NSDL
Technology, Trust & Reach

Participant Services Circular

Circular No.: NSDL/POLICY/2026/0182 November 09, 2026

Subject: SEBI Circular regarding Framework for net settlement of funds for transactions undertaken by mutual fund schemes in cash market.

Attention of the Participants is invited to SEBI Circular no. HO/24/13/(1)2026-IMD-POD-2/I/25242/2026 dated November 05, 2026 regarding *"***Framework for net settlement of funds for transactions undertaken by mutual fund schemes in cash market***"* (copy enclosed).

Participants are requested to take note of above circular.

For and on behalf of
National Securities Depository Limited

Rakesh Mehta
Digitally signed by Rakesh Mehta
Date: 2026.11.09 19:55:55 +05'30'

Rakesh Mehta
Vice President

Enclosure: One

FORTHCOMING COMPLIANCE			
Particulars	**Deadline**	**Manner of sending**	**Reference**
Investor Grievance Report (Monthly)	By 10th of the following month	Through e-PASS	Para 22 of 'Grievance Redressal' chapter and Para 27 of 'Internal Controls/Reporting to NSDL/SEBI' chapter of NSDL Master Circular for Participants
Networth Certificate and Audited Financial Statements. (yearly)	December 31st	Through e-PASS	Circular No.: NSDL/POLICY/2026/0169 dated October 30, 2026
Internal/ Concurrent Audit Report (half yearly)	May 15 and November 15	Through e-PASS	Para 20.4 of 'Internal Controls/Reporting to NSDL/SEBI' chapter of NSDL Master Circular for Participants and Circular No.: NSDL/POLICY/2024/0147
Compliance report w.r.t Same Mobile number and/ or email address captured for multiple accounts. (Monthly)	Before 27th of following month	Through Email.	Para 26 of 'Miscellaneous' chapter of NSDL Master Circular for Participants.

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

HO/24/13/(1)2026-IMD-POD-2/I/25242/2026 **November 05, 2026**

All Mutual Funds
All Asset Management Companies (AMCs)
All Trustees / Trustee Companies
All Registered Custodians
All Recognised Clearing Corporations
All Recognised Stock Exchanges
All Registered Stock Brokers through Recognised Stock Exchanges
Association of Mutual Funds in India (AMFI)

Dear Sir / Madam,

Subject: Framework for net settlement of funds for transactions undertaken by mutual fund schemes in cash market

1. SEBI Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024, *inter-alia*, stipulates that no institutional investor shall be allowed to do day trading, i.e., square off their transactions intra-day. Accordingly, transactions undertaken by institutional investors in the cash market are required to be delivery-backed and settled on gross basis at the custodian or client level.

2. SEBI, vide Circular dated April 24, 2026, permitted net settlement of funds for outright transactions undertaken by Foreign Portfolio Investors in the cash market while retaining gross settlement of securities, to be implemented by December 31, 2026.

3. With a view to enhance operational efficiency, reduce temporary funding requirements and improving settlement efficiency for mutual fund schemes, it has been decided to permit net settlement of funds, at the level of an individual mutual fund scheme, for outright transactions undertaken in the cash segment of stock exchanges, subject to the conditions specified in this circular. Settlement of securities shall continue to be on gross basis.

4. For the purpose of this circular, "outright transaction" shall mean either a purchase transaction or a sale transaction, but not both, in a security in the same settlement cycle undertaken by a mutual fund scheme.

5. Accordingly, where a mutual fund scheme has both purchase and sale transactions in the same security within the same settlement cycle, such transactions in that security shall be treated as non-outright transactions for that settlement cycle and shall not be eligible for net settlement of funds under this circular.

6. The net settlement framework shall not apply to transactions such as derivative transactions, securities lending and borrowing transactions, short sale-related transactions and any other transaction not expressly covered under this circular.

Framework for net settlement of funds

7. **Scheme-level netting:**

7.1. Netting of funds shall be permitted only within the same mutual fund scheme and within the same settlement cycle.

7.2. No netting shall be permitted across different schemes of the same mutual fund.

7.3. No adjustment of obligations shall be permitted between two or more schemes or portfolios.

7.4. The AMC and custodian shall ensure that the netting mechanism does not affect scheme-wise accounting, NAV computation, asset allocation, investment limits or unit-holder interest.

8. **Treatment of residual obligations:**

8.1. In case the value of outright sale transactions is less than the value of outright purchase transactions, the residual fund obligation shall be funded by the concerned mutual fund scheme.

8.2. In case the value of outright sale transactions exceeds the value of outright purchase transactions, such excess outright sale proceeds shall not be adjusted against non-outright purchase obligations.

8.3. Non-outright purchase obligations shall continue to be funded separately on gross basis.

8.4. An illustration of obligations of mutual fund scheme under current practice and under net settlement framework is placed at **Annexure**.

9. **Securities settlement, STT and stamp duty**

9.1. Settlement of securities shall continue to be carried out on gross basis between the mutual fund scheme and the custodian.

9.2. Securities Transaction Tax and stamp duty shall continue to be charged on delivery basis, as applicable.

9.3. The proposed netting shall not alter the delivery-backed nature of institutional trades in the cash market.

10. **Operational safeguards**

10.1. AMCs and custodians shall ensure that adequate systems and controls are put in place for scheme-wise identification of outright purchase and sale transactions, non-outright transactions, gross fund obligations, net fund obligations and securities pay-in and pay-out obligations.

10.2. The custodian shall maintain a clear audit trail of gross obligations, netted fund obligations and excluded non-outright transactions.

10.3. The AMC and custodian shall ensure that no cross-scheme adjustment or inter-scheme funding takes place under this framework.

10.4. Trustees shall review the implementation of this framework and ensure that the same is in the interest of unit-holders.

11. **Implementation standards**

11.1. Implementation standards for this framework shall be formulated by AMFI in consultation with recognised Clearing Corporations, recognised Stock Exchanges, custodians and other relevant stakeholders.

11.2. The implementation standards shall, *inter-alia*, specify:

11.2.1. file formats and reporting requirements;

11.2.2. timelines for confirmation and settlement;

11.2.3. reconciliation mechanism;

11.2.4. audit trail requirements;

11.2.5. treatment of rejected, unconfirmed or modified trades, including the consequent treatment of fund obligations and shortfalls, if any;

11.2.6. cut-off timelines, finalisation of eligible net obligations and exception handling process;

11.2.7. methodology for determination of the same settlement cycle, including treatment of variations in settlement schedules, where applicable.

12. **Role of recognised Clearing Corporations and Stock Exchanges**

12.1. Recognised Clearing Corporations and recognised Stock Exchanges shall make necessary changes in their systems, processes, files and reporting formats to facilitate the implementation of this framework.

12.2. The manner of settlement between custodians and Clearing Corporations shall remain unchanged.

12.3. Clearing Corporations shall continue to settle obligations at the clearing member/custodian level in accordance with the extant settlement framework.

13. **System readiness**

13.1. AMCs, custodians, stock brokers, recognised Stock Exchanges and recognised Clearing Corporations are advised to make necessary changes in their systems and processes to give effect to the provisions of this circular.

13.2. AMCs and custodians shall jointly confirm system readiness before implementation.

14. The provisions of this circular shall come into force on April 1, 2027.

15. The provisions stated at Para 4 of Annexure 3 of Chapter 1 (Trading) of SEBI's Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024, shall stand modified to the extent specified in this circular.

16. All other provisions relating to institutional investors, delivery-backed settlement, short selling, margining and settlement shall continue to apply.

17. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, read with Regulation 84 of the SEBI (Mutual Funds) Regulations, 2026, to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.

18. This circular is available on the SEBI website at www.sebi.gov.in under the category *"Legal — Circulars"*.

Yours sincerely,

Priyanka Mahapatra
General Manager
Investment Management Department
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ANNEXURE

Illustration of obligations of mutual fund scheme under current practice and under net settlement framework

1. Consider a mutual fund scheme which, on a particular day, has undertaken the following trades in the cash market:

SECURITY	BUY VALUE (₹)	SELL VALUE (₹)	TREATMENT
A	1,000	Nil	Outright purchase
B	1,000	2,000	Non-outright
C	Nil	2,000	Outright sale

2. **Current practice — gross settlement**: Under the current practice, all fund obligations of the mutual fund scheme are settled on gross basis with the custodian.

PARTICULARS	PAY-IN (₹)	PAY-OUT (₹)
Funds	2,000	4,000

3. **Net settlement of funds:** Under the net settlement framework,

   3.1. Security A is an outright purchase.

   3.2. Security C is an outright sale.

   3.3. Security B has both buy and sell transactions and shall be excluded from netting.

   3.4. Outright purchase in A and outright sale in C shall be netted for fund settlement.

   3.5. Security settlement shall continue on gross basis.

PARTICULARS	PAY-IN ₹	PAY-OUT ₹
Funds	1,000	3,000

4. The Mutual Fund scheme's funding requirement is reduced to the extent of netting permitted for outright transactions. However, obligations relating to Security B continue to be settled on gross basis as it is a non-outright transaction.