FAQ on Physical Settlement in Equity Derivatives

1. **When should the contract note be issued?**

   As per the existing practice, contract note shall be issued at the time of trade. Wherever applicable, the contract note issued shall bear an indication in the remarks column that the open position of the traded contract is physically settled. In case of Institutional clients, where contract notes are issued through STP, members can communicate the details through appropriate & irrefutable modes such as client's registered e-mail or physical letters.

2. **Whether contract note is mandatory at the time of physical settlement?**

   Contract note is not required to be issued on the date of final settlement. However, Member shall communicate the details of the final settlement on expiry, wherever applicable through written and irrefutable modes and such communication shall provide relevant details as the contract description, ISIN of security, deliverable quantity/pay-in amount etc.

3. **Whether any statement needs to be separately sent to clients for physically settled transactions?**

   No separate statement for physically settled transactions need to be sent. Members can provide information about physical settlement to the clients in the existing quarterly statement of accounts or the statement sent at the time of monthly/quarterly settlement.

4. **Can the securities, receivable on the physical settlement of derivatives, be considered as collateral for providing Margin Trading Facility (MTF)?**

   No, margin trading facility cannot be given against the securities receivable in future against derivatives, to be settled physically.

5. **What is the disclosure required to be made to the client for delivery margin?**

   Delivery margin is applicable from the expiry date till the date of settlement or early pay-in. The details of the delivery margin should be included under the "Total upfront Margin" column of the daily margin statement issued to the clients (Refer Exchange notice no. 20180627-44 dated June 27, 2018).