

# Effects of economic collapse and mitigation measures on CSDs

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Risk & Recovery Management Task Force  
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# Topics

- Reasons of economic collapse at intermediaries
- Impact of economic collapse on CSDs
- Indian Context
- Mitigation measures

# Reasons for economic collapse

Counterparty risk and default

Inadequate internal controls and oversight

Fraud and misconduct

Cybersecurity threats and liquidity

Lack of transparency and disclosures

Regulatory compliance issues

# Impact of economic collapse on CSDs

Decline in the value of securities

Lack of liquidity in the market

Reduction in the number of securities being traded

Decrease in Investor confidence

Increased systemic risk

Operational disruptions

## Block Mechanism and Pay-In Validation

- For sale transaction, shares will be blocked in the DEMAT account of the client in favor of CC.
- UCC, TM ID and Exchange ID will be provided to CC along with Qty, ISIN and other details for EPI purpose.
- CC obligation to be matched with Account Transfer/IDT instructions.
- On successful matching, securities will remain in client block account & transferred to CM Pool A/c on Pay-in day
- Auto Transfer of securities from CM Pool to DO
- On T or T + 1, EOD, unmatched instructions will be reversed to free balance.
- On BOD of settlement day, securities will be debited from DO and credited in CC Settlement account for pay-in.

## CUSPA Transactions

- All Securities received in pay-out shall be transferred to Client's DEMAT account from TM/CM pool account within one working day of the pay-out.
- TM/CM to open separate account titled – 'Client Unpaid Securities Pledge Account' (CUSPA).
- All unpaid securities shall be transfer to Client's DEMAT account followed by creation of auto pledge with the reason 'unpaid' in favor of TM/CM CUSPA account.
- TM/CM to release pledge if client fulfills its fund obligation within 5 trading days after the pay-out so that securities are available to the clients.
- In case client does not fulfills its fund obligation, TM/CM shall dispose-off such unpaid securities in the market with the UCC of respective client.

## Cybersecurity best practices

- Measures against Phishing attacks/ websites
- Patch Management and Vulnerability Assessment and Penetration Testing (VAPT)
- Measures for Data Protection and Data breach
- Concentration Risk on Outsourced Agencies
- Privilege Management
- Security of Cloud Services

# Mitigation measures

Developing and implementing effective risk management strategies

Developing contingency plan for market disruptions

Maintaining Investor confidence

Implementing effective Internal Controls

Cyber Security and Cyber Resilience framework for Participants

Risk Based Supervision of Participants



**Thank you**