NSE Clearing

Circular

NSE Clearing Limited

(Formerly known as National Securities Clearing Corporation Limited)

Department : CAPITAL MARKET SEGMENT	
Download Ref No: NCL/CMPT/44387	Date : May 15, 2020
Circular Ref. No: 174/2020	

All Members,

Sub: Review of Margin framework for Cash Market Segment

This is with reference to SEBI/HO/MRD2/DCAP/CIR/P/2020/27 dated February 24, 2020 and in partial modification to Item no. 10 on Margins of the consolidated circular no. 001/2020 (Download Ref No: NCL/CMPT/43078) dated January 01, 2020.

- The changes in the margin framework are detailed in Annexure 1. The changes shall be made effective from **June 01, 2020**
- To enable members to estimate the revised margins as shall be applicable as per the revised margin framework NSE Clearing Ltd shall be providing following files in parallel from **May 18, 2020**
    - End of day parallel VAR files
      Naming convention C_VAR1_<DDMMYYYY>_parallel.DAT, where <DDMMYYYY> represents the current date
      File Location - /common / varrate
    - End of day client level margin files
      Naming convention C_MG02_<<member code>>_<DDMMYYYY>_parallel.csv, where <DDMMYYYY> represents the current date
      File Location - /<Member Code>>/ Reports
- File format for VAR file shall be revised as per Annexure 2. The revised format shall be applicable from **June 01, 2020**. The files downloaded in parallel will be as per the revised format.

Members are requested to take note of the above.

For and on behalf of
NSE Clearing Limited
(Formerly known as National Securities Clearing Corporation Limited)

Huzefa Mahuvawala
Vice President

Telephone No	**Fax No**	**Email id**
1800 266 0050	022-26598242	risk_ops@nsccl.co.in

Annexure 1

Changes in the margin framework

1. Volatility calculation

The value of λ, the parameter which determines how rapidly volatility estimation changes in the Exponential Weighted Moving Average (EWMA) method, shall be fixed at 0.995.

2. VaR Margin Rates

The VaR margin rates shall be as follows for different groups of stocks:

Liquidity Categorization	VaR Margin Rate
Group I	Based on 6σ, subject to minimum of 9%
Group II	Based on 6σ, subject to minimum of 21.5%
Group III	50% if traded atleast once per week on any stock exchange; 75% otherwise

Note:

1. In case of ETFs that track broad based market indices and do not include ETFs which track sectoral indices, the VaR margin rate shall be 6 sigma, subject to minimum of 6%.
2. In case of Group III the securities shall be monitored on a weekly basis, and the VaR - margin rates shall be increased to 75% if the security has not traded for a week. In case the VaR margin rate is 75% and the security trades during the day, the VaR margin rate shall be revised to 50% from start of next trading day.

3. Extreme Loss Margin

The Extreme Loss Margin shall be 3.5% for any stock and 2% for ETFs that track broad based market indices and do not include ETFs which track sectoral indices.

4. Additional Margin for highly volatile stocks

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

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

Annexure 2

Change in file format

VAR MARGIN FILE (VAR)

File location

This file would be generated and disseminated everyday at the end and during the day on the extranet server in the common/var rate directory

Naming convention:

C_VAR1_DDMMYYYY_N.DAT where
<DDMMYYYY> represents the current date,
'N' represents file batch number for the day.

Control Record

Field name	Length	Description
Record type	Char(2)	Value is 10
Date	Char(8)	Date on which file is generated
Filler	Number(5,2)	
Total records	Number(7)	Total no. of detail record

Detail Record

Field name	Length	Description
Record type	Char(2)	Value is 20.
Sec symbol	Char(10)	
Sec series	Char(2)	
ISIN	Char(12)	
Security VAR	Number(5,2)	
Filler	Number(5,2)	
VAR margin	Number(5,2)	
Extreme loss rate	Number(5,2)	
Additional margin	Number(5,2)	
Daily margin rate	Number(5,2)	