NSE Clearing

Circular

DEPARTMENT: COMPLIANCE

Download Ref No: NCL/CMPL/46503	Date: November 27, 2020
Circular Ref. No: 40/2020	

All Members,

Sub: Peak Margin reporting of Marginable Custodian Participant trades in Capital Market Segment

SEBI vide its circular SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020 has provided the framework to enable verification of upfront collection of margins from clients.

With respect to marginable Custodial Participant trades, Custodian Members have made representations to consider alternate mechanisms of reporting. In consultation with the Custodians and based on approval received from SEBI, the treatment of CP trades for peak margin reporting in Capital Market Segment shall be as under:

A. Custodian to confirm the availability of peak margins

1. The clearing corporation shall aggregate the margins on confirmed trades as well as unconfirmed trades for marginable CP and include the same in the snapshot provided to the custodian.
2. In case the unconfirmed trades are with other than the designated CC of the custodian, then such CC shall generate snapshot for such custodian and send it to the designated CC. The designated CC shall combine the margins across CCs for the custodian to determine the peak margin requirement for a CP. (Note: No netting shall be done for positions across CCs and sum total of margins across CCs shall be considered for computing peak margins)
3. The end of day file downloaded to custodian shall have EOD margins for all confirmed trades and peak across all snapshot as computed in point 1
4. Custodian shall be required to report the end of day and the peak margins as per the file downloaded by Clearing Corporation
5. In case of any shortages in the reporting as per point 3 the same shall be considered as shortfall of margin collection and penalty for the same shall be

applicable. The penalty shall be levied and collected from the custodian of the CP. The custodian can collect such penalty from the respective CP.

6. Reporting of peak margins by custodian shall be considered as confirmation of availability of upfront margins at time of trade.
7. Even cases where trades are rejected by custodian due to mismatch or error, the custodian shall be responsible to report peak margins/penalty for short reporting. Such penalty can be collected from the respective Trading Members by the clients/ custodian
8. The existing process of trade confirmation and settlement will continue between custodian and Clearing Corporations, accordingly till the trade is confirmed by custodian the collateral of the clearing member of the executing trading member would be blocked by the Clearing Corporation.
9. The date of implementation of the above process shall be communicated subsequently

B. <u>Interim Process: Till implementation of above process the following shall be implemented</u>

1. The trading member shall report the peak margins for such CP trades.
2. Custodian shall be required to confirm the peak collateral placed by the CP with them to Clearing Corporation on a dedicated email id provided by Clearing Corporation

The format for reporting peak margins collected for CP trades in Capital Market Segment is provided as Annexure A.

The provisions of this circular shall be applicable from December 01, 2020.

For and on behalf of
NSE Clearing Limited

Dhawal Shah
Head-Compliance

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Annexure A

The reporting of Peak Margins for CP trades in Capital Market Segment shall be done in the below-mentioned format on the email id – cmsegpeakmargin@nsccl.co.in with subject “Peak Margin Reporting_<Custodian Code>_<Custodian Name>< Trade Date>”

Where

Primary Code- Custodian Member Code as provided by NCL

Member Name - Reporting Custodian Member Name

CMPAN - Reporting Custodian Member PAN

Trade Date -Date of Trade Execution

<u>File Format</u>

File format: CSV

File Nomenclature: <CM_”CUSTODIAN CODE”_Trade Date>

File description:

Sr.No.	**Particulars**
1	Trade Date
2	Segment (CM)
3	Custodian Participant code
4	Peak Margins Reporting Amount