Debt Market Segment

January 06, 2020

Circular No: MCCIL/DMS/1518/2020

All Members

Sub. : Collection of Stamp Duty in SXFIRST Platform

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, the applicable stamp duty on SXFIRST Platform is as under:

Type of Security	Applicable Stamp Duty Rate	Applicable on
Transfer of Corporate Bonds	0.0001%	Buyer
Transfer of Securitized Debt	0.0001%	Buyer
Transfer of Commercial Papers	0.0001%	Buyer
Transfer of Certificate of Deposits	0.0001%	Buyer
Repo transaction	0.00001%	Borrower (Buyer of forward leg)

Members may note that the following procedure will be adopted by the Metropolitan Clearing Corporation of India Ltd. in respect of the calculation and collection of stamp duty.

1. Stamp duty will be collected on transactions reported for settlement on SXFIRST/ Clearing Corporation of India Ltd. (CCIL) and as specified in circulars issued from time to time.
2. Stamp duty will be determined for each deal at the time of reporting on SXFIRST and will be added to the consideration.

3. For transactions reported on CCIL, stamp duty levied will be added to the consideration in SXFIRST.
4. In case of repo transactions, stamp duty will be levied on the Interest paid by the borrower on reverse leg of repo transaction.
5. Stamp duty calculation in Corporate Debt instruments will be done as per methodology specified in Annexure. In case of change in methodology, the same will be specified by way of circular.
6. Stamp duty will be levied on the registered or unregistered buyer.
7. Participants/Custodians may note that the applicable State/Union Territory shall be determined with respect to the transaction executed based on the details maintained in SXFIRST platform under 'Participant Details' tab. In case of any change in domicile state, the same needs to be updated on SXFIRST by the participant. In case of FPI's the State/Union Territory of the custodian through whom the transaction is settled will be considered.
8. Participants will not be able to report/settle transaction on SXFIRST unless a valid State/Union Territory is maintained.
9. Registered participants while reporting deal for unregistered counterparty will be prompted to enter valid State/Union Territory of unregistered counterparty, if the same is not maintained in the SXFIRST database.

Information to Participants/Custodians in SXFIRST:

SXFIRST platform will display total consideration amount inclusive of stamp duty for every transaction. A new report will be available for Participants/Custodians displaying consideration and stamp duty levied for every transaction and the same shall be available for download.

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:

Participants/Custodians will be required to pay the stamp duty, as part of and along with the consideration amount for every transaction settled on SXFIRST platform.

Failure to pay stamp duty:

Non-payment of Stamp duty will be treated as fund shortage and the transaction will be cancelled and shall not be considered for settlement. Further the securities / funds received towards the pay-in obligation will be returned to the respective participants / custodians.

This circular shall be effective for all applicable transactions from the trade date January 09, 2020.

For and on behalf of
Metropolitan Clearing Corporation of India Limited

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Annexure : Calculation of Stamp Duty

Computation of stamp duty at transaction level:

Stamp duty will be computed on the consideration amount for each of the transaction.
Stamp duty = Consideration amount * Stamp Duty rate applicable

In case of repo transactions, stamp duty will be levied on the Interest paid by the borrower on reverse leg of repo transaction.
Stamp duty = Interest paid by the borrower * Stamp Duty rate applicable

The stamp duty amounts so calculated will be rounded off to the nearest rupee i.e. value with 50 paise and above will be increased to one rupee and value less than 50 paise will be ignored.