. Such SEBI Registered Entity shall ensure ongoing compliance with the SEBI Directions on Stock Brokers.
  - vi. The Stock Broker shall have adequate Information Technology infrastructure including authentication procedures, cybersecurity framework, data protection system, audit trails etc. for offering services under the Stock Broker Connect.
  - vii. After successful completion of registration, the Stock Broker shall be allotted a unique Member ID by NDS-OM, which shall be used for the identification of the Member. The Stock Broker shall incorporate the Member ID in all its communications to Clearcorp.
  - viii. Clearcorp can suspend/terminate the membership of a Stock Broker) if found in violation of RBI/SEBI directions or does not meet settlement obligations or non-compliant to Clearcorp Bye - Laws, Rules and Regulations or non-compliant to API rules or is found to undertake activities which may disrupt or distort normal market functioning.
  - ix. Clearcorp has the right to call upon documents and other information from the Stock Broker) in regards to access requested or access already granted under the model.
  - x. In the event of any change in control, name or reorganization, amalgamation /merger of the Stock Broker, Clearcorp shall be promptly informed about the same. Clearcorp shall have a right to call for such information, data and documentation as may be

## Consultation Paper on Operating Guidelines for Stock Broker Connect

deemed necessary for reviewing such membership and the Stock Broker shall provide the same to Clearcorp and also extend all the necessary co-operation in this regard. Further, Clearcorp may also require additional documentation as may be deemed necessary and within such period as may be specified by Clearcorp pursuant to the change in control or reorganization, amalgamation/merger.

- xi. A Stock Broker seeking to resign and discontinue access to NDS-OM under the Stock Broker Connect model may do so in writing to RBI and Clearcorp. After obtaining the RBI acknowledgment for the resignation request, Clearcorp shall terminate access of such resigning Stock Broker.
- xii. In event of a Stock Broker being suspended/terminated by RBI, the access to NDS-OM under the Stock Broker Connect for the Stock Broker and the Constituents accessing NDS OM through the Stock Broker shall be suspended/terminated.
  - b) Access to Constituents
    - i. The Stock Broker shall provide the services under Stock Broker Connect to its Constituents at its own cost through the Stock Broker Trading Portal/Mobile App or any other mode as permitted by RBI.
    - ii. The Stock Broker shall facilitate only direct input of orders by Constituents under the Stock Broker Connect.
    - iii. The Stock Broker shall seek the consent of their Constituents who are desirous of accessing the Stock Broker Connect by way of an Application form. Clearcorp may direct the Stock Broker to provide copies of the Application form, where required.
    - iv. The Stock Broker shall abide by the RBI NDS OM Guiding Principles as amended from time to time.
    - v. The Stock Broker shall abide by the FIMMDA Code of conduct pertaining to NDS OM as amended from time to time.
    - vi. The Stock Broker will ensure that the Constituents to be registered on NDS OM/CCIL are eligible to deal on NDS OM as per the RBI guidelines (as amended from time to time) and under applicable law.
    - vii. The Stock Broker will ensure that the compliance of KYC requirements under applicable laws in respect of the Constituent has been done. Further, the Stock Broker shall ensure compliance of all KYC requirements of the Constituent on an ongoing basis as required under applicable laws. Clearcorp shall in no manner be responsible for the same.
    - viii. The Stock Broker shall ensure that access to NDS-OM is granted only to those investors who have been successfully registered with CCIL and for whom an active Constituent ID has been issued by NDS-OM and CCIL.
    - ix. The Constituent ID will be transmitted along with all orders placed through the Stock Broker Connect. The Constituent ID for an order will not be modifiable at any time.
    - x. The Stock Broker shall provide regular contract notes, reports, statements and updates to their Constituents on the transactions undertaken by them on NDS-OM and any other details as may be required by RBI.

## Consultation Paper on Operating Guidelines for Stock Broker Connect

- xi. The Stock Broker shall educate its Constituents accessing NDS-OM on the NDS OM Guidelines issued by RBI and the Operating Guidelines issued by CCIL.
  - xii. Clearcorp may deactivate Constituents(s) in case of an order of disqualification by any statutory/regulatory authority or an order of similar effect from any other competent authority.
  - xiii. RBI/Clearcorp/CCIL or any of their officials shall not in any way be liable for any loss or damage or consequences that may arise on account of unauthorized and/or wrongful use of NDS OM by any of the registered Constituents(s), for which the Stock Broker shall be solely liable and responsible.
  - xiv. The Stock Broker shall provide access to its Constituents in an objective, fair and transparent manner. The Stock Broker shall provide all information to Constituents in a fair and non-discriminatory basis.
  - xv. The information about Constituents orders and trades that may be available to the Stock Broker shall always be treated as confidential information received in good faith in the normal course of business. The Stock Broker shall ensure that such information shall not be used and/or taken advantage of at any time in any manner whatsoever.
  - xvi. The Stock Broker will ensure that they shall not publish, supply, show or make available to any other person/entity the facilities/data available on the NDS OM Platform or the information provided by the NDS OM Platform except with the explicit written approval of Clearcorp.
  - xvii. The Stock Broker shall maintain adequate records, audit logs, written confirmations etc. to evidence receipt of orders from their Constituents under the Stock Broker Connect.
  - xviii. The Stock Broker shall after duly notifying the Constituent, disable access of a Constituent who has been not used the access through the Stock Broker Connect for a period of one year.
- c) Operational Risk Controls
- i. The Stock Broker mandatorily needs to set Operation Risk Control Parameters (Single Order Limit, Price Ranges, Activity Check) and Trading limits (Stock and Fund Limit) on their Constituents as required by RBI/CCIL/Clearing Member and monitor such limits on a real time basis.
  - ii. The Stock Broker shall ensure that trading activity by Constituents are within the Operation Risk Control Parameters and Trading Limits.
  - iii. The Stock Broker shall have in place sufficient risk monitoring tools/ practices to monitor positions by their Constituents.
  - iv. The Stock Broker shall facilitate direct transfer of margins, funds and securities from the Constituent to the Clearing Member. The Clearing Member/Clearcorp may prescribe any other process for handling the margins, funds and securities of Constituents. The Stock Broker shall follow the procedure prescribed by the Clearing Member/Clearcorp to the satisfaction of the Clearing Member/Clearcorp.
  - v. The Stock Broker shall ensure that funds of an investor are not used to meet margins or obligations of another investor or any other purpose.

## Consultation Paper on Operating Guidelines for Stock Broker Connect

- vi. The Stock Broker shall ensure that securities of an investor are not used to meet margins or obligations of another investor or any other purpose
- vii. All funds payments to or receipts from Constituents will be in the form of electronic fund transfer directly to the specified bank accounts of Stock Broker/Clearing Member/CCIL.
- viii. The Stock Broker shall maintain detailed record of funds/securities/margins of the Constituents under Stock Broker Connect. Clearcorp may direct the Stock Broker to provide details of the securities/funds of their Constituents and Clearcorp may share the same with Constituents.
- ix. Debit of securities/funds from the Constituents demat and bank account should be done with explicit authorisation from the Constituent.
- x. The Stock Broker shall ensure that Funds used for purchase of securities by Constituents shall be from the Constituent's own source of funds.

### d) Settlement of trades of Constituents

- i. The Stock Broker needs to make good the settlement obligations on account of activities performed by their Constituents on NDS-OM in a time bound manner to its Clearing Member to ensure timely completion of settlements
- ii. The trades concluded by the Constituents on NDS OM shall be settled by the Clearing Member of CCIL chosen by the Stock Broker and the Stock Broker shall neither hold NDS OM/ Clearcorp/CCIL responsible for any delay or losses incurred in relation to the settlement of these trades.
- iii. The Clearing Member shall be solely responsible for the settlement of such Constituent trades and the settlement will happen as per the Bye Laws, Rules and Regulations of CCIL and procedures notified by CCIL from time to time.

## **5. Use of NDS OM Application Programme Interfaces (API) by Stock Brokers**

- i. The Stock Broker desirous of using the NDS OM API for Order Matching and Request for Quote Segments will apply to Clearcorp with requisite details. The Stock Broker will have to submit the NDS OM API Undertaking duly signed by authorised personnel and stamped to Clearcorp.
- ii. The Stock Broker will have to comply with the NDS OM API Rules and amended from time to time.
- iii. The Stock Broker shall participate in conformance tests with Clearcorp to check the use of APIs.
- iv. The Stock Broker shall refrain from development and deployment of software that supports Algos or automated trading
- v. Clearcorp has the right to call upon documents and other information to verify the compliance to NDS OM API Rules, if the Stock Broker) has registered for NDS OM API. Clearcorp has the right to inspect the Stock Broker, to verify the compliance to NDS OM API Rules.
- vi. Clearcorp has the right to suspend the permission to use APIs if its use by the Stock Broker is found to be in violation of RBI directions or non-compliant to API rules. Clearcorp has the right to approve/disapprove trading software developed by the Stock Broker) .and the decision of Clearcorp in this regard shall be final.

**6. Guidelines applicable to Clearing Member**

a) Membership

- i. Members of Securities Segment of CCIL who are permitted under the Bye-laws, Rules and Regulations to submit their Proprietary Trades and Constituents' Trades for clearing and settlement to Clearing Corporation are eligible to provide service as Clearing Member under the Stock Broker Connect model. No separate registration is required for these entities. CCIL may prescribe various criteria such as CCIL rating, net worth etc. for Clearing Members to provide services under the Stock Broker Connect.
- ii. CCIL retains the right to onboard new Clearing Members and review of membership of existing Clearing Members.
- iii. CCIL can restrict the maximum number of Stock Broker or Constituents who can settle through a Clearing Member. CCIL can restrict the maximum amount that can be settled through a Clearing Member.
- iv. CCIL retains the right to suspend/terminate the membership of a Clearing Member offering services under the Stock Broker Connect as per the CCIL Bye - Laws, Rules and Regulations or as per directions from RBI
- v. CCIL has the right to call upon documents and other information from Clearing Member in regards to access requested or access already granted under the Stock Broker Connect.
- vi. The resignation of Clearing Members shall be handled as per CCIL's Bye - Laws, Rules and Regulations.
- vii. In the event of resignation of a Clearing Member, the Stock Broker settling through such Clearing Member will be required to avail the services of another Clearing Member to be eligible to extend trading access to its individual investors to NDS-OM. Such change to the Clearing Member will be required to be notified to RBI and CCIL.

b) Registration of Constituents with CCIL

- i. Clearing Member shall be responsible for providing the requisite details of each Constituent to CCIL. Clearing Member shall provide any additional information as may be sought by the Clearing Corporation in relation to each of its Constituents.
- ii. Clearing Corporation shall allot each such Constituent an ID for the purpose of identification upon request received from Clearing Members providing requisite details and documents, as prescribed by Clearing Corporation.
- iii. The Constituents will be registered on the NDS OM System after allotment of the Constituent ID by CCIL.
- iv. The Clearing Member will validate the Bank Account, Demat Account details and other details like Mobile No, Email Id, PAN and residential status of the Constituent before providing the same to CCIL as part of the Constituent registration process.
- v. Clearing Members will register a Constituent with Clearing Corporation only after the Clearing Member has, to its satisfaction, verified the eligibility of such Constituent and completed all necessary formalities/ requirements (including but not limited to any KYC requirements) under applicable law. Any ongoing compliance arising therefrom shall be the sole responsibility of the Clearing Member and Clearing Corporation shall in no manner be responsible for the same.
- vi. The Clearing Member shall abide by CCIL Byelaws, Rules and Regulations, NDS-OM Guiding Principles and FIMMDA Code of conduct and directions issued by RBI from time to time with regards to the Stock Broker Connect.

## Consultation Paper on Operating Guidelines for Stock Broker Connect

- vii. CCIL shall have no relationship with the Constituents of the Clearing Member and the Stock Broker.
  - viii. The Clearing Member shall after duly notifying the Constituent, disable access of a Constituent who has been not used the access through the Stock Broker Connect for a period of one year.
- c) Operational Risk Controls
- i. The Clearing Member shall not permit trading by investors without setting sufficient Limit (funding and stock) on the Stock Broker/Constituent.
  - ii. The Clearing Member shall ensure that the Stock Broker facilitates direct transfer of margins, funds and securities from the Constituent to the Clearing Member. The Clearing Member/Clearcorp may prescribe any other process for handling the margins, funds and securities of Constituents. The Clearing Member shall ensure that the Stock Broker follows the procedure prescribed by the Clearing Member/Clearcorp to the satisfaction of the Clearing Member/Clearcorp.
  - iii. The Clearing Member shall receive from CCIL regular updates in form of reports/statements on the trades and settlement obligations of the Constituents.
  - iv. The Clearing Member shall ensure that sufficient margins have been deposited to cover Constituent trades as per the margins and margin methodology prescribed by CCIL.
  - v. For the purpose of Stock Broker Connect, the Clearing Member shall open a dedicated Bank Pool Account to receive funds of Constituents. The Clearing Member shall also open a Demat Pool Account with the Depositories to receive securities from the Constituents.
  - vi. The Clearing Member shall maintain detailed record of funds/securities/margins received from Constituents. Clearcorp may direct the Clearing Member to provide details of the securities/funds collected from their Constituents and Clearcorp may share the same with Constituents.
  - vii. The Clearing Member shall ensure that funds/securities/margins of one Constituent are not used to provide limits to another Constituent.
- d) Settlement of Trades of Constituents
- i. The Clearing Member shall be responsible for settlement of both securities and funds obligations
  - ii. The Clearing Member shall make good the settlement obligations in a time bound manner to ensure smooth settlement process and timely completion of settlements
  - iii. Clearing Member shall pay funds directly into the Constituent's registered bank account at the time of completion of settlement.
  - iv. All funds payments to or receipts from Constituents will be in the form of electronic fund transfer directly to the bank account of the Clearing Member/CCIL.
  - v. Clearing Member shall directly credit the securities into the Constituent's registered demat account at the time of completion of settlement.
  - vi. Clearing Members shall be responsible for replenishment of shortage in demat trades settled by them and also all charges incidental to such shortage which are either handled or allocated by CCIL as per the provisions of its Bye-Laws, Rules and Regulations;
  - vii. CCIL shall provide reports, giving details of trades received from the Constituents for settlement in demat, the net deliverable/ receivable obligations for Constituent and net deliverable / receivable obligations for all Constituents with a depository to the Clearing Member.
  - viii. Clearing Members shall be responsible for providing all requisite details to their Constituents and the Stock Broker including details of trades done by the Constituents through their Stock Broker

## Consultation Paper on Operating Guidelines for Stock Broker Connect

- ix. Clearing Members of CCIL shall be responsible to adhere to all provisions of the respective Regulators and provisions applicable under any other laws, rules or regulations including but not limited to compliance, reporting and other aspects, in respect of demat trades received from Members and settled by Clearing Corporation.
  1. In case a holiday declared on a date, which happens to be the settlement date of the trade/s executed by the Constituents on NDS OM, the system would amend the settlement date of such trade/s as per the holiday handling procedure laid down by the CCIL. The Clearing Member shall be bound to pay revised settlement consideration (if any) for such trades settled on modified settlement date(s).

### 7. Guidelines applicable to Constituents (Individual Investors of Stock Broker/Clearing Member)

**Clearcorp / CCIL shall not have any relationship with the Individual Investors / Constituents. Stock Broker Trading Member / Clearing Member shall remain solely liable to ensure that their Constituents adhere to the guidelines specified herein:**

- a) Registration of Constituents
  - i. Individual Investors desirous of accessing NDS OM through the Stock Broker Connect may register themselves with CCIL and NDS OM through their Stock Broker and the Clearing Member appointed by the Stock Broker.
  - ii. A Constituent will be permitted access to CCIL and NDS OM through one Stock Broker and Clearing Member.
  - iii. The Clearing Member of the Stock Broker permitted under Stock Broker Connect to access NDS - OM System, will be required to register the Constituents with CCIL. Upon registration with CCIL, a unique CCIL ID shall be generated for each of such Constituents. The grant of access to NDS-OM will be extended only to such registered Constituents.
  - iv. The Clearing Member shall validate the details of the Constituent including name, PAN, mobile number, email address, residential address, residential status, bank account details, demat account details etc. before registering the Constituent with CCIL.
  - v. After successful completion of registration with CCIL, the Constituents shall be registered on NDS-OM. A unique Client Number shall be issued to each of these Constituents by NDS-OM.
  - vi. In the event of resignation/suspension/termination of the Stock Broker or the Clearing Member, the registration of the Constituents will be liable to be suspended/terminated.
  - vii. In the event of Change of Name, PAN, mobile number, email address, residential address, residential status, bank account details, demat account details etc. of Constituents, the Clearing Member shall submit the requisite details to CCIL. In such requests, if necessary, CCIL/NDS-OM may terminate the existing CCIL ID/ Client Number and create/issue a new CCIL ID/ Client Number.
  - viii. In case a Constituent wants to avail the Stock Broker Connect Services through another Stock Broker, the Constituent will be required to close the Stock Broker access through the present Stock Broker/Clearing Member and request access through the new Stock

## Consultation Paper on Operating Guidelines for Stock Broker Connect

Broker/Clearing Member. Clearcorp will permit such transfer only after settlement of all outstanding trades and payment of all obligations.

- ix. The Constituent through the Stock Broker and the Stock Broker through the Clearing Member or the Clearing Member can request suspension/termination of the Constituent access to CCIL and NDS OM by providing a written request to CCIL and Clearcorp.
  - x. The Constituent will be permitted to access NDS OM through one Stock Broker and Clearing Member and will not apply/seek membership of NDS OM through any other facility/mode already available/to be made available.
- b) Access to NDS OM by Constituents
- i. The Constituents shall be provided access to NDS-OM by the Stock Broker at its own cost through the Stock Broker Trading Portal/Mobile App or any other mode as permitted by RBI.
  - ii. The Constituents shall abide by the NDS OM Guidelines as notified from time to time and by all Notifications/Circulars/Directions issued by RBI from time to time in respect of trading in government securities.
  - iii. The Constituents shall make all investment and disinvestment decisions in government securities through the Stock Broker Connect based on their own evaluation of financial circumstances and investment objectives.
  - iv. The Constituents shall not hold nor seek to hold CCIL/Clearcorp/ RBI or any of its officers, directors, partners, employees, agents, subsidiaries, affiliates or business associates liable for any trading losses, cost of damage incurred by the Constituents consequent upon relying on investment information, research opinions or advice or any other material/information whatsoever on the NDS OM Platform, literature, brochure issued by CCIL/Clearcorp/RBI or any other agency appointed/authorised by CCIL/Clearcorp/RBI.
  - v. The Constituents agree to receive SMS and Email containing information pertaining to their usage of the NDS OM Platform on the mobile number and email address provided at the time of Registration for the platform.
  - vi. The Constituents shall not publish, supply, show or make available to any other person/entity the facilities/data available on the NDS OM Platform or the information provided by the NDS OM Platform except with the explicit approval of Clearcorp.
  - vii. The Constituents agree that Clearcorp shall not in any way be liable for any loss suffered by them as a result of using the trading facilities on the NDS OM Platform.
  - viii. The Constituents agree that neither Clearcorp nor the directors, managers, officers, employees or agents of Clearcorp guarantee the functioning of the NDS OM Platform or uninterrupted connectivity to the NDS OM Platform. Clearcorp and the directors, managers, officers, employees and agents of Clearcorp shall not be liable in any way to them or any other party for any issue or any underperformance or interruption of NDS OM Platform or for any damages, consequential or otherwise, arising therefrom or occasioned thereby. No proceedings shall be initiated by the Constituents or any third party against CCIL/Clearcorp or against any of its directors, managers, officers or employees of CCIL/Clearcorp for any act of commission or omission done in discharge of their official functions.
  - ix. In the event of a Constituent not using the access through the Stock Broker Connect for a period of more than one year, Clearcorp may suspend the access of such Constituent to the NDS OM Platform.

## Consultation Paper on Operating Guidelines for Stock Broker Connect

### c) Trading Rules

- i. The Constituents will be eligible to access the following two modules of NDS-OM
  - Order Matching Segment: - for anonymous dealing
  - Request for Quote (RFQ) Segment:- for bilateral dealing
- ii. Constituent's access to Order Matching/RFQ segments of NDS OM will be subject to RBI's directions issued from time to time in this regard.
- iii. The trading activity of the Constituents shall be subject to the various Operational Risk Control Parameters (ORCP) prescribed by Clearcorp for Constituents accessing NDS-OM from time to time. These Operational Risk Control Parameters are applicable to both Order Matching and RFQ segments.
- iv. Prior to commencement of dealing on NDS-OM by Constituents, the Stock Broker shall ensure that the various ORCP values have been set for the Constituents Every order input by the Constituents shall be validated against the ORCP. Any order that violates the ORCP shall be rejected by NDS-OM
- v. All Constituent orders for purchase or sale in government securities and other instructions routed through the NDS OM Platform shall be deemed to have been given by the Constituent through the Stock Broker.
- vi. The Constituent orders entered into the NDS OM Retail Platform shall be subject to such validations as may be prescribed by Clearcorp from time to time including Order (price time and both) conditions and other dealing parameters. The Constituent orders that do not meet the validation requirements applicable to that type of Order will be rejected.
- vii. Clearcorp may specify from time to time various Trading parameters which may include the NDS OM Segment to which the Constituent will have access, the types of Orders that can be placed on the NDS OM Platform, lot size, Price Bands, Order Matching Rules, Trading Session timing and such other parameters as may be applicable.
- viii. The Constituent orders placed on the NDS OM platform shall be as per the lot size and minimum lot size defined by Clearcorp.
- ix. The Constituent orders placed on the NDS OM platform shall not be beyond the maximum order size as may be defined by Clearcorp.
- x. The Stock Broker shall on the advice of the Clearing Member through whom the Stock Broker is clearing and settling its trades, shall set trading limits such as turnover limit, funding limit or stock limit at each Constituent level for trading on the NDS OM Platform. Orders by Constituents shall get placed based on successful validation against the available limits at that point in time. Such limits may be given by the Clearing Member based on funds/securities directly transferred to the Clearing Member by the Constituent or any other process prescribed by the Clearing Member/Clearcorp.
- xi. The Constituents agree that it may be necessary to vary or reduce the limits or impose new limits urgently on the basis of risk perception and other factors considered relevant by Clearcorp. Such variation, reduction or imposition may not be informed in advance either to the Stock Broker or the Constituent through the Stock Broker. The Stock Broker shall not hold the Clearcorp for any such impositions including but not limited for any delay in information or the supply of the information itself or the changes in limits.
- xii.** In the event of any technical issue or failure of connectivity (not attributable to any act or omission), Clearcorp or the Stock Broker may cancel all outstanding Orders of the Constituent; and the Constituent shall be accountable for the activity carried out by Clearcorp or Stock Broker. Clearcorp shall not be liable to the Constituent for any losses

## Consultation Paper on Operating Guidelines for Stock Broker Connect

- or costs if such Orders get matched before execution of the cancellation by Clearcorp or Stock Broker.
- xiii. In case a holiday is declared on a date, which happens to be the settlement date of the trade/s by the Constituent on the platform, the system would automatically amend the settlement date of such trade/s as per the holiday handling procedure laid down by CCIL.
- xiv. Any additional settlement consideration *viz.* accrued interest etc., that may become payable by the Constituent on account of change in settlement date shall be paid immediately by the Constituent as per procedure prescribed. Failure to pay such additional amount by the Constituent shall constitute a default and shall be handled as per Bye Laws, Rules and Regulations of Clearing Corporation.

### 8. Risk Management

- i. The Stock Broker/Clearing Member will be responsible for carrying out the KYC of the Constituents as per applicable laws and ensuring ongoing compliance to such laws.
- ii. The Clearing Member will be responsible for registering the Constituent on the CCIL and NDS OM system after validating the bank account, demat account and other requisite details of the Constituent.
- iii. Clearcorp may prescribe various limits to be made applicable to the Constituent by the Stock Broker and the Clearing Member.
  - a) Operational Risk Control Parameters
    - i. The applicable Operational Risk Control Parameters are as follows:
      - Single Order Limit (SOL):- SOL is the limit on the maximum size of a single order that can be placed by a user. An order that violates the SOL will be rejected by NDS-OM
      - Price Range Settings (PRS):- PRS is the price/yield band within which a user can place an order. An order that violates the max/min PRS price/yield band will be rejected by NDS-OM.
      - Activity Check: - Activity Check grants rights to a user to undertake Buy/Sell orders.
    - ii. The Stock Broker shall set the Operational Risk Control Parameters for its Constituents at a general level for all Constituents or specific Constituent level.
    - iii. The Clearing Member and Clearcorp may also set such Operational Risk Control Parameters at the Stock Broker/Constituent level where required.
    - iv. All orders placed by the Constituents will be validated against such limits and any order violating the limits will be rejected by the NDS OM system.

## Consultation Paper on Operating Guidelines for Stock Broker Connect

### b) Margins

- i. Margins shall be computed by CCIL at each Constituent level and aggregated at the Clearing Member level. Clearing Member will be given reports providing Constituent level margin requirements.
- ii. The Clearing Member shall ensure that adequate margins are posted with CCIL before submission of any trade executed through the Stock Broker Connect by the Stock Broker and Constituents.
- iii. The Stock Broker will ensure that any securities/funds of its Constituents for the purpose of margins for trades to be executed through the Stock Broker Connect is directly transferred to the Clearing Member Account by the Constituent. The Stock Broker shall provide client wise details to the Clearing Member based on which the Clearing Member will enable trading by Constituents on the NDS OM system.
- iv. The Clearing Member will ensure that margins of one Constituent are not used to provide limits to another Constituent.
- v. CCIL may require the Clearing Member to provide Constituent wise margin collected to CCIL along with requisite Constituent details. CCIL may share the same with Constituents, where required.

### c) Stock Balance

1. Stock Balance is an operational risk control parameter that needs to be set by the Clearing Member at each Constituent level to ensure that the Constituent does not sell a security without sufficient security balances.
  - i. The Clearing Member shall be responsible for setting the stock balances at each Constituent level on the NDS OM Platform. The Clearing Member may enter into an arrangement with the Stock Broker to validate the available stock balances of each Constituent before setting the stock balances in the NDS OM system.
  - ii. All orders placed by the Constituents will be validated against available stock limits and any order violating the limits will be rejected by the NDS OM system.
  - iii. The Clearing Member will be responsible for the delivery of the stock sold by the Constituent to CCIL on the settlement day as part of the settlement obligations.
  - iv. The Stock Broker will ensure that securities of its Constituents for the purpose of sale through the Stock Broker Connect is directly transferred to the Clearing Member Pool Account. The Stock Broker shall provide Constituent wise details to the Clearing Member based on which the Clearing Member will set the stock balance on the NDS OM system.
  - v. The Clearing Member will ensure that securities of one Constituent are not used to provide limits to another Constituent.

### d) Funding Limit

2. Funding Limit is an operational risk control parameter that is set to ensure that the Constituent does not buy in excess of available fund balances.
  - i. The Clearing Member shall be responsible for setting the funding limits at each Constituent level on the NDS OM Platform. The Clearing Member may enter into an arrangement with the Stock Broker to validate the available funding balances of each Constituent before setting the fund balances in the NDS OM system.

## **Consultation Paper on Operating Guidelines for Stock Broker Connect**

- ii. All orders placed by the Constituents will be validated against available fund limits and any order violating the limits will be rejected by the NDS OM system.
- vi. The Clearing Member will be responsible for the payment of funds to CCIL on the settlement day as part of the settlement obligations.
- vii. The Stock Broker will ensure that funds of its Constituents for the purpose of purchase through the Stock Broker Connect is directly transferred to the Clearing Member Pool Account. The Stock Broker shall provide Constituent wise details to the Clearing Member based on which the Clearing Member will set the funding limit on the NDS OM system.
- viii. The Clearing Member will ensure that funds of one Constituent are not used to provide limits to another Constituent.

### **9. Settlement, Shortage and Default**

- i. Trades done on the NDS OM, which are eligible to be settled through CCIL, shall be automatically sent by the NDS-OM system to the CCIL for clearing and settlement in a straight through processing framework. The settlement of such trades by Clearing Corporation shall be subject to the provisions of its Bye Laws, Rules and Regulations.
- ii. Settlement obligations for funds/securities will be computed at each Constituent level and aggregated at the Clearing Member level.
- iii. Clearing Members shall be responsible for Settlement of both securities and funds obligations in respect of trades concluded by the Constituents accessing NDS-OM under the Stock Broker Connect Model.
- iv. The shortages and default, if any, shall be processed by CCIL in terms of the CCIL Securities Segment Regulations.
- v. Clearing Member will be provided reports giving Constituent level funds/securities pay-in/pay-outs.
- vi. Clearing Member will be responsible for making direct payout of funds and securities to the Constituents.

### **10. Charges & Billing**

- i. RBI/Clearcorp may decide the maximum charges the Stock Broker can levy on its Constituents for provision of this Stock Broker Connect Service.
- ii. CCIL may decide the maximum charges the Clearing Member can levy on the Stock Broker for provision of the Stock Broker Connect Service.
- iii. CCIL shall levy fees and charges on its Members extending services under the Stock Broker Connect model. CCIL shall forward to its Members the bills relating to fees and charges as and when such bills are generated and due for payment. The Member shall

## Consultation Paper on Operating Guidelines for Stock Broker Connect

effect payment of the fees and charges payable by them to CCIL by the time limit specified by CCIL from time to time.

### 11. Miscellaneous

#### a) Investor Grievances

Any grievance that a Constituent may have with its Stock Broker or Clearing Member with regard to the orders or trades undertaken on NDS-OM or the clearing and settlement of such trades or with regard to access granted to NDS-OM, shall be raised to the Stock Broker/Clearing Member at the first level. In the event of such grievance is not addressed at the Stock Broker/Clearing Member level, the Constituent can approach Clearcorp/CCIL. In the event of the grievance not being addressed by Clearcorp/CCIL, the Constituent may approach RBI for redressal of the grievance.

#### b) Maintenance of records

The Clearing Member, Stock Broker shall ensure maintenance of records for such periods of time as required by RBI/CCIL

#### c) Submission of compliance certificate

Stock Broker and Clearing Member shall submit a compliance certificate on an annual basis within 30 days of the closure of financial year in such format as may be prescribed by Clearcorp / CCIL certifying the compliance of the terms of Stock Broker Connect and directions issued by RBI and SEBI with regard to the same. The said certificate will be signed by the Separate Business Unit Head or Compliance Officer or any other senior official duly authorised in this regard.

#### d) Right to Inspect and Audit

RBI/any, entity authorised by RBI will have the right to inspect and audit the Stock Broker and/or Clearing Member with respect to the transactions carried out by Constituents through the Stock Broker Connect. The Stock Broker/Clearing Member shall provide all such information and documentation and cooperation as is required to carry out the inspection/audit.

Clearcorp may at its sole discretion direct the Stock Broker/Clearing Member to carry out annual or other periodic audits, as it may deem appropriate through an external entity to ensure compliance to the terms of the Stock Broker Connect and RBI/SEBI Directions in this regard and submit a report to Clearcorp.

#### e) Dispute Resolution:

Any dispute in relation to the services provided under the Stock Broker Connect will be addressed in terms of the Dispute Resolution mechanism laid down in the NDS OM Guidelines and Clearcorp/CCIL Bye Laws, Rules and Regulations.

#### f) Amendment of Operating Guidelines

Clearcorp may amend these Operating Guidelines at any time and the revised Operating Guidelines will be applicable to concerned entities from the date notified by Clearcorp.

## Consultation Paper on Operating Guidelines for Stock Broker Connect

### g) Governing Law

The use of the services provided through Stock Broker Connect shall be governed by the laws of the Republic of India and no other nation. The mere fact that Stock Broker Connect can be accessed through internet by a Constituent in a country other than India shall not be interpreted to imply that the laws of the said country govern these terms and conditions.

### h) Surveillance

The orders and quotes placed by Constituents shall be subjected to the surveillance mechanism implemented by RBI/ Clearcorp.

### i) Communication to Trading Member, Clearing Member and Constituents

- i. CCIL shall communicate with Trading Member (Stock Broker), Clearing Member and Constituents via email, SMS, phone or any other mode notified by CCIL.
- ii. The Stock Broker shall ensure that Constituents receive regular updates on orders placed and trades concluded through the Stock Broker Connect via SMS on their registered mobile nos.

\*\*\*\*\*

Participants are requested to send their comments and feedback on the operating guidelines latest by April 15, 2025 at [giltshelpdesk@ccilindia.co.in](mailto:giltshelpdesk@ccilindia.co.in) with Subject line as "Consultation Paper on Operating Guidelines for Stock Broker Connect".