

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 Specified Exchanges 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 C (1) – ‘Format of Clearing Member – Constituent (Custodial Participant) Agreement’**.

2.3 Confirmation of trades entered by custodial participants

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



ITEM 3: SETTLEMENT SCHEDULE

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

3.1 Settlement Period

The pay-in and pay-out of daily mark to market settlement, 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 ,Cash settled Interest Rate Futures and options on G-Sec and futures on overnight call rate (MIBOR) :

The final settlement of futures on 91 Day GOI T-bill , Cash settled Interest Rate Futures and options contracts on G-Sec and futures on overnight call rate 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

4.1.1 Currency futures contracts

Daily settlement price for currency futures contracts shall be calculated on the basis of the last half an hour weighted average price of such contract across Exchanges 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 C (2)** – ‘Theoretical futures price calculation model’.

4.1.2 Cross currency futures contracts

Positions in Cross currency contracts shall be marked to market at the daily settlement price and would be settled in cash in Indian Rupee (INR). To arrive at the settlement value of cross currency positions in INR for EUR-USD and GBP-USD contracts, the latest available RBI reference rate for USD-INR shall be used. For USD-JPY contracts, the settlement value in INR shall be arrived at using the latest available exchange rate published by RBI for JPY-INR.

The daily settlement price in INR shall be available on the website

4.1.3 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 C (3)** – ‘Computation of Daily Settlement Price for Futures on 91 Day GOI T-Bill’.

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

Daily settlement price for Cash settled Interest rate futures on G-Sec contracts shall be calculated on the basis of the last half an hour weighted average price of such contract across Exchanges 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:

Daily Settlement Price = Cash Price + Financing cost – Income on cash position



Where,

Cash Price = Clean Price + 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) In case there are no trades in the last two hours of trading on NDS-OM, the weighted average price of underlying bond for the entire day shall be considered.
- c) In case there are no trades in the entire day on NDS-OM, then previous day's underlying bond rate published by FIMMADA shall be considered.
- d) In case there are no trades in the underlying bond for more than 5 consecutive days on NDS-OM, then underlying bond rate published by FIMMADA on trading day shall be considered.

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 MIBOR on the basis of 365-day year, consisting of 12 months and actual days in the month.

4.1.5 Daily Settlement Rate for mark to market settlement of futures on overnight call rate (MIBOR)

Daily settlement rate shall be Volume Weighted Average Rate of trades done

- In last 30 minutes of trading, subject to min 5 trades else
- In last 60 minutes of trading, subject to min 5 trades

In the absence or non-fulfilment of the above, theoretical settlement rate shall be considered for computation of Daily Settlement Value.

Theoretical rate for the overnight call rate (MIBOR) futures for near month contract shall be computed as follows:

Theoretical Daily Settlement rate =

$$\frac{\text{Realised Rate}^1 * \text{No. of days lapsed}}{\text{Tenor in days}} + \frac{\text{Expected Rate}^2 * \text{Residual No. of days}}{\text{Tenor in days}}$$

¹Realised rate shall be computed using daily simple average of Overnight Call Rate (MIBOR) for lapsed number of days.

²Expected rate shall be computed using interpolation method using the relevant MIBOR OIS rates.

Theoretical rate for the overnight call rate (MIBOR) futures for other month contract shall be computed as forward rate using the relevant MIBOR OIS rates.

4.2 Final Settlement Price

4.2.1 Currency futures contracts

For futures contracts on FCY-INR pair i.e. USD-INR, EUR-INR, GBP-INR and JPY-INR, final settlement price 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.

The final settlement price for cross-currency futures contracts shall be computed using the RBI reference rate for USD-INR and the corresponding exchange rate published by RBI for EUR-INR, GBP-INR and JPY-INR, as applicable, on the last trading day of the contract.

The final settlement for cross-currency futures contract shall be in INR. For arriving at the final settlement value in INR for EUR-USD and GBP-USD contracts, the RBI reference rate for USD-INR on the last trading day of the contract shall be used. For USD-JPY contracts, the final settlement value in INR shall be arrived at using the exchange rate published by RBI for JPY-INR on the last trading day of the contract.

4.2.2 Final Exercise Settlement Price of Currency Options contracts

The final settlement price for currency options contracts on FCY-INR pair i.e. USD-INR, EUR-INR, GBP-INR and JPY-INR 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.

The final settlement price for cross currency options contracts shall be computed using the RBI reference rate for USD-INR and the corresponding exchange rate published by RBI for EUR-INR, GBP-INR and JPY-INR, as applicable, on the last trading day of the contract.

All exercise positions of cross currency contracts shall be settled in INR. For arriving at the exercise settlement value in INR for EUR-USD and GBP-USD contracts, the RBI reference rate for USD-INR on the last trading day of the contract shall be used. For USD-JPY contracts, the final settlement value in INR shall be arrived at using the exchange rate published by RBI for JPY-INR on the last trading day of the contract.

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

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

4.2.3.1 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 $2000 * (100 - 0.25 * 5) = \text{Rs } 197,500$

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

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

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

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

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

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

4.2.4 Final Settlement Price for Interest Rate Futures and Options

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

The final settlement price shall be 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 Clearing Corporation from time to time.

4.2.4.2 Final Exercise Settlement Price of Interest Rate Options contracts

The final exercise settlement price shall be 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 exercise settlement price. In case FIMMDA price is not available, the price for settlement shall be as decided by Clearing Corporation from time to time.



4.2.4.3 Contract Value for Cash settled Interest rate futures and options on G-Sec:

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

4.2.4.4 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

4.2.4.5 Final Contract Settlement Value for Cash settled Interest rate futures and options on G-Sec:

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

4.2.5 Final Settlement Rate for futures on overnight call rate (MIBOR)

Final Settlement Rate shall be simple average of Overnight Call Rate (MIBOR) applicable for the expiry month (based on Overnight MIBOR rate published daily at 10:45 am by FBIL and rounded up to 4 decimals).. The period for computation of final settlement rate shall start from the first working day in the contract month till one day prior to final settlement date including Saturdays, Sundays and Scheduled holidays.



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 (including Cross Currency Futures), Cash settled Interest Rate Futures on G-Sec, futures on 91 Day GOI T-bill contracts and futures on overnight call rate (MIBOR) 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/ cross currency/Interest Rate options contracts

The daily premium settlement in respect of admitted deals in currency option (including cross currency option) contracts and Interest Rate option 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 market settlement of currency futures, Cash settled Interest Rate Futures on G-Sec and futures contracts of 91 Day GOI T-bills.

For cross currency option contracts, premium would be settled in INR. To arrive at the settlement value in INR for EUR-USD and GBP-USD contracts, the latest available RBI reference rate for USD-INR shall be used. For USD-JPY contracts, the settlement value in INR shall be arrived at using the latest available exchange rate published by RBI for JPY-INR.

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 (including cross 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 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. The settlement shall be by debit/ credit of the clearing accounts of clearing members with the respective clearing bank.

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

5.4 Final Exercised settlement of currency options (including cross 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. 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 positions (brought forward, created during the day, closed out during the day) of a clearing member in futures contracts, at the close of trading hours on the last trading day of the contract, 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.

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

5.6 Final exercise settlement for option contracts on cash settled Interest Rate Futures on G-Sec:

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 T+1 day by debit/ credit of the clearing accounts of clearing members with the respective clearing bank.

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. 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.

5.7 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.



5.8 Final settlement of futures contracts on overnight call rate (MIBOR)

All open positions on the last trading day of the futures contract shall be marked to the final settlement price for the relevant futures contract and shall be cash settled on T+1 day. The profit/ loss resulting there from shall be paid to / received from such members in accordance with the laid down settlement procedures in this regard. Upon completion of the final settlement, no positions in such futures contracts shall exist.



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 C (4)** - 'List of designated Clearing Banks and branches'.

6.2 Maintenance and operation of clearing account

6.2.1 Primary Clearing Account

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 for clearing and settlement operations i.e., for settling funds obligation, payment of margins, release and enhancement of collateral, EPI of funds, penal charges, etc as may be specified by the Clearing Corporation from time to time.

6.2.2 Additional Clearing Account

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

6.3 Operation of Clearing Account

- i. Clearing members shall irrevocably authorize, , 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. Please refer to formats specified in **Part C (5)** – 'Format of Letters for Operation of Clearing Account with Clearing Bank'
- 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

Clearing 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, Gilt funds, Government of India Securities, Sovereign Gold Bonds 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, units of the other mutual funds and 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

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.

7.2 Membership Deposit

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

7.2.1 Minimum deposit requirement for clearing members

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

- (i) Rs.25 lakhs in the form of cash, and
- (ii) Rs.25 lakhs as security deposit in any one or combination of the following forms:
 - a. Cash
 - b. Fixed Deposit Receipts (FDRs) issued by Approved Banks as per list given in **Part C (6)** -‘List of banks approved for issuing Bank Guarantees and FDRs’, deposited with Approved Custodians **Part C (7)**- ‘List of approved Custodians’ or with Clearing Corporation.
 - c. Bank Guarantee in favour of NSE Clearing 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 or pledged in favour of Clearing Corporation from any any other Depository Participant of NSDL or CDSL.



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

7.2.2 Non-fulfilment of Deposit Requirements

Any failure on the part of a clearing member to meet with the deposit requirements as given in 7.2.1 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.

7.3 Margin Deposits by the clearing member

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

Clearing members who wish to provide any deposits at any point of time, over and above their minimum liquid networkth requirement and deposit requirement as given in 7.2.1 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 or with the Clearing Corporation
- c. Bank Guarantee in favour of NSE Clearing Ltd. from approved banks.
- d. Equity shares of companies and units of Exchange Traded funds in demat form, deposited with approved custodians, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any other depository participant of NSDL or CDSL.
- e. Government of India Securities/T-bills/Sovereign Gold Bond as per list provided by Clearing Corporation
- f. Open ended Mutual Funds Units in demat form deposited with approved Custodians, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any other depository participant of NSDL or CDSL.

7.4 Guidelines for Submission of Deposits

7.4.1 Cash

Clearing members may submit deposit in the form of cash by making the required amount available in their respective clearing bank account, 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. Clearing 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)** 'Format of letter requesting activation of account in Collateral Interface for Members application'.

The benefit of such cash deposit requests shall be subject to confirmation by the respective banks to the Clearing Corporation. A clearing member who has authorised the Clearing Corporation to debit his clearing account as above shall ensure due performance of the commitment. Non-fulfilment of such obligation will be treated as a violation and/ or non-performance of obligations and shall attract consequences, penalty and/ or penal charges as applicable to violations.

7.4.2 Fixed Deposit Receipt

7.4.2.1 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: "NCL 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 to the approved custodian/ Clearing Corporation agreeing that the approved custodian/ Clearing Corporation has an irrevocable authority to encash the FDR and to withdraw the FDR amount (including

accrued interest) at any time, even prior to maturity of FDR without notice to the clearing members, for adjustment of Clearing Corporation dues. The formats of the letter are given in **Part C (9)** Format of letter by member for submission of FDR to custodian and as per **Part C (10)** Format of letter by member for submission of FDR to Clearing Corporation

- iii. Clearing members are required to submit a letter from the bank issuing the FDR to the approved custodian/ Clearing Corporation in the formats given in **Part C (11)** 'Format of letter to be provided by bank issuing FDR to the custodian' and as per **Part C (12)** 'Format of letter to be provided by Bank issuing FDR to the Clearing Corporation'.
- iv. The minimum value of FDR that may be accepted shall be Rs.1 lakh.
- v. The FDR issued in physical form should be issued for a minimum period of 3 months in case of margin deposit and for a minimum period of 12 months in case of security deposit.
- vi. The FDR issued in electronic form should have validity for a minimum period of 7 days in case of margin deposit and for a minimum period of 12 months in case of security deposit
- vii. The FDR should be payable at any of the branches situated in cities of: Mumbai, New Delhi, Chennai, Kolkata, Ahmedabad, and Hyderabad of the approved banks.
- viii. Clearing Corporation shall not accept FDRs from clearing members as collateral, which are issued by the clearing member themselves or banks who are associate of clearing member. For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012
- ix. Clearing member can additionally provide FDR's in electronic formats. The Procedure is as below:
 - a. Clearing member approaches and requests the bank to create FDR and mark lien in favour of NSCCL, the process is same as for physical FDR.
 - b. Clearing 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 clearing member to the bank is given below:
 - Primary Member Code of the Segment
 - Segment for which the FDR is required
 - Security Deposit (SD) or Margin Deposit (MD)
 - c. Bank issues FDR and marks lien in favour of the Clearing Corporation
 - d. Bank sends the FDR information in electronic form to the Clearing Corporation
 - e. Clearing Corporation shall validate and if found correct passes on the benefit of the same to the clearing member
 - f. Clearing Corporation shall send a system generated e-mail and sms to clearing member.
 - g. To get intimation for addition and renewal of instrument through e-mail and sms, clearing members are requested to register their e-mail ids and/or mobile number under CIM module and subscribe for "Add/Renew Electronic FDR" under CIM-Email or CIM-SMS.

The list of banks approved for issuance of E-FDR is provided in **Part C (7)** 'List of Approved Banks for issuance of FDRs'.

7.4.2.2 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.
 - **Part C (13)** - Format of letter to be provided by bank for auto renewal of FDR to the Clearing Corporation - when there is change in FDR number
 - **Part C (14)** - 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 approved custodian, the clearing member shall furnish approved custodian the renewal letter, as provided in **Part C**, from the respective bank.
 - **Part C (15)** - Format of letter to be provided by bank for auto renewal of FDR to the approved custodian - when there is change in FDR number.
 - **Part C (16)** - Format of letter to be provided by bank for auto renewal of FDR to the approved custodian - when there is no change in FDR number
- iii. In case the renewed FDR/ fresh FDR is not submitted and whereby the clearing member does not fulfill the security deposit requirements, action as provided in 7.2.2 above shall be applicable.
- iv. The procedure of renewal of E-FDR is as below
 - a. Clearing member requests bank to renew the FDR
 - b. Clearing members can also request banks to renew existing physical FDRs in electronic form.
 - c. Clearing 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 shall send the renewed FDR information in electronic form to the Clearing Corporation
 - f. Clearing Corporation shall validate and if found correct renews the FDR
 - g. Clearing Corporation shall send a system generated e-mail and sms to member.

In case the renewed FDR/ fresh FDR is not submitted and whereby the clearing member does not fulfill the deposit requirements, actions as provided in 7.2.2 above shall be applicable.

7.4.3 Bank Guarantees

7.4.3.1 Limits

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. Clearing members may submit bank guarantees per bank to the extent prescribed below:

Category of member	Applicable total limit per clearing member across all segments (Rs in Crores)	
	Primary Clearing Bank	Other Banks
Professional Clearing Member (PCM) / Custodian / Trading Cum Clearing Members (TM-CM) with net worth =>Rs.500 crores	1200.00	1500.00
Professional Clearing Member (PCM) / Custodian / Trading Cum Clearing Members (TM-CM) with net worth	600.00	750.00
Other categories (Other)	120.00	150.00

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

Category of member	Applicable total limit per clearing member across all segments (Rs in Crores)
Professional Clearing Member (PCM) / Custodian / Trading Cum Clearing Members (TM-CM) with net worth =>Rs.500 crores	6000.00
Professional Clearing Member (PCM) / Custodian / Trading Cum Clearing Members (TM-CM) with net worth	3000.00
Other categories (Other)	750.00

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

7.4.3.2 Submission of Bank guarantee

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

- i. The bank guarantee is strictly as per the format given in **Part C (17)** 'Format of Bank Guarantee for Margin Deposit and Security Deposit (Fungible)' and format given in **Part C (18)** 'Format of Bank Guarantee for Margin Deposit and Security Deposit (Non Fungible)' for Non-fungible bank guarantee, prescribed by the Clearing Corporation.
- ii. Where clearing member is submitting fungible bank guarantee, it shall submit letter to Clearing Corporation as per prescribed **Part C (19)** – 'Format of Clearing Member Letter for submission of Fungible Bank Guarantee to Clearing Corporation', specifying the segment where benefit needs to be provided
- iii. A bank guarantee for security deposit should be issued for a minimum period of 12 months with a specific claim period of at least 3 months. However, where an issuing bank does not provide for a specific claim period beyond the expiry date in the bank guarantee, the clearing members shall submit a bank guarantee for a minimum period of 15 months. The maturity period of such bank guarantee shall be reduced 3 months, which would be considered as the claim period of the bank guarantee.
- iv. A bank guarantee for margin deposit should be issued for a minimum period of 3 months. In case the issuing bank does not provide for a specific claim period beyond the expiry date in the bank guarantee, the maturity period of such bank guarantee shall be reduced by 7 days, which would be considered as the claim period of the bank guarantee.
- v. Clearing Corporation shall not accept bank guarantees from members as collateral, which are issued by the clearing member themselves or banks who are associate of clearing member. For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012
- vi. While filling the details in a bank guarantee, clearing members shall ensure that:
 - a. No relevant portion is left blank
 - b. All handwritten corrections and blanks are attested by the bank by affixing the bank seal / stamp duly authorised
 - c. All irrelevant portions struck off on the printed format should also be authenticated by the bank by affixing the bank seal / stamp duly authorised.
 - d. Each page of the bank guarantee should bear the bank guarantee number, issue date and should be signed by at least two authorised signatories of the bank.
 - e. The clearing member should also ensure that the bank guarantee is free from any discrepancy before the same is submitted to Clearing Corporation.
- vii. Member can additionally provide bank guarantee in electronic formats (E-BG). The procedure is as below:
 - a. Members can approach banks empanelled by Clearing Corporation for issuance of E-BG.
 - b. The bank guarantee shall be strictly in the format prescribed by Clearing Corporation.
 - c. Clearing members shall ensure that SFMS message is sent by the issuing bank before the new/renewal BG is submitted to Clearing Corporation.



- d. On successful acceptance of E-BG the same shall be added towards collaterals of clearing members and the amount of bank guarantee shall be available for allocation.
- Fungible Bank Guarantee shall be available in the collateral pool available for allocation across segments.
 - Non-Fungible Bank Guarantee shall be available in the collateral pool available for allocation for the mentioned segment only.

The list of banks approved for issuance of E-FDR is provided in **Part C (6)** 'List of Approved Banks'.

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.

7.4.3.3 Renewal of Bank guarantee

In case of renewal of bank guarantees, the clearing members shall furnish the renewal document strictly in the prescribed format before the date of expiry / maturity date of the bank guarantee. The format is given in **Part C (20)** 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 7.2.2 above shall be applicable.

7.4.3.4 Electronic SFMS Message

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

Option 1

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

7036	Beneficiary Branch Name and Address	NSE CLEARING LIMITED
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Option 2

Field No	Description	Current Value
7035	Beneficiary IFSC	ICIC00000004
7036	Beneficiary Branch Name and Address	ICICI BANK LIMITED F.P.HOUSE NARIMAN POINT MUMBAI 215, FREE PRESS HOUSE, NARIMAN POINT, MUMBAI
7037	Sender to Receiver Information	NCL566855614

7.4.3.5 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_DDMMYYYYY.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 7.2.2 above.

7.4.4 Approved Securities

7.4.4.1 Eligible securities

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

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

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

The quantity of security acceptable by Clearing Corporation from a clearing member shall be restricted in quantity and value terms. The list of approved securities, the acceptable



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

A report containing security wise utilization of market wide permissible limit shall also be downloaded to common folder of clearing member on FTP. The report nomenclature will be “SEC_OL_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.

7.4.4.2 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.
3. Equity shares of clearing member
4. Corporate bonds issued by clearing member
5. Equity Shares of associate of clearing member
6. Corporate bonds issued by associate of clearing member

For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2018.

7.4.4.3 Ownership of Securities

7.4.4.3.1 Membership Deposits (Security Deposit)

- Clearing members shall be permitted to provide only “own” securities towards the membership deposit requirements
- Own securities shall include securities owned by clearing member/ spouse, any of the partners/ their spouses or any of the directors, in case of individual, partnership or corporate clearing members respectively, as the sole/ first joint holder, provided no depositor of securities should be a minor as on the date of deposit thereof.
- Clearing members shall provide securities towards membership deposit requirement using the facility of Approved Custodians as per 7.4.4.4 or direct pledge in favour of NSE Clearing through any other depository participant of NSDL and CDSL as per 7.4.4.5 and 7.4.4.6

7.4.4.3.2 Margin Deposits

- Clearing members shall be permitted to provide “own” securities or trading member proprietary securities or client securities towards the margin deposit requirements
- Clearing members can provide own securities using the facility of Approved Custodians or Margin Pledge facility provided by NSDL and CDSL
- Clearing members can re-pledge client/trading member (TM) proprietary securities only through Margin Pledge facility provided by NSDL and CDSL
- The margin pledge facility shall also be applicable for Custodial Participant (CP) clients of clearing members
- Procedure for providing securities through Margin Pledge facility provided by NSDL and CDSL is detailed in **7.4.4.7**
- The prudential norms (Market wide limits, member wise limits and value based limits) shall be applied on all securities (OWN and Client/TM Proprietary securities) together
 -
 - For Market wide limits, member wise limits, Client/TM Proprietary/CM Proprietary securities pledged/re-pledged, the priority will be on first-in-first-out (FIFO) basis, in other words securities pledged/re-pledged earlier will have a higher priority

7.4.4.4 Acceptance of securities through approved custodians:

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

Clearing members may provide demat securities by marking a pledge of the securities in favour of the Clearing Corporation. The clearing member shall be required to submit all such documents as may be required by the Clearing Corporation and the Approved Custodians from time to time including the Deed of Pledge as per the specified format in **Part C (21)** ‘Format of deed of pledge’.

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 approved custodian, the approved custodian shall inform the Clearing Corporation the valuation of the securities after adjusting the relevant hair cut percentages. On the basis of the approved custodian’s advice, benefit towards security pledged shall be provided to the member.

7.4.4.5 Acceptance of securities through any other depository participant of NSDL

7.4.4.5.1 Registration

- Clearing Members can use this facility only for pledging own securities towards membership/margin deposit requirements
- Clearing Members shall be permitted to pledge own securities through their Proprietary Accounts only.
- The aforesaid account shall be permitted for pledging of securities across all segments/schemes of the Clearing Corporation.
- .
- Clearing Member shall submit the following information to the Clearing Corporation :
 - i. Covering letter as per format provided in **Part C (22)** – Covering Letter for registration of Demat account with NSDL for pledge
 - ii. Client master of the designated account
 - iii. Pledge deed as per the specified format
 - For security deposit as per format provided in **Part C (21)** ‘Format of deed of pledge’
 - For margin deposit as per format provided in **Part C (21)** ‘Format of deed of pledge’
 - iv. List of authorized signatories who are authorized to sign deed of pledge
- On submission of necessary documents as specified above the Clearing Corporation shall enable the designated account for acceptance of pledge.

7.4.4.5.2 Pledging of securities

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

Segment	Deposit type	DP ID	Account number
Currency Derivatives Segment	Security Deposit	IN001002	10009069
Currency Derivatives Segment	Margin Deposit	IN001002	10009077

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



member is not registered shall not be auto confirmed and instruction will remain in the status 'Pending Pledge Confirmation'. Clearing member shall have to cancel such pledge instructions. Clearing member can request to DP to cancel the instruction.

- Pledge instructions in respect of approved securities and in favour of segment/type of deposit for which clearing member is registered shall be accepted.

7.4.4.6 Acceptance of securities through any other depository participant of CDSL

7.4.4.6.1 Registration

- Clearing members can use this facility only for pledging securities towards membership deposit requirements (security deposit)
- Clearing member shall be permitted to pledge only from their proprietary accounts
- The designated account shall be permitted for pledging of securities across all segments of Clearing Corporation.
- Clearing member shall submit the following information to Clearing Corporation for pledging of securities in favour of Clearing Corporation:
 - Covering letter as per format provided in **Part C (23)** Covering Letter for registration of Demat account with CDSL for pledge
 - Client master of the designated account
 - Pledge deed as per the specified format
 - For security deposit as provided in **Part C (21)** Format of deed of pledge
 - List of authorized signatories who are authorized to sign deed of pledge
- Clearing member shall be required to provide separate pledge deed for each segment and deposit type.
- On submission of necessary documents as specified above Clearing Corporation shall enable the designated account for acceptance of pledge.

7.4.4.6.2 Pledging of securities

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

Segment	Deposit type	Account number
Currency Derivatives Segment	Security Deposit	1100001100020356



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

7.4.4.7 Acceptance of securities through Margin Pledge mechanism

- Clearing Member shall be required to open a separate demat account (“designated account”) with any Depository Participant of NSDL or CDSL.
- The designated account shall have a client sub type of CM – Client Securities Margin Pledge Account or TM/CM – Client Securities Margin Pledge Account in NSDL or CDSL.
- The aforesaid designated account shall be permitted for pledging/re-pledging of securities across all segments/schemes of Clearing Corporation.
- Clearing Member shall ensure that designated demat account is used for the purpose of pledging/re-pledging securities only as specified in SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020
- Clearing Member shall submit the following information to Clearing Corporation
 - Covering letter as per format provided in **Part C (24)** – ‘Format covering letter for margin pledge/repledge
 - Client master of the designated account
 - Pledge deed as per the format specified in **Part C (21)** ‘Format of deed of pledge
 - Board Resolution with list of authorized signatories authorized to sign the pledge deed
- On submission of necessary documents as specified above Clearing Corporation shall enable the designated account for acceptance of pledge/re-pledge.
- Clearing Members shall refer to provisions provided by Depositories with respect to opening the account and creating margin pledge/re-pledge in favour of Clearing Corporation.
- Pledge instructions in respect of approved securities only shall be accepted
- Details of Clearing Corporation accounts in whose favour the re-pledge have to be created are as under

Depository	DP ID	Account number
NSDL	IN001002	10009132
CDSL	1100001100020926	



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

7.4.5 Government of India Securities as Collaterals

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

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

- i. Clearing member desirous of providing G-Sec/T-Bills/SGB shall enter into an agreement with the Clearing Corporation as per the format provided in **Part C (25)** 'Format of agreement for placing G-Sec/T-Bills as collaterals'.
- ii. Clearing Corporation shall prescribe list of G-Sec/T-Bills/SGB that shall be eligible for acceptance as collateral from time to time.
- iii. G-sec/T-bill/SGB shall be accepted as collateral only in electronic form. Clearing members desirous of providing G-Sec/T-Bills/SGB as collateral shall be required to enter the transaction through its custodian/bank on E-Kuber under Margin Transfer Module. The clearing member shall further be required to put request for addition of GSEC in CIM under menu option "EMI – GSEC Deposit – Request / Enquiry-Request. Clearing member is required to submit a fax/mail request for addition as per prescribed format in **Part C (26)** 'Format of letter to be given by the member for request of G-Sec / T-bills addition'. Clearing Corporation shall confirm the transaction entered on the E-KUBER, based on the information received from members in CIM.
- iv. The details of SGL-II account of the Clearing Corporation is as follows:

Name of the Account:	National Securities Clearing Corporation Limited
Member ID	BYA00168
SGL – II A/c No.	SG020168
- v. The benefit of G-Sec/T-bills/SGB provided as collaterals shall be passed on to the clearing members on G-Sec/T-Bills/SGB being transferred to the SGL-II account of the Clearing Corporation.
- vi. The G-sec/T-bills/SGB released by the Clearing Corporation shall be entered on E-KUBER under Margin Transfer Module. Clearing member is required to submit a fax/mail request for release as per prescribed format in **Part C (27)** 'Format of letter to be given by the member for request of G-Sec / T-bills release'. Clearing members shall ensure that such transactions are approved on E-KUBER by their custodian/Banks.

- vii. G-Sec/ T-Bills/SGB can be alternatively provided to the Clearing Corporation in dematerialized form, through creation of pledge in demat account, on lines of securities. In this case the process for acceptance of G-Sec/ T-Bills/SGB as collaterals is similar to acceptance of securities as collateral as mentioned in point 7.4.4
- viii. G-Sec/T-Bills shall be valued daily based on previous day's MTM prices as specified by CCIL. SGBs shall be valued based on the closing price of the same on the Exchange
- ix. A hair cut shall be applied on the value of G-Sec/T-bills/SGB 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. The hair cut shall be as under

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

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

- x. Periodic coupon / redemption payments received on the G-Sec/T-Bills/SGB provided by clearing member shall be passed on to the clearing members by the Clearing Corporation immediately/next working day, upon receipt of relative interest from Reserve Bank of India.

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.

7.4.6 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:

- 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 C (28)** - 'List of Approved Custodians for Foreign Sovereign Securities'.
- iii. The clearing members shall be required to execute the following agreements as per prescribed formats in **Part C (29)** 'Documents for acceptance of foreign sovereign securities as collateral' 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 C (30)** Refer' Format of clearing member- constituent agreement for clients providing foreign sovereign securities as collateral'.
 - 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 C (31)** 'Format of letter to be provided by clearing member for release of foreign sovereign securities'.

7.4.7 Open ended mutual fund units

Units of mutual funds shall be accepted in dematerialized form as collaterals. The list of eligible open ended mutual fund schemes alongwith the marketwide acceptable quantity shall be disseminated by the Clearing Corporation on monthly basis alongwith the approved list of securities. The valuation of units of the mutual funds shall be done on daily basis based on the NAV of the mutual fund scheme. The value of the units of the mutual fund shall be reduced by such haircut as may be prescribed by the Clearing Corporation from time to time. The process for acceptance of mutual fund units as collaterals is similar to acceptance of securities as collateral as mentioned in point 7.4.4

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

7.5 Releases of Liquid Assets

Clearing member may request the Clearing Corporation to release deposits held by the Clearing Corporation. Such requests may be considered by the Clearing Corporation if 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 CIM is provided for submission of release requests of collaterals. Clearing members may select the desired available collaterals for release. Release requests though CIM can also be placed using a file upload facility. The format of file is prescribed in **Part C (32) - 'File format for requesting collateral releases'**.

7.5.1 Collection of released collaterals

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

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

7.5.2 Release of cash collateral in designated secondary account

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

- Clearing member who wish to release cash collateral in designated secondary account shall select the designated secondary bank while raising the release request in CIM
- Clearing member can raise the request to release cash to its designated secondary account only on an immediate basis. There will be no value date facility for release of cash collateral in designated secondary account.
- The facility shall be available only for cash deposited during the day from the secondary account in the respective segment.

7.6 Transfer of Securities/G-Sec/Units of Mutual Fund

Clearing members shall be permitted to place intra-day transfer request for fungible securities which are re-pledged with Clearing Corporation towards margin deposit using margin pledge re-pledge mechanism provided by NSDL and CDSL.

The modalities of intraday transfer are mentioned below:

- Only securities re-pledged to Clearing Corporation with segment indicator as ALL shall be considered as fungible and shall be eligible for transfer.

- Securities re-pledged with segment indicator as ALL shall be added in the segment where the member is having active clearing membership in the priority as defined below
 - Futures and Options Segment
 - Capital Market Segment
 - Currency Derivatives Segment
 - Securities Lending and Borrowing
 - Commodities Derivatives Segment
- If the clearing member wishes to change the priority of the segment may do so by providing the details of the required priority segment to Clearing Corporation
- Clearing Member can put the request to transfer fungible security by way of a file upload option available in CIM- Release - File Upload. The format for transfer file upload is provided in **Part C (33)** - 'File format for transfer of fungible securities'
- The request to transfer shall be processed at pre-defined intervals in batches during the day
- The request to transfer shall be checked for margin sufficiency in the source segment. In case the margin is insufficient then the transfer request shall be partially accepted or get rejected
- The request shall be considered valid only if the CM/CM-TM/ CM- CP in the source segment is also valid in the target segment.
- Transfers requests with Pledge Sequence Number /BP Instruction ID specified by clearing member shall be processed for that particular Pledge Sequence Number /BP Instruction ID only for releasing from source segment

7.6 Allocation of Collaterals

7.6.1 Procedure for collateral allocation

- While depositing Cash, FDR, BG or Government Securities provided through the SGL/CSGL route (Hereinafter referred to as "Other forms of collateral"), the Clearing Members (CMs) shall allocate these collaterals into proprietary account of CM, and/or proprietary account of any Trading Member (TM) clearing through the CM, and/or account of any of the clients (including Custodial Participants (CPs)) clearing through the CM, and/or of any of the clients trading through the TM who in turn is clearing through the CM, segment-wise
- The benefit for the other forms of collateral deposited shall be provided by Clearing Corporation only after receiving the allocation of the same from the CM
- The amount of collateral allocated shall not exceed the amount of collateral received by the TM/CM from the client and reported as such under the client collateral reporting
- mechanism. Also, the allocation of collateral shall not be lower than the amount of collateral (except securities collateral re-pledged) reported under the client collateral reporting mechanism as having been passed on by the CM to Clearing Corporation.

- CMs shall also perform the aforementioned checks in respect of the allocation received by them from the TMs clearing through them.
- The total allocation by CM cannot exceed the total other form of collateral deposited by the CM with Clearing Corporation.
- The allocation provided by the CM to Clearing Corporation shall be considered as final by Clearing Corporation for the purpose of granting exposure and utilization during default.
- The detailed procedure for addition and allocation of various forms of collateral (other than securities placed through margin pledge mechanism) is specified in **Part C (34)** - 'Format for allocation of collateral'

7.6.2 Collateral Valuation

CMs are required to maintain at least 50% of the total collateral in the form of cash or cash equivalents. For the purpose of monitoring of at least 50% cash-equivalent collateral at the level of CM, the excess cash-equivalent collateral of a client shall not be considered for other client or for proprietary account of TM/CM. However, the excess cash-equivalent collateral of proprietary account of TM/CM shall be considered for clients trading/clearing through them, for the purpose of monitoring minimum 50% cash-equivalent requirement. An example for the same is provided in **Part C (35)** – 'Example for collateral valuation'

7.6.3 Change of allocation

CMs shall be permitted to change the allocation of other forms of collateral deposited with Clearing Corporation (including change to another segment where the member is CM). CMs to ensure that the value allocated to any TM/CM/client does not exceed the value of actual collateral received from that TM/CP/client (excluding the securities collateral through margin pledge mechanism and repledge to Clearing Corporation). However, such change of allocation shall be permitted subject to adequacy of available collateral with Clearing Corporation after the change vis-à-vis the margin obligation of CM/TM/CP/Client. An example for change in allocation is provided in **Part C (36)** – 'Example for change in collateral allocation'.

7.6.4 Withdrawal/ Maturity of collateral

- Other forms of collateral shall be released only if sufficient amount is available as unallocated collateral. Accordingly, CMs shall ensure that sufficient amount is unallocated prior to placing release request for other forms of collateral
- In case of collateral provided in the form of BGs and FDRs; the value of the matured BG/FDR shall be reduced from CM's collateral as per the existing process. Due to this, the CMs may go into risk reduction mode because of reduction in the collateral limits

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, margins on consolidated obligation 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 SPAN® is detailed as **Part C (37)**.

The initial margin computation methodology for Futures on 91 Day GOI T-Bills is specified in **Part C (38)** - 'Initial margin computation methodology for futures on 91 day GOI T-bills'

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

8.2.1.1 Price Scan Range

The Price Scan Range shall be taken as six standard deviations (6 sigma) subject to the minimum percentage of underlying price as tabulated below or such other price scan range as may be specified by the relevant authority from time to time.

Currency/Interest Rate derivative	Minimum percentage of underlying Price
USDINR	1.50%
EURINR	2.15%
GBPINR	2.25%
JPYINR	2.65%
EURUSD	2.50%
GBPUSD	2.50%
USDJPY	2.50%
Interest Rate Derivatives	1.75%
91 Day T Bill	0.065%
MIBOR	5.50%

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 0.995.
- 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 .

The initial margins for cross currency derivatives shall be collected in Indian Rupees (INR). For this purpose, RBI reference rate of previous day for USD-INR or JPY-INR, as applicable, shall be used till 02:00 p.m. The latest available RBI reference rate for USD-INR and the corresponding exchange rate published by RBI for JPY-INR, as applicable, shall be used post 02:00 p.m. Since the margins shall be collected in INR, the price



scanning range shall be scaled up by the total futures margin rate of the contract involving the quoted currency in cross-currency pair and INR.

8.2.1.2 Volatility Scan Range

The volatility scan range for generating the scenarios would be 25% of annualized EWMA volatility subject to minimum 3% or such other percentage as may be specified by the Clearing Corporation from time to time.

8.2.1.3 Updation of risk parameters

The parameters for computation of span margin shall be updated as specified by the relevant authority from time to time. The parameters shall be updated 9 times in the day, based on the prices at 11:00 a.m., 12:30 p.m., 2:00 p.m., 3:30 p.m., 5:00p.m., 6:30 p.m., end of the day and begin of the day. Additionally a provisional end of day parameter file based on daily settlement prices of currency contracts based on FCY-INR pairs and Interest Rate Future contracts shall be provided

Risk parameters generated based on the updated parameters shall be provided on the website

8.2.2 Net Option Value (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.

8.2.3 Calendar Spread Margins

A 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. The following calendar spread margins shall be levied:

Product	Calendar spread charge for spreads in months (INR)			
	1 month	2 months	3 months	4 months or more
USDINR	500	600	900	1100
EURINR	750	1050	1550	1550
GBPINR	1575	1875	2075	2075
JPYINR	675	1075	1575	1575
EURUSD	1600	1900	2100	2200
GBPUSD	1600	1900	2100	2200
USDJPY	1600	1900	2100	2200
Interest Rate Derivatives	1700	2000	2300	3200
91 Day T Bill	110	160	210	260

MIBOR	7000	7500	8000	8000
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The margins for options calendar spread shall be same as specified for 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 futures and short 100 far month futures

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

8.2.4 Margins on Consolidated Crystallised positions

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

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

Intraday basis

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

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

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

End-of-day basis

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

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

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

8.3 Extreme Loss margins

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

Symbol	Extreme loss margin % for futures	Extreme loss margin % for options
USDINR	0.50%	0.75%
EURINR	0.15%	0.75%
GBPINR	0.25%	0.75%
JPYINR	0.35%	0.75%
EURUSD	0.50%	0.50%
GBPUSD	0.50%	0.50%
USDJPY	0.50%	0.50%
Futures on 91 Day GOI T-bills	0.015%	NA
Cash settled Interest Rate Derivatives on G-Sec	0.25%	0.25%
Overnight Call rate (MIBOR)	0.50%	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 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 FCY-INR pairs. The extreme loss margins for cross currency derivatives shall be collected in INR. For this purpose, RBI reference rate of previous day for USD-INR and the corresponding exchange rate published by RBI for JPY-INR, as applicable, shall be used till 02:00 p.m. The latest available RBI reference rate for USD-INR and the corresponding exchange rate published by RBI for JPY-INR, as applicable, shall be used post 02:00 p.m. Notional Value for Interest Options shall be Rs 200000.

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 Blocking of Margins and Monitoring

- The procedure for blocking of margins only specifies the order of blocking of collateral available with Clearing Corporation.
- The terms “Client Collateral”, “TM Collateral”, “CP Collateral” and “CM Collateral” shall mean the total of the allocated collateral value plus the value of securities collateral provided through margin pledge/re-pledge by any individual client, TM, CP and CM respectively to Clearing Corporation.
- The TM/CM collateral shall mean the proprietary collateral of the TM/CM only and shall not include the collateral of any of their clients.
- On receipt of a trade from a client account, the margin shall first be blocked from the value of the client collateral. If the client collateral is not sufficient, the residual margin shall be blocked from the TM proprietary collateral of the TM of such client. If the TM proprietary collateral is also not sufficient, then the residual margin shall be blocked from the CM proprietary collateral of the CM of such TM.
- In case of a trade from the proprietary account of a TM, the margin shall first be blocked from the TM proprietary collateral, and in case such collateral is not sufficient, then the residual margin shall be blocked from the CM proprietary collateral.
- Margins based on trades from proprietary account of the CM shall be blocked from the proprietary collateral of the CM only.
- Example of blocking of margins is provided at **Part C (39)** - ‘Example for blocking of margins’

For monitoring of the risk reduction mode (90% utilization) and margin violation, the following procedure shall be adopted:

- TM level risk reduction mode: Client margin in excess of 90% of the client collateral shall be identified for each client under a TM. The total of such client margin in excess of 90% of the client collateral, plus the proprietary TM margin shall be assessed against the TM proprietary collateral for monitoring of TM level risk reduction mode.
- CM level risk reduction mode: Sum of client margin in excess of 90% of the client collateral for each client under a TM plus the proprietary TM margin, in excess of 90% of TM proprietary collateral shall be calculated as TM margin in excess of 90% of TM collateral. Sum of such margin for each TM clearing through a CM,



plus sum of client margin/CP margin in excess of 90% of the client/CP collateral for each client/CP clearing through such CM, plus the proprietary CM margin shall be assessed against the proprietary CM collateral for monitoring of CM level risk reduction mode.

- Example for monitoring of risk reduction mode is provided at **Part C (40)** - 'Example for monitoring of risk reduction mode.

8.6 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 7 above. The margins shall be collected /adjusted from the liquid assets of the member on a real time basis

8.7 Payment of margins

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

Clearing/Trading 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 13.

8.8 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 14. 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.

8.9 Handling of CP Trades

- In case of CP trades executed by TMs, the margin shall be blocked in the following order
 - CP collateral through the executing TM, if any,
 - Residual margin from the proprietary collateral of the executing TM (if TM is different than CM), and
 - Residual margin from the proprietary collateral of the CM of the executing TM.
- Upon confirmation of trades by CM of the CP, the margin so blocked prior to the confirmation shall be released, and shall be blocked in the following order
 - CP collateral through the confirming CM, and
 - Residual margin from the proprietary collateral of the confirming CM.
- In case of CP trades, the requirement to ensure that sufficient collateral is allocated to CP clients to cover their margin requirements shall be on the confirming CM.
- However, if the trade is confirmed under the auto approval facility, then margin shall be directly blocked in the following order-
 - CP collateral through the confirming CM, and
 - residual margin from the proprietary collateral of the confirming CM
- CMs can enable auto approval facility for a CP in the Limit and Enablement module available in N-Mass

8.10 Facility to monitor intraday uncrystallised Mark to Market (MTM) losses

An optional facility shall be available for clearing members to set MTM limits for their trading members. The MTM limits set at trading member level shall be considered only for monitoring intraday uncrystallised MTM losses of such trading member. The monitoring of intraday uncrystallised MTM losses against MTM limits and monitoring of margins against collateral limits at trading member level shall be separate and mutually exclusive. In case no limit is set by Clearing member or is set at zero then there shall be no monitoring of intraday uncrystallised MTM losses for such trading members. Intraday uncrystallised MTM profits/losses shall be computed on a real time basis at trading member level for open positions in futures contracts only based on the latest available price of the respective futures contract. Intraday Uncrystallised MTM profits/losses shall be computed across all clients/proprietary positions in futures contracts and only net loss at trading member level shall be considered for the purpose of monitoring. The trading member shall be disabled and placed in close out mode when intraday uncrystallised MTM losses for a trading member breaches 100% of the MTM limit set by the Clearing member.

8.11 Risk Reduction Mode at 90%

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

When a member moves in to risk reduction mode –

- 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 85%.

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

8.12 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 a 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 Cash settled Interest Rate Derivatives on G-Sec. Additionally it has stipulated position limit for foreign portfolio investors (FPI) (Category I and II).

9.1 Position Limit for TMs

9.1.1 Currency Derivatives

Currency Pair	Position limits
USD-INR	For Bank and Non-Bank Trading member: 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.
EUR-USD*	Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 100 million, whichever is higher.
GBP-USD*	Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 100 million, whichever is higher.
USD-JPY*	Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher.

*Also applicable for Domestic Institutional investors (DIIs) as permitted by the respective sectoral regulators and AD Category-I banks

The position limit linked to open interest shall be applicable at the time of opening a position. Such positions shall not be required to be unwound immediately by the trading member in the event of a drop of total open interest

However, in the aforementioned scenario, the trading member shall not be allowed to increase their existing positions or create new positions till they comply with the applicable position limits.

9.1.2 Cash Settled Interest Rate Derivatives on G-SEC, 91DTB and MIBOR

Interest rate Derivatives	Position Limits for TM, Banks and Primary Dealers, Mutual Funds (at AMC level), Insurance Companies, Pension Funds and Housing Finance companies	Position Limits for Mutual Fund (Scheme level) and other clients
Across all contracts within the 8-11 year maturity bucket	10% of Open Interest or INR 1,200 crore whichever is higher	3% of Open Interest or INR 400 crore whichever is higher
Across all contracts within other maturity bucket	10% of Open Interest or INR 600 crore whichever is higher	3% of Open Interest or INR 200 crore whichever is higher
91 DTB	15% of Open Interest or INR 1000 crore whichever is higher	6% of Open Interest or INR 300 crore whichever is higher
MIBOR	15% of Open Interest or INR 1000 crore (200 contracts) whichever is higher	6% of Open Interest or INR 300 crore whichever is higher

- The position limit linked to open interest shall be applicable at the time of opening a position. Such positions shall not be required to be unwound immediately by the trading member in the event of a drop of total open interest in Interest Rate Derivatives contracts within the respective maturity bucket.
- However, in the aforementioned scenario, the trading member shall not be allowed to increase their existing positions or create new positions in the Interest Rate Derivatives contracts of the respective maturity bucket till they comply with the applicable position limits.

The daily position limit applicable for TM and Client shall be made available via daily position limit file. A file shall also be made available on Exchange website to enable members to identify and map the underlying bonds to respective maturity buckets.

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.

9.1.4 Futures on overnight call rate (MIBOR)

Trading member and institutional client (including primary dealers) level position limit shall be higher of 15% of open interest or Rs.1000 Crores (200 contracts)

9.1.5 Proprietary Limits for Non-Bank Brokers in Currency Derivatives

Currency	Position Limits for Proprietary Non – Bank Brokers
USD-INR	15% of Open Interest or USD 50 million whichever is higher
EUR-INR	15% of Open Interest or EUR 25 million whichever is higher
GBP-INR	15% of Open Interest or GBP 25 million whichever is higher
JPY-INR	15% of Open Interest or JPY 1000 million whichever is higher
EUR-USD	15% of Open Interest or EUR 50 million whichever is higher
GBP-USD	15% of Open Interest or GBP 50 million whichever is higher
USD-JPY	15% of Open Interest or USD 50 million whichever is higher

Note: For the purpose of computing the client level gross open position, Long position shall be considered as Long Futures, Long Calls, and Short Puts and Short Position shall be considered as Short Futures, Short Calls, and Long Puts

9.1.6 Proprietary Bank and Non-Bank Brokers limit in FCYINR contracts

Participant	INR Limits in FCYINR contracts combined
Proprietary Bank Brokers	15% of Open Interest of all FCYINR contracts or USD 200 million whichever is higher
Proprietary Non – Bank Brokers	15% of Open Interest of all FCYINR contracts or USD 100 million whichever is higher

Note: For the purpose of computing the client level gross open position, Long position shall be considered as Long Futures, Long Calls, and Short Puts and Short Position shall be considered as Short Futures, Short Calls, and Long Puts

9.2 Position Limits for Foreign Portfolio Investor

Product	FPI Category I and FPI Category II (other than individuals, family offices and corporates)	FPI Category II (individuals, family offices and corporates)
USD-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher	Gross open position across all contracts shall not exceed 6% of the total open interest or USD 20 million, whichever is higher
EUR-INR	Gross open position across all contracts shall not exceed 15%	Gross open position across all contracts shall not exceed 6% of

	of the total open interest or EUR 50 million, whichever is higher	the total open interest or EUR 10 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	Gross open position across all contracts shall not exceed 6% of the total open interest or GBP 10 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	Gross open position across all contracts shall not exceed 6% of the total open interest or JPY 400 million, whichever is higher
EUR-USD	Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 100 million, whichever is higher	Gross open position across all contracts shall not exceed 6% of the total open interest or EUR 10 million, whichever is higher
GBP-USD	Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 100 million, whichever is higher	Gross open position across all contracts shall not exceed 6% of the total open interest or GBP 10 million, whichever is higher
USD-JPY	Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher.	Gross open position across all contracts shall not exceed 6% of the total open interest or USD 10 million, whichever is higher.

- In case of positions taken to hedge underlying exposure, the position limit linked to open interest shall be applicable at the time of opening a position. Such positions shall not be required to be unwound in the event a drop of total open interest in a currency pair at a stock exchange. However, participants shall not be allowed to increase their existing positions or create new positions in the currency pair till they comply with the position limits.
- FPIs may take long or short positions without having to establish existence of underlying exposure, upto a single limit of USD 100 million equivalent, across all currency pairs involving INR, put together, and combined across all the stock exchanges
- FPIs shall ensure that their short positions at all stock exchanges across all contracts in FCY-INR pairs do not exceed USD 100 million.
- To take long positions in excess of USD 100 million in all contracts in FCY-INR pairs, FPIs shall be required to have an underlying exposure in Indian debt or equity securities, including units of equity/debt mutual funds
- The Clearing Corporation shall provide details on the FPI's day-end and day's highest open positions at end of day to the custodians of the FPI.
- The custodian of the FPI shall aggregate the positions taken by the FPI on the currency derivatives segments of all the stock exchanges and forward such details

to the designated bank of the FPI. The custodian of securities of the FPI shall also provide the market value of applicable underlying exposure of the FPI to the designated bank of the FPI.

- The onus of complying with the above provisions shall rest with the FPI and in case of any contravention, the FPI shall render itself liable to any action that may be warranted by RBI as per the provisions of Foreign Exchange Management Act, 1999 and Regulations, Directions, etc. framed thereunder. These limits shall be monitored by stock exchanges and/or clearing corporations and breaches, if any, shall be reported to RBI.

Product	FPI Category I and FPI Category II (other than individuals, family offices and corporates)	FPI Category II (individuals, family offices and corporates)
Across all contracts within the 8-11 year maturity bucket	10% of Open Interest or INR 1,200 crore whichever is higher	3% of Open Interest or INR 400 crore whichever is higher
Across all contracts within other maturity bucket	10% of Open Interest or INR 600 crore whichever is higher	3% of Open Interest or INR 200 crore whichever is higher

- The total gross short (sold) position of each FPI in Interest Rate Derivatives contracts shall not exceed its long position in the government securities and in Interest Rate Futures, at any point of time.
- A separate limit of INR 5,000 crore to FPIs for taking long position in Interest Rate Derivatives. This limit will be calculated as follows:
 - For each Interest Rate Derivatives instrument, position of FPIs with a net long position will be aggregated.
 - FPIs with a net short position in the instrument will not be reckoned.
 - No FPI can acquire net long position in excess of INR 1,800 crore at any point of time.
- For monitoring the limit Stock Exchanges, after consulting amongst themselves, shall adhere to the following mechanism:
 - Stock Exchanges will put in place necessary mechanism for monitoring and enforcing limits of FPIs in Interest Rate Derivatives
 - Stock Exchanges will aggregate net long position in Interest Rate Derivatives of all FPIs taken together at end of the day and shall jointly publish/ disseminate the same on their website on daily basis.

- Once 90% of the limit is utilized, Stock Exchanges will put in place necessary mechanism to get alerts and publish on their websites the available limit, on a daily basis.
- In case, there is any breach of the threshold limit, the FPI/s whose investment caused the breach shall square off their excess position/s within five trading days or by expiry of contract whichever is earlier.

9.3 Single Limit across currency

As per clause 3 of RBI circular RBI/2019-20/210 AP (Dir Series) Circular 29 dated April 07,2020

Quote:

"3. i. Users may take positions (long or short), without having to establish existence of underlying exposure, upto a single limit of USD 100 million equivalent across all currency pairs involving INR, put together, and combined across all exchanges. ii. Exchanges authorised by RBI to offer currency derivatives shall provide facility to users, intending to take position beyond USD 100 million (or equivalent) in contracts involving INR in all exchanges put together, to designate an Authorised Dealer/Custodian. iii. For users referred to in the previous para, the exchanges shall provide information on day-end open positions as well as intra-day highest position of the user to the designated Authorised Dealer/Custodian. iv. The onus of complying with the directions shall rest with the user. In case of any contravention, the user shall render itself liable to any action under the Foreign Exchange Management Act (FEMA), 1999

Unquote

In order to facilitate the same, clearing members are required to report to the Clearing Corporation vide a file , the details of clients who wish to take positions beyond USD 100 Million (or equivalent) in contracts involving INR in all Exchanges put together, to designate an Authorised Dealer/Custodian. Clearing member is also required to submit a confirmation from Authorised Dealer/Custodian as per the details provided in **Part C (41)** - 'Format for providing information of clients for position beyond USD 100 million '

9.4 Exchange Wide Position Limit for Cash settled Interest Rate Derivatives on G-SEC

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

9.5 Position Limit for Clients

9.5.1 Currency Derivatives

Currency Pair	Position limits
USD-INR	6% of Open Interest or USD 20 million whichever is higher
EUR-INR	6% of Open Interest or EUR 10 million whichever is higher
GBP-INR	6% of Open Interest or GBP 10 million whichever is higher



JPY-INR	6% of Open Interest or JPY 400 million whichever is higher
EUR-USD	6% of Open Interest or EUR 10 million whichever is higher
GBP-USD	6% of Open Interest or GBP 10 million whichever is higher
USD-JPY	6% of Open Interest or USD 10 million whichever is higher

Note: For the purpose of computing the client level gross open position, Long position shall be considered as Long Futures, Long Calls, and Short Puts and Short Position shall be considered as Short Futures, Short Calls, and Long Puts

Clearing Corporation shall intimate the clearing member if clients exceed above limits or exceeds 3% of OI.



ITEM 10: CUSTODIAL PARTICIPANTS

10.1 Procedure for allotment of custodial participant codes

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

- Clearing members shall log in to NSCCL –MASS application by using their existing log-in details for application/ mapping of CP Code.
- The application of CP 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 NSCCL –MASS application.
- The CP codes issued/ mapped shall be activated effective from next trading day.
- The Clearing members shall continue to perform KYC of the clients and maintain necessary documentation of client for whom CP code is applied.
- File format is provided in **Part C (42)** 'File Format For Application Of Custodial Participant Code in NSCCL –MASS

10.2 Custodial Participants code for NRI Clients :

NRIs are required to take CP codes through their respective Clearing Members in order to participate in Currency Derivatives (CD) Segment. The procedure for applying for a CP code shall be as specified in **10.1**

In addition to the above, the Clearing Member is required to provide the following requisite documents specifying the name of the Authorized Dealer Category-I bank who will be an existing clearing member of the Clearing Corporation in the segment:

1. Request for allotment of CP Code in the prescribed format in **Part C (43)** – 'Format for providing information for NRI custodial participant code' to be sent on ***cpcodecm@nsccl.co.in***
2. Format of Letter from Authorized Dealer Category-I bank in format attached as **Part C (44)** – 'Format of letter from Authorized dealer category I bank'.

CP codes will be activated effective from next trading day on receipt of valid documents from the Clearing Members. Clearing Corporation reserves the right to cancel any CP code applied on behalf of NRI. CP codes issued for NRIs shall only be used for the purpose of trading in Currency Derivatives Segment.

Further, to enable the designated bank to monitor positions of NRIs, details of positions shall be provided as per the below file:

File Nomenclature: 'X_<Member Code>_NRI_EOD_ddmmyyyy.csv'

This file is made available on the extranet server in the directory /CDSFTP/X<MEMBER CODE>/REPORTS. File format shall be same as PS03/PS04 file as specified in Part D.

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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 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 C (45)** 'Format of application of close out facility by Clearing Member on behalf of Trading Member'
- 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.
- 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**

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

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

- i. The MRC shall be fixed for a month.
- ii. By 15th of every month, Clearing Corporation shall review and determine the MRC for next month based on the results of daily stress tests of the preceding month. Clearing Corporation shall also review and determine by 15th of every month, the adequacy of contributions made by various contributors and any further contributions to the Core SGF required to be made by various contributors for the next month.
- 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 Clearing Corporation 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 from various contributors shall be as follows;

1. Clearing Corporation contribution to core SGF will be minimum 50% of MRC of each segment. Clearing Corporation shall make this contribution from its own funds. Clearing Corporation contribution to core SGFs will be considered as part of its net worth.
2. Exchange contribution to Core SGF will be minimum 25% of MRC (can be against transfer of profits by Exchange as per Regulation 33 of SECC Regulations).
3. 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 clearing members on their contribution to Core SGF. Clearing member may bring this contribution in the form of cash, bank fixed deposits or central government securities. The required contributions of each clearing member shall be assessed pro-rata based on the risk they bring to the system.

Clearing Corporation may collect clearing member contribution either upfront or staggered over a period of time. In case of staggered contribution, the remaining balance shall be met



by the Clearing Corporation to ensure adequacy of total Core SGF corpus at all times. Such contribution shall be available to Clearing Corporation for withdrawal as and when further contributions from clearing members are received.

12.3 Penalties levied by Clearing Corporation

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

12.4 Interest on Core SGF cash contribution

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

12.5 Penal Charges for Utilisation of Core SGF

In the event of a clearing member failing to meet his obligations to the Clearing Corporation, the Clearing Corporation may, at its discretion, utilise the Core SGF 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/SHORT ALLOCATION REPORTING

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

13.1 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. Clearing/Trading members shall be required to collect consolidated obligation from their trading member/constituents/clients by T+1 day. For currency futures contract members shall collect the final settlement amount by T+2 day. 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

13.1.1 Intra-day margin reporting

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

13.1.2 Files to be submitted by the member

The files can be uploaded either through Nsccl –MASS using the client margin file upload menu (Nsccl –MASS >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 Nsccl –MASS.

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 initial margin, extreme

- loss margin and consolidated obligation to be collected from their trading member/ constituents/clients for a proprietary account of trading member and / custodial participant/, as per the code entered by the members at the time of order entry. The files shall contain end of day total margin to be collected and peak of intra-day margin for each associated Trading Member/constituents/clients. Clearing Corporation shall provide additional files for clearing members (MG18) as a part of end of day reports. The files shall contain total margin applicable for each associated Trading Member/Custodial Participant.
- ii. Each row of the margin file MG13 provides the details of initial margin, extreme loss margin and consolidated obligation to be collected from their trading member/ constituents/clients for a specific trading member/client code, as per the code entered by the members at the time of order entry.
 - iii. In case of receivable obligation for a trading member/ constituents/clients the value for consolidated obligation shall be populated as zero.
 - iv. Members are required to add a comma and report a single consolidated value comprising of initial margin, extreme loss and consolidated obligation collected figure at the end of each row (for each trading member/client/constituent) in the file representing the actual margin amount collected from that trading member/client/constituent as the case may be.
 - v. Members are required to add another comma after the amount of end of day margins reported and report the peak margin amount collected from that trading member/client/constituent as the case may be
 - vi. This figure for margin amount collected, appended by the member should not be negative.
 - vii. 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.

13.1.3 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 NSCCL –MASS, 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, 2019 on September 11, 2019, then the return file would indicate the rejection reason as ‘File is not being processed as file date is greater than system current date’.

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

Member uses non-serial batch number in file name - If the batch number provided by the member for a trade date is not in sequence, for example if the member has uploaded two files for the trade date September 12, 2019 with file names X_MRG_TM_12092019_01.CSV and X_MRG_TM_12092019_03.CSV, the second file would be rejected with error message ‘File is not being processed as file batch number is not proper. Last successful batch no for the day was 01’.

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

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.

13.2 Deemed allocation and Short Allocation monitoring

- CMs shall ensure that sufficient collateral is allocated to TM Prop/CP/clients to cover their margin requirements. However, if the margin applicable at Clearing Corporation for a TM Prop/CP/client in a segment exceeds the collateral allocated to the TM Prop/CP/client plus the securities collateral re-pledged to Clearing Corporation (from that TM Prop/CP/client's account) in the respective segment, then the proprietary collateral of the TM/CM shall be blocked (including re-pledged/pledged securities and allocated collateral). Such margin blocked from the proprietary collateral towards a TM Prop/CP/client's margin shall be deemed to have been the collateral allocated to that TM Prop/CP/client. This provision shall include deemed allocation of TM's proprietary collateral towards client margins and deemed allocation of CM's proprietary collateral towards TM Prop/CP/client margins.
- CMs shall ensure that allocated collateral plus value of securities collateral re-pledged to Clearing Corporation for a TM Prop/CP/client is at all times greater than or equal to the minimum margin collection requirement for the respective TM Prop/CP/client in the respective segment.
- In case where the allocated collateral plus the securities collateral re-pledged to Clearing Corporation in respect of a TM Prop/CP/client, is falling short of minimum margin collection requirement in the respective segment same shall be considered as short allocation and shall be subject to penalty.

13.2.1 Monitoring of short allocation

- Minimum client margin collection requirement less Client collateral value in the segment (only where client margins are greater than client collateral value) shall be considered short allocation. For this purpose, minimum client margin collection will mean margins required to be collected on upfront basis, excluding margins which can be collected by T+1/T+2.
- Client collateral value in the segment for this purpose shall be collateral value allocated by the CM to the client in the segment + value of securities repledged at Clearing Corporation for that client in the segment (value shall be after applying all prudential norms of Clearing Corporation other than 50:50 requirement).
- Such monitoring of short allocation shall happen intraday at the time of peak margin snapshot and at end of day.

- Client level short allocation shall be computed intra-day based on the peak margin snapshot in the segment and client collateral value in the segment at the time of the respective peak margin snapshot.
- Client level short allocation shall be computed at end of day based on the EOD minimum upfront margins required to be collected and client collateral value at EOD.
- The maximum amount of short allocation across all snapshots and EOD shall be considered as short allocation
- In case of instances of Intraday/ EOD short allocation; members shall have an opportunity to report amount of client collateral available with permitted reasons. In case of such reporting, penalty will not be applicable.
- While assessing the intraday/EOD short allocation, Clearing Corporation will check for availability of excess collateral (allocation and value of pledged securities over and above minimum margin) in other segments for the same TM-UCC (whether with same clearing member or otherwise) or CP. Clearing Corporation shall reduce such excess collateral available in other segments from the intraday short allocation before calculation of applicable penalty. For this purpose, the snapshots across segments for the same time window shall be considered.
- Members shall be provided details of segment wise, client wise, maximum intra-day short allocation as computed by Clearing Corporation after considering excess collateral in other segments, if any.
- Members shall have an opportunity to report amount of client collateral available against such segment wise short allocation due to below mentioned reasons, along with reason codes:
 1. Excess collateral (allocation and value of pledged securities over and above minimum margin) available in another Clearing Corporation.
 2. Trades executed in wrong client code codes
 3. Allocation request submitted to Clearing Corporation however allocation request accepted later.
- Such reporting shall be done by TMs for clients and by CMs for TM proprietary and CP clients.
- In case false reporting, penalty as applicable on false margin reporting will be applicable
- Clearing Corporation shall compute revised short allocation amount after adjusting for the aforementioned reporting.

13.2.2 Reporting of short allocation

13.2.2.1 Files to be provide to members

- Clearing Corporation shall provide client /TM/CP wise details of highest short allocation on a daily basis to TMs/CMs namely SA05 for CMs and SA04 for TMs.
- The format of the files to be downloaded are provided in Part D.

13.2.2.2 Files to be submitted by the member

- TMs/CMs shall be required to be upload reporting files through the NSCCL – MASS using the client margin/SA file upload menu. (NSCCL –MASS >Client Margin/SA Reporting>File upload).
- TMs/CMs shall be able to upload client margin reporting files at any time during the day through NSCCL –MASS
- The name of the file to be uploaded by the TMs shall be X_SA_TM_<DDMMYYYY>_nn.CSV and that by the CMs/Custodian shall be X_SA_CM_<DDMMYYYY>_nn.CSV where: is the trade date, TM = Trading Member, CM = Clearing Member/Custodian and ‘nn’ is the batch number of the file
- TMs/CMs are requested to take note of the following whilst uploading the short allocation reporting files:
 - TMs/CMs are not required to provide member code in the file name
 - TMs/CMs 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 TMs/CMs to send multiple files for the same trade date with incremental batch numbers. Where multiple files are uploaded by the TMs/CMs for a trade day, the information of client margin collected as provided in the file with latest batch number for the trade date would be considered as final by the Clearing Corporation.
 - If a member uploads a file with incorrect name, such files shall not be picked up by the Clearing Corporation.
 - Zero byte uploaded through the NSCCL –MASS shall not be accepted.
 - In case the files are made by customised software at user end, TMs/CMs may note that a new line character has to be present in the last record in order to ensure proper processing.
 - TMs/CMs are requested to refer to the return file and initiate necessary corrective actions.
- TMs/CMs may note the following procedure for providing short allocation details:

- TMs/CMs are required to add a comma and report the collateral available amount.
- TMs/CMs are required to add another comma after the amount of collateral available amount and specify the reason code. Permitted Reason codes shall be

Reason Code	Particulars
01	Excess collateral available in another CC

- For Reason Code 01, CC code needs to be specified by adding additional comma after reason code in following manner: -
 - For ICCL – IC
 - For NCCL – NC
 - For MCXCCL – MX
- For other reason code a comma needs to be added after reason code
- This figure for collateral available appended by TMs/CMs should not be negative.
- TMs/CMs 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.

13.2.2.3 Return files to the members

- A return file shall be generated for all files uploaded by the TMs/CMs for client margin reporting with the correct naming convention. TMs/CMs can download return file through NSCCL –MASS using the client margin/SA reporting file download menu.
- In case of any errors in the file, TMs/CMs would be able to correct the same and upload the same with incremental batch number anytime prior to sign off date
- Two types of return files are generated for the members
 - a) Rejected Files - where the whole file has been rejected
 - b) Processed File Records - where some or all records in the file have been rejected

a) Rejected Files

- File Naming convention: X_SA_TMF_MEMBERCODE__nn.CSV for TMs and X_SA_CMF_MEMBERCODE__nn.CSV for CMs Some reason for which a file may be rejected are mentioned as under
- File loaded after the sign off date – TMs/CMs shall be permitted to upload short allocation 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 uploaded file is for December 12, 2019 on December 11, 2019, then the return file would indicate the rejection reason as 'File is not being processed as file date is greater than system current date'.
- Uploads file for an invalid day - If a TMs/CMs 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 TMs/CMs code is invalid for the file date'.
- TMs/CMs uses non-serial batch number in file name - If the batch number provided by the TMs/CMs for a trade date is not in sequence, for example if the member has uploaded two files for the trade date December 12, 2019 with file names X_SA_TM_12092019_01.CSV and X_SA_TM_12092019_03.CSV, the second file would be rejected with error message 'File is not being processed as file batch number is not proper. Last successful batch no for the day was 01'.
- File in wrong format - If the TMs/CMs 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'.

b) Processed File Records –

- File Naming Convention: X_SA_TMR_MEMBER CODE__nn.CSV for TMs and X_SA_CMR_MEMBER CODE__nn.CSV for CMs
- 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:

Reason Code	Description	Success/Rejected Flag (S/R)
01	Record size does not match for e.g. extra comma in the record	R
02	Date in record does not match with file date	R
03	Record is altered i.e. matching record does not exist in SA-04/SA-05 file. Possible error in date/ client code/ margin amount	R
04	Invalid Reason code specified in the member file	R
05	Invalid CC code/CC code not provided for reason code 01/ CC code provided for reason code other than 01	R
06	Amount is non-numeric	R
00	Collateral reported by member under specified reason code in file is less than, equal or greater than Short Allocation reported by CC	S



- 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 Shortage computation

The margins reported shall be compared in the following manner:

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

AND

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

AND

(c) Highest of intraday/EOD short allocation amount (after considering excess collateral across segments and the reporting for valid reason codes if any)

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

13.5 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.

13.6 Penalty for short / non-reporting of client margin/short allocation

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

13.7 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)

13.8 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 and SA04/SA05 files.

13.9 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.

14.2 Non fulfillment 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 **14.7** shall be levied for Non fulfilment of initial margin obligations.

14.3 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 member.

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

14.4 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.

14.5 Extreme loss margin violation

When the extreme loss margin of a clearing member exceeds his liquid assets 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 **14.7** shall be levied for extreme loss margin obligations.

14.6 Position limit violation

14.6.1 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. 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 member shall be required to bring their positions within the specified limit.
2. Trading member 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 member 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 **14.7** shall be levied for trading member position limit violation.

14.6.2 Foreign Portfolio Investor (FPI) 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 **14.7**
5. Clearing Corporation shall additionally download details on FPI's day-end open positions and FPI's day's highest open positions in currency pair at end of day to the custodians of securities of the FPI. The format of the reports are provided in the **Part C (46)** – 'Format of Report for FPI's day-end open position' and **Part C (47)** – Format of Report for FPI's day's highest open positions'

14.6.3 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.

14.7 Penalty and penal charges for margin/limit violation

In respect of violation mentioned in point 14.2, 14.5 and 14.6 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. The penalties shall be collected from the clearing member of the respective trading member. The concerned clearing member may in turn recover such amount of penalty from the concerned trading member.

14.8 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.

14.9 Short / non-reporting of client margin/short allocation

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 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.

14.10 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.

14.11 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

A 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 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. Clearing Corporation shall not be liable for any delay or any other interruption which may occur due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shut down, breakdown of communication services or inability of Clearing Corporation to send the Alert / Information. Irrespective of whether the member has received the Alert / Information or not, the member shall be required to adhere to all the Rules, Byelaws and Regulations and Circulars and all other requirements laid down by Clearing Corporation from time to time.

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

ITEM 16: ELECTRONIC REPORTING

16.1 NSE Clearing Management System (NCMS):

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

16.2 CP code modification:

Instructions for files uploaded through NCMS

1. Members may directly upload the CP modification files in NCMS or do screen based modifications through the same.
2. The screen based modifications and files uploaded by the members would generate response messages in NCMS. In case of file upload a return file would be generated with the indication of the success/rejection of the file and the individual records as given hereunder.
 - In case any or all the detail records are successful a return file would be provided with an indicator 'S' confirming that the file was successfully uploaded. At the detail record level an indicator S / R would be provided indicating whether the detail record was successful or rejected respectively. In case a detail record is rejected then an error code would be appended.
 - In case of an error in the file name or the control record, the uploading of the file will fail.
 - In case a file is rejected because all the detail records are rejected then the return file would be provided with an indicator 'R' confirming that the file has been rejected and hence has not been uploaded. In the detail records an indicator R would be provided indicating an error in the detail record and an error code would be appended.
 - Members are requested to save the response messages generated in NCMS and check the same.
 - The return files would be generated in the specified path at the member's end.
 - Members may refer **Part C (48)** - 'Format for CP Code Modification' for the list of rejection codes in NCMS.
3. All files/ screen based modification or allocation entries shall have to be submitted before the cut off time as specified by Clearing Corporation.
4. The members shall be responsible for all data provided to the Exchange/Clearing Corporation.
5. Members can modify CP codes on the trade day during trading hours up to cut off time as stipulated by the Clearing Corporation from time to time.
6. Refer **Part C (48)** 'Format for CP Code Modification'

16.3 Give-up Approval

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

16.4 NSCCL –MASS (NMASS)

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

- Single Sign on (SSO) enabling access to multiple applications with one set of login credentials.
- Dashboard Widgets allowing members to view segment wise information with respect to margin, collaterals, etc
- Members shall be able to view client wise margins, positions etc. Members can upload client margin reporting files
- Clearing members may also set limits for trading members
- For activation of NMASS, members are requested to submit the application to Clearing Corporation in format as per **Part C (49)** – Format for activation of N-MASS
- Premium services are available in NMASS which are chargeable in the following manner annually. In case the premium services are availed for less than a month the charges shall be computed on pro-rata basis.

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

- Members shall exercise caution while assigning role access pertaining to the services clearly demarcated as “Chargeable Premium Services” in the NMASS application thereby ensuring careful mapping of premium services to admin/ user ids.
- User IDs with special characters (Example- ‘@’, ‘-’, ‘.’, etc) except ‘_’ will not be able to login.
- The ‘Remember Me’ feature will not be available, and users will not get an option from the browser to save the password.
- Right click on login form will be disabled.

ITEM 17: STAMP DUTY

17.1 Stamp Duty collection

- Stamp Duty shall be collected on transactions for both futures and option contracts executed on stock exchanges and received for clearing and as specified in circulars issued from time to time.
- Stamp duty shall be determined at the end of each trading day
- All the transactions shall be identified based on the client code placed by the members at the time of order entry on the trading system of the Exchanges and as may be modified by the member using the client code modification facility provided by the Exchanges within the prescribed time viz. during trading hours and upto the trade modification close time on the respective trading day. In respect of proprietary transactions the member code shall be deemed to be the client code.
- Members may note that the value of taxable securities transaction and the applicable State/Union Territory (UT) shall be determined with respect to the trade executed under a particular client code. Therefore, the Clearing Corporation shall only reckon the client code entered by the member while placing the order or as may be modified within the prescribed time. It is therefore imperative that members exercise extreme caution and diligence while entering the client code at the time of entering an order. If the state/UT of the client is not available then the state of the trading member through whom the transaction was executed will be considered.
- For the purpose of stamp duty, each futures trade shall be valued at the actual traded price and option trade shall be valued at premium.
- For each client code, all the buy transactions for a trading day shall be aggregated at contract level.
- Clearing Corporation shall not be collecting stamp duty in respect of clients from State of Sikkim

17.2 Stamp Duty computation

17.2.1 Computation of stamp duty at contract client level:

17.2.1.1 Computation of stamp duty on currency and interest rate futures:

- a. Each futures buy trade shall be valued at the actual traded price: Total Buy Value (BVAL) - This is the sum of the trade value (Trade quantity * Trade price for each trade) of all buy trades for the client.
- b. Stamp Duty shall be calculated by applying the prescribed rate: Stamp Duty (BVALSTD) = BVAL * stamp duty rate on currency and interest rate derivatives. The value so computed shall be rounded off to two decimals.

17.2.1.2 Computation of stamp duty on currency and interest rate options:

- a. Each option buy trade shall be valued at the premium paid: Total Buy Value (BVAL) - This is the sum of the trade value (Trade quantity * Trade premium for each trade) of all buy trades for the client



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

17.2.2 Computation of stamp duty at client level:

The total stamp duty liability for a client will be arrived at by summing up the total stamp duty for each contract/delivery settlement arrived at as above and rounded off to the nearest rupee i.e. value with 50 paise and above will be increased to one rupee and value less than 50 paise it shall be ignored.

17.2.3 Computation of stamp duty at trading member level:

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

17.2.4 Computation of stamp duty at clearing member level:

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

17.3 Information to members:

- Reports named 'X_SD01_<MEMBER CODE>_DDMMYYYY.CSV' shall be provided to trading members at the end of trading day mentioning "Stamp Duty file for trading member".
- Similarly reports named 'X_SD02_<MEMBER CODE>_DDMMYYYY.CSV' shall be provided to clearing members at the end of trading day mentioning "Stamp Duty file for Clearing member".
- These reports shall contain information such as stamp duty liability, client wise stamp duty liability, trading member wise stamp duty liability, clearing member wise stamp duty liability and also the detailed computations for determining the client wise stamp duty liability.
- File format is available in **Part D**.

17.4 Pay-in of funds:

Clearing Members shall be required to pay the stamp duty, as part of and along with the pay-in obligation. The stamp duty amount shall be collected as per the timelines stipulated for the funds pay-in. A separate transaction shall be created and the monies shall be collected from the settlement account of members through their clearing banks as per the process currently followed in respect of settlement obligations.

17.5 Failure to pay funds:

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