

Circular No.: NSDL/POLICY/2023/0012

January 27, 2023

Subject: Implementation in respect of Pay-in validations.

Attention of Participants is invited to NSDL Circular no. NSDL/POLICY/2022/165 dated November 26, 2022 regarding Implementation of DDPI and Extension of timeline for implementation of Pay-in Validation.

In the aforesaid circular, Participants have been informed that Clients/Brokers/DPs may continue to use existing Pay-in mechanism (No Block & No EPI) wherein the Account Transfer and IDT instructions will be processed without Block and No EPI mechanism. However, the aforesaid option is made available for Clients/Brokers/DPs till January 27, 2023 as effective from January 28, 2023, the SEBI guidelines in respect of Pay-in validations will be made applicable wherein block will be mandatory for all Pay-in instructions including non – EPI transactions as well.

Accordingly, Participants are hereby informed that the requisite system changes in respect of mandatory block mechanism for all Pay-in instructions including Non – EPI transactions will be implemented in NSDL DPM, SPEED-e and SPICE system at EOD of **January 27, 2023** as per SEBI guidelines. The additional guidelines in respect of aforesaid implementation are enclosed at **Annexure**. Participants are requested to take note of the same and inform their TMs/CMs/Clients suitably.

**For and on behalf of
National Securities Depository Limited**

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**Arockiaraj
Manager**

FORTHCOMING COMPLIANCE					
Particulars			Deadline	Manner of sending	Reference
Investor Grievance Report (Monthly)			By 10th of the following month.	Through e-PASS	Circular No. NSDL/POLICY/2015/0096 dated October 29, 2015
Compliance Certificate (July - December)			January 31, 2022	Through e-PASS	Circular No. NSDL/POLICY/2020/0152 dated November 19, 2020.

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Annexure

The additional guidelines in respect of mandatory block mechanism for all Pay-in instructions including Non – EPI transactions are given below:

1. **Flag viz., Block Indicator with value as “0” or “space”** used for **“No Block & No EPI”** will be discontinued and all the Pay-in related instructions (i.e. EPI and Non-EPI) mandatorily shall be processed under block mechanism effective from **January 28, 2023**.
2. Any discrepancy between instructions, UCC mapped in demat account and obligation details provided by CC will result in the rejection of pay-in instruction. Further, the rejection of such instructions might result in a shortage towards Pay-in obligations.
3. Participants may take note to promptly inform the rejections to the TMs/CMs/clients so as to enable them to monitor shortages, if any, and take appropriate action.
4. **Allowed list of transactions in respect of Trading Member Pool account:**

Participants are requested to refer NSDL Circular No. NSDL/POLICY/2022/071 dated May 16, 2022 regarding Amendments to Bye Laws and Business Rules of NSDL in respect of Trading Member account. In the aforesaid circular, it has been clarified that in case of Trading Member, the account which is used for the transfer of securities from the accounts of the Clients to the Clearing Member in case of sale of securities and from the Clearing Member to the accounts of the Clients in the case of purchase of securities.

In this regard, while implementing changes in respect of Block Mechanism and Pay-in validation guidelines, the TM will not be allowed to execute Pay-in related transactions viz., Delivery Out (DO) / Auto Delivery Out (ADO) / Irreversible Delivery Out (IDO) instructions from TM Pool account. The aforesaid Pay-in related transactions will be executed from CM Pool account.

5. **Exemptions from Block Mechanism / Pay-in Validation:**

- a. **Corporate Bond Settlement:** In case of Corporate Bond Settlement (through reporting platform of CCs), the securities are getting transferred from Client demat account to CC identified Pool account directly for pay-in purpose without intervention of TM/CM entity.



The aforesaid transactions are managed by CCs based on the delivery of securities from one participant member against receipt of fund payments from other participant member. In this regard, CCs are not sharing obligation details in respect of aforesaid transactions. Hence, these transfers shall not be covered under block mechanism/ Pay-in validation and existing process for corporate bond settlement shall continue.

b. Mutual Fund Redemption: Currently, Mutual Fund Redemptions are processed wherein MF units are debited from Client demat account and credited to CCs identified Pool accounts whereas obligation is generated at CM level. Further, Mutual Fund redemption instructions, the Mutual fund units are being debited from clients demat account only upon receipt of trade confirmation from Clearing Corporation. In this regard, CCs are not sharing separate obligation for MF redemption to depositories. The aforesaid process shall be considered as obligation upload by CCs and matching with the obligation by depositories and separate obligation upload by CCs and matching by depositories shall not be required.

6. With reference to the NSDL Circular No. NSDL/POLICY/2022/171 dated December 05, 2022 regarding information in respect of Mandatory Block Mechanism and Pay-in validations, it may be mentioned that NSDL has made necessary system changes, allowing Pay-in instructions (EPI /Non EPI) executed 'Before T day' and carrying out its matching on 'T day' (by carry forwarding such instructions till T day i.e. day of receipt of obligation from CCs) based on obligation uploaded by CCs for respective Market Type and Settlement Number.
7. The other processes / guidelines mentioned in NSDL Circular No. NSDL/POLICY/2022/155 dated November 10, 2022 in respect of implementation of Mandatory Block Mechanism and Pay-in validations will remain unchanged.

