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SECURITIES LENDING AND BORROWING MECHANISM (SLBM)

Wellworth is pleased to inform you that we have received our SLBM-NSE Membership and will be introducing the same from 03rd September onwards.

Stock Lending & Borrowing Mechanism (SLBM) is a facility which allows investors to earn on their idle shares.

SLBM is facilitated by the National Securities Clearing Corporation of India (NSCCL), the clearing corporation of the National Stock Exchange of India (NSE). All the borrowing and lending are Cleared, Settled & Guaranteed.

It is a scheme of lending and borrowing shares through the exchange platform. It is permitted in dematerialized form only. NSE periodically publish a list of eligible securities for SLB

Note: For Registration Purpose an Agreement will be emailed to you by day's end which needs to signed by the clients



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How can client register as a participant in SLBS?

If you have existing trading account with Wellworth, you can avail stock lending or stock borrowing scheme by simply signing the physical copy of the terms & conditions.

A prospect can submit the signed copy to us.

How can a client check the tentative lending fee per share on SLB?

It is visible on the below mentioned link of NSE in order to view the current lending fee per share.

https://www.nseindia.com/live_market/dynaContent/live_analysis/slbs_chain/chainDataBySeries.jsp

What is the difference between Series (A) and (B) under SLB?

Series (A) are the contract that will be foreclosed in the event of AGM/EGM.

Series (B) are the contract that will not be foreclosed in the event of AGM/EGM.

What is the tenure of SLB transactions?

The tenure of SLB transactions is for 1 month, with expiry being on Every 1st Thursday of the month. A Rollover facility is also available for SLBM.



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What is the settlement date of SLB contract expiry?

The fixed settlement dates are the first Thursday for the respective month.

What is the settlement cycle for a SLB transaction?

T Day - The transaction is executed on T Day between the lender and borrower.

T+1 day - The lenders are required to deliver the securities for pay-in on T+1 day. But it is preferable to deliver securities on T Day otherwise if the client fails to deliver the shares within prescribed time a 25% penalty will be levied, Client should compulsorily have DP account with Wellworth.

Reverse leg settlement date - The borrower needs to deliver the securities at the time of pay-in which shall be returned back to the lender during the pay-out.

Is there any counter party risk involved in SLB transactions at NSCCL?

NSCCL acts as a central counter party providing financial settlement guarantee for SLB transactions. NSCCL has a robust risk management system and collects adequate margins - - from participants to cover counter party risks.



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Will lending or borrowing of securities under the Securities Lending Scheme will amount to transfer under clause 47 of section 2 of the Income Tax Act in the hands of the lender?

As per the clarifications from Income Tax vide their circular no. 2/2008, dated 22-2-2008 transactions done in the SLB shall not be regarded as transfer. For further details, please refer circular no. 2/2008, dated 22-2-2008 of the Income Tax department.

What are the various margins applicable to the borrower & lender on T-Day?

In case of borrower, 125% Margin + MTM. In case of lender, he/she will receive lending fees minus Broker commission. There will be not statutory charges.

What action is taken if the lender fails to deliver securities on T+1 day?

The transaction shall be financially closed out at the below rate i.e. higher of: - 25% of closing price of the security on T+1 day (closing price for the security in the capital market segment of NSE) or - (Maximum trade price of the security in the capital market segment of NSE from T to T+1 day) - (T+1 day closing price of the security in capital market segment of NSE)



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What action is taken if the borrower fails to bring funds/collaterals on T+1 day?

The transaction shall be cancelled, however, the lending fee shall be collected and passed on to the lender.

What action is taken if the borrower fails to bring securities at the time of reverse leg settlement?

If the borrower fails to deliver the securities, NSCCL conducts a buy-in auction to acquire the securities on the reverse leg settlement date.

If securities are not available in auction, then the transaction is financially closed out at the below mentioned close out rate i.e. higher of: -

Maximum trade price in the capital market segment of NSEIL from (reverse leg settlement day - 1 day) to reverse leg settlement day

or - 25% above the closing price of the security in the capital market segment on the reverse leg settlement day.



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What action is taken in case of Corporate Actions?

In case of Corporate Actions other than dividend and stock split, transactions are foreclosed 2 days prior to ex-date or as prescribed by NSCCL from time to time. For dividends the dividend would be collected from the borrower and passed on to the lender at the time of book closure/record date. In respect of stock split, the borrower's obligation would be revised as per the proportionate split and would be passed on to the lender during the reversal leg.

Can NRI client lend & borrow shares in SLB segment?

No NRI client cannot lend or borrow shares in SLB segment.

Note: For any more information please feel free to get in touch with us: 67159000/01/53