Goldmine Stocks Pvt Ltd

Shortages and Delivery Obligation arising out of Internal netting of trades

Stock Exchanges compute delivery obligations of the brokers after netting off all the positions of all clients for each scrip. If on net basis, the total position of the broker for scrip is sale, he is required to deliver such net quantity of shares of that scrip to Stock Exchange before pay in. If on net basis, the total position of the broker for scrip is purchase, Stock Exchange delivers such net quantity of shares of that scrip to the broker on successful completion of pay in, at the time of pay out. This may result in sale position of one client being netted off against purchase position of another client in the same scrip requiring settlement of delivery obligations within the office of the broker. In such event, if the selling client fails to honour his settlement obligation, the buyer client may end up not receiving securities against his purchase or he may receive lesser no. of shares than his purchase quantity of shares. Since the obligation against Exchange is nonexistent, the usual auction mechanism established by the Stock Exchange may not be available in such scenario. Stock brokers are required to frame procedures for dealing with such internal shortage which are fair and transparent.

Goldmine has framed and implemented following policy for settling of the transaction, which remains unsettled due to Internal Shortages.

The transaction, which remains unsettled due to Internal Shortages of Securities, shall be closed out and settled amongst the buyer and seller as under:

a) The Short delivering (seller) client is debited by an amount equivalent to higher of 3% above the official closing price on the auction day OR the highest weighted Average price from trading day till the auction day OR purchase price of the Buyer and the amount shall be credited to the short purchasing (Buyer) client. However, the amount of penalty to be debited from defaulting client (seller) and to be credited to the buyer will be subject to the discretion of the management considering the value, volume and or liquidity in the scrip on a case to case basis. It may differ from the criteria mentioned above.

b) Notwithstanding anything contained in Clause No. a as above, in case the shortages in obligations arising out of internal netting of trades of Physical Settlement in Equity Derivative segments, then the delivering client is debited by amount equivalent to higher of

1. 3% above the official closing price on the auction day in case the scrip is a part of Nifty Index otherwise 5% OR
2. The highest Weighted Average price + 3% from the first trading day of the settlement till the auction day the amount shall be credited to the short purchasing client.

However, the amount of penalty to be debited from defaulting client (seller) and to be credited to the buyer will be subject to the discretion of the management considering the value, volume and or liquidity in the scrip on a case to case basis. It may differ from the criteria mentioned above.

Updated on 11.05.2021