



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 Currency Derivatives Segment:

1.1 Admission and Exclusion of Deals

Deals executed on the Currency Derivatives Segment of National Stock Exchange are eligible to be cleared and settled through Clearing Corporation in the Currency Derivatives 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 who clear and settle 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 C¹**.

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 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

¹ Refer 'Format of Clearing Member – Constituent (Custodial Participant) Agreement'



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 Currency Derivatives Segment are as under:

3.1 Settlement Period

The pay-in and pay-out of daily mark to market settlements, premium settlement, final settlement of futures contracts and final exercise settlements of options contracts shall be effected in accordance with the settlement schedule issued by the Clearing Corporation periodically. The Clearing 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 Clearing member's clearing account thereafter.

3.1.1 Daily settlement

The daily mark to market and premium settlement shall be effected on T+1 day as per the timelines specified by the Clearing Corporation.

3.1.2 Final settlement in currency futures and options

The final settlement of currency futures and options contracts shall be effected on T+2 day as per the timelines specified by the Clearing Corporation. The final settlement date shall be T+2 day from the last trading day of the contract as specified by the Exchange, as per the timelines specified by the Clearing Corporation.

3.1.3 Final settlement in futures on 91 Day GOI T-Bills and Cash settled Interest Rate Futures on G-Sec:

The final settlement of futures on 91 Day GOI T-bill and Cash settled Interest Rate Futures contracts on G-Sec shall be effected on T+1 day basis. The final settlement date shall be T+1 day from the last trading day of the contract as specified by the Exchange, as per the timelines specified by the Clearing Corporation.



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 contracts in the Currency Derivatives segment is specified as under:

4.1 Daily Settlement Price for mark to market settlement of currency futures contracts

Daily settlement price for futures contracts shall be the closing price of such contracts on the trading day. The closing price for a futures contract shall be calculated on the basis of the last half an hour weighted average price of such contract or such other price as may be decided by the relevant authority from time to time. 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 C²**.

4.2 Daily Settlement Price for mark to market settlement of futures contracts on 91 Day GOI T-bills

The daily settlement price of futures contracts on 91 Day GOI T-Bills shall be as per the detailed methodology of computation specified in **Part C³**.

4.3 Final Settlement Price of Currency futures contracts and Final Exercise Settlement Price of Currency Options contracts

For derivative contracts based on USD-INR, EUR-INR, GBP-INR and JPY-INR, final settlement price for a futures contract and final exercise settlement price for USD-INR option contracts shall be the Reserve Bank Reference Rate on the last trading day of such contract or as may be specified by the relevant authority from time to time.

4.4 Final settlement price of futures contracts on 91 Day GOI T-bills

The final settlement price would be determined in the following manner:

$$\text{Rs } 100 - 0.25 * Y_f$$

Where Y_f is weighted average discount yield obtained from RBI's weekly auction of 91-day GOI T-Bill on the day of expiry.

The weighted average price obtained from the weekly auction of 91day GOI Treasury Bills on the day of expiry of the contract (notified by the RBI in its press release announcing the auction results of the day) shall be used for arriving at the weighted

² Refer 'Theoretical futures price calculation model'

³ Refer 'Computation of Daily Settlement Price for Futures On 91 Day GOI T-Bill'



average discount yield as per the below formula specified in the RBI press release 2010-2011/ 1334 dated March 17, 2011.

$$Yf = \frac{(100 - \text{weighted average price})}{100} \times \frac{360}{90}$$

4.5 Contract Value for futures on 91 Day GOI T-bills

The contract value would be determined in the following manner

$$\text{Rs } 2000 * (100 - 0.25 * y)$$

Where y is the futures discount yield. For example, for a futures discount yield of 5%, the contract value would be $2000 * (100 - 0.25 * 5) = \text{Rs } 197,500$

4.6 Daily Contract Settlement Value for futures on 91 Day GOI T-bills

The daily contract settlement value would be determined in the following manner:

$$\text{Rs } 2000 * \text{daily settlement price}$$

4.7 Final Contract Settlement Value for futures on 91 Day GOI T-bills

All open positions of clearing members in expiring month futures contract shall be settled in cash and final settlement shall be conducted on expiry plus one working day. The final contract settlement value would be determined in the following manner:

$$\text{Rs } 2000 * \text{final settlement price}$$

4.8 Daily Contract Settlement Price for mark to market settlement of Cash settled Interest rate futures on G-Sec

Daily settlement price (DSP) for **Interest rate futures on G-Sec** contracts shall be the closing price of such contracts on the trading day. The closing price for a futures contract shall be calculated on the basis of the last half an hour weighted average price of such contract or such other price as may be decided by the relevant authority from time to time.

In the absence of last half an hour trading, theoretical daily settlement price of the contract shall be computed as below:



$DSP = \text{Cash Price} + \text{Financing cost} - \text{Income on cash position}$

Where,

$\text{Cash Price} = \text{Clean Price} + \text{Accrued Interest}$

The clean price shall be arrived as under or as per the method specified by relevant authority from time to time

- a) Weighted average price of underlying bond in last two hours of trading on NDS-OM
- b) If no trades are executed in the underlying bond then, a theoretical price with reference to FIMMDA rates shall be used

The day count convention for accrued interest shall be on the basis of a 360 days year, consisting of 12 months of 30 days each and half yearly coupon payment.

The financing cost and income on cash position shall be computed using the applicable MIOIS on the basis of 365-day year, consisting of 12 months and actual days in the month.

4.9 Final Settlement Price for Cash settled Interest rate futures on G-Sec:

The final contract settlement price is the weighted average price of the underlying bond based on the prices during the last two hours of trading on NDS-OM, subject to a minimum of 5 trades during that period.

If less than 5 trades are executed in the underlying bond during the last two hours of trading on NDS-OM, then FIMMDA price shall be used as final contract settlement price. In case FIMMDA price is not available, the price for settlement shall be as decided by NSCCL from time to time.

4.10 Contract Value for Cash settled Interest rate futures on G-Sec:

The contract value shall be determined as 2000 multiplied by the price

4.11 Daily Contract Settlement Value for Cash settled Interest rate futures on G-Sec:

The daily contract settlement value shall be determined as 2000 multiplied by daily settlement price of IRF contract

4.12 Final Contract Settlement Value for Cash settled Interest rate futures on G-Sec:

The final contract settlement value shall be determined as 2000 multiplied by final settlement price of cash settled Interest rate futures on G-Sec.



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 Currency Derivatives segment shall be as under:

5.1 Daily mark to market settlement of futures contract

Daily mark to market settlement in respect of admitted deals in Currency futures, Cash settled Interest Rate Futures on G-Sec and futures on 91 Day GOI T-bill contracts shall be 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.

5.2 Daily premium settlement of currency options contracts

The daily premium settlement in respect of admitted deals in currency options contracts shall be effected on T+1 day as per the timelines specified by the Clearing Corporation. Premium settlement shall be netted with daily mark to mark settlement of currency futures, Cash settled Interest Rate Futures on G-Sec and futures contracts of 91 Day GOI T-bills.

5.3 Final settlement of currency futures contract

All positions (brought forward, created during the day, closed out during the day) of a clearing member in currency futures contracts, at the close of trading hours on the last trading day, shall be marked to market at final settlement price (for final settlement) and settled in cash on T+2 day by debit/ credit of the clearing accounts of clearing members with the respective clearing bank.

5.4 Final Exercised settlement of currency options contract

On Expiry date, all open long in-the-money contracts shall be automatically exercised at the final settlement price and assigned on random basis to the open short position of the same strike and series. Exercise settlement shall be effected on last working day (excluding Saturdays) of the contract month. The last working day shall be taken to be the same as that for Interbank Settlements in Mumbai.



Exercise settlement in respect of admitted deals in option contracts shall be cash settled by debit/ credit of the clearing accounts of the relevant clearing members with the respective clearing bank on T+2 day. Option contracts, which have been exercised, shall be assigned and allocated to clearing members at the client level.

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

5.5 Final settlement for futures contract on cash settled Interest Rate Futures on G-Sec:

All open positions of a clearing member in futures contracts, at the close of trading hours on the last trading day of the contract, shall be settled in cash at final settlement price.

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

5.6 Final settlement of futures contracts on 91 Day GOI T-Bills

All positions (brought forward, created during the day, closed out during the day) of a clearing member in futures contracts on 91 Day GOI T-Bills, at the close of trading hours on the last trading day, shall be marked to market at final settlement price (for final settlement) and settled in cash on T+1 day by debit/ credit of the clearing accounts of clearing members with the respective clearing bank.



ITEM 6: 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:

6.1 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 C⁴**.

6.2 Maintenance and operation of clearing account

Primary Clearing Account

- i. Every clearing member shall maintain and operate a separate and distinct primary clearing account for the currency derivatives segment with any one of the designated clearing banks as mentioned above. The primary clearing account shall be used exclusively for clearing operations i.e., for settling funds obligation, payment of margins, penal charges, etc as may be specified by the Clearing Corporation from time to time.
- ii. All the credits and debits other than collateral enhancement specified by the member shall be routed through the primary clearing account.

Additional Clearing Account

- i. Further, every clearing member shall be able to maintain and operate additional clearing accounts with the designated clearing banks exclusively for the purpose of enhancement of collaterals in the form of cash and for providing EPI of funds through CIM.

6.3 Operation of Clearing Account

- i. Clearing members shall irrevocably authorize, as per the format given in **Part C⁵**, 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

⁴ Refer 'List of designated Clearing Banks and branches'

⁵ Refer 'Format of letter to be submitted by Clearing Member to Clearing Bank for operation of clearing account'



of the same along with the account particulars issued by the clearing banks.

- ii. Clearing members can deposit funds into these accounts in any form and can withdraw funds from these accounts only in self-name.
- iii. 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.
- iv. Clearing members shall not seek to close or de-activate the clearing accounts without the prior written consent of the Clearing Corporation
- v. 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.
- vi. 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.

6.4 Procedure for change in clearing banks

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

- i. The clearing member shall request the clearing bank in writing for issuing a No Objection Certificate (NOC) for shifting of the clearing account.
- ii. The clearing member shall request the Clearing Corporation in writing seeking its permission for shifting of the clearing account and enclose the NOC received from the existing 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 clearing bank in respect of the NOC request even after a minimum waiting period of a fortnight.
- iii. 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 clearing account issued by the clearing banks as mentioned in 6.3 above.
- iv. 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.

- v. 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 as mentioned in 6.3 above for such additional clearing account.



ITEM 7: LIQUID ASSETS

A member may deposit liquid assets in the form of cash, bank guarantees, fixed deposit receipts, approved securities and any other form of collateral as may be prescribed by the Clearing Corporation 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 and Gilt funds and any other form of collateral as may be prescribed by the Clearing Corporation from time to time. Non-cash component shall mean all other forms of collateral deposits like deposit of approved list of demat securities and units of the other mutual funds any other form of collateral as may be prescribed by the Clearing Corporation from time to time.

The 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 liquid assets.

7.1 Liquid Network

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

Liquid Network shall be computed as liquid assets less initial margin and extreme loss margin payable at any point in time.

The clearing member shall meet with the liquid network requirements prescribed by the Clearing Corporation at all points of time.

7.1.1 Minimum liquid network requirement for clearing members

Every clearing member of the Clearing Corporation is required to maintain a minimum liquid network of Rs.50 lakhs 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 (FDRs) issued by **Approved Banks**⁶, deposited with **Approved Custodians**⁷ or with Clearing Corporation.

⁶ Refer 'List of banks approved for issuing Bank Guarantees and FDRs' in Part C

⁷ Refer 'List of approved Custodians' in Part C



- c. Bank Guarantee in favour of National Securities Clearing Corporation Ltd. from Approved banks as per the format specified.
- d. Equity shares of approved companies and units of Exchange Traded funds in demat form deposited with Approved Custodian, as per list provided by Clearing Corporation.
- e. Government of India Securities/T-Bills, as per list provided by Clearing Corporation, 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.

NSCCL shall not accept Fixed Deposit Receipts (FDRs) and Bank Guarantees from members as collateral, which are issued by the member themselves or banks who are associate of member. Explanation - for this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012.

7.1.2 Non-fulfilment of Deposit Requirements

Any failure on the part of a clearing member to meet with the deposit requirements as given in 7.1.1 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.

7.2 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 7.1.1 above towards margins and/ or other obligations, may do so in any one or combination of the following forms:

- a. Cash
- b. Fixed Deposit Receipts (FDRs) issued by approved banks, deposited with approved custodians
- c. Bank Guarantee in favour of National Securities Clearing Corporation 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.
- e. Government of India Securities/T-bills, 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.

NSCCL shall not accept Fixed Deposit Receipts (FDRs) and Bank Guarantees from members as collateral, which are issued by the member themselves or banks who are associate of member. Explanation - for this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012

7.3 Guidelines for Submission of Deposits

7.3.1 Cash

Clearing members may submit deposit in the form of cash by making the required amount available in their respective clearing bank account, 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 members to log in through the internet. Members are 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 prescribed format in **Part C**⁸.

⁸ Refer 'Format of letter requesting activation of account in Collateral Interface for Members (CIM)'



The benefit of such cash deposit requests shall be subject to confirmation by the respective banks to the Clearing Corporation. A 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.

7.3.2 Fixed Deposit Receipt

7.3.2.1 Submission of Fixed Deposit

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: "NSCCL A/c CLEARING MEMBER NAME" or "Custodian Name" (as the case may be) - A/c CLEARING MEMBER NAME" and should be deposited with the Clearing Corporation or approved custodian.
- ii. Clearing members are required to issue a letter as per format in **Part C⁹** 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 the Clearing Corporation dues. .
- iii. Clearing members are required to submit a letter from the bank issuing the FDR to the approved custodian/ Clearing Corporation in the prescribed formats.
- iv. The minimum value of FDR that may be accepted shall be Rs.1 lakh. The FDR 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.
- v. The FDR should be payable at any of the branches situated in cities of: Mumbai, New Delhi, Chennai, Kolkata, Ahmedabad, and Hyderabad of the approved banks.
- vi. Member can additionally provide FDR's in electronic formats. The Procedure is as below:
 - a. Member approaches and requests the bank to create FDR and mark lien in favour of NSCCL, the process is same as for physical FDR.
 - b. Member submits required documents to the bank for creation of FDR and marking the lien, the process is same as for physical FDR. Additional information to be provided by the member to the bank is given below:

⁹ Refer 'Format of letter by member for submission of FDR to custodian' / 'Format of letter by member for submission of FDR to Clearing Corporation'



- Primary Member Code of the Segment
- Segment for which the FDR is required
- Security Deposit (SD) or Margin Deposit (MD)
- c. Bank issues FDR and marks lien in favour of NSCCL
- d. Bank sends the FDR information in electronic form to NSCCL
- e. NSCCL validates and if found correct passes on the benefit of the same to the member
- f. NSCCL sends a system generated e-mail and sms to member.
- g. To get intimation for addition and renewal of instrument through e-mail and sms, 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.
- h. The List of banks approved for issuance of E-FDR is provided in Part C¹⁰

7.3.2.2 Renewal of fixed deposit receipt

- i. 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.
 - Format of letter to be provided by Bank for Auto renewal of FDR to the Clearing Corporation - when there is change in FDR number
 - 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
- ii. In case of renewal of FDRs placed with Custodian, the clearing member shall furnish Clearing Corporation the renewal letter, as provided in part C, from the respective bank.
 - Format of letter to be provided by bank for auto renewal of FDR to the custodian - when there is change in FDR number.
 - Format of letter to be provided by Bank for auto renewal of FDR to the Custodian - when there is no change in FDR number
- iii. In case the renewed FDR/ fresh FDR is not submitted and whereby the member does not fulfill the security deposit requirements, action as provided in 7.1.2 above shall be applicable.
- iv. The procedure of renewal of E-FDR is as below
 - a. Member requests bank to renew the FDR
 - b. Members can also request banks to renew existing physical FDRs in electronic form.

¹⁰ Refer ‘List of Approved Banks for issuance of FDRs in Electronic form’



- c. Member submits the required documents to the bank for renewal of FDR, the process is same as for physical FDR. Additional information to be provided by the 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 renews the FDR.
- e. Bank sends the renewed FDR information in electronic form to NSCCL
- f. NSCCL validates and if found correct renews the FDR
- g. NSCCL sends a system generated e-mail and sms to member.

In case the renewed FDR/ fresh FDR is not submitted and whereby the member does not fulfill the deposit requirements, actions as provided in 7.1.2 above shall be applicable.

7.3.3 Bank Guarantees

7.3.3.1 Submission of Bank guarantee

The acceptance of the bank guarantees by the Clearing Corporation shall be subject to the bank-wise and member-wise limits as are stipulated from time to time. The Clearing members may submit bank guarantees per bank to the extent prescribed below:

Net worth (NW) of the banks *	Applicable total limit per clearing member across all segments
Rs. 100 crores $\leq$ NW < Rs. 200 crores	Rs. 5 crores
Rs. 200 crores $\leq$ NW < Rs. 500 crores	Rs. 10 crores
Rs. 500 crores $\leq$ NW < Rs. 1000 crores	Rs. 15 crores
Rs. 1000 crores $\leq$ NW < Rs. 2000 crores	Rs. 25 crores
Rs. 2000 crores $\leq$ NW < Rs. 3000 crores	Rs. 35 crores
$\geq$ 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. Members are advised to check their applicable limit before getting their bank guarantees issued.

Based on the category of the 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
Professional Clearing Members in F&O segment / Custodian Clearing Members in Capital Market	Rs. 200 crores
Trading Cum Clearing Members in F&O segment	Rs.100 crores
Other categories of the members	Rs. 50 crores

Further, the maximum value of bank guarantees that can be issued by the primary clearing bank on behalf of their clearing member shall be as under:

Category of member	Applicable total limit per clearing member across all segments
Professional Clearing Members in F&O segment / Custodian Clearing Members in Capital Market	Rs.250 crores
Trading Cum Clearing Members in F&O segment	Rs.125 crores
Other categories of the members	Rs.62.50 crores

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

Category of member	Applicable total limit per clearing member across all segments
Professional Clearing Members in F&O segment / Custodian Clearing Members in Capital Market	Rs. 1500 crores
Trading Cum Clearing Members in F&O segment	Rs. 750 crores
Other categories of the members	Rs. 500 crores

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

Additionally, 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 for **Fungible Bank guarantee**¹¹ and Format for **Non Fungible Bank guarantee**¹², prescribed by the Clearing Corporation.
- ii. 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.
- iii. 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 by 7 days, which would be considered as the claim period of the bank guarantee.
- iv. While filling the details in a bank guarantee, 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 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.

7.3.3.2 Renewal of Bank guarantee

In case of renewal of bank guarantees, the clearing members shall furnish the renewal document strictly in the prescribed format in **Part C**¹³ before the date of expiry / maturity date of the bank guarantee.

¹¹ Refer 'Format of Bank Guarantee for Margin Deposit and Security Deposit (Fungible)' 'Format of Clearing Member Letter for submission of Fungible Bank Guarantee to NSCCL' in Part C

¹² Refer 'Format of Bank Guarantee for Margin Deposit and Security Deposit (Non Fungible)' in Part C

¹³ Refer '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 member does not fulfill the deposit requirements, action as provided in 7.1.2 above shall be applicable.

7.3.3.3 Reminder letters through extranet

Reminder letters shall be downloaded on a monthly basis through the extranet in respect of the Bank Guarantees and Fixed deposits that are due for renewal in the following month (Path: /CDSFTP/X<MEMBER CODE>/LETTERS/DNLD). Further the file naming convention for the same shall be X_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 fixed deposit receipts within the stipulated period to avoid any action as provided in 7.1.2 above.

7.3.4 Securities

7.3.4.1 Eligible securities

Clearing Members are permitted to deposit shares of approved companies and units of mutual fund 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 in this regard. These securities shall be pledged in favour of National Securities Clearing Corporation 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 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 member in the particular segment, with NSCCL 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_ddmmmyyyy.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.

7.3.4.2 Securities not approved for acceptance

The following securities shall not be accepted as liquid assets:

1. Partly paid securities
2. 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.

7.3.4.3 Ownership of Securities

The securities that may be deposited, shall be subject to the legal and beneficial ownership of the 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.

In case of reconstitution / restructuring or any change in the partners /directors of the clearing member, as applicable, a Clearing Member shall be required to replace the securities belonging to such outgoing partners /directors immediately. The custodians shall be required to exercise due care for such replacement of securities and reporting thereof to the Clearing Corporation.

7.3.4.4 Opening of accounts:

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.

7.3.4.5 Marking of pledge

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



Custodians from time to time including the Deed of Pledge as per the specified format in **Part C**¹⁴.

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

7.3.5 Government of India Securities as Collaterals

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

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

- i. Clearing member desirous of providing G-Sec/T-Bills shall enter into an agreement with the Clearing Corporation as per prescribed format in **Part C**¹⁵
- ii. Clearing Corporation shall prescribe list of G-Sec/T-Bills that shall be eligible for acceptance as collateral from time to time.
- iii. G-sec/T-bill shall be accepted as collateral only in electronic form. The members desirous of providing G-Sec/T-Bills as collateral shall be required to enter the transaction through its custodian/bank on E-Kuber under Margin Transfer Module by 3.30 pm. The member shall further be required to put request for addition of GSEC in Collateral Interface for Members (CIM) under menu option "EMI – GSEC Deposit – Request / Enquiry-Request." The Clearing member is required to submit a fax request for addition as per prescribed format in **Part C**¹⁶. Clearing Corporation shall confirm the transaction entered on the E-Kuber, based on the information received from members through fax.

¹⁴ Refer following formats in Part C

- 'Format of deed of pledge for clearing members for deposit of securities for Security deposit'
- 'Format of deed of pledge for other than Clearing Members for deposit of securities for security deposit'
- 'Format of deed of pledge for Clearing Members for deposit of securities for margin deposit'
- 'Format of deed of pledge for other than Clearing Members for deposit of securities for margin deposit'

¹⁵ Refer 'Format of agreement for placing G-Sec/T-Bills as collaterals' in Part C

¹⁶ Refer 'Format of letter to be given by the member for request of G-Sec / T-bills addition'



- iv. The details of SGL-II account is as follows:
- | | | |
|------|----------------------|--|
| v. | Name of the Account: | National Securities Clearing Corporation Limited |
| vi. | Member ID | BYA00168 |
| vii. | SGL – II A/c No. | SG020168 |
- viii. The benefit of G-Sec/T-bills provided as collaterals shall be passed on to the members on G-Sec/T-Bills being transferred to the SGL-II account of the Clearing Corporation.
- ix. For release of G-Sec / T-bills, the member shall put the request for release of GSEC in Collateral Interface for Members (CIM) under menu option “Collateral Release-New request / Inquiry – Release request”.. The G-sec/T-bill released by the Clearing Corporation shall be entered on E-Kuber under Margin Transfer Module. The member is required to submit a fax request for release as per prescribed format in **Part C¹⁷**. The members shall ensure that such transactions are approved on E-Kuber by their custodian/Banks.
- x. G-Sec/ T-Bill can be alternatively provided to NSCCL in dematerialized form, through creation of pledge in demat account, on lines of securities. In this case the process for acceptance of G-Sec/ T-Bill as collaterals is similar to acceptance of of ‘SECURITIES’ as collateral.
- xi. G-Sec/T-Bill shall be valued daily based on previous day’s MTM prices as specified by CCIL.
- xii. A hair cut of 10% shall be applied on the value of G-Sec/T-bill provided as collateral by the member. The value after applying the hair cut shall be added to the cash component of the liquid assets of the member.
- xiii. Periodic coupon / Redemption payments received on the G-Sec/T-Bills provided by the member shall be passed on to the members by the Clearing Corporation upon the receipt of relative interest from Reserve Bank of India on immediate/ next working day by NSCCL.

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.

7.3.6 Foreign Sovereign Securities 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:

¹⁷ Refer ‘Format of letter to be given by the member for request of G-Sec / T-bills release’



- i. Only US Government securities with 'AAA' rating shall be eligible to be provided as collateral.
- ii. 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 C¹⁸**.
- iii. The clearing members shall be required to execute the following agreements as per prescribed formats in **Part C¹⁹** before providing foreign sovereign securities as collaterals to the Clearing Corporation
 - a. Clearing member- Clearing Corporation
 - b. Clearing member-FII agreement
 - c. Indian Deed of pledge in favour of Clearing Corporation
 - d. New York Collateral Annex
 - e. Account control agreement
- iv. 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 prescribed format in **Part C²⁰**.
- v. 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.
- vi. 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
- vii. 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.
- viii. The clearing member may request for release of foreign sovereign securities to the Clearing Corporation as per the prescribed format in **Part C²¹**.

7.3.7 Open ended mutual fund units as Collaterals

Units of mutual funds are also accepted as in dematerialized form as approved collaterals through approved custodians.

¹⁸ Refer 'List of Approved Custodians for Foreign Sovereign Securities'

¹⁹ Refer 'Documents for acceptance of foreign sovereign securities as collateral in part 'C'

²⁰ Refer 'Format of clearing member- constituent agreement for clients providing foreign sovereign securities as collateral' in part C

²¹ Refer 'Format of letter to be provided by clearing member for release of foreign sovereign securities' in Part C



The list of eligible open ended mutual fund schemes along with the marketwide acceptable quantity shall be disseminated by NSCCL on monthly basis along with the approved list of securities. The valuation of units of the mutual funds shall be done on daily basis based on the VaR margin computed using NAV of the mutual fund scheme and exit load. The total value of mutual funds units provided as non cash portion of the liquid assets shall not exceed 25% of the liquid assets of the respective member.

7.4 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 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 fulfillment 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 Collaterals Interface for Members (CIM) is provided for submission of release requests of collaterals. The 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 file is prescribed in **Part C²²**.

7.4.1 Collection of released collaterals submitted to NSCCL

The representative of the members coming to collect released FDR/ BG is required to carry an authorization letter.

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

7.5 Intraday transfer of Collaterals

An additional facility is provided in the Collateral Interface for Member (CIM) to enable members to transfer collaterals from one segment to other segment on an intraday basis. 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, Fixed Deposit Receipts and Bank guarantee (BGN) only. Further, as per membership circular download reference no. NSE/MEMB/13696 dated December 16,

²² Refer 'File format for requesting collateral releases' in part C



2009, members shall also be able to request to avail excess Interest Free Security Deposit over the minimum amount stipulated regulatorily in the other segments as collateral towards the margin requirements using the said facility.

The modalities of intraday transfer are mentioned below:

- i. The facility of transfer of collaterals shall be available to clearing members.
- ii. The facility of intra day transfer shall be available for Instrument Type Cash (CHQ) ,Fixed Deposit Receipt (FDP) & Bank guarantee (BGN). .
- iii. Member shall request for transfer of collaterals in Collateral Interface for Members (CIM) under menu option “Collateral Release – New Request/inquiry - Transfer Request”.
- iv. Transfer request received from the members via CIM shall be treated as request from the members and no separate transfer letter need to be submitted for transfer of Instrument Type Cash (CHQ) Fixed Deposit Receipt (FDP) and fungible Bank Guarantee (BGN).
- v. In case of non fungible Bank guarantee the member is further required to submit a letter as per format in **Part C²³** to Clearing Corporation requesting for the same, and an amendment letter as per format in **Part C²⁴**, executed on a Rs. 100 Stamp paper from the respective bank..
- vi. Intra day transfer shall be subject to maintenance of minimum deposits as per regulatory requirement and current applicable parameters.
- vii. 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”.

²³ Refer ‘Format of Member Letter for shifting Non Fungible Bank Guarantee’ in Part C

²⁴ Refer ‘Format of Bank amendment letter for shifting Non Fungible Bank Guarantee’ in part C



ITEM 8: 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:

8.1 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 Standard Portfolio Analysis of Risk (SPAN®) margins, premium margin, assignment margin, futures final settlement margin and such other additional margins, that may be specified by the Clearing Corporation from time to time.

8.2 Computation of Initial Margin

Clearing Corporation shall adopt SPAN® system or any other system for the purpose of real time initial margin computation.

The SPAN methodology shall be adopted to take an integrated view of the risk involved in the portfolio of each individual client. Initial Margin requirement shall be based on a worst scenario loss of a portfolio of an individual client comprising his positions in options and futures contracts on the same underlying across different maturities and across various scenarios of price and volatility changes. Initial margin requirements shall be based on 99% value at risk over a one day time horizon. However, in the case of futures contracts, where it may not be possible to collect mark to market settlement, before the commencement of trading on the next day, the initial margin shall be computed over a two day time horizon by applying an appropriate statistical formula. The methodology for computation of value at risk percentage shall be as per the recommendations of SEBI from time to time.

The initial margin computation methodology for Futures on 91 Day GOI T-Bills is specified in **Part C**²⁵.

The initial margin computation methodology for SPAN® is detailed as **Part C**²⁶.

²⁵ Refer 'Initial margin computation methodology for futures on 91 day GOI/ T-bill' in part C

²⁶



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[®] Margin, various parameters shall be as specified hereunder or such other parameters as may be specified by the relevant authority from time to time.

8.2.1 Price Scan range and Volatility Scan Range

Price Scan Range

The Price Scan Range shall be taken as three and half standard deviations (3.5 sigma) or such other price scan range as may be specified by the relevant authority from time to time. The standard deviation (volatility estimate) shall be computed using the Exponentially Weighted Moving Average method (EWMA).

The estimate at the end of time period t (σ_t) shall be estimated using the volatility estimate at the end of the previous time period. i.e. as at the end of $t-1$ time period (σ_{t-1}), and the return (r_t) observed in the futures market during the time period t . The formula shall be as under:

$$(\sigma_t)^2 = \lambda (\sigma_{t-1})^2 + (1 - \lambda) (r_t)^2$$

where

- λ is a parameter which determines how rapidly volatility estimates changes. The value of λ is fixed at 0.94.
- σ (sigma) means the standard deviation of daily returns in the currency futures market.
- The "return" is defined as the logarithmic return: $r_t = \ln(C_t/C_{t-1})$ where C_t is the Currency futures price at time t .

Volatility Scan Range

The volatility scan range for generating the scenarios would be 3% or such other percentage as may be specified by the Clearing Corporation from time to time.

8.2.2 Updation of risk parameters

The parameters for computation of span margin shall be updated as specified by the relevant authority from time to time. The parameters shall be updated 5 times in the day for currency derivatives, based on the prices at 11:00 a.m., 12:30 p.m., 2:00 p.m., end of



the day and begin of the day. For the purpose of intra-day updation of G-Ssec future contract , the future price of the G-Sec contract shall be used and for 91-Day T-Bill Futures the previous day futures closing yield of 91 day GOI T-Bill futures shall be used and updated 6 times a day as per time lines prescribed above. Risk parameters generated based on the updated parameters shall be provided on the exchange website at www.nseindia.com. Additional risk parameter file containing Interest Rate Futures and Currency derivatives contracts shall be provided. The format and naming convention of this file is provided in <http://www.nseindia.com/>.

8.2.3 Net Option Value (Currency Options)

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 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 currency options positions.

8.2.4 Premium Margins (Currency Options)

Premium Margin shall mean and include premium amount due to be paid to the Clearing Corporation towards premium settlement, at the client level. For option positions, the premium shall be paid in by the buyers in cash and paid out to the sellers in cash on T+1 day. Until the buyer pays in the premium, 100% premium due shall be levied as premium margins on an upfront basis. Premium margin shall be levied till the completion of pay-in towards the premium settlement.

8.2.5 Calendar Spread Margins

A currency futures position in one expiry month which is hedged by an offsetting position in a different expiry month would be treated as a calendar spread. 91 Day GOI T-bills futures position at one maturity hedged by an offsetting position at a different maturity would be treated as a calendar spread. The following calendar spread margins shall be levied:

Contract	USDINR	EURINR	GBPINR	JPYINR	91 Day GOI T-bills	Cash settled IRF on G-Sec
Applicable calendar spread margins	The calendar spread margin shall be at a value of Rs. 400 for a spread of 1 month; Rs 500 for a spread of 2 months, Rs	Rs.700 for spread of 1 month, Rs.1000 for spread of 2 months & Rs.1500 for spread of 3 months or more	Rs.1500 for spread of 1 month, Rs.1800 for spread of 2 months & Rs.2000 for spread of 3 months or more	Rs.600 for spread of 1 month, Rs.1000 for spread of 2 months & Rs.1500 for spread of 3 months or more	Rs.100/- for spread of one month, Rs 150/- for spread of two months. Rs 200/- for spread of three months and Rs 250/- for	Rs.1500 for one month spread, Rs.1800 for two months spread, Rs 2100/- for spread of three months and Rs 3000/- for



	800 for a spread of 3 months and Rs 1000 for a spread of 4 months or more			months or more	spread of four months and beyond	spread of four months and beyond
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The margins for options calendar spread shall be same as specified for USD-INR currency futures calendar spread. The margins for calendar spread shall be calculated on the basis of delta of the portfolio in each month. A portfolio consisting of a near month option with a delta of 100 and a far month option with a delta of –100 would bear a spread charge equal to the spread charge for a portfolio which is long 100 near month currency futures and short 100 far month currency futures

The benefit for a calendar spread would continue till expiry of the near month contract.

8.2.6 Minimum Margins:

The following minimum futures margins shall be levied:

Contract	USDINR	EURINR	GBPINR	JPYINR	Cash settled IRF on G-Sec	Futures on 91 Day GOI T-bills
Minimum Margin %	1.00%	2.00%	2.00%	2.30%	1.5%. (subject to a minimum of 2.8% on first day of trading)	0.05% (of the notional value of the futures contract which shall be Rs 200000).

The minimum margin percentage shall be scaled up by look-ahead period as may be specified by the Clearing Corporation from time to time. The initial margin shall be deducted from the liquid net worth of the clearing member on an online, real time basis.

8.2.7 Futures Final Settlement Margin (Currency and 91 Day GOI T-bills Futures)

Futures Final Settlement Margin shall be levied at the clearing member level in respect of the final settlement amount due. The final settlement margins shall be levied from the last trading day of the contract till the completion of pay-in towards the Final Settlement.



8.2.8 Assignment Margins (Currency Options)

Assignment Margin shall be levied on assigned positions of the clearing members towards exercise settlement obligations for option contracts. For option positions exercised, the seller of the options shall be levied assignment margins which shall be 100% of the net exercise settlement value payable by a clearing member towards exercise settlement. Assignment margin shall be levied till the completion of pay-in towards the exercise settlement. Assignment margins shall be computed as net of assignment settlement and futures final settlement

8.3 Extreme Loss margins

Clearing members shall be subject to extreme loss margins in addition to initial margins as follows:

Contract	USDINR	EURINR	GBPINR	JPYINR	Cash settled IRF on G-Sec	Futures on 91 Day GOI T-bills
Extreme loss margin % for futures	1%	0.30%	0.50%	0.70%	0.5%	0.03%
Extreme loss margin % for options	1.5%	NA	NA	NA	NA	NA

The applicable extreme loss margin for futures shall be calculated on the mark to market value of the gross open positions or as may be specified by the relevant authority from time to time. In case of currency options extreme loss margin shall be calculated on the Notional Value of the open short option position. Notional Value for this purpose shall be calculated on the basis of the latest available Reserve Bank Reference Rate for USD-INR. In case of futures on 91 Day GOI T-bills the extreme loss margin shall be based on the notional value (Rs 200000) of the contract for all gross open positions of the futures contract or as may be specified by the relevant authority from time to time.

In case of calendar spread positions in currency futures contracts, extreme loss margin shall be levied on one third of the mark to market value of the open position of the far month contract. In case of calendar spread positions in 91-Day GOI T-bill futures extreme loss margin will be 0.01% of the notional value (Rs 200000) of the far month contract. In case of calendar spread positions, of cash settled IRF on G-Sec, extreme loss margin will be 0.01% of the value of the far month contract.

Extreme Loss margin requirement shall be computed as under:



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.

8.4 Imposition of additional margins

As a risk containment measure, the Clearing Corporation 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 extreme loss margin, which are or may have been imposed from time to time.

8.5 Mode of payment of margin

Clearing members shall provide for margin in any one or more of the eligible collateral modes as detailed in Item 6 above. The margins shall be collected /adjusted from the liquid assets of the member on a real time basis

8.6 Payment of margins

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

Members are required to collect initial margins 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 12.

8.7 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 12. 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.

8.8 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. Such limits may be set up by the clearing member, at any time up to the time specified by the Exchange/Clearing Corporation through the facility as may be provided on the trading system of the Exchange, or such other facility provided 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. In case total margin (Initial margin plus Extreme loss margin) for a Trading member exceeds collateral limit set for it by its clearing member, the same shall be treated as violation and NSCCL may advise the Exchange to withdraw trading facilities of the trading member and additionally levy penalty similar to 'Non fulfillment of initial margin obligations' as specified in Item 'VIOLATIONS & PENALTIES'. 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.

The Collateral limit set up by clearing members for trading members in Currency Derivatives Segment shall be assessed against total margin i.e. initial margin plus extreme loss margin for each trading member.

8.9 Risk Reduction Mode at 95%



To enhance the risk management capabilities of the members and to avoid a situation of disablements, member shall be compulsorily placed in risk reduction mode when 95% of the member's capital is utilized towards margins. When a member moves in to risk reduction mode –

- All unexecuted orders shall be cancelled
- Fresh orders placed by members to reduce open positions shall be accepted.
- 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
- Fresh orders can be placed for immediate or cancel (IOC) only
- Members will be able to trade in normal mode as and when the utilisation goes below 90%.

Additionally

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

8.10 Voluntary Close out facility

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

Clearing/ trading members can voluntarily define for Margins, an upper limit, beyond which they shall move into Risk Reduction mode and a lower limit below which they shall move out of Risk Reduction mode.

These limits shall be defined in NCMS-CD 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 as given in 8.9 above. Member shall be allowed to modify the lower limit in Voluntary close out mode.



ITEM 9: POSITION LIMITS

SEBI has stipulated position limits for Trading member (TM) derivatives contract based on permissible currency pair, 91 day T-Bill and year G-Sec. Additionally it has stipulated position limit for foreign portfolio Investors (Category I and II).

9.1 POSITION LIMIT FOR TMS AND FPI (CATEGORY I & II)

9.1.1 CURRENCY DERIVATIVES

Currency Pair	Position limits
USD-INR	For Non-Bank Trading member and FPI (I and II): Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher. For Bank trading member as authorized by RBI: Gross open position across all contracts shall not exceed 15% of the total open interest or USD 1 billion, whichever is higher.
EUR-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 50 million, whichever is higher.
GBP-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 50 million, whichever is higher.
JPY-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or JPY 2000 million, whichever is higher.

Within the applicable position limits, position taken by the FPIs in the currency derivative segment is subject to the following conditions:

- a. Foreign Portfolio Investors (FPIs) may take long as well as short positions per stock exchange upto the following limit without having to establish the existence of any underlying exposure:
 - i. USD-INR currency pair: USD 15 million;
 - ii. EUR-INR, GBP-INR and JPY-INR currency pairs (all put together): USD 5 million.
- b. FPIs shall ensure that their short positions (Short Futures, Short Calls, and Long Puts) at a stock exchange across all contracts in USD-INR pair do not exceed USD 15 million and do not exceed USD 5 million in EUR-INR, GBP-INR and JPY-INR pairs, all put together.
- c. To take long positions in excess of USD 15 million in USD-INR pair and in excess of USD 5 million in EUR-INR, GBP-INR and JPY-INR pairs, all put



together, FPIs shall be required to have an underlying exposure in Indian debt or equity securities, including units of equity/debt mutual funds.

9.1.2 CASH SETTLED IRF ON G-SEC

The gross open positions of the Trading member and FPI category (I and II)/ Mutual Fund/ Insurance Companies /Housing Finance Companies/Pension Funds Level across all contracts within the respective maturity bucket shall not exceed 10% of the total open interest in the respective maturity bucket or INR 600 crores, whichever is higher.

The total gross short (sold) position of each FPI in IRF contracts shall not exceed its long position in the government securities and in Interest Rate Futures, at any point of time. The total gross long (bought) position in cash and IRF markets taken together for all FPIs shall not exceed the aggregate permissible limit for investment in government securities for FPIs. FPIs shall ensure compliance of these limits.

The daily position limit applicable for TM/FPI and Client shall be made available via existing daily position limit file. A new file shall be made available on our website to enable members to identify and map the underlying bonds to respective maturity buckets. The name of the file shall be TENURE_SYMBOL_MAP_DD-MON-YYYY.lst and the format of the file format is as given below.

Column No	Headers	Field Characteristics	Details
1	Instrument – Tenor	VARCHAR2 (10)	Alpha numeric 10 character unique code
2	Symbol	VARCHAR2 (10)	Symbol

Additionally NSCCL shall provide file for Exchange wide position limit (File name EWPL_DDMMYYYY.csv), containing following details:

1. Date
2. ISIN of the underlying bond
3. Underlying NSE Symbol
4. EWPL (in terms of number of contracts)
5. Current day Open Interest (in terms of number of contracts)
6. Permissible limits for next day (in terms of number of contracts)

9.1.3 FUTURES ON 91 DAY GOI T-BILL



The gross open positions of the Trading member across all contracts should not exceed 15% of the total open interest or Rs.1000 crores whichever is higher.

9.2 EXCHANGE WIDE POSITION LIMIT

9.2.1 CASH SETTLED IRF ON G-SEC

Exchange level overall open interest on all IRF contracts on each underlying shall not exceed 25% of the outstanding of underlying bond.



ITEM 10: CUSTODIAL PARTICIPANTS

10.1 Procedure for allotment of custodial participant codes

The procedure for issuance of custodial participant code by NSCCL is as follows:

- Clearing members shall log in to Collateral Interface for Members (CIM) application on Connect2NSE (C2N) platform 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 CIM 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 CIM shall be X_<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**²⁷.

10.2 Auto approval of Custodial Participant (CP) trades

NSCCL has provided additional facility of auto approval of custodial participant trades, coexisting with the existing mechanism of CP trade confirmation.

- Setting limits for CP
 - Clearing members (CM) may set the margin limit for their CP codes
 - Limits shall be a number 0 to n.
 - CM shall not set limit as unlimited

²⁷ Refer 'File format of application for activation / deactivation of custodial participant code'



- d. CM 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 CM for that CP
 - b. Such trades which are auto approved cannot be rejected
 - c. Margins shall be imposed on CM of CP, similar to those trades which are confirmed by CM
 - d. Settlement obligation arising out of such CP trades shall be marked to the CM of CP, similar to those trade which are confirmed by CM
- iv. If the limit of CP is inadequate
- a. The trades shall be subject to margins on the executing Trading Member (TM) as per current procedure
 - b. Such trades shall be available for approval / rejection by the CM as per current procedure

Please refer to the 'Operating procedure for setting/ modifying CP limit in NCMS' given in **Part C²⁸**.

²⁸ Refer 'Operating procedure for setting/ modifying CP limit in NCMS'



ITEM 11: 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:

11.1 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, 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.

11.2 Close-out facility

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

- i. On disablement, trading members shall be allowed to place close-out orders through this facility
- ii. Only orders which result in reduction of existing open positions at a client level shall be accepted through the close-out facility
- iii. Trading members shall not be allowed to create any fresh position in the close-out mode
- iv. Trading members shall not be allowed to place close out orders with custodial participant code
- v. 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 and Regulations

11.3 Close out Facility by Clearing Member on Behalf of Trading Member

An online facility shall be provided to clearing members in the Currency Derivatives Segment to close out open positions of their trading members whose trading facility is withdrawn for any reason. Such facility is provided, subject to conditions specified here in below and that as may be specified from time to time:

- i. Clearing members shall be required to send a written intimation (fax) to the Clearing Corporation containing a list of trading members for which they would like to close-out positions in the format provided in **Part C²⁹**.
- ii. 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 closeout by the clearing member and requested for such facility as per point 1 above.
- iii. 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.
- iv. Clearing members shall not be allowed to create any fresh position for their trading member in the close-out mode.

²⁹ Refer 'Format of application of close out facility by Clearing Member on behalf of Trading Member'



- v. Clearing members shall not be allowed to place close out orders with custodial participant code.

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



ITEM 12: CORE SETTLEMENT GUARANTEE FUND

12.1 Core Settlement Guarantee Fund

NSCCL has established the Core Settlement Guarantee Fund(Core SGF) for Capital Market 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. NSCCL shall compute the Minimum Required Corpus (MRC) for cash market which shall be subject to the following;

- i. The MRC shall be fixed for a month.
- ii. By 15th of every month, NSCCL shall review and determine the MRC for next month based on the results of daily stress tests of the preceding month. NSCCL 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.
- iii. For every day of the preceding month, uncovered loss numbers shall be estimated by the various stress tests for credit risk conducted by the NSCCL for the segment and highest of such numbers shall be taken as worst case loss number for the day.
- iv. Average of all the daily worst case loss numbers determined in (3) shall be calculated.
- v. The MRC for next month shall be higher of the average arrived in at step (4) and the segment MRC as per previous review.

12.2 Contribution to Core SGF

The contribution to core SGF for Cash Market Segment from various contributors shall be as follows;

- i. NSCCL contribution to core SGF will be minimum 50% of MRC of each segment. NSCCL shall make this contribution from its own funds. NSCCL contribution to core SGFs will be considered as part of its net worth.
- ii. NSEIL contribution to core SGF will be minimum 25% of MRC (can be against transfer of profits by NSEIL as per Regulation 33 of SECC Regulations).



- iii. The total contribution from 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 CMs on their contribution to core SGF. The required contributions of individual CMs shall be assessed pro-rata based on the risk they bring to the system.

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

Penalties levied by NSCCL

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

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.

12.3 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 13: CLIENT MARGIN REPORTING

In pursuance of Regulation 4.6, provisions relating to Client margin reporting are prescribed as under:

Client Margin Reporting:

Clearing/Trading members are required to collect margins (initial margin and extreme loss margin) 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 in accordance with the procedure and formats specified hereunder or as may be specified by the Clearing Corporation from time to time:

13.1 Files to be submitted by the member

The files can be uploaded either through the Collateral Interface for Members (CIM) using the client margin file upload menu (CIM>Client Margin>File upload) or through the extranet server in the directory /CDFTP/F<MEMBERCODE>/COLAT/UPLD. Members can upload client margin reporting files at any time during the day through CIM.

The name of the file to be uploaded by the trading member is X_MRG_TM_<DDMMYYYY>_nn.CSV and that by the clearing member is X_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 in the following directory on the Extranet Server: /CDSFTP/X<MEMBER CODE>/COLAT/UPLD, where 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:

- i. Member are not required to provide member code in the file name
- ii. 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 two 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.
- iii. If a member uploads a file with incorrect name, such files shall not be picked up by the Clearing Corporation. However, in order to facilitate members to ascertain file upload failure, the same file shall be renamed as “<filename>.failed” in the respective member folder (Path: /CDSFTP/X<MEMBER CODE>/COLAT/UPLD). Members are requested to check for such files in the member folder on the extranet and reload the file with the correct file name convention.
 - iv. If a member uploads a file with zero bytes, such files shall not be picked up by the Clearing Corporation. However, in order to facilitate members to ascertain file upload failure, the same file shall be renamed as “<filename>.failed” in the member folder (Path: /CDSFTP/X<MEMBER CODE>/COLAT/UPLD). The member shall also be provided a return file (Path: /CDSFTP/X<MEMBER CODE>/COLAT/DNLD) which is a “FAILURE” file. Members are requested to check for such files in the member folder on the extranet and reload the fresh file with the **same** batch number.
 - v. 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.
 - vi. 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:

- i. Each row of the margin file MG12 provides the details of margins for a proprietary account of trading member and / custodial participant/, as per the code entered by the members at the time of order entry. NSCCL 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.
- ii. Each row of the margin file MG13 provides the details of margins for a specific trading member/client code, as per the code entered by the members at the time of order entry.
- iii. Members are required to add a comma and the margin amount collected figure at the end of each row (for each trading member/client/constituent) in the file representing the actual initial margin amount collected from that trading member/client/constituent as the case may be.
- iv. This figure for initial margin amount collected, appended by the member should not be negative.



- v. 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.

13.2 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.

The return file for member shall be placed in the extranet directory /CDSFTP/X<MEMBERCODE>/COLAT/DNLD. The return file would be provided on succeeding working day, after the file is loaded. 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 or through CIM, with incremental batch number anytime prior to Trade date +5 working days.

Two types of return files are generated for the members

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

i. Rejected Files –

File Naming convention: X_MRG_TMF_MEMBER CODE_ <DDMMYYYY>_nn.CSV for trading members and X_MRG_CMF_MEMBER CODE_ <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, 2008 on September 11, 2008, 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, 2008 with file names X_MRG_TM_12092008_01.CSV and X_MRG_TM_12092008_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'.

ii. Processed File Records –

File Naming Convention: X_MRG_TMR_MEMBER CODE_<DDMMYYYY>_nn.

CSV for trading members and X_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

1. 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.
2. 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.

13.3. Sign-off date

The cut off day up to 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.

13.4. 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.

13.5 Penalty for short / non-reporting of client margin



Penalty shall be levied in case of short/ non-reporting by trading/clearing members as per Item 14

13.6 Letters for penalty

Letters for client margin penalty shall be downloaded to the members through extranet into their respective folders. (Path: /CDSFTP/X<MEMBER CODE>/LETTERS/DNLD)

13.7 No Margin Liability

Clearing/trading members who have no margin liability i.e. 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 margin is zero for a client, such clients shall not be reflected in MG 12 and MG 13 files.

13.8 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.



ITEM 14: VIOLATIONS & PENALTIES

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

14.1 Violations

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 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 by the relevant authority from time to time.

14.1.1 Non fulfilment of initial margin obligations

When the initial margin liability of a clearing member exceeds his effective deposit less minimum liquid networth, 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 point 14.1.6 shall be levied for Non fulfilment of initial margin obligations.

14.1.2 Non fulfilment of settlement obligations

Non-fulfilment of settlement obligation towards settlement of contracts traded on currency derivatives segment 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 members.

In case of settlement shortage of less than Rs.5 lakhs 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

14.1.3 Non fulfilment of minimum deposit requirement

Any failure on the part of a clearing member to meet with the minimum liquid network requirements, at any point of time, shall be treated as a violation.

In case of shortage in minimum liquid network 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 liquid network requirement of less than Rs.5 lakhs 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.

14.1.4 Extreme loss margin violation

When the extreme loss margin of a clearing member exceeds his effective deposit less initial margin and minimum liquid network, 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 point 14.1.6 shall be levied for extreme loss margin obligations.

14.1.5 Position limit violation

14.1.5.1 Trading member position limit violation

When the open position in a currency pair/ interest rate future of any trading member, exceeds the specified limit at any time, including during trading hours, it shall be treated as a violation.

1. The Trading Member shall be restrained from taking any further positions only in respect of currency pair/ interest rate future in which there is violation and Trading Members shall be required to bring their positions within the specified limit.
2. Trading members may use the existing close-out facility to place close-out orders in respect of currency pair/ interest rate future in which there is violation.
3. Trading Members shall be allowed to create fresh positions in other currency pair/ interest rate future except for the currency pair/ interest rate future in which there is violation.
4. The position limit linked to the open interest shall be applicable at the time of opening a position. Such position shall not be required to be unwound in the event of a drop of total open interest in a currency pair at the stock exchange.

Additionally, penalty as mentioned in point 13.1.6 shall be levied for trading member position limit violation.

14.1.5.2 Foreign Portfolio Investor position limit violation

Primary onus for ensuring compliance with position limits shall rest with the FPI. When the open position in a currency pair/ interest rate future of any FPI, exceeds the specified limit at any time, including during trading hours, it shall be treated as a violation.

1. In the event a FPI breaches specified limits, the FPI shall not take further positions in the currency pair/ interest rate future, on which the FPI has violated the position limits.
2. FPI position limit breach shall be monitored on the basis of end of day positions.
3. Letter for position limit breach shall be downloaded to the clearing member of the FPI through extranet into their respective folders. (Path: /CDSFTP/X<MEMBER CODE>/LETTERS/DNLD).
4. Penalty for any of the position limit violation by FPI shall be levied as mentioned in Item 14.1.7
5. NSCCL shall additionally download details on the **FPI's day-end open positions**³⁰ and **FPI's day's highest open positions**³¹ in currency pair at end of day to the custodians of securities of the FPI.

³⁰ Refer 'Format of report for FPI end of day open position' in Part C



14.1.6 Penalty and penal charges for margin/limit violation

In respect of violation mentioned in point 14.1.1, 14.1.4 and 14.1.5.1 above 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:

Instances of Disablement	Penalty to be levied
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 be applicable on all disablements due to margin violation anytime during the day. The penal charge of 0.07% per day shall not be applicable on disablements due to limit violation.

14.1.7 Client level position limit violation

When the open position of any client in currency pair/ interest rate future, exceeds the specified limit at the end of the day the same shall be treated as a violation. In the event of violation, a penalty of Rs. 5,000/- per violation / per client shall be levied to the Clearing members for every day of violation. 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.

14.1.8 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.

14.1.9 Short / non-reporting of client margin

³¹ Refer 'Format of report for FPI intraday highest position' in Part C



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

Short collection for each client	Penalty percentage
(< 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 1% or more in the currency pair - USD-INR only, based on the close to close settlement price of the near month currency futures contract 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 Currency Derivatives Segment on 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.

14.1.10 Compliance towards violations

Clearing members, who have violated any requirement and/ or limits as specified in the Rules/ Bye-laws and Regulations, may submit a written request to the Clearing Corporation to either reduce their open position or, bring in additional collateral deposits in accordance with the provisions specified, or both.



14.1.11 Effect of violations

In the event of a violation, 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 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 15: INFORMATION VIA SMS

An additional facility of information via SMS alert is available, wherein information in respect of some of the activities can be received through SMS.

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 shall be able to access the SMS application through a link on the Collateral Interface for Members (CIM). Members shall first register a user for the service, (under Registration) and then subscribe the user to a specific message (under Subscription).
- Members shall be allowed to 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 shall 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 shall be permitted.
- Members shall be able to replicate the subscriptions done for one user to another user.

Members are requested to note that 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. NSCCL 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 NSCCL 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 NSCCL 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, members are also requested to note that the alert messages may not be received if the mobile numbers registered have opted for the 'Do not Disturb' or such other restrictive options provided by various service providers.