



PART B

DETAILED CONSOLIDATED CIRCULAR

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ITEM 1: DEALS

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

1.1 Admission and Exclusion of Deals

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



ITEM 2: SETTLEMENT OBLIGATIONS

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

2.1 Settlement of Admitted Deals

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

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

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

2.2 Custodial Participant

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

2.3 Confirmation of trades entered by custodial participants

Clearing members of the custodial participants shall confirm trades entered into on behalf of the custodial participants. Such trades shall be confirmed by the clearing members in such manner, within such time and through such facility as may be provided to clearing members from time to time. Such confirmation shall be carried out within such time as may be specified by the Exchange/Clearing Corporation from time to time where such trades have been entered. All such trades which have been confirmed by clearing

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



members shall form part of the obligations of clearing members concerned and such clearing members shall be responsible for all obligations arising out of such trades including the payment of margins, penalties, any other levies and settlement of obligations. Trades which have not been confirmed by clearing members of the custodial participants shall be considered as trades pertaining to the trading members entering such trades and shall form a part of the obligations of clearing members, who clear and settle for such trading members.



ITEM 3: SETTLEMENT SCHEDULE

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

3.1 Settlement Period

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

Currently, all settlements are effected on a T+1 day as per the timelines specified by the Clearing Corporation

3.2 Settlement on T+0

Clearing members may opt to settle their funds pay in obligation on a T+0 basis. Clearing members who wish to opt for T+0 settlement shall intimate the Clearing Corporation as per the format specified in **Part C**². Clearing members may opt for this facility at any time. Clearing members who wish to revoke this facility shall intimate Clearing Corporation as per the format specified in **Part C**³. The pay-in of T+0 settlement obligation for such clearing members shall be done at 8:30AM on T+1 day

Clearing members who opt for payment of daily MTM settlement amount on a T+0 basis shall not be levied the scaled up margins.

The fund pay-out shall continue to be done on T+1 day, or as declared by the Clearing Corporation from time to time.

² Refer 'Format Of Letter For Availing T+0 Settlement Facility'

³ Refer 'Format of Letter for revocation of T+0 Settlement facility'



ITEM 4: SETTLEMENT PRICE

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

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

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

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

Theoretical daily settlement price for unexpired futures contracts (including VIX 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**⁴.

4.3.1 Final Settlement Price for futures contracts

Final settlement price for a futures contract shall be the closing price of the relevant underlying security/index in the Normal Market of the Capital Market segment of National Stock Exchange on the last trading day of such futures contract.

4.3.2 Final Settlement Price for futures contract on S&P 500, FTSE 100 and DJIA

On expiry futures contracts on S&P500 and DJIA shall be settled to the Special Opening Quotation (SOQ*) of the S&P 500 and DJIA Index, and Exchange Delivery Settlement Price (EDSP)** for FTSE 100 or as may be prescribed by NSE/NSCCL from time to time.

(* SOQs are calculated as per normal index calculation procedures except that the values for the respective components are taken as the actual opening values for each of the component equities on either the New York Stock Exchange (NYSE) or Nasdaq. For further information on SOQ members may visit <http://www.cmegroup.com/trading/equity-index/files/SOQ.pdf>)

(**Exchange Delivery Settlement Price ('EDSP') of FTSE 100 Index Futures and Options Contracts with a standard third Friday expiry day is derived from the Expiry Value level calculated by FTSE International from an intraday auction in each of the

⁴ Refer 'Theoretical futures price calculation model'



FTSE 100 Shares conducted by the London Stock Exchange plc (“LSE”), on the expiry day. For further information on EDSP members may visit following link
<http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/exchange-delivery-settlement-price.htm>

4.4.1 Final exercise settlement price for option contracts

Final Exercise settlement price for an option contract shall be the closing price of the relevant underlying security/index in the Normal Market of the Capital market segment of National Stock Exchange, on the last trading day of the options contract. The closing price of the relevant underlying security shall be calculated on the basis of the last half an hour weighted average price of the relevant underlying security or such other price as may be decided by the relevant authority from time to time.

4.4.2 Final Exercise settlement price for options contract on S&P 500 and FTSE 100

On expiry of an options contract on S&P500 and FTSE 100, final settlement shall be carried out at the final settlement price which shall be same as that used for the final settlement of the futures contract of the same underlying.



ITEM 5: SETTLEMENT PROCEDURE

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

5.1 Daily mark to market settlement and final settlement for futures contract

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

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

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

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

5.2 Premium settlement for option contracts

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

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

5.3 Exercise settlement for option contracts

5.3.1 Index options

Exercise style of index option contracts shall be European style wherein all in-the-money contracts shall get automatically exercised on the expiry day. Exercise settlement shall be effected for all in-the-money option contracts on the last trading day of an option



contract. Long positions at in-the money contracts shall be assigned to short positions in option contracts with the same series on a random basis.

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

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

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

5.3.2 Options on individual securities

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

5.3.2.1 Final exercise settlement

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

Exercise settlement may be cash settled or delivery settled, in accordance with SEBI guidelines. Currently option contracts shall be cash settled in F&O segment, by debit/ credit of relevant clearing accounts of relevant clearing members with the respective clearing bank towards the exercise settlement value for each unit of the option contract.

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

5.4 Daily MTM settlement on T+0 day

Clearing members who opt to pay the Daily MTM settlement on a T+0 basis shall compute such settlement amounts on a daily basis and make the amount of funds available in their clearing account before 8:30AM on the next settlement day .Non-payment or partial payment of settlement obligation by the scheduled time shall be



construed as non-compliance and penalties applicable for fund shortages from time to time shall be levied

A stringent penalty of 0.07 % of the margin amount at end of day on T+0 would be levied on the clearing members. Further, the benefit of scaled down margins shall not be available in case of non payment of daily MTM settlement on a T+0 basis from the day of such default to the end of the relevant quarter.



ITEM 6: SECURITIES TRANSACTION TAX

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

6.1 STT Computation:

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

1. Securities transaction tax (STT) shall be applicable on transactions for both futures and option contracts executed on exchange, as specified in circular issued by NSE from time to time
2. STT shall be determined at the end of each trading day.
3. All the transactions shall be identified based on the client code placed by the members at the time of order entry on the trading system of the Exchange and as may be modified by the member using the client code modification facility provided by the Exchange within the prescribed time viz. during trading hours and upto the trade modification close time on the respective trading day. In respect of proprietary transactions the member code shall be deemed to be the client code.
4. Members may note that the value of taxable securities transaction shall be determined with respect to the trade executed under a particular client code. Therefore the Exchange shall only reckon the client code entered by the member while placing the order or as may be modified within the prescribed time. It is therefore imperative that members exercise extreme caution and diligence while entering the client code at the time of entering an order.
5. For each client code, all the sell transactions for a trading day shall be aggregated at contract level.
6. For the purpose of STT, each futures trade shall be valued at the actual traded price and option trade shall be valued at premium. On this value, the STT rate as prescribed shall be applied to determine the STT liability. In case of final exercise of an option contract STT shall be levied on settlement price on the day of exercise if the option contract is in the money.

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



- (a) Value of taxable securities transaction relating to an “option in securities” shall be the option premium, in case of sale of an option in securities.
 - (b) Value of taxable securities transaction relating to an “option in securities” shall be the settlement price, in case of sale of an option in securities, where option is exercised.
7. STT payable by the clearing member shall be the sum total of STT payable by all trading members clearing under him. The trading member’s liability shall be the aggregate STT liability of clients trading through him.

6.2 Information to members

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

6.3 Client code modification

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

6.4 Pay-in of funds

Clearing members shall be required to pay the STT on T+1 day. The STT amount shall be collected as per the timelines stipulated for the funds pay-in. A separate transaction shall be created and the monies shall be collected from the settlement account of members through their clearing banks as per the process currently followed in respect of settlement obligations.

6.5 Failure to pay funds

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

6.6 Information to clients

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



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



ITEM 7: CLEARING BANK

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

7.1 Designated Clearing Bank(s)

Funds to be paid and/ or to be received shall be settled through such branches of banks which are designated as clearing banks by the relevant authority from time to time. The designated clearing banks and their designated branches are given in **Part C**⁵.

7.2 Maintenance and operation of clearing account

7.2.1 Primary Clearing Account

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

7.2.2 Additional Clearing Account

- Further, every clearing member shall be able to maintain and operate additional clearing accounts with the designated clearing banks, as mentioned above, exclusively for the purpose of enhancement of collaterals in the form of cash and for providing EPI of funds through CIM.
- All the credits and debits other than collateral enhancement specified by the member shall be routed through the primary clearing account.

7.3 Operation of Clearing Account

- Clearing members shall irrevocably authorize, as per the format given in **Part C**⁶, 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

⁵ List of designated Clearing Banks and branches

⁶ Refer 'Format of letter to be submitted by Clearing Member to Clearing Bank for operation of clearing account'



from time to time and furnish to the Clearing Corporation an acknowledged copy of the same along with the account particulars issued by the clearing banks.

- Clearing members can deposit funds into these accounts in any form and can withdraw funds from these accounts only in self-name.
- Clearing members having funds obligation to pay shall have clear balance of requisite funds in the clearing accounts on or before the stipulated funds pay-in day and the stipulated time.
- Clearing members shall not seek to close or de-activate the clearing accounts without the prior written consent of the Clearing Corporation
- The clearing banks shall debit/credit the clearing accounts of clearing members as per instructions received from the Clearing Corporation from time to time. Any request from the clearing members for revoking the authorization furnished by them shall not be considered by the clearing banks. The clearing banks shall not close the clearing accounts or permit deactivation of the same without the prior written consent of the Clearing Corporation.
- All bank confirmations received from clearing banks on behalf of the members towards margins, funds pay-in, etc. shall be given effect only after receiving a written/electronic confirmation from their respective clearing banks.

7.4 Procedure for change in primary clearing banks

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

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



discontinue the existing primary clearing account after the change in primary clearing bank. In the event of the clearing members wishing to discontinue the existing primary clearing account, the Clearing Corporation shall communicate the date after which the existing primary clearing account may be closed by the clearing member.

- In the event of the clearing members wishing to continue the existing primary clearing account as one of the additional clearing account, the clearing member shall be required to provide the letter from clearing bank confirming continuance of account as additional clearing account along with the letter in the format as mentioned in 7.3 above for such additional clearing account.



ITEM 8: LIQUID ASSETS

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

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

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

8.1 Liquid Network

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

Liquid Network shall be computed as total liquid assets less initial 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.

8.1.1 Minimum liquid network requirement for clearing members

Every clearing member of the Clearing Corporation is required to maintain a minimum liquid network of Rs.50 lakhs with the Clearing Corporation in the following manner:

- i. Rs.25 lakhs in the form of cash, and
- ii. Rs.25 lakhs in any one or combination of the following forms:
 - a. Cash
 - b. Fixed Deposit Receipts (FDRs) issued by **Approved Banks**⁷, deposited with **Approved Custodians**⁸ or with the Clearing Corporation.
 - c. Bank Guarantee in favour of National Securities Clearing Corporation Ltd. from **Approved Banks**.

⁷ Refer 'List of banks approved for issuing Bank Guarantees and FDRs, in Part C

⁸ Refer 'List of Approved Custodians' in Part C



- d. Equity shares of approved companies and units of Exchange Traded Funds in demat form deposited with **Approved Custodians**, as per list provided by Clearing Corporation.
- e. Government of India Securities/T-Bills, as per list provided by Clearing Corporation.
- f. Foreign Sovereign Securities, as per list provided by Clearing Corporation.
- g. Open ended Mutual Funds Units in demat form deposited with **Approved Custodians**, as per list provided by Clearing Corporation.

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

8.1.2 Clearing member deposit for trading members whose deals they clear and settle

In addition to the requirements specified under 8.1.1, every clearing member is required to maintain a deposit of Rs.10 lakhs each, in respect of every trading member whose deals such clearing members undertake to clear and settle, in the following manner:

- i. Rs.2 lakhs to be maintained in the form of cash.
- ii. Rs.8 lakhs to be maintained in any one or combination of the forms of collaterals as specified in 8.1.1(ii).

8.1.3 Non-fulfilment of Security Deposit Requirements

Any failure on the part of a clearing member to meet with the deposit requirements as given in 8.1.1 and 8.1.2 at any point of time, will be treated as a violation of the Rules, Bye-Laws and Regulations of the Clearing Corporation and Clearing Corporation may, within such time as it may deem fit, advise the Exchange to withdraw any or all of the membership rights of such clearing member including withdrawal of trading facilities of all trading members and/ or clearing facility of custodial participants clearing and settling through such clearing members, without any notice.

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



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

8.2 Margin Deposits by the clearing member

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

Clearing members who wish to provide any deposits at any point of time, over and above their minimum liquid networth requirement and deposit requirement as given in 8.1.1 and 8.1.2 above towards margins and/ or other obligations, may do so in any one or combination of the following forms:

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

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

8.3 Guidelines for Submission of Deposits

8.3.1 Cash



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

A web based facility called Collateral Interface for Members (CIM) is provided in this regard which enables the members to log in through internet. Members will be able to log in through specific user-ids and passwords into CIM. To obtain a Login User ID, members are required to send their request to the Clearing Corporation in the format provided in **Part C**⁹.

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

8.3.2 Fixed Deposit Receipt

8.3.2.1 Submission of Fixed Deposit Receipts

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

- i. The FDR should be issued either in favour of: "NSCCL A/c CLEARING MEMBER NAME" or "Custodian Name" (as the case may be) - A/c CLEARING MEMBER NAME" as the case may be and should be deposited with the Clearing Corporation or approved custodian.
- ii. Clearing members are required to issue a letter to the approved custodian/ Clearing Corporation agreeing that the approved custodian/ Clearing Corporation has an irrevocable authority to encash the FDR and to withdraw the FDR amount (including accrued interest) at any time, even prior to maturity of FDR without notice to the clearing members, for adjustment of Clearing Corporation dues. The formats of the letter are given in **Part C**¹⁰.
- 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.
- iv. The minimum value of FDR that may be accepted shall be Rs.1 lakh. The FDR should be issued for a minimum period of 3 months in case of margin deposit and for a minimum period of 12 months in case of security deposit.

⁹ Refer 'Format of letter requesting activation of account in Collateral Interface for Members application'

¹⁰ Refer 'Format of letter by member for submission of FDR to custodian' or 'Format of letter by member for submission of FDR to Clearing Corporation'

¹¹ Refer 'Format of letter to be provided by bank issuing FDR to the custodian' or 'Format of letter to be provided by Bank issuing FDR to the Clearing Corporation'



- v. The FDR should be payable at any of the branches situated in cities of Mumbai, New Delhi, Chennai, Calcutta, Ahmedabad, and Hyderabad of the Approved banks.
- vi. Member can additionally provide FDR's in electronic formats. The Procedure is as below:
 - a. Member approaches and requests the bank to create FDR and mark lien in favour of NSCCL, the process is same as for physical FDR.
 - b. Member submits required documents to the bank for creation of FDR and marking the lien, the process is same as for physical FDR. Additional information to be provided by the member to the bank is given below:
 - Primary Member Code of the Segment
 - Segment for which the FDR is required
 - Security Deposit (SD) or Margin Deposit (MD)
 - c. Bank issues FDR and marks lien in favour of NSCCL
 - d. Bank sends the FDR information in electronic form to NSCCL
 - e. NSCCL validates and if found correct passes on the benefit of the same to the member
 - f. NSCCL sends a system generated e-mail and sms to member.
 - g. To get intimation for addition and renewal of instrument through e-mail and sms, members are requested to register their e-mail ids and/or mobile number under CIM module and subscribe for "Add/Renew Electronic FDR" under CIM-Email or CIM-SMS.

The List of banks approved for issuance of E-FDR is provided in **Part C**¹²

8.3.2.2 Renewal of Fixed Deposit Receipts

- i. In case of renewal of FDRs placed with Clearing corporation, the clearing member shall furnish Clearing Corporation the renewal letter, as provided in part C, from the respective bank.
 - Format of letter to be provided by Bank for Auto renewal of FDR to the Clearing Corporation - when there is change in FDR number
 - Format of letter to be provided by Bank for Auto renewal of FDR to the Clearing Corporation - when there is no change in FDR number
- ii. In case of renewal of FDRs placed with Custodian, the clearing member shall furnish Clearing Corporation the renewal letter, as provided in part C, from the respective bank.
 - Format of letter to be provided by bank for auto renewal of FDR to the custodian - when there is change in FDR number.
 - Format of letter to be provided by Bank for auto renewal of FDR to the Custodian - when there is no change in FDR number

¹² Refer 'List of banks approved for issuing FDRs in Electronic form'



- iii. The procedure of renewal of E-FDR is as below
- Member requests bank to renew the FDR
 - Members can also request banks to renew existing physical FDRs in electronic form.
 - 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)
 - Bank renews the FDR.
 - Bank sends the renewed FDR information in electronic form to NSCCL
 - NSCCL validates and if found correct renews the FDR
 - NSCCL sends a system generated e-mail and sms to member.

In case the renewed FDR/ fresh FDR is not submitted and whereby the member does not fulfil the security deposit requirements, actions as provided in 8.1.3 above shall be applicable.

8.3.3 Bank Guarantees

8.3.3.1 Submission of Bank guarantee

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

Rupees in Crores	
Net worth (NW) of the banks *	Applicable total limit per clearing member across all segments
100-200	5
200-500	10
500-1000	15
1000-2000	25
2000-3000	35
>3000 **	

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



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

Category of member	Applicable total limit per clearing member across all segments
Professional Clearing Members in F&O segment / Custodian Clearing Members in Capital Market	Rs. 200 crores
Trading Cum Clearing Members in F&O segment	Rs.100 crores
Other categories of the members	Rs. 50 crores

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

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

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

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



Other categories of the members	Rs. 500 crores
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Members are advised to check their applicable limit before getting their bank guarantees issued.

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

- i. The bank guarantee is strictly as per the formats for **Fungible Bank guarantee**¹³ and Format for **Non Fungible Bank guarantee**¹⁴, prescribed by the Clearing Corporation, provided in part C.
- ii. Where member is submitting Fungible Bank Guarantee, it shall submit letter to clearing corporation as per prescribed **format**¹⁵ in Part C, specifying the segment where benefit needs to be provided.
- iii. A bank guarantee for security deposit should be issued for a minimum period of 12 months with a specific claim period of at least 3 months. However, where an issuing bank does not provide for a specific claim period beyond the expiry date in the bank guarantee, the clearing members shall submit a bank guarantee for a minimum period of 15 months. The maturity period of such bank guarantee shall be reduced 3 months, which would be considered as the claim period of the bank guarantee.
- iv. A bank guarantee for margin deposit should be issued for a minimum period of 3 months. In case the issuing bank does not provide for a specific claim period beyond the expiry date in the bank guarantee, the maturity period of such bank guarantee shall be reduced 7 days, which would be considered as the claim period of the bank guarantee.
- v. While filling the details in a bank guarantee, members shall ensure that:
 - a. No relevant portion is left blank
 - b. All handwritten corrections and blanks are attested by the bank by affixing the bank seal / stamp duly authorised
 - c. All irrelevant portions struck off on the printed format should also be authenticated by the bank by affixing the bank seal / stamp duly authorised
 - d. Each page of the bank guarantee should bear the bank guarantee number, issue date and should be signed by at least two authorised signatories of the bank.
 - e. The clearing member should also ensure that the bank guarantee is free from any discrepancy before the same is submitted to the Clearing Corporation.

In case the bank guarantee does not strictly conform to the above-mentioned conditions, the same shall not be accepted by the Clearing Corporation and benefit for the same shall

¹³ Refer 'Format of Bank Guarantee for Margin Deposit and Security Deposit (Fungible)' in part C

¹⁴ Refer 'Format of Bank Guarantee for Margin Deposit and Security Deposit (Non Fungible)' in part C

¹⁵ Refer 'Format of Clearing Member Letter for submission of Fungible Bank Guarantee to NSCCL in part C'



be made available only upon the bank guarantee being strictly in conformity with the prescribed requirements.

8.3.3.2 Renewal of Bank guarantee

In case of renewal of bank guarantees, the clearing members shall furnish the renewal document strictly in the prescribed format before the date of expiry / maturity date of the bank guarantee. The format is given in **Part C**¹⁶.

In case the renewed bank guarantees/ fresh bank guarantees are not submitted within the above mentioned periods whereby the member does not fulfil the security deposit requirements, action as provided in 8.1.3 above shall be applicable.

8.3.3.3 Reminder letters through extranet

Reminder letters are 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: / FAOFTP/F<TMCODE>/LETTERS/DNLD). Further the file naming convention for the same is F_REMINDERS_MEMBER CODE_DDMMYYYY.LIS This is being provided as an additional facility only and 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 8.1.3 above.

8.3.4 Securities

8.3.4.1 Eligible securities

Clearing Members are permitted to deposit shares of approved companies and units of mutual fund as communicated to the members from time to time in electronic form ('demat securities') in the designated depository accounts maintained with the Approved Custodians in this regard. These securities shall be pledged in favour of National Securities Clearing Corporation Limited.

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

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

¹⁶ Refer 'Format of renewal of bank guarantee towards Margin deposit and Security deposit'



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 on FTP and website. The report nomenclature will be “APPSEC_COLLVAL_ddmmmyyy.csv”.

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

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

8.3.4.2 Securities not approved for acceptance

The following securities shall not be accepted as liquid assets:

- a) Partly paid securities
- b) Securities subject to any lock in period, buy back scheme any charge or lien, encumbrance of any kind, or such other limitations or title is questioned before the court or any regulatory body.
- c) Clearing members whose company shares are acceptable as approved securities shall not be permitted to place the same towards their liquid assets requirement.

8.3.4.3 Ownership of Securities

The securities that may be deposited, shall be subject to the legal and beneficial ownership of the clearing member/ spouse, any of the partners/ their spouses or any of the directors, in case of individual, partnership or corporate clearing members respectively, as the sole/ first joint holder, provided no depositor of securities should be a minor as on the date of deposit thereof.

In case of reconstitution / restructuring or any change in the partners /directors of the clearing member, as applicable, a Clearing Member shall be required to replace the securities belonging to such outgoing partners /directors immediately. The approved



custodians shall be required to exercise due care for such replacement of securities and reporting thereof to the Clearing Corporation.

8.3.4.4 Opening of accounts:

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

8.3.4.5 Marking of pledge

Clearing members may provide demat securities by marking a pledge of the securities in favour of the Clearing Corporation. The clearing member shall be required to submit all such documents as may be required by the Clearing Corporation and the approved custodian from time to time including the Deed of Pledge as per the specified formats as mentioned in **Part C**¹⁷.

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

8.3.5 Government of India Securities as Collaterals

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

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

- i. Clearing member desirous of providing G-Sec/T-Bills shall enter into an agreement with the Clearing Corporation as per the format provided in **Part C**¹⁸.
- ii. Clearing Corporation shall prescribe list of G-Sec/T-Bills that shall be eligible for acceptance as collateral from time to time.

¹⁷ Refer 'Format of deed of pledge'

¹⁸ Refer 'Format of agreement for placing G-Sec/T-Bills as collaterals'



- iii. G-sec/T-bill shall be accepted as collateral only in electronic form. The members desirous of providing G-Sec/T-Bills as collateral shall be required to enter the transaction through its custodian/bank on E-Kuber under Margin Transfer Module by 3.30 pm. The member shall further be required to put request for addition of GSEC in Collateral Interface for Members (CIM) under menu option “EMI – GSEC Deposit – Request / Enquiry-Request. The Clearing member is required to submit a fax request for addition as per prescribed format in **Part C¹⁹**. Clearing Corporation shall confirm the transaction entered on the E-Kuber, based on the information received from members through fax.
- iv. The details of SGL-II account is as follows:
- v. Name of the Account: National Securities Clearing Corporation Limited
- vi. Member ID BYA00168
- vii. SGL – II A/c No. SG020168
- viii. The benefit of G-Sec/T-bills provided as collaterals shall be passed on to the members on G-Sec/T-Bills being transferred to the SGL-II account of the Clearing Corporation.
- ix. For release of G-Sec / T-bills, the member shall put the request for release of GSEC in Collateral Interface for Members (CIM) under menu option “Collateral Release-New request / Inquiry – Release request”. The G-sec/T-bill released by the Clearing Corporation shall be entered on E-Kuber under Margin Transfer Module. The member is required to submit a fax request for release as per prescribed format in **Part C²⁰**. The members shall ensure that such transactions are approved on E-Kuber by their custodian/Banks.
- x. G-Sec/ T-Bill can be alternatively provided to NSCCL in dematerialized form, through creation of pledge in demat account, on lines of securities. In this case the process for acceptance of G-Sec/ T-Bill as collaterals is similar to acceptance of of ‘SECURITIES’ as collateral.
- xi. G-Sec/T-Bill shall be valued daily based on previous day’s MTM prices as specified by CCIL.
- xii. A hair cut of 10% shall be applied on the value of G-Sec/T-bill provided as collateral by the member. The value after applying the hair cut shall be added to the cash component of the liquid assets of the member.
- xiii. Periodic coupon / Redemption payments received on the G-Sec/T-Bills provided by the member shall be passed on to the members by the Clearing

¹⁹ Refer ‘Format of letter to be given by the member for request of G-Sec / T-bills addition’

²⁰ Refer ‘Format of letter to be given by the member for request of G-Sec / T-bills release’



Corporation upon the receipt of relative interest from Reserve Bank of India on immediate/ next working day of NSCCL.

Clearing members who are also banks may note that G-Sec/T-Bills provided as collaterals should not be reckoned for SLR purpose of the banks and not be used for trading.

8.3.6 Foreign Sovereign Securities as Collateral

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

- 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**²¹.
- iii. The clearing members shall be required to execute the following agreements before providing foreign sovereign securities as collaterals to the Clearing Corporation as per formats in **Part C**²²
 - a. Clearing member- Clearing Corporation agreement
 - b. Clearing member-FII agreement
 - c. Indian Deed of pledge in favour of Clearing Corporation
 - d. New York Collateral Annex
 - e. Account control agreement
- 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 format in **Part C**²³.
- 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

²¹ Refer 'List of Approved Custodians for Foreign Sovereign Securities'

²² Refer 'Documents for acceptance of foreign sovereign securities as collateral'

²³ Refer 'Format of Clearing Member- Constituent agreement for clients providing Foreign Sovereign Securities as collateral'



- 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 format provided in **Part C**²⁴.

8.3.7 Open ended Mutual Funds Units as Collaterals

Units of mutual funds available in dematerialized form shall be accepted as collaterals through approved custodians.

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

8.3.8 Corporate Bonds as Collaterals

Corporate Bonds are also accepted in dematerialized form as approved collaterals through approved custodians. The list of eligible Corporate Bonds along with the market wide acceptable quantity shall be disseminated by NSCCL on monthly basis.

The valuation of the Corporate Bonds and haircut applicable shall be in accordance with the norms prescribed by the Clearing Corporation from time to time. The value of the Corporate Bonds shall be reduced by such haircut.

The Corporate Bonds shall be valued on daily basis on closing price of the bond listed under cash or debt segment of NSE or the valuation using yield from sovereign yield curve plus credit spread published by FIMMDA, whichever is lower. A hair cut of 15% shall be applied on the value of Corporate Bond provided as collateral by the clearing member. Only the value net of applicable haircuts shall be considered as the value of the Corporate Bonds pledged. Valuation of Corporate Bonds shall be done by the custodians at such periodic intervals as may be specified by the Clearing Corporation from time to time.

The total value of Corporate Bonds provided as non cash portion of the liquid assets shall not exceed 10% of the total liquid assets of the respective clearing member.

A report containing details of valuation for corporate bond shall be downloaded to clearing member in CSV format in common folder of FTP. The report nomenclature will be “CB_Bhavcopyddmmyyyy.csv”.

²⁴ Refer ‘Format of letter to be provided by clearing member for release of Foreign Sovereign Securities’



A report containing details of haircut for corporate bond shall be downloaded to clearing member in CSV format in common folder of FTP. The report nomenclature will be “CB_Haircut_ddmmyyyy.csv”.

8.4 Releases of Liquid Assets

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

The web based facility of Collateral Interface for Members (CIM) is provided for submission of release requests of collaterals. The members may select the desired available collaterals for release. Release requests though CIM can also be placed using a file upload facility. The format of the file to be uploaded by the clearing member is provided in **Part C**²⁵.

8.4.1 Collection of released collaterals submitted to NSCCL

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

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

8.5 Transfer of Collaterals

An additional facility is being provided in the Collateral Interface for Member (CIM) to enable members to transfer collaterals from one segment to other segment on an intraday basis. Members shall be required to put a transfer request in CIM and specify the segment where the collateral is to be transferred.

The intra-day transfer facility shall be available for margin deposits provided in form of Cash, Fixed Deposit Receipts and Bank guarantee only. Further, as per membership circular download reference no. NSE/MEMB/13696 dated December 16, 2009, members shall also be able to request to avail excess Interest Free Security Deposit over the

²⁵ Refer ‘File format for requesting collateral releases’



minimum amount stipulated regulatorily in the other segments as collateral towards the margin requirements using the said facility.

The modalities of intraday transfer are mentioned below:

- i. The facility of transfer of collaterals shall be available to clearing members.
- ii. The facility of intra day transfer shall be available for Instrument Type Cash (CHQ) Fixed Deposit Receipt (FDP) and Bank Guarantee (BGN).
- iii. Member shall request for transfer of collaterals in Collateral Interface for Members (CIM) under menu option “Collateral Release – New Request/inquiry - Transfer Request”.
- iv. Transfer request received from the members via CIM shall be treated as request from the members and no separate transfer letter need to be submitted for transfer of Instrument Type Cash (CHQ) Fixed Deposit Receipt (FDP) and fungible Bank Guarantee (BGN).
- v. To transfer of non-fungible bank guarantee clearing member is required to submit a letter as per format in **Part C**²⁶ to the Clearing Corporation requesting to shift the Bank Guarantee, and amendment letter, as per format in **Part C**²⁷, executed on a Rs. 100 Stamp paper from the respective bank, in addition to transfer request placed on CIM.
- vi. Intra day transfer shall be subject to maintenance of minimum deposits as per regulatory requirement and current applicable parameters.
- vii. Member may verify the details of the request for transfer and its status in CIM under menu option “Collateral Release – New Request/inquiry- Transfer Inquiry”.

²⁶ Refer ‘Format of Member Letter for shifting Non Fungible Bank Guarantee’

²⁷ Refer ‘Format of Bank amendment letter for shifting Non Fungible Bank Guarantee’



ITEM 9: 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:

9.1 Initial Margins

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

Initial Margin shall include SPAN margins, premium margin, assignment margin and such other additional margins, that may be specified by the Clearing Corporation from time to time.

9.2 Computation of Initial Margin

Clearing Corporation shall adopt SPAN[®] (Standard Portfolio Analysis of Risk) system or any other system for the purpose of real time initial margin computation.

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 may be computed over a two day time horizon by applying an appropriate statistical formula. In case of clearing members who have opted for payment of MTM settlement on a T+0 basis and have intimated the same to the Clearing Corporation, the initial margin may be computed over a one day time horizon.

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 **in Part C²⁸**.

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.

²⁸ Refer 'SPAN margin computation methodology'



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:

9.2.1 Price scan range

9.2.1.1 Index Products: The Price Scan Range shall be taken as three standard deviations (3 sigma) as calculated for VaR purpose for the underlying index in the relevant underlying segment of the Exchange or such other price scan range as may be specified by the Clearing Corporation from time to time.

For VIX futures price scan range shall be taken as three standard deviations (3 sigma) or such other price scan range as may be specified by the Clearing Corporation from time to time. The volatility computation shall be based on GARCH (1,1) model as below.

$$\sigma_t^2 = \omega + \alpha * u_{t-1}^2 + \beta * \sigma_{t-1}^2$$

Where,

u_{t-1}^2 = The squared return as in the existing method

σ_{t-1}^2 = The variance on day t-1' as in the existing method

ω, α & β = Parameters as may be defined by NSCCL from time to time

9.2.1.2 Stock Products: The Price Scan Range shall be taken as three and a half standard deviations (3.5 sigma) as calculated for VaR purpose for the relevant underlying security in the relevant underlying segment of the Exchange, or such other price scan range as may be specified by the Clearing Corporation from time to time.

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

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



methodology of computation of the same shall be available on the Exchange website www.nseindia.com

9.2.2 Volatility scan range

9.2.2.1 Index products: Volatility Scan Range for index products shall be taken at 4% or such other percentage as may be specified by the Clearing Corporation from time to time.

9.2.2.2 Stock products: Volatility Scan Range for stock products shall be taken at 10% or such other percentage as may be specified by the Clearing Corporation from time to time.

9.2.3 Calendar Spread Charge

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

The calendar-spread margin shall be charged in addition to worst-scenario loss of the portfolio. The spread charge shall be 0.5% per month of spread on the far month contract subject to a minimum margin of 1% and a maximum margin of 3% on the far side of the spread with legs upto 1 year apart.

In the case of futures contracts on India VIX, the margin on calendar spread positions shall be calculated on the basis of delta of the portfolio consisting of futures contracts in each week. A calendar spread position shall be granted calendar spread treatment till the expiry of the near week contract.

The calendar-spread margin shall be charged in addition to worst-scenario loss of the portfolio. The spread charge shall be 3% on the far week contract.

9.2.4 Short Option Minimum Charge

9.2.4.1 Index Options: Short option minimum charge shall be equal to 3% of the notional value of all short positions in index options. Notional value, with respect to an option contract, shall be computed as the product of the short open position in that option contract multiplied by the previous day's closing price of the index futures contract, or such other price as may be specified by the Clearing Corporation from time to time.

9.2.4.2 Options on individual securities: Short option minimum charge shall be equal to 7.5 % of the notional value of all short positions in options on individual stocks. Notional value, with respect to an option contract, shall be computed as the product of the short



open position in that option contract multiplied by the previous day's closing price of the underlying security in the normal market of Capital Market Segment of the Exchange, or such other price as may be specified by the Clearing Corporation from time to time.

9.2.5 Net Option Value

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

9.2.6 Minimum Percentage for Margins on Futures Contracts:

The minimum margin percentage on index futures shall be 5% which shall be scaled up by look ahead period as may be specified by the Clearing Corporation from time to time.

The minimum Initial margin percentage on India VIX futures shall be 9% which shall be scaled up by look ahead period as may be specified by the Clearing Corporation from time to time.

The minimum margin percentage on stock futures shall be 7.5% which shall be scaled up by look ahead period as may be specified by the Clearing Corporation from time to time. Additionally, if the mean impact cost of a security exceeds 1%, the minimum margin percentage in such underlying shall be scaled by square root of three.

9.2.7 Premium Margin

Premium Margin shall mean and include premium amount due to be paid to the Clearing Corporation towards premium settlement, at the client level. Premium margin shall be levied till the completion of pay-in towards the premium settlement.

9.2.8 Assignment Margin

Assignment Margin shall be levied on assigned positions of the clearing members towards final exercise settlement obligations for option contracts on index and individual securities. Assignment margin shall be the net exercise settlement value payable by a clearing member towards final exercise settlement. Assignment margin shall be levied till the completion of pay-in towards the exercise settlement.

9.3 Updation of risk parameters



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

9.4 Exposure margins

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

9.4.1 Index Futures contracts: The exposure margin shall be 3% of the notional value of the futures positions, based on the last available trading price of the relevant futures contract. For global indices futures contracts the exposure margin shall be 3% of the notional value of the futures positions. For India VIX Futures contracts the exposure margin shall be 5% of the notional value of the futures positions.

9.4.2 Short Index Options contracts: The exposure margin shall be 3% of the notional value of the short open positions in options on index, based on the last available closing price of the underlying index in the normal market of Capital Market segment of the Exchange.

9.4.3 Futures contracts on individual Securities: The exposure margins shall be higher of 5% or 1.5 standard deviation of the notional value of gross open position in futures on individual securities in a particular underlying.

9.4.4 Short Option contracts on individual Securities: The exposure margins shall be higher of 5% or 1.5 standard deviation of the notional value of short open positions in options on individual securities based on the last available closing price of the underlying security in the normal market of Capital Market segment of the Exchange.

For this purpose, the standard deviation of daily logarithmic returns of prices of the underlying security in the normal market of Capital Market segment of the Exchange in the last six months shall be computed on a rolling and monthly basis at the end of each month. The applicable exposure margins shall be intimated by the Clearing Corporation from time to time.

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



9.4.6 Exposure 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.

9.5 Imposition of additional margins

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

9.6 Mode of payment of margin

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

9.7 Payment of margins

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

Members are required to collect initial 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 14

Amount of liquid networth of a clearing member utilised towards exposure margins arising out of open positions of trading members/clients, clearing and settling through them, may be recovered from such trading members/clients.

9.8 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 15. 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.

9.9 Maintenance of Capital Cushion

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

- i. At the end of each calendar month, clearing members who have exceeded 90% of utilisation of limits during the day for more than 7 days in the current month shall be identified
- ii. The capital required to bring the utilisation of the clearing members to a level of 85% at the time of violating the trigger point of 90% on each of those occasions shall be noted. The highest of such amounts for the identified clearing members during the month shall be called for as additional capital.
- iii. The utilisation shall be monitored for both initial margins as well as exposure margin utilisation
- iv. The requirement of additional capital shall be communicated to the clearing members on the first day of the subsequent month.
- v. The clearing members shall be required to provide the amount of additional capital in the form of Cash, FDRs or Bank Guarantees within three working days
- vi. No benefit including exposure, margin etc shall be available to the clearing member on the amount of additional capital so collected.
- vii. In case of non- payment of additional capital within the stipulated time limit a penalty as applicable for funds shortage shall be levied for the period of default.
- viii. The additional capital so collected shall be retained with the Clearing Corporation for a period of one calendar month



- ix. In case a clearing member is liable to provide additional capital in the subsequent month too, the amount of additional capital shall be recomputed and the excess /deficit shall be refunded /called for.
- x. The amount of additional capital shall be informed to the clearing members on the first day of the subsequent month vide letter in the extranet directory.
- xi. The letter of intimation of additional capital shall be available to clearing members in the extranet directory FAOFTP/F<MEMBER CODE>/LETTERS/DNLD
- xii. Clearing members shall also be provided a provisional capital cushion report on a daily basis intimating the provisional amount of additional capital to be provided along with the number of days when the clearing member has crossed 90% of margin utilisation. The report shall be provided in the extranet directory FAOFTP/F< MEMBER CODE>/LETTERS/DNLD

9.10 Cross Margining

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

- i. Cross margining benefit shall be available across Capital market and F&O segment
- ii. Cross margining benefit shall be available to all categories of market participants
- iii. For client/entities clearing through same clearing member in Capital market and F&O segments, the clearing member shall only be required to intimate client details through a file upload through Collateral Interface for Members (CIM)
- iv. For client/entities clearing through different clearing member in Capital market and F&O segments they shall require to enter into necessary agreements for availing cross margining benefit.

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

9.10.1 Positions eligible for cross-margin benefit:

Cross margining shall be available across Capital market and F&O segment and to all categories of market participants. The positions of clients in both the Capital market and F&O segments to the extent they offset each other shall be considered for the purpose of cross margining as per the following priority

- a. Index futures and constituent stock futures in F&O segment
- b. Index futures and constituent stock positions in Capital market segment
- c. ETF and constituent stock futures in F&O segment
- d. ETF and constituent stock positions in Capital market segment
- e. Index futures and ETF in Capital market segment
- f. Stock futures in F&O segment and stock positions in Capital market segment



- i. In order to extend the cross margin benefit as per (a) and (b) above, the basket of constituent stock futures/ stock positions shall be a complete replica of the index futures. Clearing Corporation shall specify the number of units of the constituent stocks/ stock futures required in the basket to be considered as a complete replica of the index on the website of the Exchange www.nseindia.com from time to time.
- ii. In order to avail the cross margin benefit as per (c) and (d) above, the constituents and the number of units of the constituent stocks/ stock futures required in the basket to be considered as a complete replica of the ETF shall be the same as that of the respective underlying Index specified by the clearing corporation on the website of the Exchange www.nseindia.com from time to time.
- iii. The number of units shall be changed only in case of change in share capital of the constituent stock due to corporate action or issue of additional share capital or change in the constituents of the index.
- iv. The positions in F&O segment for stock futures and index futures shall be in the same expiry month to be eligible for cross margining benefit.
- v. The position in a security shall be considered only once for providing cross margining benefit. E.g. Positions in Stock Futures of security A used to set-off against index futures positions shall not be considered again if there is a off-setting positions in the security A in Capital market segment.
- vi. Positions in option contracts shall not be considered for cross margining benefit.
- vii. The positions in ETFs and constituent stocks shall be in the same settlement number to be eligible for cross margining benefit.
- viii. In the event of a suspension on creation / redemption of the ETF units, the cross-margining benefit shall be withdrawn.
- ix. Clearing corporation may revise the list of eligible ETFs and minimum quantity required from time to time. An example of computation of offsetting positions has been provided in **Part C**²⁹

9.10.1.1 Cross Margining benefit on Global indices

The cross margin benefit shall be provided for offsetting futures position to the extent where the number of contracts of S&P 500 and DJIA are in the ratio of 5:6.

9.10.2 Entities/clients eligible for cross margining

The clearing member shall inform the Clearing Corporation the details of client to whom cross margining benefit is to be provided. The cross margining benefit shall be available only if clearing members provide the details of clients in such

²⁹ Refer 'Example of computation of offsetting positions for cross margining'



manner and within such time as specified by the Clearing Corporation from time to time.

9.10.2.1 Client/entity settling through same clearing member in both Capital market and F&O segment

- i. The clearing member shall ensure that the code allotted (code used while executing client trade) to client/entity in both Capital market and F&O segment is same
- ii. The clearing member shall inform the details of clients to whom cross margining benefit is to be provided through a file upload facility provided in Collateral Interface for Members (CIM).
- iii. The details of file to be uploaded i.e file naming convention, file format has been provided in **Part C**³⁰

9.10.2.2 Client/entity settling through different clearing member in Capital Market and F&O segment

- i. In case a client settles in the Capital market segment through a trading member / custodian and clears and settles through a different clearing member in F&O segment, then they shall be required to enter into necessary agreements.
- ii. In case where the client/entity settles through Custodian in Capital market segment, then the client/entity, custodian and the clearing member in F&O segment shall enter into a tri-partite agreement as per the format provided in **Part C**³¹.
- iii. In case where the client/entity clears and settles through a member in Capital market segment, and a different clearing member in F&O segment, then the member in Capital market segment and the clearing member in F&O segment shall enter into an agreement as per the format provided in **Part C**³². Further, the client/entity shall enter into an agreement with the member as per the format provided in **Part C**³³.
- iv. The clearing member in the F&O segment shall intimate to the Clearing Corporation the details of the client/entity in F&O segment alongwith letter from trading member/custodian giving details of client/entity in Capital market

³⁰ Refer 'Format of files to be uploaded by the clearing member giving client wise details for availing cross margining benefit'

³¹ Refer 'Agreement between Member, Custodian & Constituent for Availing Cross Margining Benefit'

³² Refer 'Amendment agreement to the Clearing Member – Trading Member agreement for availing Cross Margining Benefit'

³³ Refer 'Agreement between stock broker & client for availing cross margining benefit'



segment who wish to avail cross margining benefit. The details to be provided have been specified in **Part C**³⁴

If the clearing member in F&O segment provides only the details of the clients and not the copies of the agreements then the cross margining benefit shall be provided in respect of positions in Index Futures and Constituent Stock Futures only. The details to be provided by the clearing members in this regard are stipulated in **Part C**³⁵

The positions of such clients in the Capital market segment shall also be considered for cross margining on clearing member providing copies of the requisite agreements entered by the clients/members.

9.10.3 Facility of maintaining two client accounts

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

9.10.4 Computation of cross margining benefit

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

³⁴ Refer 'Details to be provided by F&O clearing member in case where client/entity is clearing through different members in cash and F&O segment for availing cross margining benefit'

³⁵ Refer 'Format of letter to be provided by trading member for availing cross margin benefit to client for position in F&O segment only'



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

9.10.5 Provisions in respect of default

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

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

9.10.6 Additional reports

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

9.11 Collateral Limit for Trading Members

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

9.12 Risk Reduction Mode at 90%

Member shall be compulsorily placed in risk reduction mode when 90% of the member's capital is utilised towards margins.



When a member moves in to risk reduction mode -

- i. All unexecuted orders shall be cancelled
- ii. Fresh orders placed by members to reduce open positions shall be accepted.
- iii. 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.
- iv. Fresh orders can be placed for immediate or cancel (IOC) only
- v. Members will be able to trade in normal mode as and when the utilisation goes below 85%

Additionally

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

9.13 Voluntary Closeout Facility

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

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

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

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

When the position limit utilization exceeds the upper limit the trading member shall move in **Risk reduction mode**. Member shall be allowed to modify the lower limit in voluntary closeout mode



ITEM 10: POSITION LIMITS

10.1 Trading Member wise Position Limit

10.1.1. Index Futures

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

The gross open positions of the trading members shall be higher of INR 150 crores or 15% of the total open interest in the market in futures on INDIA VIX.

10.1.2. Index Options

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

10.1.3 Futures and Option contracts on individual securities:

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

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

10.2 Client Level Position Limits

10.2.1. Futures and Option contracts on individual securities

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

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



Client level position limits security-wise, are made available to members on the exchange website (www.nseindia.com).

10.2.2 Unique Client ID Position Monitoring

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

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

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

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

10.2.3. Disclosure for Client Positions in Index based contracts

Any person or persons acting in concert who together own 15% or more of the open interest on a particular underlying index, including INDIAVIX, is required to report this fact to the Exchange/ Clearing Corporation. Failure to do so shall be treated as a violation and shall attract appropriate penal and disciplinary action in accordance with the Rules, Byelaws and Regulations of the Clearing Corporation. The disclosure shall be provided as specified in **Part C**³⁶.

10.3 Market Wide Position Limits for derivative contracts on underlying stocks

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

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

A facility is being provided to display an alert in trading system once the open interest in the futures and options contract in a security exceeds 60% of the market wide position limits specified for such security. Such alerts may be displayed at time intervals of 10

³⁶ Refer 'Format of letter to be provided by clearing member for disclosure of client position in index based contracts'



minutes or such other duration as may be decided by the relevant authority from time to time.

10.3.1 Market Wide Position Limit across Stock Exchanges

Clearing Corporation shall disseminate Market Wide Position Limit (MWPL) and open interest of the security at NSE in respect of all securities on a daily basis latest by 6:30 pm as per the format specified below.

1. ISIN of the security
2. Name of the security
3. Symbol of the Security
4. Applicable MWPL limit (in terms of number of shares) of the security
5. Current day Open Interest (in terms of number of shares) of the security.

Further, aggregate open interest in each security across Exchanges shall be disseminated as per the format specified below on daily basis latest by 7:00 pm.

1. ISIN of the security
2. Name of the security
3. Symbol of the security
4. MWPL (in terms of number of shares) of the security
5. Current day Open Interest (in terms of number of shares) of the security
6. Permissible limits for next day (in terms of number of shares) of the security

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

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

10.4 Position limits for Foreign Portfolio Investor (FPI)

With respect to the SEBI circular CIR/MRD/DP/15/2014 dated May 15 2014, and the SEBI FPI regulations 2014. FPIs have been categorised into three categories. The existing FIIs/FII sub-accounts/QFI shall be classified into one of the three categories based on the information provided by custodians.

- The position limits applicable for Foreign Portfolio Investor (FPI), are detailed in **Item 11**.



10.5 Other Position limits

The position limits applicable for Mutual Funds (MF), schemes of MF, NRIs are detailed in **Item 11**.



ITEM 11: PROCEDURE FOR FPIs, MFs AND NRIs

11.1 Procedure for trading by FPI, Mutual Funds (MF) and their schemes.

1. Entities getting registered as FPIs under new FPI regime shall be allotted unique CP code upon receiving application of activation from Clearing member.
2. Each FPI, MF/ Scheme of MF as the case may be, intending to trade in the F&O segment of the Exchange, shall be required to obtain a unique CP code from the Clearing Corporation, through their clearing member. CP code normally comprises of 12 alphanumeric characters. Clearing Corporation shall allot CP codes to such FPI/MF/Scheme of MF.
3. The clearing member/s of the FPI/MF/Scheme of MF, are required [apply to clearing corporation for the activation/ mapping/ deactivation of CP code through Collateral Interface for members \(CIM\)](#) to obtain a Custodial Participant (CP) code as per Item 18.
4. FPI/MF/Scheme of MF which have been allotted a unique CP code by the Clearing Corporation shall only be permitted to trade on the Exchange.
5. The FPI/MF/ Scheme of MF shall ensure that all orders placed by them on the Exchange carry the relevant CP code allotted by the Clearing Corporation, in the relevant field in the trading system of the Exchange.
6. Once the trade is executed in the trading system, the same shall be available to the clearing member, for approval or rejection. Clearing member shall approve or reject the trade for the FPI/MF/ Scheme of MF, on the same day within the stipulated time as per the mechanism provided from time to time.
7. For [modification/ change of Custodian or Clearing member of a FPI/ MF/ Schemes of MF](#) clearing member/s are required to furnish the details to the Clearing Corporation as per format mentioned in **Part C**³⁷.

11.2 FPI Category (I &II) and MF Position limits in index options contracts:

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

11.3 FPI Category (I &II) and MF Position limits in index futures contracts:

FPI category (I & II) and MF position limit in all index futures contracts on a particular underlying index shall be Rs.500 crores or 15 % of the total open interest of the market in

³⁷ Refer 'File format of application for activation / deactivation of custodial participant code'



index futures, whichever is higher. This limit would be applicable on open positions in all futures contracts on a particular underlying index.

The position limits applicable for Foreign Portfolio Investor (FPI) I & II, Mutual Funds (MF) for VIX futures shall be same as of Trading Member level limits.

11.4 Additional exposure in equity index derivatives

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

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

In this regard, if the open position of an FPI Category (I &II)/ MF exceeds the limits as stated in item no. 11.2 or 11.3, such surplus would be deemed to comprise of short and long positions in the same proportion of the total open positions individually. Such short and long positions in excess of the said limits shall be compared with the FPI Category (I &II) /MFs holding in stocks, cash etc as stated above.

11.5 FPI (Category I & II) and MF Position limits on individual securities

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

11.6 Computation of Position Limits

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

11.7 Reporting of holdings for FPI (category I & II)/MF for additional limits in index products

1. The FPI (category I & II)/MF shall report to the clearing member the extent of FPI Category (I &II)/MFs holding of stocks, cash, government securities, T-Bills and similar instruments before the end of the day.



2. The clearing member in turn shall report the same to the Exchange/ Clearing Corporation.
3. The reporting shall be done for index products
4. The same shall be reported by uploading a file (in the format as provided below) by 5.00 pm on a daily basis. The details to be provided shall be based on the FPI Category (I & II) and MF registration number provided by SEBI.
5. The files so uploaded shall be processed and a return file shall be provided (as per format given below).
6. An additional window shall be provided to the clearing members to upload the file again by 5.30 pm.
7. In cases where for a particular FPI Category (I & II)/MF multiple reporting is received from different clearing members, the minimum amount reported shall be considered.
8. In case of non-reporting by the clearing member for a **FPI Category (I & II)** or MF, the holdings shall be considered as zero.

11.7.1 File to be uploaded by clearing member:

The name of the file to be uploaded by the clearing member in the extranet server shall be

F_RPT_<DDMMYYYY_NN>.csv. (Comma Separated File)

where

-F is segment indicator

-RPT is the file type

-DDMMYYYY is the date of upload

-NN is the batch number (incremental number in case of subsequent file for same date)

The structure of the control record shall be as follows:

Sr. No.	Field Name	Remarks
1.	Date	Should be equal to the File Batch Date.(same format as in file name)
2.	Batch Number	Should be equal to the File Batch Number. (E.g. 01,02 etc)
3.	Number of Records	Should be equal to the total number of detail records in the file.

The structure of the detail record shall be as follows:

Sr. No.	Field Name	Remarks
1.	Date	format shall be DDMMYYYY (date for which reported)
2.	FPI (category I & II)/ / MF Registration No.	SEBI /FPI (category I & II)// MF registration number e.g. (for FPI it shall be IN-AA-BB-



		0123-56 and for MF it shall be MF-01-23-01)
3.	Reporting Indicator	‘IDX’ for index products
4.	Stock / Cash Equivalents	‘SEC’ for holding of stocks and ‘CSH’ for others
5.	Notional value	Should be with maximum two decimals

All the fields mentioned above are mandatory

The files need to be uploaded on the extranet server in the following directory

/FAOFTP/F<MEMBER CODE>/RPT/UPLD

where

MEMBER CODE is 5 digit trading member code allotted to the member (e.g. 09999 and not M12345 or C23456)

11.7.2 Return file to be downloaded to clearing member:

F_<MEMBER CODE>_ RPTR_<DDMMYYYY_NN>.csv

Where

-F is segment indicator

-Member Code is 5 digit trading member code allotted to the member (eg. 09999 and not M12345 or C23456)

-RPTR is the return file type

-DDMMYYYY is the date of upload

-NN is the batch number

The structure of the control record shall be as follows:

Sr. No.	Field Name	Remarks
1.	Date	As reported by the member
2.	Batch Number	As reported by the member
3.	Number of Records	As reported by the member

The structure of the detail record shall be as follows:

Sr. No.	Field Name	Remarks
1.	Date	As reported by the member
2.	FPI (category I & II)/ MF Registration No.	As reported by the member
3.	Reporting Indicator	As reported by the member
4.	Stock / Cash Equivalents	As reported by the member
5.	Notional value	As reported by the member
6.	Status	‘C’ for confirmed records ‘R’ for rejected records



7.	Reason	Reason for Rejection
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The files shall be downloaded on the extranet server in the following directory
/FAOFTP/F<MEMBER CODE>/RPTDNLD
where the MEMBER CODE is 5 digit trading member code allotted to the member (eg. 09999 and not M12345 or C23456)

11.8 Limits for FPI (Category III) and schemes of Mutual Funds

11.8.1 Index Futures and Options

Any FPI (Category III)/ scheme of MF or persons acting in concert who together own 15% or more of the open interest of all derivative contracts on a particular underlying index are required to report this fact to the Exchange/Clearing Corporation. Failure to do so shall be treated as a violation and shall attract appropriate penal and disciplinary action in accordance with the Rules, Byelaws and Regulations of the Clearing Corporation.

11.8.2 Futures and Options on individual securities

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

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

or

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

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

11.9 Monitoring of Position Limits for FPI/MF

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

In the event of an FPIMF breaching the position limits on any underlying, the Clearing Corporation shall advise the Exchange to withdraw the facility granted to such FPI /MF to take any fresh positions in any derivative contracts. Such FPI/MF shall be required to reduce their open position in such underlying, in accordance with the mechanism provided by the Clearing Corporation from time to time. The facility withdrawn may be reinstated upon due compliance of the position limits.



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

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

11.10 Scheme of Trading for NRIs

- i. The NRI client shall have only one clearing member at any given point of time.
- ii. The procedure of activation/ deactivation of Custodial Participant Code of NRI client and change of clearing member of NRI clients shall be as per process specified in 11.1
- iii. Members may note that at the time of order entry on behalf of an NRI client, trading members have to ensure that the CP code of the NRI is placed in the CP code field of the trading system
- iv. Once the trade is executed in the trading system, the same shall be available to the clearing member, for approval or rejection. Clearing member shall approve or reject the trade for the NRI client, on the same day within the stipulated time as per the mechanism provided from time to time.
- v. All limits as applicable to clients shall be applicable to NRIs. Violation of limits shall attract action as specified in **Item 15**.

11.11 Auto approval of Custodial Participant (CP) trades

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

- i. Setting limits for CP
 - a. Clearing members (CM) may set the margin limit for their CP codes
 - b. Limits shall be a number 0 to n.
 - c. CM shall not set limit as unlimited
 - d. CM may revise the limits. Revisions in limits shall not affect already confirmed/rejected/not acted upon trades
 - e. Revision in limits shall apply for trades executed after the time limits are revised
- ii. Trades executed with CP code shall be checked for sufficiency of margins against the limit available
- iii. If the limit of the CP is available
 - a. The trades shall be auto approved for the CM for that CP
 - b. Such trades which are auto approved cannot be rejected



- c. Margins shall be imposed on CM of CP, similar to those trades which are confirmed by CM
 - d. Settlement obligation arising out of such CP trades shall be marked to the CM of CP, similar to those trade which are confirmed by CM
- iv. If the limit of CP is inadequate
- a. The trades shall be subject to margins on the executing Trading Member (TM) as per current procedure
 - b. Such trades shall be available for approval / rejection by the CM as per current procedure

Please refer to the operating procedure for setting/ modifying CP limit in NCMS given in **Part C**³⁸.

³⁸ Refer 'Operating procedure for setting/ modifying CP limit in NCMS'



ITEM 12: 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:

12.1 Closing out

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

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

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

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

Clearing Corporation may, in addition to the foregoing provisions, take additional measures like, imposing penalties, collecting appropriate deposits, invoking bank



guarantees, encashment of fixed deposit receipts, realising money by disposing off the securities, and exercising such other risk containment measures as it deems fit and may further take such disciplinary action as it may deem fit and appropriate in this regard.

12.2 Close-out facility

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

- 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, Regulations and Circulars.

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

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

- 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 as per **Part C**³⁹.
- 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 close-out by the clearing member and the clearing member has 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.

³⁹ Refer 'Format of application of close out facility by Clearing Member on behalf of Trading Member'



- 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.



ITEM 13: CORE SETTLEMENT GUARANTEE FUND

13.1 Core Settlement Guarantee Fund

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

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

1. The MRC shall be fixed for a month.
2. By 15th of every month, NSCCL shall review and determine the MRC for next month based on the results of daily stress tests of the preceding month. NSCCL shall also review and determine by 15th of every month, the adequacy of contributions made by various contributors and any further contributions to the Core SGF required to be made by various contributors for the next month.
3. For every day of the preceding month, uncovered loss numbers shall be estimated by the various stress tests for credit risk conducted by the NSCCL for the segment and highest of such numbers shall be taken as worst case loss number for the day.
4. Average of all the daily worst case loss numbers determined in (3) shall be calculated.
5. The MRC for next month shall be higher of the average arrived in at step (4) and the segment MRC as per previous review.

13.2 Contribution to Core SGF

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

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



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

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

Penalties levied by NSCCL

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

Interest on Core SGF cash contribution

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

13.3 Penal Charges for Utilisation of Core SGF

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

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



ITEM 14: CLIENT MARGIN REPORTING

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

Client Margin Reporting:

Members are required to collect initial 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 in accordance with the procedure and formats specified hereunder or as may be specified by the Clearing Corporation from time to time:

14.1 Files to be submitted by the member

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

The name of the file to be uploaded by the trading member on the extranet server or thru CIM is F_MRG_TM_<DDMMYYYY>_nn.CSV and that by the clearing member is F_MRG_CM_<DDMMYYYY>_nn.CSV

where:

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

The files are required to be uploaded through Collateral Interface for Members (CIM) using the client margin file upload menu.

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

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

- i. Members 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 five working days after the trade date. Where multiple files are uploaded by the members for a client/constituent/trading member for a trade day, the information of client margin collected as provided in the file with latest batch number for the trade date would be considered as final by the Clearing Corporation. If a file is uploaded with the wrong batch number the return file shall have a message indicating that the batch number is incorrect.
- iii. If a member uploads a file with incorrect name, such files shall not be picked up by the Clearing Corporation. In case of files uploaded through the extranet the same file shall be renamed as "<filename>.failed" in the respective member folder in order to facilitate members to ascertain file upload failure.
 - iv. Zero byte uploaded through the CIM shall not be accepted. In case of zero byte files uploaded through the extranet the same file shall be renamed as "<filename>.failed" in the respective member folder.
 - 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:

1. Each row of the margin file MG12 provides the details of margins for a proprietary account of trading member and custodian participants, as per the code entered by the members at the time of order entry. NSCCL shall provide additional files for clearing members (MG18) as a part of End of Day reports. The files shall contain total margin applicable for each associated Trading Member/Custodial Participant.
2. Each row of the margin file MG13 provides the details of margins for a specific trading member/client code, as per the code entered by the members at the time of order entry.
3. Members are required to add a comma and the margin amount collected figure at the end of each row (for each trading member/client/constituent) in the file representing the actual initial margin amount collected from that trading member/client/constituent as the case may be.
4. This figure for initial margin amount collected, appended by the member should not be negative.
5. 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.



14.2 Return files to the members

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

Members can download return file through Collateral Interface for Members (CIM) using the client margin file download menu.

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

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

Two types of return files are generated for the members

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

1. Rejected Files –

File Naming convention: F_MRG_TMF_MEMBERCODE_<DDMMYYYY>_nn.CSV for trading members and F_MRG_CMF_MEMBERCODE_<DDMMYYYY>_nn.CSV for clearing members

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

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

File loaded for future date - If the member uploads the file for September 12, 2010 on September 11, 2010, 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, 2010 with file names F_MRG_TM_12092010_01.CSV and F_MRG_TM_12092010_03.CSV, the second file would be rejected with error message ‘File is not being processed as file batch number is not proper. Last successful batch no for the day was 01’.

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



2. Processed File Records –

File Naming Convention: F_MRG_TMR_MEMBER CODE_<DDMMYYYY>_nn.CSV for trading members and F_MRG_CMR_MEMBER CODE_<DDMMYYYY>_nn.CSV for clearing members

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

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

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

14.3. Sign-off date

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

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

14.4. Non-reporting/ non submission of client margin:

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

14.5 Penalty for short / non-reporting of client margin:



Penalty shall be levied in case of short/ non-reporting by trading/clearing member as per **Item 15**.

14.6 Letters for penalty

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

14.7 No Margin Liability

Clearing/trading members who have no margin liability i.e. both initial margin and exposure margin is zero, shall not receive any margin file. If the clients of clearing / trading member do not have any margin liability i.e where both initial margin and exposure margin is zero for a client, such clients shall not be reflected in MG 12 and MG 13 files.

14.8 Statement of account of settlement & client margin

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



ITEM 15: VIOLATIONS AND PENALTY

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

15.1 Violation

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

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

15.1.1 Non fulfilment of initial margin obligations

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

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

Additionally, penalty and penal charge as mentioned in 15.1.6 shall be levied for Non fulfilment of initial margin obligations

15.1.2 Non-fulfilment of settlement obligation

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



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

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

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

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

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

15.1.3 Non-fulfilment of minimum deposit requirements.

Any failure on the part of a clearing member to meet with the minimum deposit requirements as given in Item 8, at any point of time, shall be treated as a violation.

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

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



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

15.1.4 Exposure margin violation

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

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

Additionally, penalty and penal charge as mentioned in 15.1.6 shall be levied for exposure margin obligations

15.1.5 Trading member wise position limit violation

When the open position of any trading member, exceeds the limit specified as per item 10 above at any time, including during trading hours in any index/security, trading member shall be restrained from taking any further position only in respect of index/security in which there is violation and trading member shall be required to bring their position within specified limit.

Additionally, penalty as mentioned in 15.1.6 shall be levied for trading member wise position limit violation

15.1.6 Penalty and penal charges for margin/limit violation

In respect of violation mentioned in point 15.1.1, 15.1.4 and 15.1.5 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.
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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.

15.1.7 FPI (Category I & II) /Mutual Fund position limit violation

When the open position of any FPI (Category I & II)/Mutual Fund, exceeds the limit specified as per item 11 above at the end of the day the same shall be treated as a violation. In case of violation the Clearing Corporation may advise the Exchange to withdraw the facility granted to such FPI (Category I & II) /MF to take any fresh positions in any derivative contracts. A penalty as applicable for trading member position limit violation shall be applicable and levied on the clearing member of the FPI (Category I & II)/MF.

15.1.8 Client wise/NRI/ FPI (Category III) /scheme of MF position limit violation:

When the open position of any Client/NRI/ FPI category III/scheme of MF, exceeds the limit specified as per item 10 and 11 at the end of the day the same shall be treated as a violation.

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

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

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

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

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



15.1.9 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.

15.1.10 Violation of exercised positions

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

15.1.11 Non-fulfilment of Capital Cushion requirement

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

15.1.12 Short / non-reporting of client margin

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 3% or more in the Nifty (close to close) on a given day, (day T), then, the penalty for short collection shall be imposed only if the shortfall continues to T+2 day.



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

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

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

15.1.13 Market wide Position Limit violation

The procedure for monitoring market wide position limit as specified in Item 10 above shall be as under:

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



15.2 Compliance towards violations

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

15.3 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 16: INFORMATION VIA SMS

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

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

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

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

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

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



Members who have opted for the 'Do Not Disturb' facility and hence do not wish to receive SMS alerts may deregister from the SMS alert facility.



ITEM 17: ADJUSTMENTS FOR CORPORATE ACTIONS

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

17.1. Adjustment for Corporate Actions

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

17.2. Time of Adjustment

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

17.3. Adjustment

Adjustments shall mean modifications to positions and / or contract specifications as listed below such that the basic premise of adjustment laid down under 17.1 above is satisfied:

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

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

17.4. Corporate actions to be adjusted

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

- Bonus
- Rights
- Merger / De-merger
- Amalgamation
- Splits
- Consolidations



- Hive-off
- Warrants, and
- Secured Premium Notes (SPNs) among others.
- Extraordinary dividends

17.5. Methodology for adjustment

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

17.5.1 Bonus, Stock Splits and Consolidations

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

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

17.5.1.1 Bonus

Ratio - A : B

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

17.5.1.2 Rights

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

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



Adjustment Factor is $= (P-E)/P$

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

Market Lot / Multiplier: The new market lot/multiplier shall be arrived at by dividing the old market lot by the adjustment factor as under.

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

17.5.1.3 Stock Splits and Consolidations

Ratio - A : B

Adjustment factor : A/B

17.5.2 Adjustment in case of fractions

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

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

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

17.5.3 Merger / Demerger

- On announcement of the record date for merger/demerger, the last cum-date for merger/demerger would be determined by the Exchange/ Clearing Corporation. The date of expiration of all contracts in the underlying which shall cease to exist subsequent to the merger/demerger, shall be the last cum date, which shall be informed to the members.
- Pursuant to the announcement of the record date, no fresh month contracts on Futures and Options would be introduced in the underlying which shall cease to exist, subsequent to the merger/demerger.
- Un-expired contracts in the underlying, which shall cease to exist subsequent to the merger/demerger, outstanding as on last cum-date shall be compulsorily settled at the settlement price. The settlement price shall be the last available



closing price of such underlying in the Capital Market segment of National Stock Exchange, on the last cum-date.

17.5.4 Extra Ordinary Dividends

Dividends which are below 10% of the market value of the underlying stock would be deemed to be ordinary dividends and no adjustment in the strike price would be made for ordinary dividends.

For extra-ordinary dividends above 10% of the market value of the underlying security, all positions in existing strike prices shall continue to exist in the corresponding new adjusted strike prices for respective option contracts. All open positions shall be carried forward at the daily settlement price less dividend amount for the respective futures contract.

17.5.5 Other corporate actions

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

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



ITEM 18: APPLICATION OF CUSTODIAL PARTICIPANT CODE

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

- Clearing members shall log in to Collateral Interface for Members (CIM) application on Connect2NSE (C2N) platform by using their existing log-in details for application/ mapping of CP Code.
- The application of codes shall be through a file upload.
- Applications submitted through the facility shall be processed and the CP code shall be generated and provided to clearing member.
- On application of mapping request by a clearing member, a request for NOC shall be sent to Custodian of the client.
- The Custodian would be able to provide NOC for such mapping request by log-in in CIM application.
- The CP codes issued/ mapped shall be activated effective from next trading day.
- The Clearing members shall continue to perform KYC of the clients and maintain necessary documentation of client for whom CP code is applied.
- The name of the file to be uploaded by the clearing member in the CIM shall be F_<MEMBERCODE>_CPCODE_YYYYMMDD.Tnn
Where,
MEMBER CODE- Primary code of clearing member
YYYYMMDD- current date
nn- Batch number of the file



The structure of detail record shall be as follows:

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

- In case custodial participant wish to shift from one custodian or clearing member to another custodian or clearing member, application shall be made to clearing corporation by both clearing members as per request letter provided in **Part C**⁴⁰.

⁴⁰ Refer 'File format of application for activation / deactivation of custodial participant code'