

**MOTILAL OSWAL SECURITIES LTD.**

**QUARTERLY SETTLEMENT PROCESS**


## **1. Purpose:**

*The main purpose of actual settlement of clients account introduced by SEBI is to reduce customer grievances of discretionary trades.*

## **2. Background:**

*Actual settlement of funds and securities shall be done by the member at least once in a calendar quarter or month, depending on the preference of the client; as indicated by the client in the “Running Account Authorisation letter”.*

*Accordingly members need to consider the EOD balance of funds and securities of clients across all segments / Exchange(s) while settling the client accounts. While settling client accounts, both funds and securities of clients are to be settled on the same day.*



### **3. What MOSL settles:**

*Available Ledger Credit and unencumbered Cash & Securities Margin lying in client's account on the day of settlement. (Available Ledger Credit will not include T & T-1 day Bill of Cash Segment and T day bill of Derivative segment; in case if bills are booked on Trade Date).*

### **4. What MOSL retains while settling the account:**

*Out of the ledger credit balance as calculated above, following can be retained:*

- ❖ Entire pay-in obligation of funds & securities outstanding / unsettled at the end of day on date of settlement in all segments / Exchange(s)*
- ❖ Turnover executed on the day of settlement in Cash Segment*
- ❖ In case client is having any Derivative Position/Obligations then fund and Securities up to 225% of Exchange Margin requirement can be retained on settlement day.*
- ❖ Rs. 10,000/- provided written client consent is available*



## 5. What can be released:

- ❖ *At the end of quarter / month, if client is having excess ledger credit / cash margin balance, after adjusting the client ledger debit or retaining the sum as explained above, than release such funds to the clients registered Bank A/c.*
- ❖ *If client is having excess securities which he has provided to member as collaterals after adjusting the client ledger debit or retaining the sum as explained above than release the excess shares to client demat account. Collateral valuation has to be after applying applicable haircut as prescribed by Exchange(s)*
- ❖ *If the securities are pledged with Clearing Corporation then it has to be unpledged and released to the customers upon quarterly settlement. Time limit to release the securities to customers if pledged with is 3 working days.*



## **6. Process at MOSL for Quarterly Settlement:**

- ❖ *At MOSL We have third party software for processing quarterly / monthly settlement.*
- ❖ *The software processes all active customers on daily basis and marks them as settled if following criteria(s) are met. The said process is run on daily basis for all unsettled customers.*

<b>Activity for identifying clients to mark them as settled</b>	<b>Frequency</b>	<b>Status</b>
<i>Client whose available ledger / Collaterals are not required to be released after applying retention formula</i>	<i>Daily</i>	<i>Settled</i>
<i>If client is under debit across all segments / exchanges after considering the available collaterals</i>	<i>Daily</i>	<i>Settled</i>
<i>Generate the list of all unsettled customers and arrange to release available funds / securities</i>	<i>10 days prior to Quarter / Month end</i>	<i>Settled by releasing funds / securities</i>
<i>Exception: Check with the Master of Clients whose funds / securities are not required to be released on account of legal / court matters, debarred entities etc.</i>	<i>10 days prior to Quarter / Month end</i>	<i>Unsettled</i>

## **7. Communication to be sent upon Settlement:**

- ❖ *While settling the clients account, send 'Statement of Account' containing client ledger, register of securities and a statement explaining retention of funds / securities at the time of settlement.*
- ❖ *Statements have to be sent within reasonable period of 3-5 days.*
- ❖ *Proof of sending such statements have to be maintained.*



## **8. Important Points to be noted while doing settlement:**

- ❖ *If the fund pay-out made to customers is not credited to client's bank a/c for any reason, than MOSL issues the physical cheque & send to clients registered address. If the same gets returned then we send the communication in this regard to clients by e-mail & registered post to modify the bank details. MOSL keep the records for future reference.*
- ❖ *Also if cheque issued is returned then as a cautionary measure MOSL do not allow trading in client account until amount is deposited in client's bank account. Further continuous efforts is made by us to ensure that customer deposits the cheque.*
- ❖ *As per Exchange guidelines, MOSL retains an amount of up to Rs. 10,000/- (across segment and across stock exchanges), only after taking written consent of the client. However this limit on retention of amount is applicable to only Active customers who have traded at least once during the month/quarter. For remaining inactive customers, MOSL does settlement as per the aforesaid parameters.*
- ❖ *Promoters, directors, group companies of MOSL if registered as a client, then their account is compulsorily settled like other clients.*
- ❖ *No inter client adjustments is done by MOSL while doing settlement.*
- ❖ *MOSL don't take any authorisation from client for not settling his account.*
- ❖ *As observed from few SEBI orders, SEBI has given strict message on non-adherence to Quarterly Settlement requirement by asking the trading member to pay interest on the unsettled amount and also by levying huge penalty.*



*THANK YOU*

