

## **TMB as Clearing Banker for NCDEX – Online with effect from 09.03.2006**

**TMB has become a Clearing Banker for National Commodity & Derivatives Exchange Limited (NCDEX) and commenced online operations with effect from 09.03.2006.** TMB joined this elite group as ninth Clearing Banker for NEDEX. **Mumbai Mandvi branch of the bank is the notified Central Clearing branch for NCDEX.**

## **Business potential in acting as Clearing Banker for NCDEX:**

The turnover in the commodity exchanges is on the increasing trend and it is at Rs.5827.93 Crore as on 13.02.2006. It is expected to surpass the turnover of the BSE and NSE in the near future if the trend continues.

## **Promoters of NCDEX:**

**NCDEX** is a professionally managed online multi commodity exchange promoted by ICICI Bank Limited (ICICI Bank), Life Insurance Corporation of India (LIC), National Bank for Agriculture and Rural Development (NABARD) and National Stock Exchange of India Limited (NSE). Punjab National Bank (PNB), CRISIL Limited (formerly the Credit Rating Information Services of India Limited), Indian Farmers Fertiliser Cooperative Limited (IFFCO) and Canara Bank. NCDEX is a public limited company incorporated on April 23, 2003 under the Companies Act, 1956. It obtained its Certificate of Commencement of Business on May 9, 2003. It has commenced its operations on December 15, 2003.

NCDEX is a nation-level, technology driven de-mutualized on-line commodity exchange with an independent Board of Directors and professionals not having any vested interest in commodity markets. It is committed to provide a world-class commodity exchange platform for market participants to trade in a wide spectrum of commodity derivatives driven by best global practices, professionalism and transparency.

## **Commodities dealt with:**

NCDEX currently facilitates trading of 45 commodities – Cashew, Castor Seed, Chana, Chilli, Coffee - Arabica, Coffee - Robusta, Common Parboiled Rice, Common Raw Rice, Cotton Seed Oilcake, Crude Palm Oil, Expeller Mustard Oil, Groundnut (in shell), Groundnut Expeller Oil, Grade A Parboiled Rice, Grade A Raw Rice, Guar gum, Guar Seeds, Gur, Jeera, Jute sacking bags, Indian 28 mm Cotton , Indian 31 mm Cotton , Lemon Tur, Maharashtra Lal Tur, Masoor Grain Bold, Medium Staple Cotton, Mentha Oil , Mulberry Green Cocoons , Mulberry Raw Silk , Rapeseed - Mustard Seed, Pepper, Raw Jute, RBD Palmolein, Refined Soy Oil , Rubber, Sesame Seeds, Soy Bean, Sponge Iron, Sugar, Turmeric, Urad (Black Matpe), V-797 Kapas, Wheat, Yellow Peas, Yellow Red Maize, Yellow Soybean Meal, Electrolytic Copper Cathode, Mild Steel Ingots, Sponge Iron, Gold, Silver, Brent Crude Oil, Furnace Oil. They keep on adding new commodities for trading every now and then.

## **Participants:**

The following members are involved in this NCDEX commodity market:

- 1) Clients
- 2) Trading cum Clearing Members
- 3) Clearing Banks
- 4) National Security Clearing Corporation Limited (NSCCL)

### **1) Clients:**

Clients are those who are engaged in the process of purchase or sale of commodity through NCDEX. The clients may be in the form of any Individual/Partnership firm/Companies as defined in the Companies Act, 1956 and such other persons or entities as may be permitted under the Forwards Contracts (Regulations) Act 1952. Client/Constituent means a person, on whose instructions and on whose account the Trading Member enters into a deal on the Exchange or Clearing Member clears and settles deals. For this purpose the term Client shall include all registered constituents of Trading Members and Clearing Members of NCDEX.

### **2) Trading/Clearing Members:**

Clearing Member means a member of the Clearing House of the Exchange engaged in providing Clearing facilities and includes all categories of clearing members such as Trading Member, Professional Clearing Member and Clearing Member. The term Clearing Member shall include 'Trading Member' when trading member is performing the function of Clearing Member. Trading Member means a broker and the member of the NCDEX registered in accordance with the Bye Laws of NCDEX. Trading/Clearing Member will act as an intermediary between the client and the NCDEX. The clients will make purchase/sale of commodities through the Trading/Clearing Member.

### **3) Clearing Banks:**

Clearing Bank is such a bank as NCDEX may appoint to act as a funds settling agency, for the collection of margin money for all deals cleared through the exchange and any other funds movement between clearing members and Clearing House and between clearing members as may be directed by the Clearing House from time to time.

### **4) The National Securities Clearing Corporation Ltd (NSCCL):**

The National Securities Clearing Corporation Ltd. (NSCCL), a wholly owned subsidiary of NSE, was incorporated in August 1995. It was set up to bring and sustain confidence in clearing and settlement of securities; to promote and maintain, short and consistent settlement cycles; to provide counter-party risk guarantee, and to operate a tight risk containment system. NSCCL commenced clearing operations in April 1996.

NSCCL carries out the clearing and settlement of the trades executed in the Equities and Derivatives segments. The Clearing Settlement account and Exchange dues accounts (which are mandatory for a Trading Member to be opened with Clearing Banker) are accessed by the National Securities Clearing Corporation Ltd (NSCCL) for debits and credits for the trades undertaken by the Trading Member.

### **Categories of accounts to be opened:**

A Clearing Member has to maintain four types of current accounts with a Clearing Banker. The various types and their special features are as detailed below:

#### **1. Settlement Account:**

- This account is accessed by the National Securities Clearing Corporation Ltd (NSCCL) for debits and credits for the trades undertaken by the Trading Member.
- This account can be opened only at the designated branch of NCDEX of a Clearing Bank ie our Mumbai Mandvi branch, without cheque book facility.
- No cheque book will be issued for the time being and in future depending on the need of the customer/NCDEX instructions

cheque book will be issued with a condition that payments will be allowed in favour of Own Business Account only.

- The name and style of the account will be “Member name – Settlement A/c”.

## **2. Exchange Dues Account:**

- This account is accessed by the National Securities Clearing Corporation Ltd (NSCCL) for debiting transaction and other miscellaneous charges to brokers.
- This account too can be opened only at the designated branch ie our Mumbai Mandvi branch.
- No cheque book will be issued for the time being and in future depending on the need of the customer/NCDEX instructions, cheque book will be issued with a condition that payments will be allowed in favour of Own Business Account only.
- All credits to this account have to be through the member’s Own Business Account and not through the Client’s account.
- No debits other than the ones originated by the exchange are allowed.
- The name and style of the account will be “Member name – Exchange dues A/c”.

## **3. Client Account:**

- This account has all normal operations as applicable to a current account.
- All debits/credits should be from or in favour of member's clients.
- No overdrafts allowed.
- This account can be opened at the respective parent branch with cheque book facility.
- The name and style of the account will be “Member name – Client A/c”.

## **4. Own Business Account:**

This account is towards member’s own business and overdrafts are allowed in this account.

## **Clearing Settlement at NCDEX:**

The Trading/Clearing Members of NCDEX have to maintain margin amount for their orders outstanding, make payments (pay-in) for the purchase of commodity and receive payments (pay-outs) for the sales effected by them on behalf of their customers. These pay-in and pay-outs are called settlements. These clearing settlements are effected by National Securities Clearing Corporation Limited (NSCCL). The NSCCL is a wholly owned subsidiary of National Stock Exchange Ltd (NSE).

## **Role of Clearing Banker in Clearing Settlements:**

As a Clearing Banker, TMB acts as an intermediary carrying out the flow of funds from NCDEX accounts to the trading member’s account and vice versa depending upon the statement provided by the NCDEX. Trading members have to open four types of accounts as explained above. The Clearing Bank will debit/credit the clearing account of Clearing Members as per instructions received from time to time from NCDEX.

In order to debit the accounts of Clearing Settlement and Exchange Dues account Clearing Members shall authorize their Clearing Bank

- i) to debit and credit their accounts as per the instructions of NCDEX

- and
- ii) to report the balances and operations as may be required by NCDEX from time to time

For this purpose, NCDEX has prescribed a format to be obtained while opening the accounts of Settlement accounts and Exchange Dues account.

**Central Clearing Bank branch – Mumbai Mandvi branch:**

Mumbai Mandvi branch has been identified as the Central Clearing Bank branch for our bank. Our Mumbai-Mandvi branch is now in the process of mock testing with NCDEX & NSCCL and shortly we will get recognized as Clearing Banker for NCDEX.

**Concessions available for Clearing Member current accounts:**

It has been permitted to open the following special category of current accounts for Trading/Clearing Members of NCDEX:

1. Settlement Account (Anywhere current account).
2. Exchange Dues Account (Anywhere current account).
3. Client Account (Anywhere current account).
4. Own Business Account (Anywhere current account).

Special Features to be made applicable to all the above types of account:

- a) Zero balance facility.
- b) No cheque book charges.
- c) No statement and folio charges.
- d) Free RTGS/FTFT funds transfer facility.\*

\* Applicable for transfer of funds between the four categories of accounts of the same Clearing Member only.

Contact the bank for further details.