

NATIONAL SECURITIES CLEARING CORPORATION LIMITED

MUTUAL FUNDS SERVICE SYSTEM

Circular No. 535

Download No.: NSE/CMPT/13534

November 24, 2009

To,

All Members / Participants

With reference to SEBI Circular SEBI/IMD/CIR No.11/183204/2009 dated November 13, 2009, and further to circular NSE/CMTR/13533 dated November 24, 2009 relating to Mutual Funds Service System and in replacement of all earlier circulars issued, participants of the MFSS are hereby notified the following:

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Limitation of liability

For further clarifications and queries participants may contact the following officials of the Clearing Corporation: Ms. Supriya Kharkar, Mr. Jigar Shah, and Mr. Nilesh Lalbundre.

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For National Securities Clearing Corporation Limited

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Asst. Vice President

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Item 1
Clearing and Settlement

- All requests for subscription and redemption will be settled on individual basis and only to the extent of the funds/units paid in by participants/clients on the settlement day.
- Orders will be settled under settlement type 'U'.
- Receipt and transfer of funds for subscription of mutual fund units will be done on a T+1 day basis. The allotment of units under subscription will be carried out directly by the RTA.
- Receipt and transfer of mutual fund units for redemption will be done on T day and will be conducted for units in dematerialised form only. The transfer of funds for redemption will be carried out directly by the RTA.

Item 2
Settlement Schedule

The receipt and transfer of funds for subscription and mutual fund units for redemption shall be effected in accordance with the settlement schedule issued by the Clearing Corporation from time to time.

Item 3
Maintenance of clearing bank account by participants

- Every participant shall maintain and operate a separate and distinct clearing account for MFSS with any one of the designated clearing banks at the designated branch of the bank, as given in Annexure 3.1. The clearing account shall be used exclusively for clearing operations i.e., for settling funds obligation as may be specified by the Clearing Corporation from time to time.
- Participants shall irrevocably authorize the clearing banks to access their clearing accounts for debiting and crediting their clearing accounts as per the instructions of the Clearing Corporation, reporting of balances and other information as may be required by the Clearing Corporation from time to time as per the format given in Annexure 3.2 and furnish to the Clearing Corporation an acknowledged copy of the same along with the account particulars issued by the clearing banks.
- Participants can deposit funds into these accounts in any form and can withdraw funds from these accounts only in self-name.
- Participants having funds obligation to pay shall have clear balance of requisite funds in the clearing accounts on or before the stipulated funds pay-in day and the stipulated time.
- Participants shall not seek to close or de-activate the clearing accounts without the prior written consent of the Clearing Corporation.

- The clearing banks shall debit/credit the clearing accounts of the participants as per instructions received from the Clearing Corporation from time to time. Any request from the participants for revoking the authorization furnished by them shall not be considered by the clearing banks. The clearing banks shall not close the clearing accounts or permit deactivation of the same without the prior written consent of Clearing Corporation.
- All bank confirmations received from clearing banks on behalf of the participants towards funds pay-in shall be given effect only after receiving a written/electronic confirmation from their respective clearing banks.

Item 4

Procedure for change in clearing banks

In case the participant wishes to shift the clearing account from one designated clearing bank to another, the following procedure shall be followed:

- The participant shall request the clearing bank in writing for issuing a No Objection Certificate (NOC) for shifting of the clearing account.
- The Participant shall request the Clearing Corporation in writing seeking its permission for shifting of the clearing account and enclose the NOC received from the existing clearing bank in this regard or where the NOC is not received, furnish an acknowledged copy of the NOC request along with a declaration to the effect that no response has been received from the existing clearing bank in respect of the NOC request even after a minimum waiting period of a fortnight.
- The Clearing Corporation would thereon issue a letter of introduction to the other designated clearing bank
- On opening the clearing account with the other designated clearing bank, the participant shall submit to the Clearing Corporation the documents relating to the new clearing account and letter in the format as mentioned in Annexure 3.2.
- The Clearing Corporation shall thereon communicate the date from which the new clearing account shall be operational. In the event of the participants wishing to discontinue the existing clearing account, the Clearing Corporation shall communicate the date after which the existing clearing account may be closed by the Participant.
- A charge of Rs.5000 plus service tax shall be levied for every instance of change in clearing account from one designated clearing bank to another. Participants are required to send a Demand Draft, favouring National Securities Clearing Corporation Ltd for the total amount of applicable charges plus service tax, along with the request for change in clearing account.

Item 5

Procedure for settlement of funds for subscription

- Funds pay-in confirmation files as provided in Annexure 5.1 will be downloaded to participants on the T day for mutual fund units subscribed.
- The pay-in of funds for subscription shall be through the designated bank accounts. The subscription transactions shall be settled on a T+1 basis as per time lines specified by the Clearing Corporation. Participants shall provide funds in their settlement account by 8:30 a.m. on the T+1 day.
- In case of shortage if any, the participant will be provided an opportunity to identify transactions and provide details of the transactions for which payments have been received and transactions for which payment have not been received.
- Payment confirmation files will be uploaded by participants on T+1 day by 9:30 a.m. as per format provided in Annexure 5.2. The funds collected from the bank account of the Participant shall be compared with the details provided by the Participant on the payment received status as per above. If the funds collected from the bank account of the Participant covers the details of the payments received as provided by the Participant, the same shall be further processed. Wherever the funds collected from the bank account falls short of the amount indicated in the details provided by the Participant, the details shall be considered defective and shall not be further processed. In such cases, the funds collected, if any, shall be returned to the designated bank account of the Participant.
- Appropriate action as declared by Clearing Corporation from time to time, including levy of penalty, shall be taken on participants who fail to fulfil their funds obligation.
- In case of shortages, participants shall specify the record/client in respect of which the funds have not been collected by marking an 'N' indicator in the respective field in the file provided. Records not uploaded/failed records or records against which no indicator 'Y' or 'N' is marked shall be treated as 'Y' for the purpose of funds allocation. Return files for participants will be generated with status of records as accepted / rejected and reason for rejection. The format of return files is provided in Annexure 5.3.
- Daily Funds report will be downloaded to participants after completion of funds settlement. Report format is provided in Annexure 5.4.

Item 6

Procedure for transfer of mutual fund units for redemption

Investors will be required to transfer units for their transacted orders to the NSCCL pool account on the T day by 4:30 p.m. as an on- market transaction. The delivery instructions for crediting the units for redemption should be given by the investor to the following account:

CM BPIId: IN565576

The following details should be mentioned in addition to the above:

CM Name: NSCCL

ISIN:

Market Type: Mutual Fund

Settlement No.:

Demat Final Delivery Statement (DFDS) will be downloaded to participants after mutual funds units are received by NSCCL. The format of the report is provided in Annexure 6.1

Item 7

Limitation of Liability

NSCCL is only a facilitator and not a counter party for the initial offer /sale /repurchase/ redemption of units. NSCCL will not guarantee the fulfillment of the settlement obligations. NSCCL shall not be liable for obligations arising out of initial offer/sale/repurchase/redemption of units by participants and to any losses in connection therefrom.