Currency Derivatives Segment

January 06, 2020

Circular No: MCCIL/CDS/1513/2020

All Members

Sub. : Collection of Stamp Duty in Currency Derivatives Segment

This is with reference to Indian Stamp Act, 1899 amended vide Finance Act, 2019 (No. 7 of 2019) Indian Stamp (Collection of Stamp Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules, 2019 notified by Ministry of Finance (Department of Revenue) on December 10, 2019. A copy of Indian Stamp Rules 2019 is attached for reference.

Accordingly, Metropolitan Clearing Corporation of India Limited (MCCIL) shall act as a 'Collecting Agent' under the Indian Stamp Rules 2019 and will compute and collect stamp duty at such rates and in such manner as specified in the Indian Stamp Act 1899 and the Indian Stamp Rules 2019.

As per the Indian Stamp Act 1899, stamp duty on securities in the Currency Derivatives Segment will be as under:

Type of Security	Applicable Stamp Duty Rate	Applicable on
Currency and Interest Rate Derivatives	0.0001%	Buyer

Members may note that the following procedure will be adopted by the clearing corporation in respect of the calculation and collection of stamp duty.

1. Stamp Duty shall be applicable on transactions for both futures and option contracts executed on stock exchanges and received for clearing by Metropolitan Clearing Corporation of India Limited and as specified in circulars issued from time to time.

2. Stamp duty shall be determined at end of each trading day.

3. Stamp duty calculation in Currency Derivatives Segment shall be done as per methodology specified in **Annexure 1**. In case of change in methodology the same shall be specified by way of circular.

4. All the transactions shall be identified based on the client code placed by the members at the time of order entry on the trading system of the Exchanges and as may be modified by the member using the client code modification facility provided by the Exchanges within the prescribed time viz. during trading hours and up to the trade modification close

time on the respective trading day. In respect of proprietary transactions the member code shall be deemed to be the client code.

5. Members may note that the value of taxable securities and the applicable State/Union Territory shall be determined with respect to the trade executed under a particular client code. Therefore the Clearing Corporation shall only reckon the client code entered by the member while placing the order or as may be modified within the prescribed time. It is therefore imperative that members exercise extreme caution and diligence while entering the client code at the time of entering an order. If the state/UT of the client is not available then the state of member through whom transaction was executed will be considered.

6. The trading member's stamp duty liability shall be the aggregate stamp duty liability of all clients trading through it. The clearing member's stamp duty liability shall be the aggregate stamp duty liability of all trading members clearing through it.

7. For the purpose of stamp duty, each futures trade shall be valued at the actual traded price and option trade shall be valued at premium.

8. For each client code, all the buy transactions for a trading day shall be aggregated at contract level.

Information to members:

A Report named 'MCCIL_SD_<MEMBER CODE>_DDMMYYYY.CSV' shall be provided to trading members at the end of each trading day mentioning "Stamp Duty file for Trading member". Similarly a report named 'MCCIL_SD_<MEMBER CODE>_DDMMYYYY.CSV' shall be provided to clearing members at the end of each trading day mentioning "Stamp Duty file for Clearing member".

These reports shall contain information on the client wise stamp duty liability, trading member wise stamp duty liability, clearing member wise stamp duty liability and also the detailed computations for determining the client wise stamp duty liability. File formats are available in **Annexure 2**.

Members are also advised to

- Complete the activity of updating correct permanent address details of all their clients in the UCC database on an immediate basis
- Peruse the Indian Stamp Act 1899 and Indian Stamp Rules 2019 and keep themselves updated on any amendments thereto for effective compliance.

Pay-in of stamp duty:

Clearing Members shall be required to pay the stamp duty, along with the pay-in obligation. The stamp duty amount shall be collected as per the timelines stipulated for the funds pay-in. A separate transaction shall be created and funds shall be collected from the settlement

account of members through their clearing banks as per the process currently followed in respect of settlement obligations.

Failure to pay stamp duty:

Non-payment of stamp duty shall be treated as funds shortage for the purpose of all consequential actions against the member.

The circular shall be effective for transactions from trade date January 09, 2020.

For and on behalf of
Metropolitan Clearing Corporation of India Limited

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Annexure 1: Calculation of Stamp Duty

1. Computation of stamp duty for futures and options at client level:

   1.1. Computation of stamp duty on currency and interest rate futures:

   a) Each futures buy trade shall be valued at the actual traded price:
      - Total Buy Value (Sum of all the buy trade values of a client)
        = Trade quantity * Trade price for each trade of all buy trades for the client.

   b) Stamp Duty shall be calculated by applying the prescribed rate:
      - Stamp Duty = Total Buy Value * stamp duty rate on currency and interest rate derivatives
        (The value so computed shall be rounded off to two decimals)

   1.2. Computation of stamp duty on currency and interest rate options:

   a) Each option buy trade shall be valued at the premium paid:
      - Total Buy Value (Sum of all the buy trade values of a client)
        = Trade quantity * Trade premium for each trade of all buy trades for the client

   b) Stamp Duty shall be calculated by applying the prescribed rate:
      - Stamp Duty = Total Buy Value * stamp duty rate on currency and interest rate derivatives
        (The value so computed shall be rounded off to two decimals)

2. Computation of stamp duty at client level:

   Total stamp duty liability for a client is arrived at by summing up the total stamp duty arrived at as above and rounded off to the nearest rupee i.e. value with 50 paise and above will be rounded up to the higher rupee and value less than 50 paise will be rounded down to the lower rupee.

3. Computation of stamp duty at trading member level:

   The total stamp duty liability for a trading member is arrived at by summing up the total stamp duty for all the clients of the trading member.

4. Computation of stamp duty at clearing member level:

   The total stamp duty liability for a clearing member is arrived at by summing up the total stamp duty for all the trading members of the clearing member.

Annexure 2: File formats

File for Trading Member:

File Name – MCCIL_SD_<MEMBER CODE>_DDMMYYYY.CSV

File Location- /CDSFTP/X<MEMBER CODE>/REPORTS

Header Record (Trading Member level stamp duty information)
Record Type (10)
Stamp Duty Date
Trading Member Code
Total Stamp Duty
Detailed Record (Client level Stamp Duty information)
Record type (20)
Stamp Duty Date
Trading Member Code
Trading Client Code
Total Stamp Duty
State Union Territory
Detailed Record (Client Contract level Stamp Duty information)
Record type (30)
Stamp Duty date
Trading Member code
Trading Client code
Instrument Type
Symbol
Expiry Date
Strike Price
Option Type
CA level
Buy quantity
Buy Value
Total Stamp Duty

File for Clearing Member:

File Name – MCCIL_SD_<MEMBER CODE>_DDMMYYYY.CSV

File Location- /CDSFTP/X<MEMBER CODE>/REPORTS

Header Record (Clearing Member level stamp duty information)
Record Type (10)
Stamp Duty date
Due date of payment
Clearing Member Code
Total Stamp Duty
Detailed Record (Trading Member level Stamp Duty information)
Record type (20)
Stamp Duty date
Trading Member code
Total Stamp Duty
Detailed Record (Client level Stamp Duty information)
Record type (30)
Stamp Duty date
Trading Member code
Trading Client code
Total Stamp Duty
State Union Territory
Detailed Record (Client Contract level Stamp Duty information)
Record Type (40)
Stamp Duty Date
Trading Member Code
Trading Client Code
Instrument Type
Symbol
Expiry Date
Strike Price
Option Type
CA level
Buy quantity
Buy Value
Total Stamp Duty