



**PART B**  
**DETAILED CONSOLIDATED CIRCULAR**

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## ITEM 1: DEALS

**In pursuance of Byelaw 2, 3 and 4 of Part A of Chapter VI of the Byelaws and Chapter 3 of the Regulations, the following deals are eligible to be admitted on the Futures and Options Segment:**

### **1.1. Admission and Exclusion of Deals**

Deals executed on the Futures and Options Segment of Specified Exchanges are eligible to be cleared and settled through Clearing Corporation in the relevant sub-segment of its Futures and Options Segment unless specifically deferred or not allowed to, or rejected from admission by the relevant authority, and shall be called 'Admitted Deals'.



## ITEM 2: SETTLEMENT OBLIGATIONS

**In pursuance of Byelaw 9 of Part B of Chapter VI of the Byelaws and Regulation 3.3 of the Regulations, the procedure for clearing and settlement of deals and determination of Settlement Obligations are specified as under:**

### **2.1. Settlement of Admitted Deals**

Admitted deals executed on a trading day, shall be cleared on a netted basis, by the Clearing Corporation as prescribed under the relevant Regulation. Subject to the above, settlement obligations for all clearing members shall arise.

The clearing members shall be responsible for all obligations arising out of such trades including the payment of margins, penalties, any other levies and settlement of obligations of the trades entered by them as trading members and also of those trading members and custodial participants, if any, for whom they have undertaken to settle as a clearing member.

Where the clearing member is not a trading member of the Exchange then the trades of those trading members and custodial participants of the Exchange for whom the clearing member has undertaken to settle shall be considered for determining the obligations as a clearing member.

### **2.2. Custodial Participant**

Custodial participants are those constituents who are eligible for trading through trading members and clearing and settling deals through clearing members. Such custodial participants shall register themselves with the Clearing Corporation through their clearing members. The format of agreement to be executed between the clearing members and custodial participants is enclosed in **Part C (1) Format of Clearing Member – Constituent (Custodial Participant) Agreement**.

### **2.3. Confirmation of trades entered by custodial participants**

Clearing members of the custodial participants shall confirm trades entered into on behalf of the custodial participants. Such trades shall be confirmed by the clearing members in such manner, within such time and through such facility as may be provided to clearing members from time to time. Such confirmation shall be carried out within such time as may be specified by the Exchange/Clearing Corporation from time to time where such trades have been entered. All such trades which have been confirmed by clearing members shall form part of the obligations of clearing members concerned and such clearing members shall be responsible for all obligations arising out of such trades **including** the payment of margins, penalties, any other levies and settlement of obligations. Trades which have not been confirmed by clearing members of the custodial participants shall be considered as trades pertaining to the trading members entering such trades and shall form a part of the obligations of clearing members, who clear and settle for such trading members.



### ITEM 3: SETTLEMENT SCHEDULE

**In pursuance of Byelaw 13 of Part B of Chapter VI of the Byelaws and Chapter 3 of Regulations, the clearing days and scheduled times for F&O Segment are as under:**

#### **3.1. Settlement Period**

The pay-in and pay-out of daily mark to market settlement, final settlement of futures contracts, premium settlement, the final exercise settlements of options contracts and delivery settlement of futures and options contracts shall be effected in accordance with the settlement schedule issued by the Clearing Corporation periodically. The paying members are required to have clear balance of funds in their clearing account towards their pay-in obligation by the declared pay-in time on the settlement day. The pay-out of funds shall be credited to the receiving members clearing account thereafter.

#### **3.2. Cash Settlement**

The pay-in and pay-out of daily mark to market settlement, final settlement of futures contracts which are cash settled, premium settlement and the final exercise settlements of options contracts which are cash settled shall be effected before start of market hours on the next day as per the settlement schedule specified by the Clearing Corporation

#### **3.3. Delivery Settlement**

Final settlement of futures contracts and the final exercise settlements of options contracts which are settled by delivery shall be effected on Expiry+2 days in accordance with the settlement schedule issued by the Clearing Corporation periodically.

The delivering clearing member shall complete delivery instructions for transfer of securities to Depository pool account on settlement day by 2.00 pm or such cut-off time as stipulated by the respective depositories. The depositories shall credit the receiving members' pool account / clients' beneficiary account in accordance with the pay-out instructions received electronically from Clearing Corporation on the settlement day.

The funds paying clearing member shall have clear funds in his settlement account on settlement day. The clearing bank shall debit the paying members' account by 2.00 pm. in accordance with electronic instructions received from Clearing Corporation. The Clearing Bank shall credit the receiving members' settlement account in accordance with the pay-out instructions received electronically from the Clearing Corporation on the settlement day.



## ITEM 4: SETTLEMENT PRICE

**In pursuance of Bye-law 12 of Part B of Chapter VI of the Bye-laws and the Regulations 5.2, 5.5 and Chapter 5A of the Regulations, Settlement price for settlement of futures and option contracts is specified as under:**

### **4.1. Daily Settlement Price for mark to market settlement of futures contracts**

Daily settlement price for futures contracts shall be based on the last 30 minutes volume weighted average price of such contract across Exchanges or such other price as may be decided by the relevant authority from time to time.

### **4.2. Theoretical daily settlement price for unexpired futures contracts which are not traded during the last half an hour on a day**

Theoretical daily settlement price for unexpired futures contracts, which are not traded during the last half an hour on a day, shall be the price computed as per the formula detailed in **Part C (2)** Theoretical futures price calculation model.

### **4.3. Final Settlement Price for futures contract**

Final settlement price for a futures contract shall be based on the last 30 minutes volume weighted average price of the relevant underlying security/index across Exchanges on the last trading day of such futures contract or such other price as may be decided by the relevant authority from time to time.

### **4.4. Final Settlement Price for options contract**

#### **4.4.1. Final exercise settlement price for option contracts**

Final Exercise settlement price for an option contract shall be based on the last 30 minutes volume weighted average price of the relevant underlying security/index across Exchanges, on the last trading day of the options contract or such other price as may be decided by the relevant authority from time to time.



## **ITEM 5: SETTLEMENT PROCEDURE**

**In pursuance of Chapter VI of the Bye-laws and Chapter 3, 5, 5A of the Regulations, the settlement procedure for deals in futures and options contracts shall be as under:**

### **5.1. Daily mark to market settlement and final settlement for futures contract which are cash settled**

Daily mark to market settlement and final settlement in respect of admitted deals in futures contracts which are cash settled shall be settled by debit/ credit of the clearing accounts of clearing members with the respective clearing bank.

All positions (brought forward, created during the day, closed out during the day) of a clearing member in futures contracts, at the close of trading hours on a day, shall be marked to market at the daily settlement price (for daily mark to market settlement) and settled.

All positions (brought forward, created during the day, closed out during the day) of a clearing member in futures contracts, at the close of trading hours on the last trading day of the contract which are cash settled, shall be marked to market at final settlement price (for final settlement) and settled.

Open positions in a futures contract shall cease to exist after its expiration day.

### **5.2. Premium settlement for option contracts**

Premium settlement in respect of admitted deals in options contracts on index and on individual securities shall be cash settled by debit/ credit of the clearing accounts of clearing members with the respective clearing bank.

The premium payable or receivable value of clearing members shall be computed after netting the premium payable or receivable positions at trading member/Custodial Participant level, for each option contract, at the end of each trading day.

### **5.3. Exercise settlement for option contracts**

#### **5.3.1. Index options**

Exercise style of index option contracts shall be European style wherein all in-the-money contracts shall get automatically exercised on the expiry day. Exercise settlement shall be effected for all in-the-money option contracts on the last trading day of an option contract. Long positions at in-the money contracts shall be assigned to short positions in option contracts with the same series on a random basis.



Exercise settlement in respect of admitted deals in index option contracts shall be cash settled by debit/ credit of the clearing accounts of the relevant clearing members with the respective clearing bank.

Index option contracts, which have been exercised, shall be assigned and allocated to clearing members at the client level with the same series.

Open positions, in an index option contracts, shall cease to exist after its expiration day.

### **5.3.2. Options on individual securities**

Exercise style of option contracts on individual securities shall be European style wherein all in-the-money contracts shall get automatically exercised on the expiry day. Exercise settlement shall be effected for all in-the-money option contracts on the last trading day of an option contract. Long positions at in-the money contracts shall be assigned to short positions in option contracts with the same series on a random basis. Option contracts, which have been exercised, shall be assigned and allocated to clearing members, at the client level on a random basis.

### **5.3.3. Final exercise settlement**

Final exercise settlement shall be effected for all in-the-money option contracts on the last trading day of an option contract. Long positions at in-the money strike prices shall be assigned to short positions in option contracts with the same series at the client level on a random basis.

Exercise settlement may be cash settled or delivery settled, in accordance with SEBI guidelines. For option contracts that are to be cash settled shall be by debit/ credit of relevant clearing accounts of relevant clearing members with the respective clearing bank towards the exercise settlement value for each unit of the option contract. Option contract that are to be settled through delivery shall be settled as per procedure stated in 5.5

Open positions, in option on individual securities contracts, shall cease to exist after exercise or on expiration day as the case may be.

### **5.3.4. Do not Exercise**

A facility has been provided to specify 'Do not Exercise' instruction on expiry day in options contracts. On the expiry day, members have been given an option to specify not to exercise in respect of Close To Money (CTM) option strikes. The facility has been provided on Nsccl –MASS platform under menu "Exercise Request". All in-the-money option contracts, not in the 'CTM' option series, shall be exercised automatically.

The CTM strikes range shall be arrived as under:

**For Call Options** - 3 in-the-money options strikes immediately below the final settlement price shall be considered as 'CTM'



**For Put Options** - 3 in-the-money options strikes immediately above the final settlement price shall be considered as 'CTM'. The detailed procedure for members to provide Do Not Exercise request including various file formats is provided in **Part C (3) - Do Not Exercise Request** procedure.

Trading members are required to provide “do not exercise” instruction for their client as well as proprietary positions. Trading cum clearing members are required to provide exercise instruction for their Custodian Participant positions in addition to their client and proprietary positions. Professional Clearing Members are required to provide exercise instruction for their Custodian Participant positions only. At the cut off time, the latest record of all the ITM positions is taken for automatic exercise.

#### **5.4. Delivery Settlement**

In respect of contracts to be settled through delivery the following positions shall be considered:

- All open futures positions after close of trading on expiry day
- All in-the-money contracts which are exercised and assigned

##### **5.4.1. Settlement Obligation**

The settlement obligations shall be computed as under

###### a. Unexpired Futures

- Long futures shall result into a buy (security receivable) positions
- Short futures shall result into a sell (security deliverable) positions

###### b. In-the-money call options

- Long call exercised shall result into a buy (security receivable) positions
- Short call assigned shall result into a sell (security deliverable) positions

###### c. In-the-money put options

- Long put exercised shall result into a sell (security deliverable) positions
- Short put assigned shall result into a buy (security receivable) positions

The quantity to be delivered/ received shall be equivalent to the market lot \* number of contracts which result into delivery settlement

##### **5.4.2. Settlement Obligation Value**

The settlement obligation value shall be computed as under

a. Futures – Settlement obligations shall be computed at futures final settlement price of the respective contract. (The difference between previous day settlement price/trade price and final settlement price on the expiry date shall be cash settled along with daily MTM on T+1 basis)

b. Options – Settlement obligation shall be computed at respective strike prices of the option contracts

The final deliverable/receivable positions at a clearing member shall be arrived after netting the obligations of all clients/constituent/trading members clearing through the respective



clearing member. Delivery settlement of securities shall be done only in dematerialized mode through the depositories.



## ITEM 6: SECURITIES TRANSACTION TAX

**In pursuance the Regulations 2.4, Collection of securities transaction tax shall be as under:**

### **6.1. Securities Transaction Tax (STT) Computation:**

Members may note that the following procedure shall be adopted by the Exchange in respect of the calculation and collection of STT:

1. STT shall be applicable on transactions for both futures and option contracts executed on exchange, as specified in circular issued by Exchange from time to time
2. STT shall be determined at the end of each trading day.
3. 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 Exchange and as may be modified by the member using the client code modification facility provided by the Exchange within the prescribed time viz. during trading hours and upto 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.
4. Members may note that the value of taxable securities transaction shall be determined with respect to the trade executed under a particular client code. Therefore Exchange 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.
5. For each client code, all the sell transactions for a trading day shall be aggregated at contract level.
6. For the purpose of STT, each futures trade shall be valued at the actual traded price and option trade shall be valued at premium. On this value, the STT rate as prescribed shall be applied to determine the STT liability. In case of final exercise of an option contract STT shall be levied on settlement price on the day of exercise if the option contract is in the money.

Sr.No.	Taxable securities transaction	Payable by
A	B	C
A	Sale of an option in securities	Seller
B	Sale of an option in securities, where option is exercised	Purchaser
C	Sale of a futures in securities	Seller

- (a) Value of taxable securities transaction relating to an “option in securities” shall be the option premium, in case of sale of an option in securities.



- (b) Value of taxable securities transaction relating to an “option in securities” shall be the settlement price, in case of sale of an option in securities, where option is exercised.
7. STT at the rates as applicable to the delivery based equity transaction i.e @0.10% shall also be applicable on the physically settled stock derivatives (both Futures and Options). The said STT will be payable by both the Purchaser (receiver) of the securities as well as by the Seller (giver) of the securities.
8. STT payable by the clearing member shall be the sum total of STT payable by all trading members clearing under him. The trading member’s liability shall be the aggregate STT liability of clients trading through him.

### **6.2. Information to members**

A report shall be provided to the members at the end of each trading day. This report shall contain information on the total STT liability, trading member wise STT liability, client wise STT liability and also the detailed computations for determining the client wise STT liability.

### **6.3. Client code modification**

As explained above, since the Exchange shall be reckoning the client code entered by the members, members are advised to carry out client code modification, if any, within the prescribed time viz. during trading hours and up to the trade modification close time on the respective trading day. The Exchange shall not entertain any request for modification thereafter.

### **6.4. Pay-in of funds**

Clearing members shall be required to pay the STT on T+1 day. STT on exercise of options on securities which are identified for physical settlement and on physically settled stock derivatives (both Futures and Options) shall be collected on Expiry + 2 day along with pay-in for delivery settlement of equity derivatives.

The STT amount shall be collected as per the timelines stipulated for the funds pay-in. A separate transaction shall be created and the monies shall be collected from the settlement account of members through their clearing banks as per the process currently followed in respect of settlement obligations.

### **6.5. Failure to pay funds**

Non-payment of STT shall be treated as non-fulfilment of settlement obligations for the purpose of all consequential actions against the member.

### **6.6. Information to clients**

The contract note should specify the total STT for the transactions mentioned therein. Detail of STT shall be provided by the member as specified by the Exchange from time to time.



However details of trade wise STT shall be provided by the members on an annual or periodic basis to clients on their specific request if the same is not provided in the contract note or along with the contract note.



## ITEM 7: CLEARING BANK

**In pursuance of Byelaw 11 of Part B of Chapter VI of Byelaws and Chapter 7 of the Regulations, the provisions relating to clearing bank appointed by Clearing Corporation, are specified as under:**

### **7.1. Designated Clearing Bank(s)**

Funds to be paid and/ or to be received shall be settled through such branches of banks which are designated as clearing banks by the relevant authority from time to time. The designated clearing banks and their designated branches are given in **Part C (4)-List of designated Clearing Banks and branches.**

### **7.2. Maintenance and operation of clearing account**

#### **7.2.1. Primary Clearing Account**

Every clearing member shall maintain and operate a separate and distinct primary clearing account for the futures and options segment with any one of the designated clearing banks as mentioned above. The primary clearing account shall be used for clearing and settlement operations i.e., for settling funds obligation, payment of margins, release and enhancement of collateral, EPI of funds, penal charges, etc as may be specified by the Clearing Corporation from time to time.

#### **7.2.2. Additional Clearing Account**

- Every clearing member shall be able to additionally maintain and operate additional clearing accounts with the designated clearing banks, for the purpose of enhancement of collaterals in the form of cash through CIM and for providing EPI of funds through CIM. Clearing members shall also be permitted to request for release of collateral in the form of cash to their designated secondary account.
- Release of cash collateral, collateral enhancement and EPI of funds, shall be routed through the secondary clearing account of the member if specified by the member.

### **7.3. Operation of Clearing Account**

- Clearing members shall irrevocably authorize, as per the format given in **Part C (5) Format of letter to be submitted by Clearing Member to Clearing Bank for operation of clearing account**, the clearing banks to access their clearing accounts for debiting and crediting their clearing accounts as per the instructions of the Clearing Corporation, reporting of balances and other information as may be required by the Clearing Corporation from time to time and furnish to the Clearing Corporation an acknowledged copy of the same along with the account particulars issued by the clearing banks.
- Clearing members can deposit funds into these accounts in any form and can withdraw funds from these accounts only in self-name.
- Clearing members having funds obligation to pay shall have clear balance of requisite funds in the clearing accounts on or before the stipulated funds pay-in day and the stipulated time.



- Clearing members shall not seek to close or de-activate the clearing accounts without the prior written consent of the Clearing Corporation
- The clearing banks shall debit/credit the clearing accounts of clearing members as per instructions received from the Clearing Corporation from time to time. Any request from the clearing members for revoking the authorization furnished by them shall not be considered by the clearing banks. The clearing banks shall not close the clearing accounts or permit deactivation of the same without the prior written consent of the Clearing Corporation.
- All bank confirmations received from clearing banks on behalf of the members towards margins, funds pay-in, etc. shall be given effect only after receiving a written/electronic confirmation from their respective clearing banks.

#### **7.4. Procedure for change in primary clearing banks**

In case a clearing member wishes to shift the primary clearing account from one designated clearing bank to another, the following procedure shall be followed:

- The clearing member shall request the primary clearing bank in writing for issuing a No Objection Certificate (NOC) for shifting of the primary clearing account.
- The clearing member shall request the Clearing Corporation in writing seeking its permission for shifting of the primary clearing account and enclose the NOC received from the existing primary clearing bank in this regard or where the NOC is not received, furnish an acknowledged copy of the NOC request along with a declaration to the effect that no response has been received from the existing primary clearing bank in respect of the NOC request even after a minimum waiting period of a fortnight.
- The Clearing Corporation would thereon issue a letter of introduction to the other designated clearing bank
- On opening the clearing account with the other designated clearing bank, the clearing member shall submit to the Clearing Corporation the documents relating to the new primary clearing account issued by the clearing bank as mentioned in 7.3 above.
- The Clearing Corporation shall thereon communicate the date from which the new primary clearing account shall be operational. The clearing members are required to intimate the Clearing Corporation whether they wish to continue the existing primary clearing account as one of the additional clearing accounts or discontinue the existing primary clearing account after the change in primary clearing bank. In the event of the clearing members wishing to discontinue the existing primary clearing account, the Clearing Corporation shall communicate the date after which the existing primary clearing account may be closed by the clearing member.
- In the event of the clearing members wishing to continue the existing primary clearing account as one of the additional clearing account, the clearing member shall be required to provide the letter from clearing bank confirming continuance of account as additional clearing account along with the letter in the format as mentioned in 7.3 above for such additional clearing account.



## **ITEM 8: PROCEDURE FOR PAY-IN AND PAY-OUT OF SECURITIES**

### **8.1. Maintenance of depository account:**

Clearing member's depository account in Capital Market segment shall be used for settlement of securities. Clearing member who is not a member in Capital Market segment shall be required to maintain a depository account with both the depositories and intimate the same to Clearing Corporation.

### **8.2. Pay-in of securities**

Pay-in shall be conducted on the scheduled pay-in day, in accordance with the settlement calendar periodically issued by the Clearing Corporation in this regard. Clearing members shall maintain settlement accounts at both depositories viz NSDL and CDSL and provide specific pay-in instructions to depositories for effecting pay-in

### **8.3. Auto Delivery Out**

For pay-in through NSDL / CDSL a facility shall be provided to clearing members wherein delivery-out instructions will be generated automatically by the Clearing Corporation based on the net delivery obligations of the clearing members. These instructions will be released on the Expiry+1 day and the securities in the clearing members' pool accounts will be marked for pay-in. The facility shall be available to the clearing members if they have availed of this facility in the Capital Market Segment

### **8.4. Early pay-in of securities**

Clearing Corporation shall provide a facility to clearing members to make early pay-in of securities through NSDL and CDSL. The details for making early pay-in are provided in Item 10

### **8.5. Pay-out of Securities**

Pay-out shall be conducted on the scheduled payout day, in accordance with the settlement calendar issued periodically by the Clearing Corporation in this regard. Payout shall be made to the clearing member's pool account.

### **8.6. Direct pay-out to Beneficiary Account**

A facility shall be provided to the clearing members to directly credit the pay-out to client's beneficiary account. Clearing members shall provide a file to Clearing Corporation for effecting pay out to client's accounts for a particular settlement type and settlement number. Clearing members shall have to mention the beneficial owner's account number entitled to receive the payout of securities. The direct payout of securities can be credited to the client's account regardless of the depository in which the securities pay-in is received. In case of a shortage, the quantity credited to the client account will be to the extent of net payout received by the clearing member. The process for effecting pay out to client's accounts directly is detailed in **Part C (6) Direct Payout to Client account**

### **8.7. Securities payout to preferred depository**



In addition to the direct delivery of securities to the client account, clearing members shall also have a facility to receive their payout in their preferred depository.

Clearing members have a facility of preferred depository wherein payout receivable by members can be credited to the specified pool account in either of the depositories viz. NSDL or CDSL. Clearing members are requested to take note of the following:

- The securities payout shall be after giving effect to any client direct payout instructions which may have been provided by clearing members for the respective security for the respective settlement. In the event of a failure of a client payout instruction at the depository, the payout shall be effected to the respective depository pool account.
- Clearing members shall ensure that they get their account details updated in case of shifting /change of account etc. to ensure that the payout happens to the preferred depository pool account.
- The preferred depository shall be the same as selected by the clearing member for the Capital Market segment.

### **8.8. Shortage Handling**

- Failure of the seller to deliver securities shall result in buy-in auction for the shares by Clearing Corporation as per auction schedule declared periodically. Auction shall be conducted on Expiry+3 days and settled on Expiry+4 days. The auction amount shall be charged to the short delivering member. Failure to procure shares in auction shall be closed out. Auction for shortages shall be conducted in Capital Market Segment of the Exchange under a separate series. Pay-in and payout for auction settlement shall be as per the schedule declared by Clearing Corporation.
- Clearing member who fail to deliver shall be debited by an amount equivalent to the securities not delivered valued at valuation price. The valuation price shall be the MTM settlement price of such securities in Capital Market Segment, on the immediate trading day preceding the pay-in day for the securities.
- When the Clearing Corporation is satisfied that securities cannot be bought in auction, obligation in such security shall be deemed to be closed out. When the auction seller fails to deliver in part or full on auction pay-in day, the same shall be closed out
- Auction shall not be conducted for shortages in the securities which are under corporate actions. Such shortages shall be closed out directly.
- Close out shall be at the closeout price of the security as determined in Capital Market Segment.
- Members shall be required to upload details of securities pay-in/pay-out shortages on a daily basis to Clearing Corporation. The detailed procedure and file format for the same has been specified in **Part C (7)** –‘Format of uploading securities pay-in / pay-out shortages’

## ITEM 9: LIQUID ASSETS

A clearing member may deposit liquid assets in the form of cash, bank guarantees, fixed deposit receipts and approved securities and any other form of collateral as may be prescribed by the relevant authority from time to time.

These liquid assets are segregated as cash component and non-cash component. Cash component shall mean cash, bank guarantees, fixed deposit receipts, units of money market mutual fund, Gilt funds, Government of India Securities, Sovereign Gold Bonds and any other form of collateral as may be prescribed from time to time. Non-cash component shall mean all other forms of collateral deposits like deposit of approved list of demat securities, units of the other mutual funds, corporate bonds and any other form of collateral as may be prescribed from time to time.

The total liquid assets comprise of the cash component and the non cash component wherein the cash component shall be at least 50% of liquid assets. This implies that non cash component in excess of the total cash component would not be regarded as part of total liquid assets.

### 9.1. Liquid Networth

Liquid Networth shall be computed as total liquid assets less initial margin and exposure margin payable at any point in time. The clearing member shall meet with the liquid networth requirements prescribed by the Clearing Corporation at all points of time.

### 9.2. Membership Deposit

**In pursuance of Rule 2.3 of Chapter IV of the Rules of NSE Clearing, details of security deposit to be maintained are specified as under:**

#### 9.2.1. Minimum deposit requirement for clearing members

Every clearing member of the Clearing Corporation is required to maintain a minimum security deposit with the Clearing Corporation in the following manner:

- i. Rs.25 lakhs in the form of cash, and
- ii. Rs.25 lakhs in any one or combination of the following forms:
  - a. Cash
  - b. Fixed Deposit Receipts issued by Approved Banks **Part C (8)** List of banks approved for issuing Bank Guarantees and FDRs, deposited with Approved Custodians **Part C (9)** List of Approved Custodians or with the Clearing Corporation.
  - c. Bank Guarantee in favour of NSE Clearing Ltd. from Approved Banks.
  - d. Equity shares of approved companies and units of Exchange Traded Funds in demat form deposited with Approved Custodians, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any other depository participant of NSDL or CDSL.

- e. Government of India Securities/T-Bills/Sovereign Gold Bonds, as per list provided by Clearing Corporation
- f. Foreign Sovereign Securities, as per list provided by Clearing Corporation.
- g. Open ended Mutual Funds Units in demat form deposited with Approved Custodians, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any any other depository participant of NSDL or CDSL.

### **9.2.2. Clearing member deposit for trading members whose deals they clear and settle**

In addition to the requirements specified under 9.2.1, every clearing member is required to maintain a deposit of Rs.10 lakhs each, in respect of every trading member whose deals such clearing members undertake to clear and settle, in the following manner:

- i. Rs.2 lakhs to be maintained in the form of cash.
- ii. Rs.8 lakhs to be maintained in any one or combination of the forms of collaterals as specified in 9.2.1(ii).

### **9.2.3. Non-fulfilment of Security Deposit Requirements**

Any failure on the part of a clearing member to meet with the deposit requirements as given in 9.2.1 and 9.2.2 at any point of time, will be treated as a violation of the Rules, Bye-Laws and Regulations of the Clearing Corporation and Clearing Corporation may, within such time as it may deem fit, advise the Exchange to withdraw any or all of the membership rights of such clearing member including withdrawal of trading facilities of all trading members and/ or clearing facility of custodial participants clearing and settling through such clearing members, without any notice.

In addition, the outstanding positions of such clearing member and/ or trading members and/ or constituents, clearing and settling through such clearing member, may be closed out forthwith or any time thereafter by the Exchange, at the discretion of the Clearing Corporation, to the extent possible, by placing at the Exchange, counter orders in respect of the outstanding position of such clearing member without any notice to the clearing member and/ or trading members and/ or constituents, and such action shall be final and binding on the clearing member and/ or trading members and/ or constituents. Clearing Corporation may also initiate such other risk containment measures as it deems fit with respect to the open positions of the clearing member and/ or trading members and / or constituents.

Clearing Corporation may, in addition to the foregoing provisions, take additional measures like, imposing penalties, collecting appropriate deposits, invoking bank guarantees/ fixed deposit receipts, realising money by disposing off the securities and exercising such other risk containment measures as it deems fit and may further take such disciplinary action as it may deem fit and appropriate in this regard.

## **9.3. Margin Deposits by the clearing member**



**In pursuance of Byelaw 2 of Chapter VIII of the Byelaws and Chapter 4 of Regulations, the following requirements are prescribed in respect of margin deposits to be provided by clearing members:**

Clearing members who wish to provide any deposits at any point of time, over and above their minimum liquid networth requirement and deposit requirement as given in 9.2.1 and 9.2.2 above towards margins and/ or other obligations, may do so in any one or combination of the following forms:

- i.) Cash
- ii.) Fixed Deposit Receipts issued by Approved Banks, deposited with Approved Custodians or with the Clearing Corporation. .
- iii.) Bank Guarantee in favour of NSE Clearing Ltd. from Approved Banks.
- iv.) Equity shares of approved companies and Units of Exchange Traded Funds in demat form deposited with Approved Custodians, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any other depository participant of NSDL or CDSL.
- v.) Government of India Securities/T-Bills, as per list provided by Clearing Corporation.
- vi.) Foreign Sovereign Securities, as per list provided by Clearing Corporation.
- vii.) Open ended Mutual Funds Units in demat form deposited with Approved Custodians, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any any other depository participant of NSDL or CDSL.
- viii.) Approved corporate bonds in dematerialised form deposited with approved custodian, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any any other depository participant of NSDL or CDSL.

## **9.4. Guidelines for Submission of Deposits**

### **9.4.1. Cash**

Clearing members may submit deposit in the form of cash by making the required amount available in their respective clearing bank account(s), sending an authorization to the Clearing Corporation for debiting the said amount from their clearing account.

A web based facility called Collateral Interface for Members (CIM) is provided in this regard which enables the clearing members to log in through internet. Clearing members will be able to log in through specific user-ids and passwords into CIM. To obtain a Login User ID, members are required to send their request to the Clearing Corporation in the format provided in **Part C (10)** Format of letter requesting activation of account in Collateral Interface for Members application

The benefit of such cash deposit requests shall be subject to receipt of bank confirmation from the respective clearing bank by the Clearing Corporation. A clearing member who has



authorised the Clearing Corporation to debit his clearing account as above shall ensure due performance of the commitment. Non-fulfilment of such obligation will be treated as a violation and/ or non-performance of obligations and shall attract consequences, penalty and/ or penal charges as applicable to violations.

#### **9.4.2. Fixed Deposit Receipt**

##### **9.4.2.1. Submission of Fixed Deposit Receipts (FDRs)**

Clearing members may furnish deposits in the form of FDR as mentioned above, subject to inter-alia, the compliance of the following:

- i. The FDR should be issued either in favour of: "NCL A/c CLEARING MEMBER NAME" or "Custodian Name" (as the case may be) and should be deposited with the Clearing Corporation or approved custodian.
- ii. Clearing members are required to issue a letter to the approved custodian/ Clearing Corporation agreeing that the approved custodian/ Clearing Corporation has an irrevocable authority to encash the FDR and to withdraw the FDR amount (including accrued interest) at any time, even prior to maturity of FDR without notice to the clearing members, for adjustment of Clearing Corporation dues. The formats of the letter are given in **Part C (11)** Format of letter by member for submission of FDR to custodian and as per **Part C (12)** Format of letter by member for submission of FDR to Clearing Corporation
- iii. Clearing members are required to submit a letter from the bank issuing the FDR to the approved custodian/ Clearing Corporation in the formats given in **Part C (13)** Format of letter to be provided by Bank issuing FDR to the custodian and **Part C (14)** Format of letter to be provided by Bank issuing FDR to the Clearing Corporation.
- iv. The minimum value of FDR that may be accepted shall be Rs.1 lakh.
- v. The FDR issued in physical form should be issued for a minimum period of 3 months in case of margin deposit and for a minimum period of 12 months in case of security deposit.
- vi. The FDR issued in electronic form should have validity for a minimum period of 7 days in case of margin deposit and for a minimum period of 12 months in case of security deposit
- vii. The FDR should be payable at any of the branches situated in cities of Mumbai, New Delhi, Chennai, Calcutta, Ahmedabad, and Hyderabad of the Approved banks.
- viii. Clearing Corporation shall not accept FDRs from clearing members as collateral, which are issued by the clearing member themselves or banks who are associate of clearing member. For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012
- ix. Clearing member can additionally provide FDR's in electronic formats. The Procedure is as below:
  - a. Clearing member approaches and requests the bank to create FDR and mark lien in favour of Clearing Corporation.
  - b. Clearing member submits required documents to the bank for creation of FDR and marking the lien. Additional information to be provided by the clearing member to the bank is given below:
    - Primary Member Code of the Segment



- Segment for which the FDR is required
  - Security Deposit (SD) or Margin Deposit (MD)
- c. Bank shall issue the FDR and mark a lien in favour of Clearing Corporation
  - d. Bank shall send the FDR information in electronic form to Clearing Corporation
  - e. Clearing Corporation shall validate and if found correct passes on the benefit of the same to the clearing member
  - f. Clearing Corporation shall send a system generated e-mail and sms to clearing member.
  - g. To get intimation for addition and renewal of instrument through e-mail and sms, clearing members are requested to register their e-mail ids and/or mobile number under CIM module and subscribe for “Add/Renew Electronic FDR” under CIM-Email or CIM-SMS.

The List of banks approved for issuance of E-FDR is provided in **Part C (8)** List of banks approved for issuing FDRs.

#### 9.4.2.2. Renewal of Fixed Deposit Receipts

In case of renewal of FDRs placed with Clearing Corporation, the clearing member shall furnish Clearing Corporation the renewal letter, as provided in Part C, from the respective bank.

- **Part C (15)** Format of letter to be provided by Bank for Auto renewal of FDR to the Clearing Corporation - when there is change in FDR number
- **Part C (16)** Format of letter to be provided by Bank for Auto renewal of FDR to the Clearing Corporation - when there is no change in FDR number

In case of renewal of FDRs placed with approved custodian, the clearing member shall furnish approved custodian the renewal letter, as provided in **Part C**, from the respective bank.

- **Part C (17)** Format of letter to be provided by bank for auto renewal of FDR to the custodian - when there is change in FDR number
- **Part C (18)** Format of letter to be provided by Bank for auto renewal of FDR to the Custodian - when there is no change in FDR number

The procedure of renewal of E-FDR is as below

- a. Clearing member shall request Bank to renew the FDR
- b. Clearing members can also request Bank to renew existing physical FDRs in electronic form.
- c. Clearing member shall submit the required documents to the bank for renewal of FDR. Additional information to be provided by the clearing member to the bank is given below.
  - Primary Member Code of the Segment
  - Segment for which the FDR is required
  - Security Deposit (SD) or Margin Deposit (MD)
- d. Bank shall renew the FDR.



- e. Bank shall send the renewed FDR information in electronic form to Clearing Corporation
- f. Clearing Corporation shall validate and if found correct renews the FDR
- g. Clearing Corporation shall send a system generated e-mail and sms to member.

In case the renewed FDR/ fresh FDR is not submitted and whereby the clearing member does not fulfil the security deposit requirements, actions as provided in 9.2.3 above shall be applicable.

### 9.4.3. Bank Guarantees

#### 9.4.3.1. Limits

The acceptance of the bank guarantees by the Clearing Corporation shall be subject to the bank-wise and member-wise and limits as are stipulated from time to time. The maximum value of bank guarantees that can be given from the issuing bank per clearing member is as provided below

Rupees in Crores	
Net worth (NW) of the banks	Applicable total limit per clearing member across all segments
Rs.1000 crores to Rs.2000 crores	25
Rs.2000 crores to Rs.3000 crores	35
>Rs.3000 crores **	

\*\*Over Rs.3000 crores, for each Rs. 1000 crores of networth, an incremental limit of Rs. 10 crores per clearing member shall be allowed. In respect of bank guarantees issued by the designated clearing banks, the maximum value of bank guarantees that can be accepted from each of these designated clearing banks shall be set at the next higher slab in which they would have ordinarily been, compared with their net worth. Clearing members are advised to check their applicable limit before getting their bank guarantees issued.

Based on the category of the clearing member the above limits shall be subject to a maximum amount as mentioned below:

Category of member	Applicable total limit per clearing member across all segments (Rs in Crores)	
	Primary Clearing Bank	Other Banks
Professional Clearing Member/ Custodian (PCM) with net worth => Rs.1000 crores	937.50	750.00

Professional Clearing Member/ Custodian (PCM) with net worth < Rs.1000 crores	703.13	562.50
Trading Cum Clearing Members (TM-CM) with net worth =>Rs.500 crores	703.13	562.50
Trading Cum Clearing Members (TM-CM) with net worth < Rs.500 crores	468.75	375.00
Other categories (Other)	93.75	75.00

In addition to the above based on category of the clearing member the below mentioned maximum value of bank guarantee limit shall be applicable across all segments /schemes:

Category of member	Applicable total limit <b>per clearing member</b> across all segments (Rs in Crores)
Professional Clearing Member/ Custodian (PCM) with net worth => Rs.1000 crores	3750.00
Professional Clearing Member/ Custodian (PCM) with net worth < Rs.1000 crores	3000.00
Trading Cum Clearing Members (TMCM) with net worth =>Rs.500 crores	3000.00
Trading Cum Clearing Members (TMCM) with net worth	2400.00
Other categories (Other)	500.00

Clearing members are advised to check their applicable limit before getting their bank guarantees issued.

#### 9.4.3.2. Submission of Bank guarantee

At the time of deposit of the bank guarantee, the clearing member is required to ensure the following:

- i. The bank guarantee is strictly as per the formats given in **Part C (19)**- Format of Bank Guarantee for Margin Deposit and Security Deposit (Fungible) and format given in **Part C (20)** Format of Bank Guarantee for Margin Deposit and Security Deposit (Non Fungible) for Non Fungible Bank guarantee, prescribed by the Clearing Corporation..
- ii. Where clearing member is submitting fungible bank guarantee, it shall submit letter to Clearing Corporation as per prescribed **Part C (21)** - Format of Clearing Member Letter

for submission of Fungible Bank Guarantee to Clearing Corporation, specifying the segment where benefit needs to be provided.

- iii. A bank guarantee for security deposit should be issued for a minimum period of 12 months with a specific claim period of at least 3 months. However, where an issuing bank does not provide for a specific claim period beyond the expiry date in the bank guarantee, the clearing members shall submit a bank guarantee for a minimum period of 15 months. The maturity period of such bank guarantee shall be reduced 3 months, which would be considered as the claim period of the bank guarantee.
- iv. A bank guarantee for margin deposit should be issued for a minimum period of 3 months. In case the issuing bank does not provide for a specific claim period beyond the expiry date in the bank guarantee, the maturity period of such bank guarantee shall be reduced 7 days, which would be considered as the claim period of the bank guarantee.
- v. Clearing Corporation shall not accept bank guarantees from clearing members as collateral, which are issued by the clearing member themselves or banks who are associate of clearing member. For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012
- vi. While filling the details in a bank guarantee, clearing members shall ensure that:
  - a. No relevant portion is left blank
  - b. All handwritten corrections and blanks are attested by the Bank by affixing the bank seal / stamp duly authorised
  - c. All irrelevant portions struck off on the printed format should also be authenticated by the Bank by affixing the bank seal / stamp duly authorised
  - d. Each page of the bank guarantee should bear the bank guarantee number, issue date and should be signed by at least two authorised signatories of the bank.
  - e. The clearing member should also ensure that the bank guarantee is free from any discrepancy before the same is submitted to the Clearing Corporation.

In case the bank guarantee does not strictly conform to the above-mentioned conditions, the same shall not be accepted by the Clearing Corporation and benefit for the same shall be made available only upon the bank guarantee being strictly in conformity with the prescribed requirements.

#### **9.4.3.3. Renewal of Bank guarantee**

In case of renewal of bank guarantees, the clearing members shall furnish the renewal document strictly in the prescribed format before the date of expiry / maturity date of the bank guarantee. The format is given in **Part C (22)** Format of renewal of bank guarantee towards Margin deposit and Security deposit.

In case the renewed bank guarantees/ fresh bank guarantees are not submitted within the above mentioned periods whereby the clearing member does not fulfil the security deposit requirements, action as provided in 9.2.3 above shall be applicable.

#### **9.4.3.4. Electronic SFMS Message**



Members are required to ensure that Banks issuing BG in favour of Clearing Corporation send e-messages through SFMS for all new issuance/renewals of the BG. Members shall ensure that SFMS message is sent by the issuing bank before the new/renewal BG is submitted to Clearing Corporation. The exposure towards new issuance/renewals of the bank guarantees shall be provided only after receipt of the SFMS message by Clearing Corporation. Following beneficiary details of Clearing Corporation shall be provided to issuing banks for sending the e-messages through SFMS

**Option 1**

Field No	Description	Current Value
7034	Name Of Beneficiary And His Details	NSE CLEARING LIMITED EXCHANGE PLAZA, PLOT C-1, G BLOCK, BANDRA KURLA COMPLEX, BANDRA (E), MUMBAI - 400 051
7035	Beneficiary IFSC	XNSE0000001
7036	Beneficiary Branch Name and Address	NSE CLEARING LIMITED

**Option 2**

Field No	Description	Current Value
7035	Beneficiary IFSC	ICIC0000004
7036	Beneficiary Branch Name and Address	ICICI BANK LIMITED F.P.HOUSE NARIMAN POINT MUMBAI 215, FREE PRESS HOUSE, NARIMAN POINT, MUMBAI
7037	Sender to Receiver Information	NCL566855614

**9.4.3.5. Reminder letters through extranet**

Reminder letters are downloaded on a monthly basis through the extranet in respect of the bank guarantees and FDRs that are due for renewal in the following month (Path: /FAOFTP/F<TMCODE>/LETTERS/DNLD). Further the file naming convention for the same is F\_REMINDERS\_MEMBER CODE\_DDMMYYYY.LIS This is being provided as an additional facility only and clearing members are advised to submit the renewals of the bank guarantees and FDRs within the stipulated period to avoid any action as provided in 9.2.3 above.

**9.4.4. Securities**



#### **9.4.4.1. Eligible securities**

Clearing Members are permitted to deposit shares of companies and ETFs as communicated to the clearing members from time to time in electronic form ('demat securities') in the designated depository accounts maintained with the approved custodians or through any other depository participants of NSDL or CDSL in this regard. These securities shall be pledged in favour of NSE Clearing Limited.

Currently, securities forming part of VaR Margin Group 1 in the Capital Market segment shall be accepted as approved securities.

The valuation of the securities shall be in accordance with the norms prescribed by the Clearing Corporation from time to time. The securities shall be valued based on the closing price of the security at the Exchange. The value of the securities shall be reduced by such haircut as may be prescribed by the Clearing Corporation from time to time to arrive at the collateral value of the securities. Only the value net of applicable haircuts shall be considered as the value of the securities pledged. Valuation of securities shall be done by the custodians at such periodic intervals as may be specified by the Clearing Corporation from time to time.

A report containing details of closing price and applicable haircut for the respective security shall be downloaded to common folder of clearing member on FTP and website. The report nomenclature will be "APPSEC\_COLLVAL\_ddmmyyyy.csv".

The quantity of security acceptable by Clearing Corporation from a clearing member shall be restricted in quantity and value terms. The list of approved securities, the acceptable quantity (Market wide limit and member level limit) of the security and applicable hair cut for the respective security shall be as per the Circular issued by Clearing Corporation for the respective month. Further the quantum of each security acceptable shall be restricted to certain percentage of cash equivalent collateral placed by clearing member with Clearing Corporation and the same shall be specified in list of approved securities.

A report containing security wise utilization of market wide permissible limit shall also be downloaded to common folder of clearing member on FTP. The report nomenclature will be "SEC\_OL\_ddmmyyyy.csv"

Clearing Corporation may revise the list of approved securities and, the haircuts from time to time. Clearing members who have deposited securities which have been discontinued from the list of approved securities, shall be required to take due care to replace such securities.

#### **9.4.4.2. Securities not approved for acceptance**

The following securities shall not be accepted as liquid assets:

- a) Partly paid securities

- b) Securities subject to any lock in period, buy back scheme any charge or lien, encumbrance of any kind, or such other limitations or title is questioned before the court or any regulatory body.
  - c) Equity shares of clearing member
  - d) Corporate bonds issued by clearing member
  - e) Equity Shares of associate of clearing member
  - f) Corporate bonds issued by associate of clearing member
- For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2018

#### 9.4.4.3. Ownership of Securities

##### 9.4.4.3.1. Membership Deposits (Security Deposit)

- Clearing members shall be permitted to provide only “own” securities towards the membership deposit requirements
- Own securities shall include securities owned by clearing member/ spouse, any of the partners/ their spouses or any of the directors, in case of individual, partnership or corporate clearing members respectively, as the sole/ first joint holder, provided no depositor of securities should be a minor as on the date of deposit thereof.
- Clearing members shall provide securities towards membership deposit requirement using the facility of Approved Custodians as per 9.4.4.4 or direct pledge in favour of NSE Clearing through any other depository participant of NSDL and CDSL as per 9.4.4.5 and 9.4.4.6

##### 9.4.4.3.2. Margin Deposits

- Clearing members shall be permitted to provide “own” securities or trading member proprietary securities or client securities towards the margin deposit requirements
- Clearing members can provide own securities using the facility of Approved Custodians or Margin Pledge facility provided by NSDL and CDSL
- Clearing members can re-pledge client/trading member(TM) proprietary securities only through Margin Pledge facility provided by NSDL and CDSL
- The margin pledge facility shall also be applicable for Custodial Participant (CP) clients of clearing members
- Procedure for providing securities through Margin Pledge facility provided by NSDL and CDSL is detailed in 9.4.4.7
- The prudential norms (Market wide limits, member wise limits and value based limits) shall be applied on all securities (OWN and Client/TM Proprietary securities) together
  - Clearing member own securities will be granted priority over client and trading member proprietary securities re-pledged by clearing member for value based limits.
  - For Client/TM Proprietary securities re-pledged, the priority will be on first-in-first-out (FIFO) basis, in other words securities pledged/re-pledged earlier will have a higher priority

#### **9.4.4.4. Acceptance of securities through approved custodians:**

Clearing members are required to open a separate depository account with the approved custodians for the purpose of deposit of securities. Clearing members who are interested in availing of this facility may get in touch with the approved custodians to ascertain the modalities with regard to deposit of securities.

Clearing members may provide demat securities by marking a pledge of the securities in favour of the Clearing Corporation. The clearing member shall be required to submit all such documents as may be required by the Clearing Corporation and the approved custodian from time to time including the Deed of Pledge as per the specified formats as mentioned in **Part C (23)** Format of deed of pledge.

Clearing members shall give the necessary pledge instruction(s) to the approved custodian for the securities to be pledged in favour of the Clearing Corporation. Once the securities are accepted and duly pledged by the approved custodian, the approved custodian shall inform the Clearing Corporation the valuation of the securities after adjusting the relevant hair cut percentages. On the basis of the approved custodian's advice, benefit towards security pledged shall be provided to the clearing member.

#### **9.4.4.5. Acceptance of securities through any other depository participant of NSDL**

##### **9.4.4.5.1. Registration**

- a. Clearing member shall be required to open a separate beneficial owner demat account ("designated account") with any depository participant of NSDL. Clearing member who is a Depository Participant (DP) of NSDL can open demat account under its own DP or any other DP of its choice.
- b. Clearing member can open and maintain demat account for depositing securities in respect of collateral with the Clearing Corporation under account type "Body Corporate/Resident" and sub-type "Stock Broker-Collateral" available in NSDL depository system.
- c. The aforesaid designated account shall be permitted for pledging of securities across all segments/schemes of the Clearing Corporation.
- d. Clearing member shall ensure that designated account is solely used for the purpose of pledging securities in favour of the Clearing Corporation. Any other use of designated account shall be treated as non-compliance and shall be dealt with accordingly.
- e. Clearing member shall submit the following information to the Clearing Corporation:
  - Covering letter as per format provided in **Part C (24)** – Covering Letter for registration of Demat account with NSDL for pledge
  - Client master of the designated account
  - Pledge deed as per the specified format
    - Security deposit as per format provided in **Part C (23)** Format of deed of pledge



- Margin deposit as per format provided in **Part C (23)** Format of deed of pledge
  - List of authorized signatories who are authorized to execute deed of pledge
- f. On submission of necessary documents as specified above the Clearing Corporation shall enable the designated account for acceptance of pledge.

**9.4.4.5.2. Pledging of securities**

- a. Clearing member shall be required to subscribe for SPEED-e facility of NSDL to submit the pledge request in favour of the Clearing Corporation.
- b. Clearing Member shall initiate a pledge instruction from the designated account in favour of the requisite beneficial owner account of Clearing Corporation using SPEED-e facility of NSDL.
- c. Clearing members may note that **only** those pledges which are created through SPEED-e facility of NSDL shall be accepted towards collateral purpose.
- d. Details of the Clearing Corporation accounts in whose favour the pledge have to be created for different deposit type are as under:

<b>Segment</b>	<b>Deposit type</b>	<b>DP ID</b>	<b>Account number</b>
Futures & Options Segment	Security Deposit	IN001002	10009044
Futures & Options Segment	Margin Deposit	IN001002	10009052

- e. Clearing members shall ensure that correct account is selected while initiating the pledge instructions as these pledges will be confirmed automatically in favour of the Clearing Corporation.
- f. Pledge instructions created in favour of the Clearing Corporation for securities which are not accepted as collateral or in favour of segment/type of deposit for which clearing member is not registered shall not be auto confirmed and instruction will remain in the status ‘Pending Pledge Confirmation’. Clearing member shall have to cancel such pledge instructions. Clearing member can request to Depository Participant to cancel the instruction.
- g. Pledge instructions in respect of approved securities and in favour of segment/type of deposit for which clearing member is registered shall be accepted.

**9.4.4.6. Acceptance of securities through any other depository participant of CDSL**

**9.4.4.6.1. Registration**

- Clearing members can use this facility only for pledging securities towards membership deposit requirements (security deposit) Clearing member shall be permitted to pledge only from their proprietary accounts
- 
- The designated account shall be permitted for pledging of securities across all segments of Clearing Corporation.

- 
- Clearing member shall submit the following information to Clearing Corporation for pledging of securities in favour of Clearing Corporation:
  - Covering letter as per format provided in **Part C (25)** Covering Letter for registration of Demat account with CDSL for pledge
  - Client master of the designated account
  - Pledge deed as per the specified format
    - For security deposit as provided in **Part C (23)** Format of deed of pledge
  - List of authorized signatories who are authorized to execute deed of pledge
- On submission of necessary documents as specified above Clearing Corporation shall enable the designated account for acceptance of pledge.

#### 9.4.4.6.2. Pledging of securities

- Clearing member shall initiate a pledge instruction from the designated account in favour of the requisite beneficial owner account of Clearing Corporation
- Clearing member can register the designated account for “easiest” facility provided by CDSL whereby it can electronically submit the pledge request in favor of Clearing Corporation. Alternately, clearing member can also follow the existing procedure of submission of pledge instructions to its DP. Thus, pledge created through “easiest” facility of CDSL or through submission of instruction to the DP by using existing procedure shall be accepted for collateral purpose.
- Details of Clearing Corporation accounts in whose favour the pledge have to be created for different deposit type are as under :

Segment	Deposit type	Account number
Futures and Options Segment	Security Deposit	1100001100020337

- Clearing members shall ensure that correct account is selected while initiating the pledge instructions as these pledges will be confirmed automatically in favour of Clearing Corporation.
- Pledge instructions created in favour of Clearing Corporation for securities which are not accepted as collateral or in favour of segment/type of deposit for which clearing member is not registered shall not be accepted by CDSL system.
- Pledge instructions in respect of approved securities and in favour of segment/type of deposit for which clearing member is registered shall be accepted.



**9.4.4.7. Acceptance of securities through Margin Pledge mechanism**

- Clearing Member shall be required to open a separate demat account (“designated account”) with any Depository Participant of NSDL or CDSL.
- The designated account shall have a client sub type of CM – Client Securities Margin Pledge Account or TM/CM – Client Securities Margin Pledge Account in NSDL or CDSL.
- The aforesaid designated account shall be permitted for pledging/re-pledging of securities across all segments/schemes of Clearing Corporation.
- Clearing Member shall ensure that designated demat account is used for the purpose of pledging/re-pledging securities only as specified in SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020
- Clearing Member shall submit the following information to Clearing Corporation
  - Covering letter as per format provided in **Part C (26)** – ‘Format covering letter for margin pledge/repledge
  - Client master of the designated account
  - Pledge deed as per the format specified in **Part C (23)** ‘Format of deed of pledge
  - Board Resolution with list of authorized signatories authorized to sign the pledge deed
- On submission of necessary documents as specified above Clearing Corporation shall enable the designated account for acceptance of pledge/re-pledge.
- Clearing Members shall refer to provisions provided by Depositories with respect to opening the account and creating margin pledge/re-pledge in favour of Clearing Corporation.
- Pledge instructions in respect of approved securities only shall be accepted
- Details of Clearing Corporation accounts in whose favour the re-pledge have to be created are as under

Depository	DP ID	Account number
NSDL	IN001002	10009132
CDSL	1100001100020926	

- UCC Details, TM Code, CP Code and segment as received in the pledge/re-pledge instructions from depositories shall be considered for allocating such securities towards margin requirement.
- In case of CP clients, clients/clearing member shall ensure that applicable CP code is populated in the pledge/re-pledge instructions as per the procedure prescribed by the depositories.
- The facility of providing securities towards margin deposit through margin pledge mechanism shall be optional in respect of clients settling through Custodians.



#### 9.4.5. Government of India Securities

Securities in form of Central Government of India Securities (G-Sec) Treasury bills (T-bills) and Sovereign Gold Bonds (SGB) are also accepted as approved collaterals. G-Sec/ T-Bills/SGB can be provided through E-Kuber or through creation of pledge in demat account.

The procedure for submitting G-Sec/T-Bills/SGB as collateral shall be as under:

- a. Clearing member desirous of providing G-Sec/T-Bills/SGB shall enter into an agreement with the Clearing Corporation as per the format provided in **Part C (27)**-Format of agreement for placing G-Sec/T-Bills as collateral.
- b. Clearing Corporation shall prescribe list of G-Sec/T-Bills/SGB that shall be eligible for acceptance as collateral from time to time.
- c. G-sec/T-bill/SGB shall be accepted as collateral only in electronic form. Clearing members desirous of providing G-Sec/T-Bills/SGB as collateral shall be required to enter the transaction through its custodian/bank on E-Kuber under Margin Transfer Module. The member shall further be required to put request for addition of GSEC in CIM under menu option “EMI – GSEC Deposit – Request / Enquiry-Request the clearing member is required to submit a fax/mail request for addition as per prescribed format in **Part C (28)** Format of letter to be given by the member for request of G-Sec / T-bills addition. Clearing Corporation shall confirm the transaction entered on the E-KUBER, based on the information received from members in CIM.
- d. The details of SGL-II account of the Clearing Corporation is as follows:
  - a. Name of the Account: National Securities Clearing Corporation Limited
  - b. Member ID: BYA00168
  - c. SGL – II A/c No. SG020168
- e. The benefit of G-Sec/T-bills/SGB provided as collaterals shall be passed on to the clearing members on G-Sec/T-Bills/SGB being transferred to the SGL-II account of the Clearing Corporation.
- f. The G-sec/T-bills/SGB released by the Clearing Corporation shall be entered on E-KUBER under Margin Transfer Module. The clearing member is required to submit a fax/mail request for release as per prescribed format in **Part C (29)** -Format of letter to be given by the member for request of G-Sec / T-bills release. The clearing members shall ensure that such transactions are approved on E-KUBER by their custodian/Banks.
- g. G-Sec/ T-Bills/SGB can be alternatively provided to the Clearing Corporation in dematerialized form, through creation of pledge in demat account, on lines of demat securities. In this case the process for acceptance of G-Sec/ T-Bills/SGB as collaterals is similar to acceptance of securities as collateral as mentioned in point **9.4.4**
- h. G-Sec/T-Bills shall be valued daily based on previous day’s MTM prices as specified by Clearing Corporation of India Limited (CCIL). SGBs shall be valued based on the closing price of the same on the Exchange

- i. A hair cut shall be applied on the value of G-Sec/T-bills/SGB provided as collateral by the clearing member. The value after applying the hair cut shall be added to the cash component of the liquid assets of the clearing member. The hair cut shall be as under

Type and Tenor of Securities	Haircut
Treasury Bills and Liquid Government of India Dated Securities having residual maturity of less than 3 years	2%
Liquid Government of India Dated Securities having residual maturity of more than 3 years	5%
For all other Semi-liquid and Illiquid Government of India Dated Securities	10%

The list of approved G-Sec/T-Bills and applicable hair cut for the respective G-Sec/T-Bills shall be as per the Circular issued by Clearing Corporation for the respective month

- j. Periodic coupon / redemption payments received on the G-Sec/T-Bills/SGB provided by the clearing member shall be passed on to the clearing members by the Clearing Corporation immediately/next working day, upon receipt of relative interest from Reserve Bank of India.
- k. Clearing members who are also banks may note that G-Sec/T-Bills provided as collaterals should not be reckoned for SLR purpose of the banks and not be used for trading.

#### 9.4.6. Foreign Sovereign Securities as Collateral

Clearing members may collect Foreign Sovereign Securities as collateral from Foreign Institutional Investors (FIIs) for Exchange Traded Derivative Transactions and provide the same as collateral to the Clearing Corporation. The methodology for acceptance of foreign sovereign securities shall be as under:

- a. Only US Government securities with 'AAA' rating shall be eligible to be provided as collateral.
- b. The clearing members shall pledge the securities in favour of the Clearing Corporation through the approved custodian. For this purpose the clearing member shall be required to open account with the approved custodian. Currently, Deutsche Bank, New York has been designated as approved custodian for acceptance of foreign sovereign securities. The clearing members are required to contact Deutsche Bank for opening of necessary accounts. The contact details of Deutsche Bank have been provided in **Part C (30)** List of Approved Custodians for Foreign Sovereign Securities.
- c. The clearing members shall be required to execute the following agreements before providing foreign sovereign securities as collaterals to the Clearing Corporation as per formats in **Part C (31)** Documents for acceptance of foreign sovereign securities as collateral.
  - a. Clearing member- Clearing Corporation agreement
  - b. Clearing member-FII agreement
  - c. Indian Deed of pledge in favour of Clearing Corporation

- d. New York Collateral Annex
- e. Account control agreement
- d. In respect of FII clients providing foreign sovereign securities the clearing member shall be required to execute the revised Clearing member- constituent agreement as per format in **Part C (32)** Format of Clearing Member- Constituent agreement for clients providing Foreign Sovereign Securities as collateral.
- e. The foreign sovereign securities shall be valued on a daily basis and converted into rupee terms based on the latest available RBI reference rate or such other rate as specified by the Clearing Corporation from time to time.
- f. A hair cut of 20% or such other hair cut as specified by the Clearing Corporation from time to time shall be applied on the value of foreign securities pledged by the clearing members. The net value after applying the hair cut shall be added to the cash component of the liquid assets of the clearing member
- g. The net value of foreign sovereign securities shall not exceed 10% of the total value of the cash component of the liquid assets of the clearing member.
- h. The clearing member may request for release of foreign sovereign securities to the Clearing Corporation as per the format provided in **Part C (33)**-Format of letter to be provided by clearing member for release of Foreign Sovereign Securities.

#### **9.4.7. Open ended Mutual Funds Units as Collaterals**

Units of mutual funds shall be accepted as in dematerialized form as collaterals. The list of eligible open ended mutual fund schemes alongwith the marketwide acceptable quantity shall be disseminated by the Clearing Corporation on monthly basis alongwith the approved list of securities. The valuation of units of the mutual funds shall be done on daily basis based on the NAV of the mutual fund scheme. The value of the units of the mutual fund shall be reduced by such haircut as may be prescribed by the Clearing Corporation from time to time. The process for acceptance of mutual fund units as collaterals is similar to acceptance of securities as collateral as mentioned in point 9.4.4

The total value of mutual fund debt schemes provided as non-cash portion of the liquid assets shall not exceed 35% of the total liquid assets of the respective member. The total value of other mutual fund schemes (non-debt) provided as non-cash portion of the liquid assets shall not exceed 25% of the total liquid assets of the respective member.

#### **9.4.8. Corporate Bonds as Collaterals**

Corporate Bonds shall be accepted in dematerialized form as collaterals. The list of eligible corporate bonds along with the market wide acceptable quantity shall be disseminated by the Clearing Corporation on monthly basis. The process for acceptance of corporate bond as collaterals is similar to acceptance of securities as collateral as mentioned in point 9.4.4

The corporate bonds shall be valued on daily basis on closing price of the bond listed under cash or debt segment of Exchange or the valuation using yield from sovereign yield curve plus published by FBIL and credit spread published by FIMMDA, whichever is lower. A hair cut of



15% shall be applied on the value of corporate bond. The value of the corporate bonds shall be reduced by such haircut.

The total value of corporate bonds provided as noncash portion of the liquid assets shall not exceed 10% of the total liquid assets of the respective member.

A report containing details of valuation for corporate bond shall be downloaded to clearing member in CSV format in common folder of FTP. The report nomenclature will be "CB\_Bhavcopyddmmyyyy.csv".

A report containing details of haircut for corporate bond shall be downloaded to clearing member in CSV format in common folder of FTP. The report nomenclature will be "CB\_Haircut\_ddmmyyyy.csv".

### **9.5. Releases of Liquid Assets**

Clearing member may request the Clearing Corporation to release deposits held by the Clearing Corporation. Such requests may be considered by the Clearing Corporation if the Clearing Corporation chooses not to exercise its lien pursuant to the Rules, Byelaws and Regulations and subject to availability after due adjustments for the due fulfilment of all obligations and liabilities arising out of or incidental to any deals made by such clearing member and / or trading members clearing and settling the deals through such clearing member and subject to the bye laws, rules and regulations of the Clearing Corporation or anything done in pursuance thereof.

The web based facility of CIM is provided for submission of release requests of collaterals. The clearing members may select the desired available collaterals for release. Release requests though CIM can also be placed using a file upload facility. The format of the file to be uploaded by the clearing member is provided in **Part C (34)**-File format for requesting collateral releases.

#### **9.5.1. Collection of released collaterals**

The representative of clearing members coming to collect released FDR/Bank guarantee is required to carry an authorization letter.

The released FDRs/Bank guarantee under immediate release mode can be collected on same working day of the release from regional office where as FDRs/Bank guarantee released under value date release mode can be collected on requested value date of the release from regional office.

#### **9.5.2. Release of cash collateral in designated secondary account**

Clearing member may request for release of collateral in any of the designated clearing account. In case a clearing member opts for cash release to the secondary clearing account the following points may be noted

- Clearing member who wish to release cash collateral in designated secondary account shall select the designated secondary bank while raising the release request in CIM



- Clearing member can raise the request to release cash to its designated secondary account only on an Immediate or End of Day basis. There will be no value date facility for release of cash collateral in designated secondary account.
- The facility shall be available only for cash deposited during the day from the secondary account in the respective segment.

### 9.6. Transfer of Collaterals

A facility is provided in CIM to enable members to transfer collaterals from one segment to other segment on an intraday basis. Clearing members shall be required to put a transfer request in CIM and specify the segment where the collateral is to be transferred.

The intra-day transfer facility shall be available for margin deposits provided in form of Cash FDRs and bank guarantee only. Further, as per membership circular download reference no. NSE/MEMB/13696 dated December 16, 2009, members shall also be able to request to avail excess Interest Free Security Deposit over the minimum amount stipulated regulatory in the other segments as collateral towards the margin requirements using the said facility.

The modalities of intraday transfer are mentioned below:

- a. The facility of transfer of collaterals shall be available to clearing members.
- b. The facility of intra-day transfer shall be available for Cash, FDRs and bank guarantee.
- c. Clearing member shall request for transfer of collaterals in CIM under menu option “Collateral Release – New Request/inquiry - Transfer Request”.
- d. Transfer request received from the clearing members via CIM shall be treated as request from the clearing members and no separate transfer letter need to be submitted for Cash and FDRs and fungible bank guarantee.
- e. In case of non-fungible bank guarantee the clearing member is further required to submit a letter to Clearing Corporation requesting for the same, the format of the letter is specified **Part C (35)** Format of Member Letter for shifting Non Fungible Bank Guarantee and an amendment letter executed on stamp paper from the respective bank as per format of the amendment letter as specified in **Part C (36)** Format of Bank amendment letter for shifting Non Fungible Bank Guarantee in addition to transfer request placed on CIM.
- f. Intra-day transfer shall be subject to maintenance of minimum deposits as per regulatory requirement and other applicable parameters.
- g. Clearing member may verify the details of the request for transfer and its status in CIM under menu option “Collateral Release – New Request/inquiry- Transfer Inquiry”.



## ITEM 10: MARGINS

**In pursuance of Chapter VIII of the Bye-laws pertaining to Margins and Chapter 4 of the Regulations, the following margin requirements are prescribed:**

### **10.1. Initial Margins**

Initial margin shall be payable on all open positions of Clearing Members, upto client level, and shall be payable upfront by Clearing Members in accordance with the margin computation mechanism and/ or system as may be adopted by the Clearing Corporation from time to time.

Initial Margin shall include SPAN margins, , margins on consolidated obligation, delivery margins and such other additional margins, that may be specified by the Clearing Corporation from time to time.

### **10.2. Computation of SPAN Margin**

Clearing Corporation shall adopt SPAN<sup>®</sup> (Standard Portfolio Analysis of Risk) system or any other system for the purpose of real time margin computation.

Initial margin requirements shall be based on 99% value at risk over a time horizon as determined by Margin Period of Risk for each product

The methodology for computation of value at risk percentage shall be as per the recommendations of SEBI from time to time. The margin computation methodology for SPAN<sup>®</sup> is detailed as **in Part C (37) - SPAN margin computation methodology.**

Initial margin requirement:

1. For client positions - shall be netted at the level of individual client and grossed across all clients, at the trading/ clearing member level, without any set-offs between clients.
2. For proprietary positions - shall be netted at trading/ clearing member level without any set-offs between client and proprietary positions.

The margins so computed shall be aggregated first at the trading member level and then aggregated at the clearing member level.

For the purpose of SPAN<sup>®</sup> Margin, various parameters shall be as specified hereunder or such other parameters as may be specified by the relevant authority from time to time:

#### **10.2.1. Margin Period of Risk (MPOR)**

The MPOR for all products shall be set as 2 days. Accordingly, the initial margins shall be scaled up by the MPOR. For initial margins, the MPOR shall be given effect by way of scaling up the Price Scan Range used for computing the Worst Scenario Loss.

#### **10.2.2. Price scan range**

##### **10.2.2.1. Index Products**



The Price Scan Range shall be taken as higher of six standard deviations (6 sigma) as calculated for VaR purpose for the underlying index in the relevant underlying segment of the Exchange scaled up by the MPOR or 9.3% of the underlying value or such other price scan range as may be specified by the Clearing Corporation from time to time. The Price Scan Range for long dated options shall be taken as higher of three standard deviations (6sigma) as calculated for VaR purpose for the underlying index in the relevant underlying segment of the Exchange scaled up by the MPOR or 17.70% of the underlying value or such other price scan range as may be specified by the Clearing Corporation from time to time. All option contracts with expiry more than 9 months shall be treated as long dated option contracts

#### **10.2.2.2. Stock Products**

The Price Scan Range shall be taken as higher of six standard deviations (6 sigma) as calculated for VaR purpose for the relevant underlying security in the relevant underlying segment scaled up by the MPOR, or 14.2% of the underlying value or such other price scan range as may be specified by the Clearing Corporation from time to time.

The price scan range for futures and option on individual securities would also be linked to liquidity. The same shall be measured in terms of impact cost for an order size of Rs 5 lakh calculated on the basis of order book snapshots in the previous six months. Accordingly, if the mean value of the impact cost exceeds 1%, the price scanning range would be scaled up by square root of three. This would be in addition to the requirement of increasing the price scan range on account of look ahead period as may be applicable.

The mean impact cost as stipulated by SEBI shall be calculated on 15<sup>th</sup> of each month on a rolling basis considering the order book snapshots of previous six months. If the mean impact cost of a security moves from less than or equal to 1% to more than 1%, the price scan range in such underlying shall be scaled by square root of three and scaling shall be dropped when the impact cost drops to 1% or less. Such changes shall be applicable on all existing open positions from the third working day from the 15<sup>th</sup> of each month. The details of impact cost for underlying on which derivative contracts are available and the methodology of computation of the same shall be available on the Exchange website.

#### **10.2.3. Volatility scan range**

##### **10.2.3.1. Index products**

Volatility Scan Range for index products shall be taken at 25% of annualized EWMA volatility subject to minimum 4% or such other percentage as may be specified by the Clearing Corporation from time to time.

##### **10.2.3.2. Stock products**



Volatility Scan Range for stock products shall be taken at 25% of annualized EWMA volatility subject to minimum 10% or such other percentage as may be specified by the Clearing Corporation from time to time.

#### 10.2.4. Calendar Spread Charge

In the case of futures and options contracts on index and individual securities, the margin on calendar spread positions shall be calculated on the basis of delta of the portfolio consisting of futures and options contracts in each month. A calendar spread position shall be granted calendar spread treatment till the expiry of the near month contract

The calendar-spread margin shall be charged in addition to worst-scenario loss of the portfolio. The spread charge shall be 1.75% of the far month contract for index derivatives and 2.2% of the far month contract for derivatives on individual securities..

#### 10.2.5. Net Option Value

Net Option Value is computed as the difference between the long option positions and the short option positions, valued at the last available closing price of the option contract and shall be updated intraday at the current market value of the relevant option contracts at the time of generation of risk parameters. The Net Option Value shall be added to the Liquid Net Worth of the clearing member. Thus, mark to market gains and losses shall not be settled in cash for options positions.

#### 10.2.6. Margins on Consolidated Crystallised positions

Clearing Corporation shall calculate and levy margins on consolidated crystallised obligation as under:

On intraday basis	Payable crystallized obligations based on the closed-out futures positions and payable/receivable premium at client level
At end-of-day	Payable obligations at client level considering all futures and options positions

##### Intraday basis

On intraday basis, the net payable/receivable amount at client level shall be calculated using:

1. Premium payable/receivable
2. Futures crystallized profit or loss (calculated based on weighted average prices of trades executed).

If the overall amount at client level is payable, such amount shall be the intraday consolidated crystallized obligation margin for the client.

##### End-of-day basis



At the end of day, the payable/receivable amount at client level shall be calculated using:

1. Futures mark to market profit/loss to be settled
2. Options premium payable/receivable
3. Options exercise/assignment for expired contracts
4. Futures final settlement for expired contracts

If the overall amount at client level is payable, such amount shall be the end-of-day consolidated crystallized obligation margin for the client. The margin on consolidated crystallized obligations shall be released on completion of settlement.

a.

#### **10.2.7. Delivery Margins**

- Delivery margins shall be levied on lower of potential deliverable positions or in-the-money long option positions four (4) days prior to expiry of derivative contract which has to be settled through delivery. Example- If expiry of derivative contract is on Thursday, the delivery margins on potential in-the-money long option position shall be applicable from previous Friday EOD
- Client level potential in-the-money long option positions shall be computed on daily basis. In-the-Money options shall be identified based on the closing price of the security in the underlying Capital Market segment on the respective day
- In-the-money long option positions shall be valued at strike price and marginable positions shall be valued at underlying closing price
- Delivery margins at the client level shall be computed as per the margin rate applicable in Capital Market segment (i.e VAR, Extreme Loss Margins) of the respective security.
- Delivery margins shall be levied at client level and collected from clearing member in a staggered manner as under
  - 10% of Delivery margins computed on Expiry - 4 EOD
  - 25% of Delivery margins computed on Expiry - 3 EOD
  - 45% of Delivery margins computed on Expiry - 2 EOD
  - 70% of Delivery margins computed on Expiry - 1 EOD
- The delivery margins shall be recomputed only at EOD basis considering the revised position, underlying prices and margin rates
- Post expiry, positions which are converted to settlement by delivery, margins as applicable in Capital Market segment (i.e VAR, Extreme Loss Margins, Mark to Market margins) shall be applicable and levied as delivery margins.
- Delivery margins shall be part of the initial margins of the clearing member.
- Delivery margins shall be computed at a client level settlement obligation for all positions to be settled through delivery.
- VAR and Extreme Loss Margins: - The VAR and Extreme Loss percentage as computed in the Capital Market segment shall be applied on client level settlement

obligations. The margins rate shall be updated for every change in margin rate in Capital Market segment.

- Mark to Market margins - End of day mark to market margins shall be computed on expiry day and expiry + 1 day as difference between settlement obligation and value of positions at closing price of the security in the Capital Market segment of the Exchange. Mark to market loss in one security shall be netted against profit of other security for same client. Net loss at client level shall be grossed to arrive at clearing member level mark to market margins.
- Delivery margins blocked shall be released on completion of settlement.
- Assignment margins shall not be computed on positions which shall be identified for settlement through delivery.

#### **10.2.7.1. Early pay-in of securities**

- In cases where early pay-in of securities is made, such positions for which early pay-in (EPI) of securities is made shall be exempt from delivery margins. The EPI shall be allocated to clients having net deliverable position, on a random basis. However, clearing members are required to ensure to pass on appropriate early pay-in benefit of margin to the relevant clients.
- Clearing members can make the early pay-in of securities through either of the depositories viz NSDL and CDSL. In NSDL, clearing members shall deliver the securities to their pool account and execute irreversible delivery out instructions through their Depository Participant for the particular settlement. In CDSL, clearing members can transfer the security to their early pay-in account with CDSL for Capital Market segment with Clearing Corporation.
- Clearing members may also provide the details of the clients to whom early pay-in benefit is to be provided through a file upload. Clearing members can upload client details file during the day through CIM. Clearing members shall receive return file providing details of successful and rejected records on the extranet server. Clearing members can modify the client and quantity details by uploading an incremental file.

#### **10.2.7.2. Early Pay-in of Funds**

- In case where early pay-in of funds is made, such positions for which early pay-in of funds is made shall be exempt from delivery margins.
- Clearing members shall make early pay-in funds through a screen-based request in CIM. The benefit for the same shall be provided on confirmation of funds from the respective Clearing Bank.
- Early pay in of funds may be allocated at client level or at client-security level. The allocation can be revised through a screen based request or through the file upload facility.
- Where the clearing member has provided client -security allocation, benefit for early pay-in of funds shall be allocated against the net buy position of the specified client-symbol combination and any residual amount after such allocation will not be utilized for other positions. In case of only client wise allocations, the early pay-in of



funds will be allocated in the descending order of the security wise net buy value under the client and any residual amount after such allocation will not be utilized for other clients.

- Where the clearing members has provided early pay in of funds and no allocation request has been provided, the amount shall be allocated to the clients in descending order of net buy positions value.

### **10.3. Updation of risk parameters**

The parameters for computation of SPAN margin shall be updated as specified by the relevant authority from time to time. Currently, the parameters shall be updated 6 times in the day, based on the prices at 11:00 a.m., 12:30 p.m., 2:00 p.m., 3:30 p.m., end of the day and begin of the day. Risk parameters generated based on the updated parameters shall be provided on the website

### **10.4. Extreme Loss margins**

Clearing members shall be subject to extreme loss margins in addition to initial margins. The applicable extreme loss margin shall be as specified hereunder or as may be specified by the relevant authority from time to time.

#### **10.4.1. Index Futures contracts**

The exposure margin shall be 2%. The extreme loss margin shall be computed on the notional value of the gross open positions in futures contracts, based on the last available trading price of the relevant futures contract.

#### **10.4.2. Short Index Options contracts**

The exposure margin shall be 2%. In case of index options contracts that are deep out of the money (i.e., strikes out of the money by more than 10% from the previous day closing underlying price), the applicable extreme loss margin shall be 3%. The extreme loss margin shall be on the notional value of the short open positions in options on index, based on the last available closing price of the underlying index in the normal market of Capital Market segment of the Exchange.

The extreme loss margin shall be 5% of the notional value of the short open positions in long dated option contracts on index, based on the last available closing price of the underlying index in the normal market of Capital Market segment of the Exchange. For this purpose all option contracts with expiry more than 9 months shall be treated as long dated option contracts

#### **10.4.3. Futures contracts on individual Securities**

The extreme loss margins shall be 3.5%. The extreme loss margin shall be on the notional value of gross open position in futures contracts based on the last available trading price of the relevant futures contract.

#### **10.4.4. Short Option contracts on individual Securities**



The extreme loss margins shall be 3.5%. In case of options contracts on individual securities that are deep out of the money (i.e., strikes out of the money by more than 30% from the previous day closing underlying price), the applicable extreme loss margin shall be 5.25%. The extreme loss margin shall be on the notional value of short open positions in options on individual securities based on the last available closing price of the underlying security in the normal market of Capital Market segment of the Exchange.

**10.4.5. Calendar Spread**

In case of calendar spread positions in futures contracts, extreme loss margin shall be levied on one third of the value of the open position of the far month futures contract. A calendar spread position shall be granted calendar spread treatment till the expiry of the near month contract

**10.4.6. Extreme loss margin requirement:**

1. For client positions - shall be netted at the level of individual client and grossed across all clients, at the trading/ clearing member level, without any set-offs between clients.
2. For proprietary positions - shall be netted at trading/ clearing member level without any set-offs between client and proprietary positions.

The margins so computed shall be aggregated first at the trading member level and then aggregated at the clearing member level.

**10.5. Concentration margins**

- If any clearing member has a concentration of 20% or more on short side across all contracts in an expiry month of long dated option contracts subject to minimum notional value of Rs.500 crores, concentration margin shall be applicable
- Concentration margins shall be computed as under:

Concentration Level	Concentration Margins
20% and above but less than 35% in a particular expiry	1.5% of the notional value of the short open positions in long dated option contracts on index, based on the last available closing price of the underlying index
35% and above but less than 50% in a particular expiry	2.25% of the notional value of the short open positions in long dated option contracts on index, based on the last available closing price of the underlying index
50% and above in a particular expiry	3% of the notional value of the short open positions in long dated option contracts on index, based on the last available closing price of the underlying index



- Concentration margins shall be computed at end of day and shall be blocked from the cash component of the clearing member on a T+1 basis
- For this purpose all option contracts with expiry more than 9 months shall be treated as long dated option contracts

#### 10.6. Additional Margin for highly volatile stocks

- For securities with intra-day price movement (maximum of [High-Low], [High-Previous Close], [Low-Previous Close]) of more than 10% in the underlying market for 3 or more days in last one month, the minimum total margins shall be equal to the maximum intra-day price movement of the security observed in the underlying market in last one month. The same shall be continued till monthly expiry date of derivative contracts which falls after completion of three months from date of levy.
- For securities with intra-day price movement (maximum of [High-Low], [High-Previous Close], [Low-Previous Close]) of more than 10% in the underlying market for 10 or more days in last six months, the minimum total margins shall be equal to the maximum intraday price movement of the security observed in the underlying market in last six months. The same shall be continued till monthly expiry date of derivative contracts which falls after completion of one year from date of levy.

#### 10.7. Imposition of additional margins

As a risk containment measure, the relevant authority may require clearing members to make payment of additional margins as may be decided from time to time. This shall be in addition to the initial margin and exposure margin, which are or may have been imposed from time to time.

##### 10.7.1. Additional Margins on client positions

- Extreme scenario of 20% market fall and 17.74% market rise shall be modelled on all client level portfolios and gross client level losses shall be computed at end of day.
- Net client level losses after considering applicable margins and hedged positions, if any based on the holdings provided by depositories, shall be computed.
- In respect of clients having net loss of Rs.25 crores and more, the full amount of loss in excess of Rs.25 crores shall be levied as Additional Margins.
- Additional Margins shall be blocked from the collaterals of clearing member on T+1 day basis

##### 10.7.2. Collection of option value in Cash

Cash collection of option value shall be applicable for the following contracts

% of Strike Price away ( $\pm$ ) from the Closing Value of Index/Stock	Applicable on contracts with expiry
$\geq 40\%$	All contracts (stock and Index)
$\geq 30\%$	Index Contracts with expiry from 9 months up to 2 years

- For any fresh net short position created in contracts which meet the above specified criteria (based on end of day closing index/stock price) the net short value shall be collected in cash from clearing member on T+1 day (Along with funds settlement)
- The cash collected shall be retained with Clearing Corporation till expiry of contract or till square-up of short positions.
- In case of partial square-up the cash collected shall be released on proportionate basis.
- The cash release shall be on T+1 day (Along with funds settlement)

### 10.8. Monitoring of margins against the client/Trading (TM) proprietary securities

- The day to day real time risk management with respect to client / TM exposure and the margin requirement shall continue to be the responsibility of the clearing member and Clearing Corporation shall not monitor the client level exposure against the available client level collateral in real time.
- The clearing member total margin requirement (aggregated across all clients / clients of TM/Proprietary of TM clearing through clearing member) shall be monitored against the total available collateral of clearing member (Cash and Cash equivalent and clearing member own securities) on a real time basis.
- Clearing Corporation shall not allow any exposure to clearing member on re-pledged securities of the client / TM proprietary securities. In case of a margin requirement by a client / TM proprietary whose securities are re-pledged with Clearing Corporation, the same shall be first blocked from the available collateral provided by clearing member as mentioned in point 2 above. At periodical interval Clearing Corporation shall release the blocked collateral of clearing member to the extent of value of re-pledged securities collateral of that client / TM proprietary available with Clearing Corporation.
- In addition to monitoring clearing member level exposure, Clearing Corporation shall also monitor the trading member margin against the limit set by the Clearing Member of such trading member. In such case, the margin due to the trades by the trading member will be blocked first from such limit. Clearing Corporation shall also release the blocked limit of trading member to the extent of value of re-pledged securities of that client
- TM proprietary shares re-pledged with Clearing Corporation by the clearing member shall be available to be utilized against the margin requirement of proprietary positions of TM and also towards the margin requirement of the clients of such TM

### 10.9. Mode of payment of margin

Clearing members shall provide for margin in any one or more of the eligible collateral as detailed in Item 8 above. The margins shall be collected /adjusted from the liquid assets of a clearing member on a real time basis

### 10.10. Payment of margins



The initial and extreme loss margin shall be payable upfront by the clearing members. Members are required to collect initial and extreme loss margins from their client/constituents on an upfront basis.

It is mandatory for all clearing /trading members to report details of such margins collected to the Clearing Corporation. The procedure for reporting of client margin is detailed in **Item 15**

#### **10.11. Effect of failure to pay margins**

Non-fulfilment of either the whole or part of the margin obligations shall be treated as a violation of the Rules, Bye-Laws and Regulations of the Clearing Corporation. The violation shall attract actions as specified under Item 16. In addition and without prejudice to the foregoing, the Clearing Corporation may, within such time as it may deem fit, advise the Exchange to withdraw any or all of the membership rights of the clearing member including the withdrawal of trading facilities of all trading members and/ or clearing facility of custodial participants clearing through such clearing members, without any notice.

In addition, the outstanding positions of such clearing member and/or trading members and/ or constituents, clearing and settling through such clearing member, may be closed out forthwith or any time thereafter by the Exchange, at the discretion of the Clearing Corporation, to the extent possible, by placing at the Exchange, counter orders in respect of the outstanding position of clearing member without any notice to the clearing member and/ or trading member and/ or constituent, and such action shall be final and binding on the clearing member and/ or trading member and/ or constituent. Clearing Corporation may also initiate such other risk containment measures as it deems fit with respect to the open positions of the clearing member and/ or trading member and / or constituent.

Clearing Corporation may, in addition to the foregoing provisions, take additional measures like, imposing penalties, collecting appropriate deposits, invoking bank guarantees, encashment of fixed deposit receipts, realising money by disposing off the securities and exercising such other risk containment measures as it deems fit and may further take such disciplinary action as it may deem fit and appropriate in this regard.

#### **10.12. Maintenance of Capital Cushion**

For the purpose of monitoring members who have high capital utilisations, the methodology as specified hereunder shall be adopted, or such other methodology as may be specified by the relevant authority from time to time

- a. At the end of each calendar month, clearing members who have exceeded 90% of utilisation of limits during the day for more than 7 days in the current month shall be identified
- b. The capital required to bring the utilisation of the clearing members to a level of 85% at the time of violating the trigger point of 90% on each of those occasions shall be noted. The highest of such amounts for the identified clearing members during the month shall be called for as additional capital.
- c. The utilisation shall be monitored for both initial margins as well as exposure margin utilisation

- d. The requirement of additional capital shall be communicated to the clearing members on the first day of the subsequent month.
- e. The clearing members shall be required to provide the amount of additional capital in the form of Cash, FDRs or Bank guarantees within three working days
- f. No benefit including exposure, margin etc shall be available to the clearing member on the amount of additional capital so collected.
- g. In case of non- payment of additional capital within the stipulated time limit a penalty as applicable for funds shortage shall be levied for the period of default.
- h. The additional capital so collected shall be retained with the Clearing Corporation for a period of one calendar month
- i. In case a clearing member is liable to provide additional capital in the subsequent month too, the amount of additional capital shall be recomputed and the excess /deficit shall be refunded /called for.
- j. The amount of additional capital shall be informed to the clearing members on the first day of the subsequent month vide letter in the extranet directory.
- k. The letter of intimation of additional capital shall be available to clearing members in the extranet directory FAOFTP/F<MEMBER CODE>/LETTERS/DNLD
- l. Clearing members shall also be provided a provisional capital cushion report on a daily basis intimating the provisional amount of additional capital to be provided along with the number of days when the clearing member has crossed 90% of margin utilisation. The report shall be provided in the extranet directory FAOFTP/F<MEMBER CODE>/LETTERS/DNLD

### **10.13. Cross Margining**

As per SEBI Circular Ref No: SEBI/DNPD/Cir- 44 /2008 dated December 02, 2008 CIR/MRD/DP/ 26 /2012 dated September 26, 2012 and SEBI/HO/MRD/DOP1/CIR/P/2019/128 dated November 08, 2019, cross margin benefits shall be provided. The salient features of the cross margining are as under:

- a. Cross margining benefit shall be available across Capital market and F&O segment
- b. Cross margining benefit shall be available to all categories of market participants
- c. For client/entities clearing through same clearing member in Capital market and F&O segments, the clearing member shall only be required to intimate client details through a file upload through Nsccl -MASS
- d. For client/entities clearing through different clearing member in Capital market and F&O segments they shall require to enter into necessary agreements for availing cross margining benefit.

The detailed procedure in respect of cross margining shall be as under:

#### **10.13.1. Positions eligible for cross-margin benefit:**

Cross margining shall be available across Capital market and F&O segment and to all categories of market participants. The positions of clients in both the Capital market and



F&O segments to the extent they offset each other shall be considered for the purpose of cross margining as per the following priority

- a. Index futures and constituent stock futures in F&O segment
  - b. Index futures and constituent stock positions in Capital market segment
  - c. ETF and constituent stock futures in F&O segment
  - d. ETF and constituent stock positions in Capital market segment
  - e. Index futures and ETF in Capital market segment
  - f. Stock futures in F&O segment and stock positions in Capital market segment
  - g. Index Futures contract in F&O Segment on eligible equity indices
- 
- i. In order to extend the cross margin benefit as per (a) and (b) above, the basket of constituent stock futures/ stock positions shall be a complete replica of the index futures. Clearing Corporation shall specify the number of units of the constituent stocks/ stock futures required in the basket to be considered as a complete replica of the index on the website of the Exchange from time to time.
  - ii. In order to avail the cross margin benefit as per (c) and (d) above, the constituents and the number of units of the constituent stocks/ stock futures required in the basket to be considered as a complete replica of the ETF shall be the same as that of the respective underlying Index specified by the clearing corporation on the website of the Exchange from time to time.
  - iii. The number of units shall be changed only in case of change in share capital of the constituent stock due to corporate action or issue of additional share capital or change in the constituents of the index.
  - iv. The positions in F&O segment for stock futures and index futures shall be in the same expiry month to be eligible for cross margining benefit.
  - v. The position in a security/index shall be considered only once for providing cross margining benefit. E.g. Positions in stock futures of security A used to set-off against index futures positions shall not be considered again if there is an off-setting positions in the security A in Capital market segment. Similarly Positions in Index A used to set-off against Index B shall not be considered again if there is an off-setting positions in Index C or constituent stocks/ETFs in Capital market segment or constituent stock futures in F&O segment
  - vi. Positions in option contracts shall not be considered for cross margining benefit.
  - vii. The positions in ETFs and constituent stocks shall be in the same settlement number to be eligible for cross margining benefit.
  - viii. In the event of a suspension on creation / redemption of the ETF units, the cross-margining benefit shall be withdrawn.
  - ix. Clearing corporation may revise the list of eligible ETFs and minimum quantity required from time to time.
  - x. In order to extend the cross margin benefit as per (g) above the equity indices pairs shall satisfy the below mentioned conditions:
    - A positive correlation of more than 0.90 for a period of six months between the values of the equity Indices and

- At least 80% of constituents of one of the index is present in the other index and
  - The constituents of smaller index based on free float market capitalization shall have at least 80% weightage in the larger index based on free float market capitalization
  - The eligibility criteria shall be checked on a monthly basis on the 15th of every month or on the day of change in the constituents of the equity indices
  - If the equity indices pairs fail to fulfil any of the abovementioned eligibility criteria, cross margining benefit shall not be given after the upcoming monthly expiry
- xi. An example of computation of offsetting positions has been provided in **Part C (38)** Example of computation of offsetting positions for cross margining.

### **10.13.2. Entities/clients eligible for cross margining**

The clearing member shall inform the Clearing Corporation the details of client to whom cross margining benefit is to be provided. The cross margining benefit shall be available only if clearing members provide the details of clients in such manner and within such time as specified by the Clearing Corporation from time to time.

#### **10.13.2.1. Client/entity settling through same clearing member in both Capital market and F&O segment**

- a. The clearing member shall ensure that the code allotted (code used while executing client trade) to client/entity in both Capital market and F&O segment is same
- b. The clearing member shall inform the details of clients to whom cross margining benefit is to be provided through a file upload facility provided in NSCCL –MASS.
- c. The details of file to be uploaded i.e file naming convention, file format has been provided in **Part C (39)** - Format of files to be uploaded by the clearing member giving client wise details for availing cross margining benefit.

#### **10.13.2.2. Client/entity settling through different clearing member in Capital Market and F&O segment**

- a. In case a client settles in the Capital market segment through a trading member / custodian and clears and settles through a different clearing member in F&O segment, then they shall be required to enter into necessary agreements.
- b. In case where the client/entity settles through Custodian in Capital market segment, then the client/entity, custodian and the clearing member in F&O segment shall enter into a tri-partite agreement as per the format provided in **Part C (40)**-Agreement between Member, Custodian & Constituent for Availing Cross Margining Benefit.
- c. In case where the client/entity clears and settles through a member in Capital market segment, and a different clearing member in F&O segment, then the member in Capital market segment and the clearing member in F&O segment shall enter into an agreement as per the format provided in **Part C (41)**-Amendment agreement to the Clearing Member – Trading Member agreement for availing Cross Margining Benefit. Further, the client/entity shall enter into an agreement with the member as per the format provided



in **Part C (42)**-Agreement between stock broker & client for availing cross margining benefit.

- d. The clearing member in the F&O segment shall intimate to the Clearing Corporation the details of the client/entity in F&O segment alongwith letter from trading member/custodian giving details of client/entity in Capital market segment who wish to avail cross margining benefit. The details to be provided have been specified in **Part C (43)** - Details to be provided by F&O clearing member in case where client/entity is clearing through different members in cash and F&O segment for availing cross margining benefit.
- e. If the clearing member in F&O segment provides only the details of the clients and not the copies of the agreements then the cross margining benefit shall be provided in respect of positions in Index Futures and Constituent Stock Futures only. The details to be provided by the clearing members in this regard are stipulated in **Part C (44)**-Format of letter to be provided by trading member for availing cross margin benefit to client for position in F&O segment only.
- f. The positions of such clients in the Capital market segment shall also be considered for cross margining on clearing member providing copies of the requisite agreements entered by the clients/members.

#### **10.13.3. Facility of maintaining two client accounts**

As specified by SEBI, a client may maintain two accounts with their respective members to avail cross margin benefit only. The two accounts namely arbitrage account and a non-arbitrage account may be used for converting partially replicated portfolio into a fully replicated portfolio by taking opposite positions in two accounts. However, for the purpose of compliance and reporting requirements, the positions across both accounts shall be taken together and client shall continue to have unique client code.

#### **10.13.4. Computation of cross margining benefit**

- a. The computation of cross margining benefit shall be done at client level on an online real time basis and provided to the trading member / clearing member / custodian, as the case may be, who, in turn, shall pass on the benefit to the respective client.
- b. For institutional investors the positions in Capital market segment shall be considered only after confirmation by the custodian on T+1 basis and on confirmation by the clearing member in F&O segment.
- c. The positions in the Capital market and F&O segment shall be considered for cross margining only till time the margins are levied on such positions.
- d. While reckoning the offsetting positions in the Capital market segment, positions in respect of which margin benefit has been given on account of early pay-in of securities or funds shall not be considered.
- e. The positions which are eligible for offset, shall be subject to spread margins. The spread margins shall be 25% of the applicable upfront margins on the offsetting positions or such other amount as specified by the Clearing Corporation from time to time. In respect of positions which are eligible for offset in Index Futures contract on eligible equity indices pairs, the spread margins shall be 30% of the applicable upfront margins on the



offsetting positions or such other amount as specified by the Clearing Corporation from time to time.

- f. The difference in the margins on the total portfolio and on the portfolio excluding off-setting positions considered for cross margining, less the spread margins shall be considered as cross margining benefit.

#### **10.13.5. Provisions in respect of default**

In the event of default by a trading member / clearing member / custodian, as the case may be, whose clients have availed cross margining benefit, the Clearing Corporation may:

- a. Hold the positions in the cross margin account till expiry in its own name
- b. Liquidate the positions / collateral in either segment and use the proceeds to meet the default obligation in the other segment.
- c. In addition to the foregoing provisions, take such other risk containment measures or disciplinary action as it may deem fit and appropriate in this regard.

#### **10.13.6. Additional reports**

- a. All existing margin reports downloaded shall have details after providing cross margining benefit.
- b. A report providing details of cross margin benefit at client/trading member level shall be provided to trading/clearing member as per the format specified in **Part D**
- c. A report providing off-setting position considered for cross margining at client/trading member level shall be provided to trading/clearing member as per the format specified in **Part D**

#### **10.14. Collateral Limit for Trading Members**

Clearing members clearing and settling for other trading members - shall specify the maximum collateral limit permitted for each trading member. The Collateral limit set up by clearing members for trading members shall be assessed against total margin i.e. initial margin plus exposure margin for each trading member. Such limits may be set up by the clearing member, at any time up to the close of market hours through the facility as may be provided on the trading system of the Exchange, or such other facility provided and time specified by the Clearing Corporation / Exchange from time to time. Such collateral limits once set shall be applicable to the respective trading members for that day, unless otherwise modified by the clearing member. The aggregate limit set up across all trading members, clearing and settling through such clearing member, shall at no point of time exceed the effective deposit of the clearing member with the Clearing Corporation less minimum liquid net worth.

#### **10.15. Risk Reduction Mode at 90%**

Clearing/trading member shall be compulsorily placed in risk reduction mode when 90% of the clearing member's capital/trading member limit is utilised towards margins.

When a member moves in to risk reduction mode -

- a. All unexecuted orders shall be cancelled
- b. Fresh orders placed by members to reduce open positions shall be accepted.



- c. Fresh orders placed by members that increase open positions shall be checked for sufficiency of margins and orders that do not satisfy sufficiency of margins will be rejected.
- d. Fresh orders can be placed for immediate or cancel (IOC) only
- e. Members will be able to trade in normal mode as and when the utilisation goes below 85%

Additionally

- i. Members shall not be allowed to place orders with custodial participant code
- ii. Client and Custodial Participant code modification shall not be permitted
- iii. Clearing members will not be allowed to Approve/Reject trades

### **10.16. Voluntary Closeout Facility**

To enhance the risk management capabilities of the clearing / trading members and to avoid a situation of disablement, members are being provided an additional risk management facility - the Voluntary Close out. This facility enables clearing/trading members to voluntarily define a limit for margins/ positions beyond which all the orders would get risk managed.

Clearing members desirous of availing the facility shall define limit for margins (upper limit) beyond which they shall move into Voluntary Close out mode and a limit (lower limit) below which they shall move out of Voluntary Close out mode. Similarly trading members desirous of availing the facility shall define separate limits for margins and positions (upper limit) beyond which they shall move into Voluntary Close out mode and a limit (lower limit) below which they shall move out of Voluntary Close out mode.

These limits shall be defined in NCMS-FO and shall be within a set band. The limits can be modified intra-day provided the member is not in the Risk reduction mode.

When the margin utilization exceeds the upper limit, the clearing/trading member shall move in risk reduction mode. Member shall be allowed to modify the lower limit in voluntary closeout mode

## ITEM 11: POSITION LIMITS

### 11.1. Trading Member wise Position Limit

#### 11.1.1. Index Futures

The trading member position limits in equity index futures contracts shall be higher of Rs.500 crores or 15% of the total open interest in the market in equity index futures contracts. This limit would be applicable on open positions in all futures contracts on a particular underlying index

#### 11.1.2. Index Options

The trading member position limits in equity index option contracts shall be higher of Rs.500 crores or 15% of the total open interest in the market in equity index option contracts. This limit would be applicable on open positions in all option contracts on a particular underlying index

#### 11.1.3. Futures and Option contracts on individual securities:

The combined future and options position limit shall be 20% of the applicable Market Wide Position Limit (MWPL) per Exchange.

The Clearing Corporation shall specify the trading member-wise position limits on the last trading day of the month which shall be reckoned for this purpose during the next month.

### 11.2. Client Level Position Limits

#### 11.2.1. Futures and Option contracts on individual securities

The gross open position across all the derivative contracts for a security for each specific client shall not exceed higher of:

- 1% of the free float market capitalization (in terms of number of shares)
- OR
- 5% of the open interest in all derivative contracts in the same underlying stock per Exchange (in terms of number of shares)

Client level position limits security-wise, are made available to members on the Exchange website.

#### 11.2.2. Unique Client ID Position Monitoring

The client level positions limits shall be monitored at the unique client code level based on the client details uploaded by the member to the Exchange. The client level position limits shall be applicable on the combined positions for the same clients trading through different members, as well.

In all the above cases, members shall ensure that client-level positions are kept within the permissible limits. In the event of a violation, the trading member/ clearing member shall be required to ensure that –



- a. the client does not take fresh positions and
- b. the position of such clients are reduced so as to be within permissible limits.

Violation of such limits shall attract action as specified in **Item 15**.

### **11.2.3. Disclosure for Client Positions in Index based contracts**

Any person or persons acting in concert who together own 15% or more of the open interest on a particular underlying index, is required to report this fact to the Exchange/ Clearing Corporation. Failure to do so shall be treated as a violation and shall attract appropriate penal and disciplinary action in accordance with the Rules, Byelaws and Regulations of the Clearing Corporation. The disclosure shall be provided as specified in **Part C (45)** - Format of letter to be provided by Clearing Member for disclosure of Client Position in Index Based Contracts.

### **11.3. Market Wide Position Limits (MWPL) for derivative contracts on underlying stocks**

MWPL for futures and options contracts on individual securities shall be 20% of the number of shares held by non-promoters in the relevant underlying security i.e. 20% of the free float in terms of the number of shares of a company.

The Clearing Corporation shall specify the MWPL on the last trading day of the month which shall be reckoned for this purpose during the next month.

A facility is being provided to display an alert in trading system once the open interest in the futures and options contract in a security exceeds 60% of the MWPL specified for such security. Such alerts may be displayed at time intervals of 10 minutes or such other duration as may be decided by the relevant authority from time to time.

#### **11.3.1. Market Wide Position Limit across Stock Exchanges**

The aggregate open interest of the security across Exchanges shall be considered for purpose of monitoring of MWPL. If the aggregate open interest of the security across Exchanges exceeds 95 per cent of the MWPL, no fresh positions shall be permitted for the said security from the subsequent trading day. The normal trading in the security shall be resumed only after the aggregate open outstanding position across Exchanges comes down to 80% or below of the MWPL.

Violation of such limits shall attract action as specified in **Item 16**.

### **11.4. Position limits for Foreign Portfolio Investor (FPI)**

With respect to the SEBI circular IMD/FPI&C/CIR/P/2019/124 dated November 05 2019, and the SEBI FPI regulations 2019. The position limits applicable for Foreign Portfolio Investor (FPI), are detailed in **Item 12**.



### **11.5. Other Position limits**

The position limits applicable for Mutual Funds (MF), schemes of MF, NRIs are detailed in **Item 12.**

## **ITEM 12: PROCEDURE FOR FPIs, MFs AND NRIs**

### **12.1. Procedure for trading by FPI, Mutual Funds (MF) and their schemes**

- a. Entities getting registered as FPIs under new FPI regime shall be allotted unique CP code upon receiving application of activation from clearing member.
- b. Each FPI, MF/ Scheme of MF as the case may be, intending to trade in the F&O segment of the Exchange, shall be required to obtain a unique CP code from the Clearing Corporation, through their clearing member. CP code normally comprises of 12 alphanumeric characters. Clearing Corporation shall allot CP codes to such FPI/MF/Scheme of MF.
- c. The clearing member/s of the FPI/MF/Scheme of MF, are required apply to Clearing Corporation for the activation/ mapping/ deactivation of CP code through Nsccl – MASS to obtain a CP code as per **Item 19**.
- d. FPI/MF/Scheme of MF which have been allotted a unique CP code by the Clearing Corporation shall only be permitted to trade on the Exchange.
- e. The FPI/MF/ Scheme of MF shall ensure that all orders placed by them on the Exchange carry the relevant CP code allotted by the Clearing Corporation, in the relevant field in the trading system of the Exchange.
- f. Once the trade is executed in the trading system, the same shall be available to the clearing member, for approval or rejection. Clearing member shall approve or reject the trade for the FPI/MF/ Scheme of MF, on the same day within the stipulated time as per the mechanism provided from time to time.
- g. For modification/ change of Custodian or Clearing member of a FPI/ MF/ Schemes of MF clearing member/s are required to furnish the details to the Clearing Corporation as per format mentioned in **Part C (47)**-Format of application for activation / deactivation of custodial participant code.

### **12.2. FPI Category (I) and MF Position limits in index options contracts:**

FPI category (I) and MF position limit in all index options contracts on a particular underlying index shall be Rs.500 crores or 15 % of the total open interest of the market in index options, whichever is higher. This limit would be applicable on open positions in all options contracts on a particular underlying index.

### **12.3. FPI Category (I) and MF Position limits in index futures contracts:**

FPI category (I) and MF position limit in all index futures contracts on a particular underlying index shall be Rs.500 crores or 15 % of the total open interest of the market in index futures, whichever is higher. This limit would be applicable on open positions in all futures contracts on a particular underlying index.

### **12.4. Additional exposure in equity index derivatives**

In addition to the above limits, in index futures and options, FPI Category (I)/MFs shall take exposure in equity index derivatives subject to the following limits:

- a. Short positions in index derivatives (short futures, short calls and long puts) not exceeding (in notional value) the FPI Category (I)/ MFs holding of stocks.
- b. Long positions in index derivatives (long futures, long calls and short puts) not exceeding (in notional value) the FPI Category (I)/MFs holding of cash, government securities, T-Bills, money market mutual funds and gilt funds and similar instruments.

In this regard, if the open position of an FPI Category (I)/ MF exceeds the limits as stated in item no. 12.2 or 12.3, such surplus would be deemed to comprise of short and long positions in the same proportion of the total open positions individually. Such short and long positions in excess of the said limits shall be compared with the FPI Category (I) /MFs holding in stocks, cash etc as stated above.

#### **12.5. FPI (Category I) and MF Position limits on individual securities**

The position limits applicable for Foreign Portfolio Investor (FPI) I, Mutual Funds (MF) for stock derivative contracts shall be same as of Trading Member level position limits.

#### **12.6. Computation of Position Limits**

The position limits shall be computed on a gross basis at the level of MF and on a net basis at the level of individual FPI /sub-schemes of MF and proprietary positions. The open position for all derivative contracts would be valued as the open positions multiplied with the closing price of the respective underlying security/index in the normal market of the Capital Market segment of the Exchange.

#### **12.7. Reporting of holdings for FPI (category I)/MF for additional limits in index products**

- a. The FPI (category I)/MF shall report to the clearing member the extent of FPI Category (I)/MFs holding of stocks, cash, government securities, T-Bills and similar instruments before the end of the day.
- b. The clearing member in turn shall report the same to the Exchange/ Clearing Corporation.
- c. The reporting shall be done for index products
- d. The same shall be reported by uploading a file by 5.00 pm on a daily basis. The details to be provided shall be based on the FPI Category (I) and MF registration number provided by SEBI.
- e. The files so uploaded shall be processed and a return file shall be provided (as per format given below).
- f. An additional window shall be provided to the clearing members to upload the file again by 5.30 pm.
- g. In cases where for a particular FPI Category (I)/MF multiple reporting is received from different clearing members, the minimum amount reported shall be considered.



- h. In case of non-reporting by the clearing member for a FPI Category (I) or MF, the holdings shall be considered as zero.
- i. The procedure for uploading file is given in **Part C (48)** FPI Reporting for additional limits in index products.

## **12.8. Limits for FPI Category II (other than individuals, family offices and corporates)**

### **12.8.1. Index Options**

FPI Category II (other than individuals, family offices and corporates) position limit in all index options contracts on a particular underlying index shall be Rs.300 crores or 10 % of the total open interest of the market in index options, whichever is higher. This limit would be applicable on open positions in all options contracts on a particular underlying index

### **12.8.2. Index Futures**

FPI Category II (other than individuals, family offices and corporates) position limit in all index futures contracts on a particular underlying index shall be Rs.300 crores or 10 % of the total open interest of the market in index futures, whichever is higher. This limit would be applicable on open positions in all options contracts on a particular underlying index

### **12.8.3. Stock Derivatives**

The position limits applicable for FPI Category II (other than individuals, family offices and corporates) for stock derivative contracts shall be 10% of the applicable Market Wide Position Limit per Exchange

## **12.9. Limits for FPI Category II (individuals, family offices and corporates)**

### **12.9.1. Index Options**

FPI Category II (individuals, family offices and corporates) position limit in all index options contracts on a particular underlying index shall be Rs.100 crores or 5 % of the total open interest of the market in index options, whichever is higher. This limit would be applicable on open positions in all options contracts on a particular underlying index

### **12.9.2. Index Futures**

FPI Category II (individuals, family offices and corporates) position limit in all index futures contracts on a particular underlying index shall be Rs.100 crores or 5 % of the total open interest of the market in index futures, whichever is higher. This limit would be applicable on open positions in all options contracts on a particular underlying index

### **12.9.3. Stock Derivatives**

The position limits applicable for FPI Category II (individuals, family offices and corporates) for stock derivative contracts shall be 5% of the applicable Market Wide Position Limit per Exchange

## **12.10. Limits for schemes of Mutual Funds**

### **12.10.1. Index Futures and Options**

Any FPI (Category III)/ scheme of MF or persons acting in concert who together own 15% or more of the open interest of all derivative contracts on a particular underlying index are required to report this fact to the Exchange/Clearing Corporation. Failure to do so shall be



treated as a violation and shall attract appropriate penal and disciplinary action in accordance with the Rules, Byelaws and Regulations of the Clearing Corporation.

#### **12.10.2. Futures and Options on individual securities**

The gross open position across all futures and options contracts on a particular underlying security, of scheme of MF, should not exceed the higher of:

1% of the free float market capitalisation (in terms of number of shares)

or

5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of shares).

These position limits shall be applicable on the combined position in all futures and options contracts on an underlying security.

#### **12.11. Monitoring of Position Limits for FPI/MF**

Clearing Corporation shall monitor the open positions of the FPI /MF/ Scheme of MF for each underlying security and index, against the position limits specified at the level of FPI / MF/Scheme of MF respectively, at the end of each trading day.

In the event of an FPI/MF breaching the position limits on any underlying, FPI/MF shall be required to reduce their open position in such underlying.

It shall also be obligatory on FPI/ MFs to report any breach of position limits by them / their sub- schemes, to the Clearing Corporation and ensure that FPI/ MF/sub schemes do not take any fresh positions in any derivative contracts in such underlying.

Violation of limits shall attract action as specified in **Item 16**.

#### **12.12. Scheme of Trading for NRIs**

- a. The NRI client shall have only one clearing member at any given point of time.
- b. The procedure of activation/ deactivation of Custodial Participant Code of NRI client and change of clearing member of NRI clients shall be as per process specified in 12.1
- c. Members may note that at the time of order entry on behalf of an NRI client, trading members have to ensure that the CP code of the NRI is placed in the CP code field of the trading system
- d. Once the trade is executed in the trading system, the same shall be available to the clearing member, for approval or rejection. Clearing member shall approve or reject the trade for the NRI client, on the same day within the stipulated time as per the mechanism provided from time to time.
- e. All limits as applicable to clients shall be applicable to NRIs. Violation of limits shall attract action as specified in **Item 16**.

#### **12.13. Auto approval of Custodial Participant (CP) trades**

Clearing Corporation has provided additional facility of auto approval of custodial participant trades,

- i. Setting limits for CP
  - a. Clearing members may set the margin limit for their CP codes
  - b. Limits shall be a number 0 to n.
  - c. Clearing members shall not set limit as unlimited
  - d. Clearing members may revise the limits. Revisions in limits shall not affect already confirmed/rejected/not acted upon trades
  - e. Revision in limits shall apply for trades executed after the time limits are revised
- ii. Trades executed with CP code shall be checked for sufficiency of margins against the limit available
- iii. If the limit of the CP is available
  - a. The trades shall be auto approved for the Clearing member for that CP
  - b. Such trades which are auto approved cannot be rejected
  - c. Margins shall be imposed on Clearing member of CP, similar to those trades which are confirmed by Clearing member manually
  - d. Settlement obligation arising out of such CP trades shall be marked to the Clearing member of CP, similar to those trade which are confirmed by Clearing member manually
- iv. If the limit of CP is inadequate
  - a. The trades shall be subject to margins on the executing Trading member as per current procedure
  - b. Such trades shall be available for approval / rejection by the Clearing member as per current procedure

Please refer to the operating procedure for setting/ modifying CP limit in NCMS given in **Part C (49)**-Operating procedure for setting/ modifying CP limit in NCMS.



## ITEM 13: CLOSING OUT

**In pursuance of Bye-law 15 of Part B of Chapter VI of the Bye-laws and Chapter 6 of the Regulations, provisions relating to closing out on account of non-performance of obligations are specified as under:**

### **13.1. Closing out**

In the event of non-performance by a clearing member of any of his obligations as specified in the Bye-laws, Rules and Regulations, or for any other reason that the relevant authority may deem fit, including, action initiated by Government/ Statutory/ Regulatory Agencies, pursuant to any acts of violation/contravention of any statutes or Rules and/ or Regulations framed there under, committed by the clearing member and/ or trading members and/ or constituents, clearing and settling through such clearing member, the outstanding positions of such clearing member and/ or such trading members and/ or such constituents, may be closed out at any time by the Exchange, at the discretion of the Clearing Corporation, to the extent possible, either by placing at the Exchange, counter orders in respect of the outstanding position of clearing member, without any notice to the clearing member and/ or trading member and/ or constituent, or by such other mechanism provided by the Clearing Corporation from time to time. Such action shall be final and binding on the clearing member and/ or trading member and/ or constituent.

Clearing Corporation may also allow transfer of all or any of the open positions of clients or such other open positions of such clearing member, as may be specified from time to time, to any other clearing member, who agrees to accept such transfer, subject to such terms and conditions as may be specified by the Clearing Corporation from time to time.

Clearing Corporation may initiate such other risk containment measures as it deems fit with respect to the open positions of the clearing member and/ or trading member and / or constituent. Clearing Corporation may also require clearing members to reduce/ close-out open positions to such levels and for such contracts as may be decided by the relevant authority from time to time.

In addition and without prejudice to the foregoing, the Clearing Corporation may, within such time as it may deem fit, advise the Exchange to withdraw any or all of the membership rights of clearing member including the withdrawal of trading facilities of all trading members and/ or clearing facility of custodial participants clearing through such clearing members, without any notice.

Clearing Corporation may, in addition to the foregoing provisions, take additional measures like, imposing penalties, collecting appropriate deposits, invoking bank guarantees, encashment of fixed deposit receipts, realising money by disposing off the securities, and exercising such other risk containment measures as it deems fit and may further take such disciplinary action as it may deem fit and appropriate in this regard.



### **13.2. Close-out facility**

Trading members shall be provided an online facility to close- out open positions in the F&O segment whose trading facility is withdrawn for any reason subject to conditions specified below and that as may be specified by the Clearing Corporation from time to time.

- a. On disablement, trading members shall be allowed to place close-out orders through this facility
- b. Only orders which result in reduction of existing open positions at a client level shall be accepted through the close-out facility
- c. Trading members shall not be allowed to create any fresh position in the close-out mode
- d. Trading members shall not be allowed to place close out orders with custodial participant code
- e. Trading members shall not be allowed to do trade modifications while in close-out mode

Further, this facility does not dilute the powers of the Clearing Corporation to close-out under its Bye-Laws, Regulations and Circulars.

### **13.3. Close out Facility by Clearing Member on Behalf of Trading Member**

Clearing members shall be provided an online facility to close out open positions of their trading members whose trading facility is withdrawn for any reason. Such a facility will be provided, subject to conditions specified below and that as may be specified from time to time.

- a. Clearing members shall be required to send a written intimation to the Clearing Corporation containing a list of trading members for which they would like to close-out positions in the format provided as per **Part C (50) Format Of Application Of Close Out Facility By Clearing Member On Behalf Of Trading Member**
- b. On disablement of a trading member, the clearing member shall be allowed to place close-out orders through this facility only if the concerned trading member has been made eligible for close-out by the clearing member and the clearing member has requested for such facility as per point 'a' above.
- c. Only orders which result in reduction of existing open positions at a client level of the trading member shall be accepted through the close-out facility.
- d. Clearing members shall not be allowed to create any fresh position for their trading member in the close-out mode.
- e. Clearing members shall not be allowed to place close out orders with custodial participant code.



## ITEM 14: CORE SETTLEMENT GUARANTEE FUND

### 14.1. Core Settlement Guarantee Fund

Clearing Corporation has established the Core Settlement Guarantee Fund( Core SGF) for F&O segment based on the norms provided under SEBI circular no. CIR/MRD/DRMNP/25/2014 dated August 27, 2014.

The Minimum Required Corpus (MRC) of the Core SGF shall be arrived based on the stress test methodology prescribed by SEBI. Clearing Corporation shall compute the MRC for which shall be subject to the following;

- a. The MRC shall be fixed for a month.
- b. By 15th of every month, Clearing Corporation shall review and determine the MRC for next month based on the results of daily stress tests of the preceding month. Clearing Corporation shall also review and determine by 15th of every month, the adequacy of contributions made by various contributors and any further contributions to the Core SGF required to be made by various contributors for the next month.
- c. For every day of the preceding month, uncovered loss numbers shall be estimated by the various stress tests for credit risk conducted by the Clearing Corporation for the segment and highest of such numbers shall be taken as worst case loss number for the day.
- d. Average of all the daily worst case loss numbers determined in (c) shall be calculated.
- e. The MRC for next month shall be higher of the average arrived in at step (d) and the segment MRC as per previous review.

### 14.2. Contribution to Core SGF

The contribution to Core SGF from various contributors shall be as follows;

- a. Clearing Corporation contribution to core SGF will be minimum 50% of MRC of segment. Clearing Corporation shall make this contribution from its own funds. Clearing Corporation contribution to core SGFs will be considered as part of its net worth.
- b. Exchange contribution to Core SGF will be minimum 25% of MRC (can be against transfer of profits by Exchange as per Regulation 33 of SECC Regulations).
- c. The total contribution from clearing members to Core SGF for each segment will not be more than 25% of MRC of the respective segment. No exposure shall be available to members on their contribution to Core SGF. The clearing member may bring this contribution in the form of cash, bank fixed deposits or central government securities. The required contributions of each clearing member shall be assessed pro-rata based on the risk they bring to the system.

Clearing Corporation may collect clearing member contribution either upfront or staggered over a period of time. In case of staggered contribution, the remaining balance shall be met by the Clearing Corporation to ensure adequacy of total Core SGF corpus at all times. Such contribution shall be available to Clearing Corporation for withdrawal as and when further contributions from clearing members are received.



### **14.3. Penalties levied by Clearing Corporation**

Any penalties levied by Clearing Corporation (as per Regulation 34 of SECC Regulations) shall be credited to Core SGF.

### **14.4. Interest on Core SGF cash contribution**

Interest on cash contribution to Core SGF shall also accrue to the Core SGF and pro-rata attributed to the contributors in proportion to their cash contribution.

### **14.5. Penal Charges for Utilisation of Core SGF**

In the event of a clearing member failing to meet his obligations to the Clearing Corporation, the Clearing Corporation may, at its discretion, utilise the settlement fund to the extent and in such manner as necessary.

The Clearing Member shall be required to immediately pay the amount so utilised and also pay a penal charge at the rate of 0.07 % per day computed on the amount outstanding from the day on which monies are due to be paid until the day all obligations including shortfall in deposits are fulfilled.



## ITEM 15: CLIENT MARGIN REPORTING

**In pursuance of Regulation 4.6 of the Futures and Options Segment, provisions relating to Client margin reporting are prescribed as under:**

### **15.1. Client Margin Reporting:**

Members are required to collect initial margins (excluding delivery margins) and extreme loss margins from their client/constituents on an upfront basis. Members shall also be required to collect delivery margins and consolidated obligation from their trading member/constituents/clients by T+1 day.

Clearing/trading member shall be required to report a single consolidated value comprising of initial margin, extreme loss margin, delivery margins and consolidated obligation collected

It is mandatory for all clearing /trading members to report details of such margins collected to the Clearing Corporation in accordance with the procedure and formats specified hereunder or as may be specified by the Clearing Corporation from time to time

### **15.2. Intra-day margin reporting**

- Clearing Corporation shall send minimum 4 snapshots of client wise margin requirement to clearing /trading members for them to know the intraday margin requirement per trading member/custodial participant/client. The snapshots would be randomly taken in pre-defined time windows
- The client wise margin file (MG-12/13) provided by Clearing Corporation to clearing /trading members shall contain the end of day margin requirements of the trading member/custodial participant/client as well as the peak margin requirement of the trading member/custodial participant/client, across each of the intra-day snapshots
- The clearing /trading members shall have to report the margin collected from each trading member/custodial participant/client, as at EOD and peak margin collected during the day

### **15.3. Files to be submitted by the member**

The files are required to be uploaded through the Nsccl –MASS using the client margin file upload menu. (Nsccl –MASS >Client Margin>File upload). The members shall be able to upload client margin reporting files at any time during the day through Nsccl –MASS. The facility of uploading the files through the extranet server in the directory /FAOFTP/F<MEMBERCODE>/COLAT/UPLD is also available.

The name of the file to be uploaded by the trading member on the extranet server or thru Nsccl –MASS is F\_MRG\_TM\_<DDMMYYYY>\_nn.CSV and that by the clearing member is F\_MRG\_CM\_<DDMMYYYY>\_nn.CSV



where:

<DDMMYYYY> is the trade date, TM = Trading Member, CM = Clearing Member and 'nn' is the batch number of the file

The files are required to be uploaded through NSCCL –MASS using the client margin file upload menu.

The files can alternatively be uploaded in the following directory on the extranet server: /FAOFTP/F<MEMBERCODE>/COLAT/UPLD where MEMBER CODE is the 5 digit trading member code of the member. (eg. 09999)

Members are requested to take note of the following whilst uploading the client margin reporting files:

- a. Members are not required to provide member code in the file name
- b. Members are required to provide batch number in every file they upload starting with 01. Thereafter subsequent files are required to have incremental batch numbers viz 02, 03 etc up to maximum of 99. This would enable members to send multiple files for the same trade date with incremental batch numbers. Multiple files may be sent by the member upto five working days after the trade date. Where multiple files are uploaded by the members for a client/constituent/trading member for a trade day, the information of client margin collected as provided in the file with latest batch number for the trade date would be considered as final by the Clearing Corporation. If a file is uploaded with the wrong batch number the return file shall have a message indicating that the batch number is incorrect.
- c. If a member uploads a file with incorrect name, such files shall not be picked up by the Clearing Corporation. In case of files uploaded through the extranet the same file shall be renamed as "<filename>.failed" in the respective member folder in order to facilitate members to ascertain file upload failure.
- d. Zero byte uploaded through the NSCCL –MASS shall not be accepted. In case of zero byte files uploaded through the extranet the same file shall be renamed as "<filename>.failed" in the respective member folder.
- e. In case the files are made by customised software at user end, members may note that a new line character has to be present in the last record in order to ensure proper processing.
- f. Members are requested to refer to the return file every day for the short reporting of margins and initiate necessary corrective actions to ensure that the margins are collected and reported upfront.

Members may note the following procedure for providing client margin details:

1. Each row of the margin file MG12 provides the details of initial margin, , extreme loss margins, delivery margins, and consolidated obligation for a proprietary account of trading member and custodian participants, as per the code entered by the members



- at the time of order entry. The files shall contain end of day total margin to be collected and peak of intra-day margin for each associated Trading Member/Custodial Participant. Clearing Corporation shall provide additional files for clearing members (MG18) as a part of End of Day reports. The files shall contain total margin applicable for each associated Trading Member/Custodial Participant.
2. Each row of the margin file MG13 provides the details of initial margin, extreme loss margins, delivery margins and consolidated obligation for reporting purpose for a specific trading member/client code, as per the code entered by the members at the time of order entry. The files shall contain end of day total margin to be collected and peak of intra-day margin for each client
  3. In case of a receivable obligation for a trading member/ constituents/clients the value for consolidated obligation shall be populated as zero.
  4. Members are required to add a comma and report a single consolidated value comprising of initial margin, extreme loss margin, delivery margins and consolidated obligation collected figure at the end of each row (for each trading member/client/constituent) in the file representing the actual amount collected from that trading member/client/constituent as the case may be.
  5. Members are required to add another comma after the amount of end of day margins reported and report the peak margin amount collected from that trading member/client/constituent as the case may be
  6. This figure for amount collected, appended by the member should not be negative.
  7. Members are required to ensure that no information provided in the file is modified. Any modification shall result in such record being rejected by the Clearing Corporation.

#### **15.4. Return files to the members**

A return file shall be generated for all files uploaded by the members for client margin reporting with the correct naming convention.

Members can download return file through Nsccl –MASS using the client margin file download menu.

The return file for member shall also be placed in the extranet directory /FAOFTP/F<MEMBER CODE>/COLAT/DNLD.

In case of any errors in the file, the members would be able to correct the same and upload the same on the extranet server with incremental batch number anytime prior to Trade date +5 working days.

Two types of return files are generated for the members

1. Rejected Files - where the whole file has been rejected
2. Processed File Records - where some or all records in the file have been rejected

1. Rejected Files –



File Naming convention: F\_MRG\_TMF\_MEMBERCODE\_<DDMMYYYY>\_nn.CSV for trading members and F\_MRG\_CMF\_MEMBERCODE\_<DDMMYYYY>\_nn.CSV for clearing members

Some reason for which a file may be rejected are mentioned as under

File loaded after the sign off date - Members are allowed to upload client margin reporting file up to T+5 working days. Such files would be rejected with the reason “File is not being processed as file upload date is greater than sign off date”.

File loaded for future date - If the member uploads the file for September 12, 2019 on September 11, 2019, then the return file would indicate the rejection reason as ‘File is not being processed as file date is greater than system current date’.

Member uploads file for an invalid day - If a member is not required to report the client margin file for a day (say Saturday, Sunday, holiday etc.) and still uploads the same, then the return file would be rejected with the message ‘File is not being processed as the member code is invalid for the file date’.

Member uses non-serial batch number in file name - If the batch number provided by the member for a trade date is not in sequence, for example if the member has uploaded two files for the trade date September 12, 2019 with file names F\_MRG\_TM\_12092019\_01.CSV and F\_MRG\_TM\_12092019\_03.CSV, the second file would be rejected with error message ‘File is not being processed as file batch number is not proper. Last successful batch no for the day was 01’.

File in wrong format - If the member has provided a file which cannot be read by the system for example- non csv file, then return file would be rejected with the message ‘File is not being processed as the file is not in format’.

## 2. Processed File Records –

File Naming Convention: F\_MRG\_TMR\_MEMBER CODE\_<DDMMYYYY>\_nn.CSV for trading members and F\_MRG\_CMR\_MEMBER CODE\_<DDMMYYYY>\_nn.CSV for clearing members

After processing of client margin file, each record would have a reason code indicating acceptance/ rejection, as the case may be. The details of reason codes are as follows:

<i>Reason Code</i>	<i>Description</i>
01	Record size does not match for e.g. extra comma in the record
02	Date in record does not match with file date
03	Record is altered i.e. matching record does not exist in MG-13/MG-12 file. Possible error in date/ client code/ margin amount
04	Record pertains to proprietary position for trading member
05	Record pertains to proprietary position for clearing member
06	Margin amount collected is negative or non numeric.
07	Insufficient Margin
08	Sufficient Margin

- For reason codes 01 to 06, the difference amount, would not be indicated in the return file. However for reason codes 07 and 08, the difference amount would be indicated.
- If the record contains multiple errors for e.g. reason code 01 as well as 06, the reason code which is the lowest in number would appear against the record i.e. reason code 01.

### **15.5. Sign-off date**

The cut off day upto which a member may report client margin details to the Clearing Corporation is referred to as the sign off date.

It shall be 5 working days after the trade date i.e. members are allowed to upload client margin reporting file up to T+5 working days.

### **15.6. Shortage computation**

The margins reported shall be compared in the following manner:

(a) EOD margin obligation of the client/trading member /custodial participant shall be compared with the respective client/trading member/custodial participant margin available with the trading/clearing member at EOD.

AND

(b) Peak margin obligation of the client/trading member/custodial participant, across the snapshots, shall be compared with respective client/trading member/custodial participant peak margin available with the trading/clearing member during the day

Higher of the shortfall in collection of the margin obligations at (a) and (b) above, shall be considered for levying of penalty.

### **15.7. Non-reporting/ non submission of client margin:**

All instances of non-reporting of client margins by the members shall be treated similar to and as 100% short reporting of client margins and accordingly penalties shall be imposed.

### **15.8. Penalty for short / non-reporting of client margin:**

Penalty shall be levied in case of short/ non-reporting by trading/clearing member as per **Item 16**.

### **15.9. Letters for penalty**

Letters for client margin penalty shall be downloaded to the members on NSCCL –MASS and also through extranet into their respective folders. (Path: /FAOFTP/F<MEMBER CODE>/LETTERS/DNLD)

### **15.10. No Margin Liability**

Clearing/trading members who have no margin liability i.e. both initial margin and exposure margin is zero, shall not receive any margin file. If the clients of clearing / trading member



do not have any margin liability i.e where both initial margin and exposure margin is zero for a client, such clients shall not be reflected in MG 12 and MG 13 files.

#### **15.11. Statement of account of settlement & client margin**

Clearing / trading members are required to collect upfront margins from their respective trading members/constituents. In this respect, every clearing /trading member is required to send a complete statement of account for settlements and margins as reported in the client margin files submitted to the Clearing Corporation in respect of trading member/constituents in such periodicity as specified by the Exchange/Clearing Corporation from time to time. The clearing/trading members are required to obtain confirmation from the trading member /constituents/clients on an on going basis and preserve such records for presentation to the relevant authority.



## ITEM 16: VIOLATIONS AND PENALTY

**In pursuance of Bye-law 16 of Part B of Chapter VI pertaining to Clearing and Settlement of deals and Chapter VIII of the Bye-laws pertaining to Margins and Chapter 4 of the Regulations, the following requirements are prescribed**

### **16.1. Violation**

Non-compliance of any provisions of the Rules, Bye-laws and Regulations by any clearing / trading member shall be treated as a violation and shall attract appropriate action under the Rules, Bye-laws and Regulations of the Clearing Corporation, against such clearing / trading member. Violations shall be treated to have been committed ipso facto.

Notwithstanding the generality of the above provisions, violations in relation to any member may, inter-alia, shall be as specified hereunder or as may be specified from the relevant authority from time to time.

### **16.2. Non fulfilment of initial margin obligations**

When the initial margin liability of a clearing member exceeds his effective deposit less minimum liquid networth or the margin liability of a trading member exceeds the margin limit specified by his clearing member, at any time, including during trading hours it shall be treated as a violation

In the event of a violation, the Clearing Corporation may advise the Exchange to withdraw any or all of the membership rights of the clearing member including the withdrawal of trading facilities of all trading members and/ or clearing facility of custodial participants clearing through such clearing members. In case of violation by trading member the Clearing Corporation may advise the Exchange to withdraw trading facilities of the trading member.

Additionally, penalty and penal charge as mentioned in 16.8 shall be levied for Non fulfilment of initial margin obligations

### **16.3. Non-fulfilment of settlement obligation**

Non-fulfilment of settlement obligation towards settlement of futures and options contracts by the scheduled date and time shall be treated as a violation.

In case of a settlement shortage of Rs. 5 lakhs or more the Clearing Corporation may advise the Exchange to withdraw any or all of the membership rights of the clearing member including the withdrawal of trading facilities of all trading members and/ or clearing facility of custodial participants clearing through such clearing member.



In case of settlement shortage of less than Rs.5lakhs the amount of shortage shall be blocked from the effective deposits of the clearing member to the extent of funds shortage. This may lead to the withdrawal of the trading facility of the clearing member and the associated trading member.

Further, if the clearing member is short for an amount of Rs 2 lakhs or more in six or more occasions in the preceding three months, the Clearing Corporation may advise the Exchange to withdraw any or all of the membership rights of the clearing member including the withdrawal of trading facilities of all trading members and/ or clearing facility of custodial participants clearing through such clearing members.

In case of any over-night settlement shortages a penal charges of 0.07% per day of shortage shall be levied

The funds defaulting member will be allowed such time as may be permitted by the relevant authority depending upon the facts of the case to bring in the amount in default. If the member does not bring in the amount by the time permitted by the relevant authority, and continues to default thereafter, the relevant authority would be constrained to initiate suitable action including withdrawal of his trading facility, appropriation of his capital / deposits with the Exchange / Clearing Corporation and/or declare him a defaulter.

#### **16.4. Non-fulfilment of securities deliverable obligation**

Clearing members failing to fulfil their securities deliverable obligations to Clearing Corporation shall be subjected to a penalty charge of 0.05% per day. Further, the valuation amount of the shortage shall be considered as funds shortages where shortage confirmation is not received from the bank and penal action as prescribed for settlement obligation above shall be applicable

#### **16.5. Non-fulfilment of minimum deposit requirements**

Any failure on the part of a clearing member to meet with the minimum deposit requirements as given in Item 9, at any point of time, shall be treated as a violation.

In case of shortage in minimum deposit requirements of Rs.5 lakhs or more the Clearing Corporation may advise the Exchange to withdraw any or all of the membership rights of the clearing member including the withdrawal of trading facilities of all trading members and/ or clearing facility of custodial participants clearing through such clearing members.

In case of shortage in minimum deposit requirement of less than Rs.5lakhs the clearing member shall require to replenish the shortfall immediately but in any case not later than one week. In case the shortfall is not replenished for a period of more than one week, the Clearing Corporation may advise the Exchange to withdraw any or all of the membership rights of the clearing member including the withdrawal of trading facilities of all trading members and/ or clearing facility of custodial participants clearing through such clearing members



In addition to the above, penal charges of 0.07% per day on the amount of shortages shall be levied.

**16.6. Extreme loss margin violation**

When the extreme loss margin of a clearing member exceeds his liquid net worth, at any time, including during trading hours it shall be treated as a violation.

In the event of a violation, the Clearing Corporation may advise the Exchange to withdraw any or all of the membership rights of the clearing member including the withdrawal of trading facilities of all trading members and/ or clearing facility of custodial participants clearing through such clearing members.

Additionally, penalty and penal charge as mentioned in 16.8 shall be levied for exposure margin obligations

**16.7. Trading member wise position limit violation**

When the open position of any trading member, exceeds the limit specified as per item 11 above at any time, including during trading hours in any index/security, trading member shall be restrained from taking any further position only in respect of index/security in which there is violation and trading member shall be required to bring their position within specified limit.

Additionally, penalty as mentioned in 16.8 shall be levied for trading member wise position limit violation

**16.8. Penalty and penal charges for margin/limit violation**

In respect of violation mentioned in 16.2, 16.6 and 16.7 penalty for margin / limit violation shall be levied on a monthly basis based on slabs as mentioned below or such other amount as specified by the Clearing Corporation from time to time

<b>Instances of Disablement</b>	<b>Penalty to be levied</b>
1st instance	0.07% per day
2nd to 5th instance of disablement	0.07% per day + Rs.5,000/- per instance from 2nd to 5th instance
6th to 10th instance of disablement	0.07% per day + Rs.20,000/- ( for 2nd to 5th instance) + Rs.10000/- per instance from 6th to 10th instance
11th instance onwards	0.07% per day + Rs.70,000/- ( for 2nd to 10th instance) + Rs.10,000/- per instance from 11th instance onwards. Additionally, the member will be referred to the Disciplinary Action Committee for suitable action.



Instances' as mentioned above shall refer to all disablements during market hours in a calendar month. The penal charge of 0.07% per day shall not be applicable on disablements due to limit violation. The penalties shall be collected from the clearing member of the respective trading member. The concerned clearing member may in turn recover such amount of penalty from the concerned trading member.

#### **16.9. FPI /Mutual Fund position limit violation**

When the open position of any FPI /Mutual Fund, exceeds the limit specified as per item 12 above at the end of the day the same shall be treated as a violation. A penalty as applicable for trading member position limit violation shall be applicable and levied on the clearing member of the FPI /MF.

#### **16.10. Client wise/NRI/ scheme of MF position limit violation:**

When the open position of any Client/NRI/ FPI category III/scheme of MF, exceeds the limit specified as per item 11 and 12 at the end of the day the same shall be treated as a violation.

In the event of violation, the following penalty would be charged to the clearing members for every day of violation:

1% of the value of the quantity in violation (i.e., excess quantity over the allowed quantity, valued at the closing price of the security in the normal market of the Capital Market segment of the Exchange) per client **or**

Rs.1,00,000 per client, whichever is lower, subject to a minimum penalty of Rs.5,000/- per violation / per client.

When the client level/NRI/scheme of mutual fund violation is on account of open position exceeding 5% of the open interest, a penalty of Rs.5000 per instance shall be levied to the clearing member.

The concerned clearing / trading member may in turn recover such amount of penalty from the concerned clients who committed the violation and became liable therefore.

#### **16.11. Violations arising out of mis-utilisation of trading member/constituent/client collaterals and/ or deposits**

When a clearing member utilises the collateral of one trading member and/ or constituent towards the exposure and/ or obligations other than for the same trading member and/ or constituents the same shall be treated as a violation.

#### **16.12. Violation of exercised positions**

When the option contracts are exercised by a clearing member, where no open long positions for such clearing / trading member and/ or constituent existed, at the end of the day, at the time the exercise processing is carried out, the same shall be treated as a violation.

#### **16.13. Non-fulfilment of Capital Cushion requirement**



Non-fulfilment of capital cushion requirements by the scheduled date shall be treated as violation. The penalty as applicable for violation of non-fulfilment of settlement obligation or such other penalty as specified by the Clearing Corporation from time to time shall be levied.

#### **16.14. Short / non-reporting of client margin**

The following penalty shall be levied in case of short reporting by trading/clearing member per instance.

<b>Short collection for each client</b>	<b>Penalty percentage</b>
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5%
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1.0%

If short/non-collection of margins for a client continues for more than 3 consecutive days, then penalty of 5% of the shortfall amount shall be levied for each day of continued shortfall beyond the 3rd day of shortfall.

If short/non-collection of margins for a client takes place for more than 5 days in a month, then penalty of 5% of the shortfall amount shall be levied for each day, during the month, beyond the 5th day of shortfall.

Notwithstanding the above, if short collection of margin from clients is caused due to movement of 3% or more in the Nifty50 index (close to close) on a given day, (day T), then, the penalty for short collection shall be imposed only if the shortfall continues to T+2 day.

All instances of non-reporting are treated as 100% short reporting for the purpose of levy of penalty.

In case of short reporting by trading member the details of penalty at client/constituent level shall be provided as per the report PNL01 specified in Part D. In case of short reporting by clearing member the details of penalty at trading member/constituent level shall be provided as per report PNL02 specified in Part D.

The above penalties shall be collected from the clearing member by debiting the settlement account with designated primary clearing bank in F&O Segment on a monthly basis. The details of penalty levied on the affiliated trading members shall be provided to clearing members as per report PNL03 specified in Part D. Penalty applicable for the trade dates of the calendar month shall be collected by the tenth working day of the subsequent calendar month.

#### **16.15. Market wide Position Limit violation**



The procedure for monitoring market wide position limit as specified in Item 11 above shall be as under:

- a. At the end of each day the Clearing Corporation shall test whether the market wide open interest across Exchanges for any security exceeds 95% of MWPL for that security. If so, the open position of all client/ trading members as at the end of that day in that security shall be taken, and from next day onwards the client/ trading members shall trade only to decrease their positions through offsetting positions till the normal trading in the security is resumed.
- b. The normal trading in the security shall be resumed only after the open outstanding position across Exchanges comes down to 80% or below of the market wide position limit MWPL
- c. The dissemination of MWPL shall be given at regular interval or such other duration as may be decided by the relevant authority from time to time.
- d. At the end of each day during which the ban on fresh positions is in force for any security, when any client including proprietary account has increased his existing positions or has created a new position in that security the client/ proprietary account shall be subject to a penalty 1% of the value of increased position subject to a minimum of Rs.5000 and maximum of Rs.100000. The positions, for this purpose, shall be valued at closing price of the security in the normal market of the Capital Market segment of the Exchange
- e. The penalty shall be recovered from the clearing member affiliated with such trading members of such clients/ proprietary account, on a T+1 day basis along with pay-in. The amount of penalty shall be informed to the clearing member at the end of the day.

#### **16.16. Compliance towards violations**

Clearing members, who have violated any requirement and/ or limits as specified in the Rules/ Bye-laws and Regulations, may reduce their open position as per the facility provided by the Clearing Corporation or submit a written request to the Clearing Corporation to either reduce their open position or, bring in additional collateral deposits by way of cash or bank guarantee or FDR or securities in electronic form (demat securities) in accordance with the provisions specified.,.

#### **16.17. Effect of violations**

In the event of a violation, the Clearing Corporation may, within such time as it may deem fit, advice the Exchange to withdraw any or all of the membership rights of the clearing member including the withdrawal of trading facilities of all trading members and/ or clearing facility of custodial participants clearing through such clearing members, without any notice.

In addition, the outstanding positions of such clearing member and/ or trading members and/ or constituents, clearing and settling through such clearing member, may be closed out forthwith or any time thereafter by the Exchange, at the discretion of the Clearing Corporation, to the extent possible, by placing at the Exchange, counter orders in respect of the outstanding position of clearing member without any notice to the clearing member and/



or trading member and/ or constituent, and such action shall be final and binding on the clearing member and/ or trading member and/ or constituent. Clearing Corporation may initiate such other risk containment measures as it deems fit with respect to the open positions of the clearing member and/ or trading member and / or constituent.

Clearing Corporation may, in addition to the foregoing provisions, take additional measures like, imposing penalties, collecting appropriate deposits, invoking bank guarantees/ fixed deposit receipts, realising money by disposing off the securities, and exercising such other risk containment measures as it deems fit and may further take such disciplinary action as it may deem fit and appropriate in this regard.



## ITEM 17: INFORMATION VIA SMS

A facility wherein information in respect of some of the activities can be received through SMS is provided to members.

The salient features of the SMS Alert facility are as mentioned below:

- Members can avail this facility in order to receive instant updates by way of SMS in respect of certain activities / information.
- Members can access the SMS application through a link on NSCCL –MASS. Members shall first register a user for the service, (under Registration) and then subscribe the user to a specific message (under Subscription).
- Members can register multiple mobile numbers (Maximum 5 numbers per member) for receiving SMS by registering multiple users with a flexibility to modify or deregister users.
- Members have the flexibility to subscribe to or unsubscribe any message alerts.
- Subscription to multiple message alerts for single mobile number or subscription to single message alert by multiple mobile numbers is also permitted.
- Members can replicate the subscriptions done for one user to another user.

This alert facility is only an additional facility provided to the members for receiving the Alert / Information. The members shall verify the information received by way of alert and not rely solely on such Alerts / Information for any purpose. Clearing Corporation shall not be liable for any delay or any other interruption which may occur due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shut down, breakdown of communication services or inability of Clearing Corporation to send the Alert / Information. Irrespective of whether the member has received the Alert / Information or not, the member shall be required to adhere to all the Rules, Byelaws and Regulations and Circulars and all other requirements laid down by Clearing Corporation from time to time.

Members are requested to ensure that the mobile numbers of only the concerned officials are registered and updated on regular basis in order to prevent the messages from being sent to unconcerned people.

Further, in order to ensure continuous and uninterrupted flow of information to members via SMS, alert messages are sent by Clearing Corporation through multiple service providers. Members, who have subscribed for the alerts and have also activated 'Do Not Disturb' facility with their mobile service provider, may receive SMS alerts on their mobile depending on which service provider is in force when the SMS alerts are sent. Members who have opted for the 'Do Not Disturb' facility and hence do not wish to receive SMS alerts may deregister from the SMS alert facility.



## ITEM 18: ADJUSTMENTS FOR CORPORATE ACTIONS

**In pursuance of Bye-law 12 of Part B of Chapter VI of the Bye-laws pertaining to Clearing and Settlement of deals, Regulation 5A5 of Chapters 5A of the Regulations, the following provisions for adjustment of open positions, in all derivative contracts on individual securities, for corporate actions are prescribed:**

### **18.1. Adjustment for Corporate Actions**

The basis for any adjustment for corporate action shall be such that the value of the position of the market participants on cum and ex-date for corporate action shall continue to remain the same as far as possible.

### **18.2. Time of Adjustment**

Any adjustment for corporate actions shall be carried out on the last day on which a security is traded on cum basis in the underlying equities market, after the close of trading hours.

### **18.3. Adjustment**

Adjustments shall mean modifications to positions and / or contract specifications as listed below such that the basic premise of adjustment laid down under 18.1 above is satisfied:

- a) Strike Price
- b) Position
- c) Market Lot / Multiplier

The adjustments shall be carried out on any or all of the above, based on the nature of the corporate action. The adjustments for corporate actions shall be carried out on all open Positions.

### **18.4. Corporate actions to be adjusted**

The corporate actions may be broadly classified under stock benefits and cash benefits. The various stock benefits declared by the issuer of capital are:

- Bonus
- Rights
- Merger / De-merger
- Amalgamation
- Splits
- Consolidations
- Hive-off
- Warrants, and
- Secured Premium Notes (SPNs) among others.
- Extraordinary dividends



## 18.5. . Methodology for adjustment

The methodology to be adopted for adjustment of corporate actions to be carried out shall be as follows:

### 18.5.1. Bonus, Stock Splits and Consolidations

*Strike Price:* The new strike price shall be arrived at by dividing the old strike price by the adjustment factor as under.

- *Market Lot / Multiplier:* The new market lot / multiplier shall be arrived at by multiplying the old market lot by the adjustment factor as under.
- *Position:* The new position shall be arrived at by multiplying the old position by the adjustment factor as under.

The adjustment factor for Bonus, Rights, Stock Splits and Consolidations is arrived at as follows:

#### 18.5.1.1. Bonus

Ratio - A : B

Adjustment factor :  $(A+B)/B$

#### 18.5.1.2. Rights

Number of Existing shares	= A
Rights Entitlement (Rights to subscribe)	= B
Total Entitlement	= A+B
Underlying close price on the last cum date	= P
Issue price of the rights	= S
Benefits per share	= E
Benefit per Right Entitlement	= $(P - S)$

$$E = (P-S)/(A+B)$$

$$\text{Adjustment Factor is } = (P-E)/P$$

Dividend if any, declared by the company along with rights shall be adjusted as per the prevailing dividend adjustment policy in F&O Segment.

#### 18.5.1.3. Stock Splits and Consolidations

Ratio - A : B

Adjustment factor :  $A/B$

### 18.5.2. Adjustment in case of fractions

The above methodology may result in fractions due to the corporate action e.g. a bonus ratio of 3:7. With a view to minimising fraction settlements, the following methodology shall be adopted:



1. Compute value of the position before adjustment
2. Compute value of the position taking into account the exact adjustment factor
3. Carry out rounding off for the strike price and market lot
4. Compute value of the position based on the revised strike price and market lot

The difference between 1 and 4 above, if any, shall be decided in the manner laid down by the relevant authority by adjusting strike price or market lot, so that no forced closure of open position is mandated.

### **18.5.3. Merger / Demerger**

On announcement of the record date for merger/demerger, the last cum-date for merger/demerger would be determined by the Exchange/ Clearing Corporation. The date of expiration of all contracts in the underlying which shall cease to exist subsequent to the merger/demerger, shall be the last cum date, which shall be informed to the members.

- Pursuant to the announcement of the record date, no fresh month contracts on Futures and Options would be introduced in the underlying which shall cease to exist, subsequent to the merger/demerger.
- Un-expired contracts in the underlying, which shall cease to exist subsequent to the merger/demerger, outstanding as on last cum-date shall be compulsorily settled at the settlement price. The settlement price shall be the last available closing price of such underlying in the Capital Market segment of National Stock Exchange, on the last cum-date.

### **18.5.4. Extra Ordinary Dividends**

Dividends which are below 5% of the market value of the underlying stock would be deemed to be ordinary dividends and no adjustment in the strike price would be made for ordinary dividends.

For extra-ordinary dividends above 5% of the market value of the underlying security, all positions in existing strike prices shall continue to exist in the corresponding new adjusted strike prices for respective option contracts. All open positions shall be carried forward at the daily settlement price less dividend amount for the respective futures contract.

### **18.5.5. Other corporate actions**

The relevant authority may, on a case by case basis, carry out adjustments for other corporate actions in conformity with the above guidelines, including compulsory closing out, where it deems necessary.

Any change and/ or modification in the methodology for adjustments of futures and option contracts on individual securities, from the methodology detailed above, shall be notified by the Clearing Corporation from time to time



## ITEM 19: APPLICATION OF CUSTODIAL PARTICIPANT CODE

The procedure for issuance of custodial participant code by Clearing Corporation shall be as follows:

- Clearing members shall log in to NSCCCL –MASS application by using their existing log-in details for application/ mapping of CP Code.
- The application of codes shall be through a file upload.
- Applications submitted through the facility shall be processed and the CP code shall be generated and provided to clearing member.
- On application of mapping request by a clearing member, a request for NOC shall be sent to Custodian of the client.
- The Custodian would be able to provide NOC for such mapping request by log-in in NSCCCL –MASS application.
- The CP codes issued/ mapped shall be activated effective from next trading day.
- The Clearing members shall continue to perform KYC of the clients and maintain necessary documentation of client for whom CP code is applied.
- The name of the file to be uploaded by the clearing member in the NSCCCL –MASS shall be

F\_<MEMBERCODE>\_CPCODE\_YYYYMMDD.Tnn

Where,

MEMBER CODE- Primary code of clearing member

YYYYMMDD- current date

nn- Batch number of the file

The structure of detail record shall be as follows:

Sr. No.	Field Name	Field Characteristics	Details
1.	Custodial Participant Category	CHAR(11)	
2.	FPI III category type	CHAR(1)	Field should be blank
3.	Investment Category	CHAR(1)	Field should be blank
4.	CP code of main FPI	CHAR(12)	Field should be blank
5.	Client Name	CHAR(300)	
6.	Permanent Account Number	CHAR(10)	
7.	Client Registration No / Passport No in case of NRI/ PIO	CHAR(25)	
8.	Compliance officer	CHAR(30)	Compliance officer of member
9.	Country	CHAR(25)	Country of Origin/ residence
10.	UCC Generated	CHAR(10)	NA
11.	POA (in case of UCC)	CHAR(1)	NA
12.	Net worth Declaration	CHAR(2)	Y' – If networth is more than Rs.1 Cr of RI & DBC 'NA' – For other client categories

- In case custodial participant wish to shift from one custodian or clearing member to another custodian or clearing member, application shall be made to clearing corporation by both clearing members as per request letter provided in **Part C (48)**-Format of application for activation / deactivation of custodial participant code.



## ITEM 20: ELECTRONIC REPORTING

### 20.1 NSE Clearing Management System (NCMS):

Clearing Corporation has provided an interface – NSE Clearing Management System (NCMS) to members which facilitates modification of custodian participant (CP) during trading hours and also for clearing members to approve trades done on behalf of CP associated with them, set limits for trading members etc.

### 20.2 CP code modification:

Instructions for files uploaded through NCMS

1. Members may directly upload the CP modification files in NCMS or do screen based modifications through the same.
2. The screen based modifications and files uploaded by the members would generate response messages in NCMS. In case of file upload a return file would be generated with the indication of the success/rejection of the file and the individual records as given hereunder.
  - In case any or all the detail records are successful a return file would be provided with an indicator 'S' confirming that the file was successfully uploaded. At the detail record level an indicator S / R would be provided indicating whether the detail record was successful or rejected respectively. In case a detail record is rejected then an error code would be appended.
  - In case of an error in the file name or the control record, the uploading of the file will fail.
  - In case a file is rejected because all the detail records are rejected then the return file would be provided with an indicator 'R' confirming that the file has been rejected and hence has not been uploaded. In the detail records an indicator R would be provided indicating an error in the detail record and an error code would be appended.
  - Members are requested to save the response messages generated in NCMS and check the same.
  - The return files would be generated in the specified path at the member's end.
  - Members may refer **Part C (51)** - 'Format for CP Code Modification' for the list of rejection codes in NCMS.
3. All files/ screen based modification or allocation entries shall have to be submitted before the cut off time as specified by Clearing Corporation.
4. The members shall be responsible for all data provided to the Exchange/Clearing Corporation.
5. Members can modify CP codes on the trade day during trading hours up to cut off time as stipulated by the Clearing Corporation from time to time. Currently the cut-off time for CP code modification has been stipulated as 4:15 p.m on the respective trade date.
6. Refer **Part C (51)** 'Format for CP Code Modification'



### 20.3 Give-up Approval

Clearing members of the custodial participants shall confirm trades entered into on behalf of the custodial participants using the approval facility provided in NCMS. Such trades shall be confirmed by the clearing members, within such time as may be stipulated by the /Clearing Corporation. Clearing members may also use approval all facility in NCMS to approve all pending trades of the custodial participants clearing through the clearing member

### 20.4 NSCCL –MASS

NSCCL-MASS is the information gateway for members to communicate online with Clearing Corporation. NSCCL-MASS application facilitates-

- Single Sign on (SSO) enabling access to multiple applications with one set of login credentials.
- Dashboard Widgets allowing members to view segment wise information with respect to margin, collaterals, etc
- Members shall be able to view client wise margins, positions etc. Members can upload client margin reporting files, request for do-not-exercise position
- Clearing members may also set limits for trading members
- For activation of NSCCL-MASS, members are requested to submit the application to Clearing Corporation in format as per **Part C (52)** – Format for activation of N-MASS
- Premium services are available in NSCCL-MASS which are chargeable in the following manner annually. In case the premium services are availed for less than a month the charges shall be computed on pro-rata basis.

<b>Number of users who has been assigned Premium services</b>	<b>Monthly Charges (Rs)</b>
Upto 2 users	NIL
Each additional user beyond 2 user ids	Rs.2500

- Members shall exercise caution while assigning role access pertaining to the services clearly demarcated as “Chargeable Premium Services” in the NMASS application thereby ensuring careful mapping of premium services to admin/ user ids.

## ITEM 21: STAMP DUTY

### 21.1 Stamp Duty collection

- Stamp Duty shall be collected on transactions for both futures and option contracts executed on stock exchanges and received for clearing and as specified in circulars issued from time to time.
- Stamp duty shall be determined at the end of each trading day
- 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 upto 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.
- Members may note that the value of taxable securities transaction and the applicable State/Union Territory (UT) 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 the trading member through whom the transaction was executed will be considered.
- 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.
- For each client code, all the buy transactions for a trading day shall be aggregated at contract level.
- Stamp duty at the rates as applicable to securities other than debenture on delivery basis and on non-delivery basis shall also be applicable to physically settled stock derivatives (both Futures and Options). The said stamp duty will be payable by the Purchaser (receiver) of the securities. For this purpose stamp duty shall be computed on final settlement price

### 21.2 Stamp Duty computation

#### 21.2.1 Computation of stamp duty at contract client level:

##### 21.2.1.1 Computation of stamp duty on equity futures:

- a. Each futures buy trade shall be valued at the actual traded price: Total Buy Value (BVAL) - This is the sum of the trade value (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 (BVALSTD) = BVAL\* stamp duty rate on equity futures. The value so computed shall be rounded off to two decimals.

##### 21.2.1.2 Computation of stamp duty on equity options:



- a. Each option buy trade shall be valued at the premium paid: Total Buy Value (BVAL)  
- This is the sum of the trade value (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 (BVALSTD) = BVAL \* stamp duty rate on equity options. The value so computed shall be rounded off to two decimals.

#### **21.2.1.3 Computation of stamp duty for equity futures & options delivery settlement:**

- a. For equity futures & options settled physically settled stamp duty will be applicable on delivery basis and non-delivery basis:
  - I. Total Buy quantity (BQTY): This is the sum of the quantity of all buy (security receivable) positions of futures and options
  - II. Total Sell quantity (SQTY): This is the sum of the quantity of all sell (security deliverable) positions of futures and options
  - III. Total Buy Deliverable Quantity (BDQTY): This is the sum of the quantity of all buy (security receivable) positions for the client where  $BDQTY = BQTY - SQTY$  if  $BQTY > SQTY$
  - IV. Total Buy Non-Deliverable Quantity (BNDQTY): This is the quantity which is lower of the two quantities namely total buy quantity (security receivable) and total sell quantity (security deliverable) for the client for a particular day.
  - V. Total Buy Deliverable Value (BDVAL): This is the sum of the transaction value (BDQTY (as per III above) \* Final Settlement Price) for the client
  - VI. Total Buy Non-Deliverable Value (BNDVAL): This is the sum of the transaction value (BNDQTY (as per IV above) \* Final Settlement Price) for the client
- b. Stamp Duty shall be calculated by applying the prescribed rate:
  - I. Stamp Duty on Buy Non-Deliverable Value (SDBNDVAL) = BNDVAL \* Stamp Duty Rate for securities other than debentures on non-delivery basis. The value so computed shall be rounded off to two decimals.
  - II. Stamp Duty on Buy Deliverable Value (SDBDVAL) = BDVAL \* Stamp Duty Rate for securities other than debentures on delivery basis. The value so computed shall be rounded off to two decimals.

#### **21.2.2 Computation of stamp duty at client level:**

The total stamp duty liability for a client will be arrived at by summing up the total stamp duty for each contract/delivery settlement arrived at as above and 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 it shall be ignored.

#### **21.2.3 Computation of stamp duty at trading member level:**

The total stamp duty liability for a trading member will be arrived at by summing up the total stamp duty for each client.

#### **21.2.4 Computation of stamp duty at clearing member level:**



The total stamp duty liability for a clearing member will be arrived at by summing up the total stamp duty for each trading member.

### **21.3 Information to members:**

- Reports named 'F\_SD01\_<MEMBER CODE>\_DDMMYYYY.CSV' & 'F\_SD03\_<MEMBER CODE>\_DDMMYYYY.CSV' shall be provided to trading members at the end of trading day mentioning "Stamp Duty file for trading member" and "Stamp Duty file delivery settlement for trading member" respectively.
- Similarly reports named 'F\_SD02\_<MEMBER CODE>\_DDMMYYYY.CSV' & 'F\_SD04\_<MEMBER CODE>\_DDMMYYYY.CSV' shall be provided to clearing members at the end of trading day mentioning "Stamp Duty file for Clearing member" and "Stamp duty file delivery settlement for Clearing member" respectively.
- Report named 'F\_SD05\_<MEMBER CODE>\_DDMMYYYY.CSV' shall be provided to clearing members for stamp duty on securities traded in auction market for shortages in delivery settlement.
- These reports shall contain information such as stamp duty liability, 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 format is available in **Part D**.

### **21.4 Pay-in of funds:**

Clearing Members shall be required to pay the stamp duty, as part of and 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 the monies shall be collected from the settlement account of members through their clearing banks as per the process currently followed in respect of settlement obligations.

### **21.5 Failure to pay funds:**

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