



PART B

DETAILED CONSOLIDATED CIRCULAR

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ITEM 1: DEALS

In pursuance Chapter VI of the Byelaws, the following deals are eligible to be admitted on the Commodity Derivatives Segment:

Clearing and settlement shall be permitted on the Clearing Corporation in deals which are from time to time admitted on the Commodity Derivative Segment by the relevant authority in accordance with the provisions of the Bye Laws and Regulations.



ITEM 2: BASIS FOR CLEARING & SETTLEMENT

In pursuance Chapter VI of the Byelaws, the procedure for clearing and settlement of deals and determination of Settlement Obligations are specified as under.

Settlement shall be effected by Clearing Members giving and receiving delivery and paying and receiving funds as may be specified by the relevant authority from time to time in the Bye Laws and Regulations. Funds settlement for deals admitted in the Commodity Derivatives Segment shall be cleared and settled on netted basis for daily settlement and gross basis for delivery settlement to determine the settlement obligations for all Clearing Members.

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 Member and also of those Trading Members, 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 for whom the Clearing Member has undertaken to settle shall be considered for determining the obligations as Clearing Member.



ITEM 3: SETTLEMENT SCHEDULE

In pursuance Of Chapter VI of the Byelaws, the clearing days and scheduled times are as under:

3.1 Settlement Period:

The pay-in and pay-out of daily mark to market settlement and final settlement of commodities and funds shall be effected in accordance with the settlement timelines issued by Clearing Corporation periodically. The Settlement Schedule shall specify the tender period for the commodity as per delivery logic. The Settlement Schedule shall also specify the supplementary settlement dates and timelines.

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.

3.2 Daily Cash Settlement:

The pay-in and pay-out of daily mark to market settlement, final settlement of futures contracts which are cash settled, and daily premium settlement shall be effected before start of market hours on the next day as per the settlement schedule specified by the Clearing Corporation

3.3 Final Delivery Settlement:

Final settlement of futures contracts and the final exercise settlements of options contracts which are settled by delivery shall be effected in accordance with the settlement schedule issued by the Clearing Corporation periodically.

The clearing members shall complete funds pay-in and delivery of commodities on settlement day by 11.00 am as per the settlement scheduled published for the respective expiry. The Clearing Corporation shall credit receiving members account with the delivery pay-out instructions on the settlement day. The Clearing Bank shall credit the receiving members settlement account in accordance with the pay-out instructions received electronically from the Clearing Corporation on the settlement day.



ITEM 4: SETTLEMENT PRICE

In pursuance Chapter VI of the Bye-laws, Settlement price for settlement of commodity contracts is specified as under:

4.1. Settlement Price

4.1.1. Daily Settlement Price for mark to market settlement of futures contracts

Daily settlement price for unexpired futures contracts shall be the closing price of such contracts on the trading day. The closing price for unexpired futures contract shall be calculated on the basis of the last half an hour weighted average price of such contract, subject to minimum 10 trades in last half hour or weighted average price of last 10 trades of the day for such contract or such other price as may be decided by the relevant authority from time to time

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

Daily settlement price for unexpired futures contracts, which have less than 10 trades in a day, the price shall be computed as per the formula detailed below:-

$$F = S * e^{rt}$$

Where:

F = theoretical futures price

S = Spot Price of the underlying Commodity

r = rate of interest (MIBOR)

t = time to expiration

Rate of interest may be the relevant MIBOR rate or such other rate as may be specified.

4.1.3. Final Settlement Price for futures contracts

The Final Settlement Price (FSP) shall be as specified as may be decided by the relevant authority from time to time.

4.1.4 Final settlement price (FSP) of commodity derivative contracts in case of unavailability of spot prices:-

1. Mechanism to determine FSP based on traded price of expiring contract:

- a) In respect of liquid contracts (with total of at least 100 executed trades in last 3 days prior to expiry), the FSP may be computed as under:



- All trades in the contract on a given date shall be considered.
 - Arithmetic Mean (Simple Average) of the distinct prices at which the trades have been executed during the day shall be calculated.
 - The Standard Deviation of each Trade Price from the Arithmetic Mean shall be computed.
 - All the Trade Prices having Sigma more than 2 Sigma (two-tailed Normal Distribution) shall be discarded.
 - The remaining Trade Prices (with less than or equal to 2 Sigma from the Mean) shall be arranged in the ascending order, along with the corresponding total quantities.
 - The Weighted Average of the above Price – Quantity shall be taken as the Average Price for that respective Day.
 - A simple average of the 3 days of such prices arrived at shall be considered as the average price of the Contract for the purpose of computing FSP
- b) In case the liquidity criteria as specified in 1 (a) above is not met and in case the contract has traded for the last 5 days preceding the expiry, irrespective of the number of trade during such 5 days, then for each of such trade dates, the trades in such contract shall follow the computation process specified in 1 (a) above.
2. In case the commodity has contracts with different variants and the contract expire on the same date: If one of the contract variants of the commodity is liquid (e.g. one of Gold or Gold Mini is liquid) and other variant is illiquid, the FSP of liquid contract of commodity may be considered as FSP for final settlement of such illiquid contract.
 3. In case commodity is illiquid on NSE commodity derivatives segment but liquid on other Exchanges In case of contracts that are illiquid on NSE commodity derivatives segment but liquid on other Exchanges and the contract specification are exactly similar, then FSP of the similar contract on the other Exchange may be considered as FSP for final settlement.
 4. In case commodity is not liquid on other exchange/ available at other exchange with different contract specification If the commodity is not liquid or is available at other Exchange with a different contract specification, then the spot prices may be determined by extrapolating the trend from the available spot prices for past 7 days from the date when spot price was last available.
 5. In case of unavailability of polled spot since the start of the staggered period In case the polled prices are not available since the start of the staggered period of the contract and there are no trades in the expiring contract, then the close price of the immediate next contract on the day of contract expiry may be used as FSP.



ITEM 5: SETTLEMENT PROCEDURE

In pursuance of Chapter VI of the Bye-laws, the settlement procedure for deals in commodity contracts shall be as under:

5.1 Daily mark to market settlement and final settlement for futures contract which are cash settled

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 commodity 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 Options Contracts:

Premium settlement in respect of admitted deals in options contracts 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/Custodial Participant level, for each option contract, at the end of each trading day.

5.3 Exercise Settlement for Options Contract:

Exercise style of option contracts on individual securities shall be European style. Option series having strike price closest to the Final Settlement Price (FSP) shall be termed as At-the-Money (ATM) option series. This ATM option series and three option series having strike prices immediately above this ATM strike and three option series having strike prices immediately below this ATM strike shall be referred as 'Close to the money' (CTM) option series. In case the FSP is exactly midway between two strike prices, then immediate three option series having strike prices just above FSP and immediate three option series having strike prices just below FSP shall be referred as 'Close to the



money' (CTM) option series. All option contracts belonging to 'CTM' option series shall be exercised only on 'explicit instruction' for exercise by the long position holders of such contracts. All In-the-money (ITM) option contracts, except those belonging to 'CTM' option series, shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so. All Out of the money (OTM) option contracts, except those belonging to 'CTM' option series, shall expire worthless.

5.3.1 Exercise facility:

A facility shall be provided to specify 'explicit instruction for Exercise' for all close to money (CTM) positions and 'explicit instruction to not Exercise' for all In to money (ITM) positions except those belonging to 'CTM' option series. All option contracts belonging to 'CTM' option series shall be exercised only on 'explicit instruction' for exercise by the long position holders of such contracts. All In the money (ITM) option contracts, except those belonging to 'CTM' option series, shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so.

The instruction shall be provided through file upload in NSCCL-MASS platform through "Exercise Request" service.

Trading members are required to provide instruction for their client as well as proprietary positions. Trading cum clearing members are required to provide exercise instruction for their Custodian Participant positions in addition to their client and proprietary positions. Professional Clearing Members are required to provide exercise instruction for their Custodian Participant positions only.

In respect of contracts to be settled through delivery the following positions shall be considered:

-Where Option expiry is prior to Future expiry

Exercised call options

- Long call exercised shall result into a buy (receivable) positions
- Short call assigned shall result into a sell (deliverable) positions

Exercised put options

- Long put exercised shall result into a sell (deliverable) positions
- Short put assigned shall result into a buy (receivable) positions



-Where Option expiry is aligned with Future expiry

The final deliverable/receivable positions at a clearing member shall be arrived after netting the obligations at individual client and grossed across all clients, at the trading/ clearing member level considering both futures and exercised/assigned options position.

5.3.2 Delivery Order Rate:

On expiry date, the delivery order rate shall be the Strike price. Settlement obligation shall be computed at respective strike prices of the Options contracts

5.4 Fund settlement Process

- Funds settlement shall be effected through clearing banks designated by Clearing Corporation.
- Every clearing member shall be required to have a separate settlement account with one of the approved clearing banks for Commodity Derivatives Segment.
- All the funds settlement will be conducted by effecting debits / credits through electronic transfer of funds in the accounts of member's clearing bank accounts.
- The pay-in and pay-out of mark to market settlement, final settlement of commodity derivatives, supplementary settlement 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 Clearing Bank shall credit the receiving members' settlement account in accordance with the pay-out instructions received electronically from the Clearing Corporation on the settlement day.
- Along with mark to market settlement and final settlement of commodity derivatives there are few other transactions which are effected in settlement. The said transactions include EPI, Margin, Penalty, CTT, Stamp Duty, ABC/BC collection/release. These transactions are part of settlement which gets collected/released from/to member's settlement account.
- Funds Supplementary Settlement would happen on basis of Quality difference, Quantity difference and making charges if applicable. For such instances, Clearing Corporation would create transactions and collect the same (Pay-in/Pay-out) from the clearing members.

5.5 Fund shortage handling

Commodity payout shall not be executed to the receiver in case of fund shortage by the buyer. Penalty as may be decided from time to time shall be levied to the buyer for default.



5.6 Delivery Settlement

Delivery Settlement for bullions and base metals is as under and provided in Part C (1) and Part C(2) respectively.

5.6.1 Delivery Centers:

The delivery of the commodities shall be made only at the primary delivery center or the additional delivery center as specified by the Clearing Corporation from time to time.

5.6.2 Tender/Staggered Delivery:

Staggered delivery period is the period, beginning few working days prior to expiry of any contract and ending with expiry, during which sellers/buyers having open position may submit an intention to give/take delivery.

The tender period shall be mentioned in the Delivery and Settlement Procedure. Tender period dates for expiry month shall be communicated through Settlement Schedule issued by Clearing Corporation every month. Seller/buyer have an option of marking an intention of giving/taking delivery on any day from start of the tender period up to expiry of the contract.

- Delivery allocation to buyers having open long position shall be as per random allocation methodology. Preference shall be given to buyers who have marked an intention of taking delivery. However, buyers marked for delivery against the intention submitted by seller, will have to take the delivery of the commodity
- Pay-in and pay-out shall happen latest by T+1 working day where T is the tender day.

All open positions after expiry of the contract shall result in compulsory delivery and be settled at Final Settlement Price (FSP) of the respective contract and pay-in and pay-out shall happen latest by the 2nd working day after expiry.

5.6.3 Framework for Delivery:

Pay-in and pay-out of the specified commodities shall be executed through Warehouse Service Provider (WSP) and Vault Service Provider (VSP) empanelled by the Clearing Corporation from time to time.



5.6.4 Pay-out of commodities:

Pay-out of commodities shall be conducted on the scheduled payout day, in accordance with the Settlement Schedule issued by the Clearing Corporation from time to time. After completion of pay out, the commodity shall be available as a free balance in Inventory Management System (IMS) for the receiving member.

5.6.5 Commodity not meeting the quality specification:

The process for commodity not meeting the quality specification, retesting method, sampling, Quality Analysis & certification for Bullions and base metals is provided in **Part C(1) and Part C(2) respectively**.

5.7 Delivery shortage handling

Penalty as specified by SEBI shall be levied on seller in case of delivery default (default in delivery against open position at expiry in case of compulsory delivery contracts, default in delivery after giving intention for delivery)., Penalty shall be applicable on the default by the buyer in accordance with the SEBI circular.

The penalty for shortage on buyer and seller and penalty for repeated instances of default is given under section **“Violations and Penalty”**

5.8 Commodity withdrawal request

Clearing member shall be eligible to withdraw the free balance of commodity available as per Inventory Management System (IMS). Clearing member is required to initiate the withdrawal request through IMS and upload the mentioned documents for withdrawal as per the formats given in **Part C(1) and Part C(2) for bullion and base metals respectively**. The withdrawal instruction shall be specific to Commodity and Client.

Once the request is approved by the Clearing Corporation, the same shall be available to VSP/WSP for actual release of the commodity.

Authorized person of the clearing member shall submit the mentioned documents at the vault/warehouse. The VSP/WSP officials will, upon final scrutiny/checking of the identity, deliver commodity to the authorized person. The VSP/WSP officials in case of any discrepancy or doubt or



any other reason may refuse to issue the commodity to the representative under the intimation to the Clearing Corporation.

VSP/WSP users shall update the withdrawal request as 'withdrawn' or 'Not Withdrawn'. The commodity which is 'Not Withdrawn' shall attain free status and can further be utilized by the clearing member as mentioned earlier.

5.9 Vault/WSP Charges

Commodity deposit, storage and other ancillary services provided by the vault/WSP will be charged as mentioned in **Part C(1) and Part C(2) for bullions and base metals respectively**.

The day-wise storage charges shall be computed based on the closing balance of the clearing member irrespective of status i.e. free balance/ earmarked towards collateral/ EPI/ Intention for Delivery.

Note: For pay-out transaction, the storage charges shall be levied on the delivering member till the pay-out date.

E.g. If the pay-out occurs on Tuesday for which the delivering member has already done pay-in on Monday (i.e. closing balance is in the name of Clearing Corporation), the delivering member shall bear the storage charge till Monday.

If the pay-out occurs on Monday for which the delivering member has already done pay-in on Friday (i.e. closing balance is in the name of Clearing Corporation), the delivering member shall bear the storage charges till Sunday.

The invoice shall be generated for the clearing members on monthly basis as per daily storage charges specified by Clearing Corporation from time to time.

Any changes in the charge structure shall be informed from time to time.

5.10 Supplementary Settlement

Supplementary settlement shall be an obligation in addition to the settlement obligation for Quality and quantity difference, and GST.

Supplementary settlement shall always be settled in cash.



5.11 GST Invoice Facility

Clearing Corporation shall only facilitate the GST settlement for the amount calculated and confirmed by the buyers/ sellers. The process of GST shall be as follows:

- Seller member shall provide GST amount on next day of settlement i.e. T/E+2 through IMS.
- The information shall be available for buyer member confirmation/ rejection for 2 days after settlement i.e. T/E+3 till 3:00 PM
- Buyer member can confirm/ reject the information through IMS. If the buyer member confirms the tax amount:
 - The buyer shall be able to provide the details of the client in whose name the seller shall issue an invoice.
 - The seller shall be able to view/ download relevant invoice information
 - The seller shall upload soft copy of the invoice which will be displayed to the relevant buyer with a facility to download the invoice.
- If the buyer neither confirm nor reject the information till 3:00 PM on E+3:
 - The invoice information shall be by default the member details
 - The seller shall be allowed to view/ download relevant invoice information
 - The seller shall upload soft copy of the invoice which will be displayed to the relevant buyer with a facility to download the invoice.
- In case of rejection, remarks for rejection need to be mentioned.

The seller member shall dispatch the settlement related documents so as to reach the buyer member latest by T/E+7. The seller member shall upload the details of proof of dispatch in the IMS immediately after such documents are dispatched.

GST amount so confirmed by the members shall be settled during supplementary settlement by debiting the receiving member account and crediting the delivering member account on the same day.

5.12 Obligations of clearing members:

- All the member accepting/ giving delivery of commodities/ goods shall have the necessary GST Registration as required under the Goods & Service Tax (GST) Act applicable to the jurisdiction of the delivery centers and obtain other necessary licenses, if any. The members should ensure that the seller who has raised the invoice on the buyer with GST registration number, HSN Code and other particulars, as required under GST, shall file all the statutory GST Returns within the stipulated date.



- The Seller/ Buyer members would be wholly responsible for all statutory compliances applicable to their transactions. It shall be the responsibility of the respective members to pay all applicable statutory fee, taxes and levies in respect of all deliveries as well as futures contracts directly to the concerned Central/State/Local Government Departments and Exchange/Clearing Corporation shall not be held liable or accountable or responsible on account of any non-compliance thereof.
- The Buyer Member is required to inform discrepancy/non receipt of invoice/ delivery related documents etc. or other required information within the above prescribed timelines. In the event of non-receipt of any such reference of discrepancies/ non-receipt of invoice/ delivery related documents etc. in respect of the invoice and applicable delivery related documents within the above prescribed period, Seller Member/ Buyer Member and their clients shall be deemed to have exchanged all requisite documents and information and Clearing Corporation shall not entertain any communication in this regard after the above prescribed period.

5.13 Clearing Bank

5.13.1 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 D**.

5.14 Maintenance and operation of clearing account

5.14.1 Primary Clearing Account

Every clearing member shall maintain and operate a separate and distinct primary clearing account 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.

5.14.2 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.

5.15 Operation of Clearing Account

- Clearing members shall irrevocably authorize, as per the format given in **Part D**, the clearing banks to access their clearing accounts for debiting and crediting their clearing accounts as per the instructions of the Clearing Corporation, reporting of balances and other information as may be required by the Clearing Corporation from time to time and furnish to the Clearing Corporation an acknowledged copy 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.

5.16 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 **Operation of Clearing Account** 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 **Operation of Clearing Account** above for such additional clearing account.



ITEM 6: LIQUID ASSETS

A clearing 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, 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.

6.1 Liquid Net worth

Liquid Net worth shall be computed as total liquid assets less initial margin, exposure margin and any other additional margin payable at any point in time. The clearing member shall meet with the liquid net worth requirements prescribed by the Clearing Corporation at all points of time.

6.2 Minimum liquid net worth requirement for clearing members (Security Deposit)

Every clearing member of the Clearing Corporation is required to maintain a minimum liquid net worth 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 issued by Approved Banks, deposited with Approved Custodians or with the Clearing Corporation.
 - c. Bank Guarantee in favour of NSE Clearing Ltd. from Approved Banks.
 - d. Equity shares of approved companies and units of Exchange Traded Funds in demat form deposited with Approved Custodians, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any other depository participant of NSDL/CDSL.
 - e. Government of India Securities/T-Bills/Sovereign Gold Bonds, as per list provided by Clearing Corporation



- f. Open ended Mutual Funds Units in demat form deposited with Approved Custodians, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any any other depository participant of NSDL/CDSL.

6.3 Non-fulfilment of Security Deposit Requirements

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

6.4 Margin Deposits by the clearing member

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 net worth requirement towards margins and/ or other obligations, may do so in any one or combination of the following forms:

- i. Cash
- ii. Fixed Deposit Receipts issued by Approved Banks, deposited with Approved Custodians or with the Clearing Corporation. .
- iii. Bank Guarantee in favour of NSE Clearing 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 or pledged in favour of Clearing Corporation from any other depository participant of NSDL/CDSL.
- v. Government of India Securities/T-Bills, as per list provided by Clearing Corporation.
- vi. Open ended Mutual Funds Units in demat form deposited with Approved Custodians, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any any other depository participant of NSDL/CDSL.
- vii. Approved corporate bonds in dematerialized form deposited with approved custodian, as per list provided by Clearing Corporation or pledged in favour of Clearing Corporation from any any other depository participant of NSDL/CDSL.

6.5 Guidelines for Submission of Deposits

A. 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 clearing members to log in through internet. Clearing 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.

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

B. Fixed Deposit Receipt

a. Submission of Fixed Deposit Receipts (FDRs)

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: "NSE Clearing Ltd 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 D**.
- 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 D**.
- iv. The minimum value of FDR that may be accepted shall be Rs.1 lakh. The FDR in physical form should be issued for a minimum period of 3 months in case of margin deposit and for a minimum period of 12 months in case of security deposit.
- v. The FDR issued in electronic form should have validity for a minimum period of 7 days in case of margin deposit and for a minimum period of 12 months in case of security deposit
- vi. 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.
- vii. Clearing Corporation shall not accept FDRs from clearing members as collateral, which are issued by the clearing member themselves or banks who are associate of clearing member. For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012
- viii. Clearing member can additionally provide FDR's in electronic formats. The Procedure is as below:
 - a. Clearing member approaches and requests the bank to create FDR and mark lien in favor of Clearing Corporation, the process is same as for physical FDR.
 - b. Clearing member submits required documents to the bank for creation of FDR and marking the lien, the process is same as for physical FDR. Additional information to be provided by the clearing member to the bank is given below:
 - Primary Member Code of the Segment
 - Segment for which the FDR is required
 - Security Deposit (SD) or Margin Deposit (MD)
 - c. Bank shall issue the FDR and mark a lien in favour of Clearing Corporation
 - d. Bank shall send the FDR information in electronic form to Clearing Corporation
 - e. Clearing Corporation shall validate and if found correct passes on the benefit of the same to the clearing member
 - f. Clearing Corporation shall send a system generated e-mail and sms to clearing member.



- g. To get intimation for addition and renewal of instrument through e-mail and sms, clearing members are requested to register their e-mail ids and/or mobile number under CIM module and subscribe for “Add/Renew Electronic FDR” under CIM-Email or CIM-SMS.

The List of banks approved for issuance of E-FDR is provided in **Part D**.

b. Renewal of Fixed Deposit Receipts

In case of renewal of FDRs placed with Clearing Corporation/Approved Custodian, the clearing member shall furnish Clearing Corporation/Approved Custodian the renewal letter, from the respective bank as per the formats provided in **Part D**.

The procedure of renewal of E-FDR is as below

- i. Clearing member shall request Bank to renew the FDR
- ii. Clearing members can also request Bank to renew existing physical FDRs in electronic form.
- iii. Clearing member shall submit 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 clearing member to the bank is given below.
 - a. Primary Member Code of the Segment
 - b. Segment for which the FDR is required
 - c. Security Deposit (SD) or Margin Deposit (MD)
- iv. Bank shall renew the FDR.
- v. Bank shall send the renewed FDR information in electronic form to Clearing Corporation
- vi. Clearing Corporation shall validate and if found correct renews the FDR
- vii. Clearing Corporation shall send a system generated e-mail and sms to member.



C. Bank Guarantees

a. 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

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

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

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



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

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** and Format for **Non-Fungible Bank guarantee**, prescribed by the Clearing Corporation provided in **Part D**
- ii. Where clearing member is submitting fungible bank guarantee, it shall submit letter to Clearing Corporation as per prescribed format in **Part D**, 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. Clearing Corporation shall not accept bank guarantees from clearing members as collateral, which are issued by the clearing member themselves or banks who are associate of clearing member. For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012
- vi. 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 be made available only upon the bank guarantee being strictly in conformity with the prescribed requirements.

Electronic SFMS Message

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

Option 1

Field No	Description	Current Value
7034	Name Of Beneficiary And His Details	NSE CLEARING LIMITED EXCHANGE PLAZA, PLOT C-1, G BLOCK, BANDRA KURLA COMPLEX, BANDRA (E), MUMBAI - 400 051
7035	Beneficiary IFSC	XNSE0000001
7036	Beneficiary Branch Name and Address	NSE CLEARING LIMITED

Option 2

Field No	Description	Current Value
7035	Beneficiary IFSC	ICIC0000004
7036	Beneficiary Branch Name and Address	ICICI BANK LIMITED F.P.HOUSE NARIMAN POINT MUMBAI 215, FREE PRESS HOUSE, NARIMAN POINT, MUMBAI
7037	Sender to Receiver Information	NCL566855614



b. Renewal of Bank guarantee

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

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 above shall be applicable.

c. Reminder letters through extranet

Reminder letters are downloaded on a monthly basis through the extranet in respect of the bank guarantees and FDRs that are due for renewal in the following month. Further the file naming convention for the same is O_REMINDERS_MEMBER CODE_DDMMYYYYY.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.

D. Securities

a. Eligible securities

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

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

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



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

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

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

b. Securities not approved for acceptance

The following securities shall not be accepted as liquid assets:

1. Partly paid securities
2. Securities subject to any lock in period, buy back scheme any charge or lien, encumbrance of any kind, or such other limitations or title is questioned before the court or any regulatory body.
3. Equity shares of clearing member
4. Corporate bonds issued by clearing member
5. Equity Shares of associate of clearing member
6. Corporate bonds issued by associate of clearing member

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



c. Membership Deposits (Security Deposit)

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

d. Margin Deposits

- Clearing members shall be permitted to provide “own” securities or trading member proprietary securities or client securities towards the margin deposit requirements
- Clearing members can provide own securities using the facility of Approved Custodians or Margin Pledge facility provided by NSDL and CDSL
- Clearing members can re-pledge client/trading member(TM) proprietary securities only through Margin Pledge facility provided by NSDL and CDSL
- The margin pledge facility shall also be applicable for Custodial Participant (CP) clients of clearing members
- Procedure for providing securities through Margin Pledge facility provided by NSDL and CDSL is detailed in point “f”
- The prudential norms (Market wide limits, member wise limits and value based limits) shall be applied on all securities (OWN and Client/TM Proprietary securities) together

o For Market wide limits, member wise limits, Client/TM Proprietary/CM Proprietary securities pledged/re-pledged, the priority will be on first-in-first-out (FIFO) basis, in other words securities pledged/re-pledged earlier will have a higher priority

e. Acceptance of securities through approved custodians:

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



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

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

f. Acceptance of securities through any other depository participant of NSDL/CDSL Registration

- i. a. Clearing Members can use this facility only for pledging own securities towards membership/margin deposit requirements
- ii. Clearing Members shall be permitted to pledge own securities through their Proprietary Accounts only
- iii. The aforesaid account shall be permitted for pledging of securities across all segments/schemes of the Clearing Corporation.
- iv.
- v. Clearing member shall submit the following information to the Clearing Corporation:
 - Covering letter as per format provided in **Part D**
 - Client master of the designated account
 - Pledge deed as per the specified format
 - Security deposit as per format provided in **Part D**
 - Margin deposit as per format provided in **Part D**
- vi. On submission of necessary documents as specified above the Clearing Corporation shall enable the designated account for acceptance of pledge.

g. Pledging of securities

- i. For pledging of securities in NSDL, the Clearing member shall be required to subscribe for SPEED-e facility of NSDL to submit the pledge request in favor of the Clearing Corporation.
- ii. Clearing Member shall initiate a pledge instruction from the designated account in favor of the requisite beneficial owner account of Clearing Corporation using SPEED-e facility of NSDL.



Clearing members may note that **only** those pledges which are created through SPEED-e facility of NSDL shall be accepted towards collateral purpose.

- iii. For pledging of securities in CDSL clearing member can register the designated account for "easiest" facility provided by CDSL whereby it can electronically submit the pledge request in favor of Clearing Corporation. Alternately, the clearing member can also follow the existing procedure of submission of pledge instructions to its DP. Thus, pledge created through "easiest" facility of CDSL or through submission of instruction to the DP by using existing procedure shall be accepted for collateral purpose.
- iv. Details of the Clearing Corporation accounts in whose favor the pledge have to be created for different deposit shall be as under

Deposit type	NSDL Account		CDSL Account number
	DP ID	Account number	
Security Deposit	IN001002	10009108	1100001100020487
Margin Deposit	IN001002	10009116	

- v. Clearing members shall ensure that correct account is selected while initiating the pledge instructions as these pledges will be confirmed automatically in favor of the Clearing Corporation.
- vi. Pledge instructions created in favor of the Clearing Corporation for securities which are not accepted as collateral or in favor of segment/type of deposit for which clearing member is not registered shall not be auto confirmed and instruction will remain in the status 'Pending Pledge Confirmation'. Clearing member shall have to cancel such pledge instructions. Member can request to Depository Participant to cancel the instruction.
- vii. Pledge instructions in respect of approved securities and in favor of segment/type of deposit for which member is registered shall be accepted.

h. Acceptance of securities through Margin Pledge mechanism

- Clearing Member shall be required to open a separate demat account ("designated account") with any Depository Participant of NSDL or CDSL.
- The designated account shall have a client sub type of CM – Client Securities Margin Pledge Account or TM/CM – Client Securities Margin Pledge Account in NSDL or CDSL.



- The aforesaid designated account shall be permitted for pledging/re-pledging of securities across all segments/schemes of Clearing Corporation.
- Clearing Member shall ensure that designated demat account is used for the purpose of pledging/re-pledging securities only as specified in SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020
- Clearing Member shall submit the following information to Clearing Corporation
 - Covering letter as per format provided in **Part D**
 - Client master of the designated account
 - Pledge deed as per the format specified in **Part D**
 - Board Resolution with list of authorized signatories authorized to sign the pledge deed
- On submission of necessary documents as specified above Clearing Corporation shall enable the designated account for acceptance of pledge/re-pledge.
- Clearing Members shall refer to provisions provided by Depositories with respect to opening the account and creating margin pledge/re-pledge in favour of Clearing Corporation.
- Pledge instructions in respect of approved securities only shall be accepted
- Details of Clearing Corporation accounts in whose favour the re-pledge have to be created are as under

Depository	DP ID	Account number
NSDL	IN0001002	10009132
CDSL	1100001100020926	

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

E. Government of India Securities

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



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

- i. Clearing member desirous of providing G-Sec/T-Bills/SGB shall enter into an agreement with the Clearing Corporation.
- ii. Clearing Corporation shall prescribe list of G-Sec/T-Bills/SGB that shall be eligible for acceptance as collateral from time to time.
- iii. G-sec/T-bill/SGB shall be accepted as collateral only in electronic form. Clearing members desirous of providing G-Sec/T-Bills/SGB as collateral shall be required to enter the transaction through its custodian/bank on E-Kuber under Margin Transfer Module. The member shall further be required to put request for addition of GSEC in CIM under menu option “EMI – GSEC Deposit – Request / Enquiry-Request the clearing member is required to submit a fax/mail request for addition as per prescribed format .Clearing Corporation shall confirm the transaction entered on the E-KUBER, based on the information received from members in CIM.
- iv. The details of SGL-II account of the Clearing Corporation is as follows:
 - Name of the Account: National Securities Clearing Corporation Limited
 - Member ID BYA00168
 - SGL – II A/c No. SG020168
- v. The benefit of G-Sec/T-bills/SGB provided as collaterals shall be passed on to the members on G-Sec/T-Bills/SGB being transferred to the SGL-II account of the Clearing Corporation.
- vi. The G-sec/T-bills/SGB released by the Clearing Corporation shall be entered on E-KUBER under Margin Transfer Module. The clearing member is required to submit a fax/mail request for release as per prescribed format.
- vii. The clearing members shall ensure that such transactions are approved on E-KUBER by their custodian/Banks.
- viii. G-Sec/ T-Bills/SGB can be alternatively provided to the Clearing Corporation in dematerialized form, through creation of pledge in demat account, on lines of securities. In this case the process for acceptance of G-Sec/ T-Bills/SGB as collaterals is similar to acceptance of securities as collateral as mentioned above
- ix. G-Sec/T-Bills shall be valued daily based on previous day’s MTM prices as specified by Clearing Corporation of India Limited (CCIL). SGBs shall be valued based on the closing price of the same on the Exchange

The hair cut shall be as under

Type and Tenor of Securities	Haircut
Treasury Bills and Liquid Government of India Dated Securities having residual maturity of less than 3 years	2%



Liquid Government of India Dated Securities having residual maturity of more than 3 years	5%
For all other Semi-liquid and Illiquid Government of India Dated Securities	10%

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

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

F. Open ended Mutual Funds Units as Collaterals

Units of mutual funds shall be accepted as in dematerialized form as collaterals. The list of eligible open ended mutual fund schemes along with the market wide acceptable quantity shall be disseminated by the Clearing Corporation on monthly basis along with the approved list of securities.

The valuation of units of the mutual funds shall be done on daily basis based on the NAV of the mutual fund scheme. The value of the units of the mutual fund shall be reduced by such haircut as may be prescribed by the Clearing Corporation from time to time.

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

G. Corporate Bonds as Collaterals

Corporate Bonds shall be accepted in dematerialized form as collaterals. The list of eligible corporate bonds along with the market wide acceptable quantity shall be disseminated by the Clearing Corporation on monthly basis.

The corporate bonds shall be valued on daily basis on closing price of the bond listed under Capital Market segment or Debt segment of Exchange or the valuation using yield from sovereign yield curve plus published by FBIL and credit spread published by FIMMDA, whichever is lower. A hair



cut of 15% shall be applied on the value of corporate bond. The value of the corporate bonds shall be reduced by such haircut.

The total value of corporate bonds provided as noncash portion of the liquid assets shall not exceed 10% of the total liquid assets of the respective 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".

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".

H. Commodity as Collaterals

Commodities such as gold and silver (herein after referred as Bullions) shall be accepted as collateral towards margin deposit. Clearing members are required to provide a deed of pledge as per format provided in **Part D**

Clearing member may provide bullions as collateral through Empanelled Vault Service Provider (VSP). The list of Vault Service Provider for Gold and Silver shall be as per the list prescribed by NCL from time to time. Currently SEQUEL Logistics Private Limited shall be the VSP with delivery centers in Ahmedabad, Chennai, Delhi and Mumbai.

a. Addition of commodity as collateral

- i.** Clearing Member shall deposit the bullions with NCL empanelled VSP
- ii.** The process to deposit bullions with the VSP shall be as specified in Annexure 2 of Circular ref NCL/COM/39106 dated October 10, 2018.
- iii.** The bullion deposit in terms of quality shall be as applicable for delivery of the respective bullion derivatives contract.
- iv.** On receipt of the deposit made by clearing member the VSP shall update the same in the Inventory Management System of NSE Clearing (IMS)
- v.** On updation of deposit by the VSP, the same shall be visible to the clearing member in the IMS as deposit available
- vi.** Clearing Members who have executed the deed of pledge shall have a facility to allocate the deposit available towards margin deposit in the IMS. The clearing member shall be required to allocate the applicable quantity towards margin deposit in IMS



- vii. Clearing Member shall be required to send a letter of pledge confirming the bullions being pledged in favour of NSE Clearing as per format provided in **Part D**
- viii. On receipt of the letter as specified above and allocation by Clearing Member the bullions shall be added as collateral towards margin deposit

b. VSP charges

The charges levied by VSP including storage, transaction, freight charges, loading unloading charges , taxes etc shall be recovered from the clearing members on a monthly basis

c. Valuation and Limits

The bullions shall be valued on a daily basis and haircut of 20% shall be applied on the value of the bullions.

Underlying	GOLD	SILVER
Quality specifications	As applicable for the delivery towards derivative contract at NSE	As applicable for the delivery towards derivative contract at NSE
Quantity specifications	In multiples of 1 kg	In multiples of 30 kg
Valuation	Based on previous day polled underlying close price in spot market as published by NSE	Based on previous day polled underlying close price in spot market as published by NSE
Haircut	20%	20%
Member wise limits based on category across Gold and Silver*		
Professional Clearing Member (PCM)		Rs. 100 crores
Trading Cum Clearing Members (TM-CM)		Rs 50 crores
Other categories (Other)		Rs 25 crores
<i>* Total commodities collateral for any clearing member shall not exceed 30% of the total liquid assets of the clearing member as per SEBI requirement</i>		

I. 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 CIM is provided for submission of release requests of collaterals. The clearing members may select the desired available collaterals for release. Release requests through 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 D**

Release of commodity as Collateral

- i. Clearing Member can initiate the release request for bullions pledged towards margin deposit through IMS
- ii. The release request shall be processed after checks as applicable for other forms of collateral
- iii. Pledged bullions once released from margin deposit shall be added to the total deposit available with clearing member in IMS
- iv. Clearing member desirous of withdrawing the commodity deposit shall make a request to the VSP as per the process mentioned in Annexure 2 of Circular ref NCL/COM/39106 dated October 10, 2018
- v. The VSP shall release the deposits to the extent of free balance available with clearing member in IMS and not allocated towards pay-in , early pay-in or margin deposit

J. Collection of released collaterals

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

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

K. Release of cash collateral in designated secondary account



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

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

L. Transfer of Collaterals

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

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

The modalities of intraday transfer are mentioned below:

- Only securities re-pledged to Clearing Corporation with segment indicator as ALL shall be considered as fungible and shall be eligible for transfer.
- Clearing Member can put the request to transfer fungible security by way of a file upload option available in CIM- Release - File Upload. The format for transfer file upload is provided in **Part D**
- The request to transfer shall be processed at pre-defined intervals in batches during the day
- The request to transfer shall be checked for margin sufficiency in the source segment. In case the margin is insufficient then the transfer request shall be partially accepted or get rejected
- The request shall be considered valid only if the CM/CM-TM/ CM- CP in the source segment is also valid in the target segment.
- Transfers requests with Pledge Sequence Number /BP Instruction ID specified by clearing member shall be processed for that particular Pledge Sequence Number /BP Instruction ID only for releasing from source segment

M. Allocation of Collaterals

Procedure for collateral allocation

- While depositing Cash, FDR, BG or Government Securities provided through the SGL/CSGL route (Hereinafter referred to as “Other forms of collateral”), the Clearing Members (CMs) shall allocate these collaterals into proprietary account of CM, and/or proprietary account of any Trading Member (TM) clearing through the CM, and/or account of any of the clients



(including Custodial Participants (CPs)) clearing through the CM, and/or of any of the clients trading through the TM who in turn is clearing through the CM, segment-wise

- The benefit for the other forms of collateral deposited shall be provided by Clearing Corporation only after receiving the allocation of the same from the CM
- The amount of collateral allocated shall not exceed the amount of collateral received by the TM/CM from the client and reported as such under the client collateral reporting mechanism. Also, the allocation of collateral shall not be lower than the amount of collateral (except securities collateral re-pledged) reported under the client collateral reporting mechanism as having been passed on by the CM to Clearing Corporation.
- CMs shall also perform the aforementioned checks in respect of the allocation received by them from the TMs clearing through them.
- The total allocation by CM cannot exceed the total other form of collateral deposited by the CM with Clearing Corporation.
- The allocation provided by the CM to Clearing Corporation shall be considered as final by Clearing Corporation for the purpose of granting exposure and utilization during default.
- The detailed procedure for addition and allocation of various forms of collateral (other than securities placed through margin pledge mechanism) is specified in **Part D** - 'Format for allocation of collateral'

Collateral Valuation

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

Change of allocation

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

Withdrawal/ Maturity of collateral

Other forms of collateral shall be released only if sufficient amount is available as unallocated collateral. Accordingly, CMs shall ensure that sufficient amount is unallocated prior to placing release request for other forms of collateral



In case of collateral provided in the form of BGs and FDRs; the value of the matured BG/FDR shall be reduced from CM's collateral as per the existing process. Due to this, the CMs may go into risk reduction mode because of reduction in the collateral limits



ITEM 7: MARGINS

7.1. Initial Margins

Initial margin shall be payable on all open positions of Clearing Members, up to 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, intra-day crystallised losses and such other additional margins that may be specified by the Clearing Corporation from time to time.

7.2. Computation of SPAN Margin

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

The Initial Margin requirement shall be so as to cover to cover potential losses for at least a 99% VaR over one day horizon subject to minimum percentage floor value as prescribed by SEBI from time to time. In order to achieve this, the estimated EWMA volatility (standard deviation) shall be scaled up by a factor of 3.5.

The methodology for computation of value at risk percentage shall be as per the recommendations of SEBI from time to time. The margin computation methodology for SPAN[®] is detailed as **in Part D**.

Initial margin requirement:

1. For client positions - shall be netted at the level of individual client and grossed across all clients, at the trading/ clearing member level, without any set-offs between clients.
2. For proprietary positions - shall be netted at trading/ clearing member level without any set-offs between client and proprietary positions.

The margins so computed shall be aggregated first at the trading member level and then aggregated at the clearing member level.

For the purpose of SPAN[®] Margin, various parameters shall be as specified hereunder or such other parameters as may be specified by the Clearing Corporation from time to time:



7.3. Minimum value for Initial Margin & MPOR

The minimum margin percentage & MPOR shall be based on volatility category as under or as may be specified by the Clearing Corporation from time to time

Volatility Category of Commodity	Minimum IM		Minimum MPOR	
	Non-Agri	Agri	Non-Agri	Agri
Low	6%	8%	2	3
Medium	8%	10%	2	3
High	10%	12%	3	4

7.4. Volatility Scan Range (VSR)

The minimum VSR shall be based on volatility category as under or as may be specified by the Clearing Corporation from time to time

Volatility Category of Commodity	Minimum VSR % Non Agri commodities	Minimum VSR % Agri commodities
Low	4	5
Medium	5	6
High	6	7

7.5. Short Option Minimum Charge (SOMC)

Short option minimum charge shall be as under:

Volatility Category of Commodity	Minimum SOMC
Low	6%
Medium	8%
High	10%

7.6. Net Option Value

Clearing Corporation shall mark to market the options positions by deducting/adding the current market value of options (positive for long options and negative for short options) times the number of long/short options in the portfolio from/to the margin requirement



7.7. Premium Margin

Premium margin shall 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

7.8. Spread Margin

Spread margin benefit has been permitted by SEBI in the following cases:

1. Different expiry date contracts of the same underlying
2. Two contracts variants having the same underlying commodity

Clearing Corporation shall levy a minimum 25% of the initial margin on each of the individual legs of the spread. Maximum benefit in initial margin on spread positions shall be restricted to 75%. Initial margin benefit shall be provided only when each individual contract in the spread is from amongst the first six expiring contracts.

Clearing Corporation may charge spread margins higher than the minimum specified depending upon its risk perceptions. In case of such spread positions, additional margins, if any shall not be levied.

Further margin benefit on spread positions shall be entirely withdrawn latest by the start of tender period or Expiry day, whichever is earlier.

No benefit in Extreme Loss Margins (ELM) shall be provided for spread positions.

3. Futures contracts in a commodity complex provided the conditions below are met

Clearing Corporation shall provide spread benefit in initial margin across futures contracts in a commodity complex provided the following conditions are met:

- A. Minimum coefficient of correlation (r) between futures prices of the two commodities is 0.90.
- B. Back testing for adequacy of spread margin to cover MTM has been carried out for a minimum period of one year (back testing for at least 250 days wherein daily settlement price of futures used for back testing have been determined from traded futures prices).
- C. Initial margin after spread benefit has been able to cover MTM on at least 99% of the days as per back testing



Maximum benefit in initial margin on spread positions is restricted to 50%. Initial margin benefit shall be provided only when each individual contract in the spread is from amongst the first six expiring contracts. Further margin benefit on spread positions shall be entirely withdrawn latest by the start of tender period or Expiry day, whichever is earlier.

No benefit in Extreme Loss Margins (ELM) shall be provided for spread positions i.e. ELM shall be charged on both individual legs.

Clearing Corporation shall continuously monitor dynamics of the commodities and their correlation and if there are changes such that spread margin benefit is no longer appropriate to be given, shall take appropriate further course of action.

7.9. Intra-day crystallized Losses

Clearing Corporation shall calculate and levy Intraday Crystallized Losses (ICMTM) in the following manner:

- a. ICMTM shall be computed for all trades which are executed and results into closing out of open positions.
- b. ICMTM shall be calculated based on weighted average prices of trades/positions
- c. ICMTM shall be part of initial margin and shall be adjusted against the liquid assets of clearing member on a real time basis.
- d. Crystallized losses at a contract level for a client shall be adjusted against crystallized profits, if any, from another contract for the same client to arrive at client level profit or loss.
- e. All client level losses across all trading members including losses on proprietary positions of trading members, if any, shall be grossed up to arrive at clearing member level ICMTM.
- f. ICMTM so blocked/ collected shall be released on completion of daily / final mark to market settlement pay-in

7.10. Updation of risk parameters

SPAN risk parameters shall be updated at Beginning-of-Day, End-of-Day and at intervals not exceeding 2 hours during the trading hours. The latest available risk parameters would be applied to member/client portfolios on a real time basis. Risk parameters generated based on the updated parameters shall be provided on the website/FTP.



7.11. Extreme Loss margins (ELM)

Clearing members shall be subject to ELM in addition to initial margins. ELM of 1% on gross open positions for futures & short open positions for options shall be levied and shall be deducted from the liquid assets of the clearing member on an online, real time basis.

7.12. Tender Period Margin/Pre-expiry Margin

Clearing Corporation shall levy tender period/pre-expiry margin which shall be increased gradually from five working days before the expiry of the contract as applicable. . The Tender Period /pre-expiry margins shall be 4% incremental during the pre-expiry period. These Margins shall be applicable on both buy and sell side for future contracts. In case of options, margins will be applicable on all long and short call and put positions that are ITM and CTM.

Pre-expiry margins shall be imposed on cash settled contracts wherein the underlying commodity is deemed susceptible to possibility of near zero and/or negative prices as identified by exchange/CC under ARMF circular. In case of these contracts, pre-expiry margins shall be levied during the last five trading days prior to expiry date, wherein they shall increase by 5% every day.

7.13. Delivery Period Margin

Delivery period margin shall be levied by Clearing Corporation on the long and short positions marked for delivery till the pay-in is completed by the clearing member. Once delivery period margin is levied, all other applicable margins may be released.

Delivery period margins shall be higher of:

a) 3% + 5 day 99% VaR of spot price volatility

Or

b) 20%

Clearing Corporation may impose higher delivery margins if it deems fit

7.14. Concentration margins

Clearing Corporation may impose adequate concentration margins (only on concentrated positions) to cover the risk of longer period required for liquidation of concentrated positions in any commodity. The threshold value for imposing concentration margin may be determined taking into account factors including open interest, concentration and estimated time to liquidation based on prevailing liquidity and possible reduction in liquidity in times of market stress etc. The quantum of concentration margins imposed may vary based on the level of concentration



7.15. 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 other margins, which are or may have been imposed from time to time.

7.16. MTM (Mark to Market) Settlement

The mark to market gains and losses shall be settled in cash before the start of trading on T+1 day. If mark to market obligations are not being collected before start of the next day's trading, Clearing Corporation shall collect correspondingly higher initial margin (scaling up) to cover the potential losses over the time elapsed in the collection of margins.

7.17. Blocking of Margins and Monitoring

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

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



- TM level risk reduction mode: Client margin in excess of 90% of the client collateral shall be identified for each client under a TM. The total of such client margin in excess of 90% of the client collateral, plus the proprietary TM margin shall be assessed against the TM proprietary collateral for monitoring of TM level risk reduction mode.
- CM level risk reduction mode: Sum of client margin in excess of 90% of the client collateral for each client under a TM plus the proprietary TM margin, in excess of 90% of TM proprietary collateral shall be calculated as TM margin in excess of 90% of TM collateral. Sum of such margin for each TM clearing through a CM, plus sum of client margin/CP margin in excess of 90% of the client/CP collateral for each client/CP clearing through such CM, plus the proprietary CM margin shall be assessed against the proprietary CM collateral for monitoring of CM level risk reduction mode.
- Example for monitoring of risk reduction mode is provided at **Part D** - 'Example for monitoring of risk reduction mode.

7.18. Mode of payment of margin

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

7.19. Payment of margins

All applicable margins shall be deducted from the liquid assets of the clearing member on an online real time basis. Margins applicable on client positions have to be compulsorily collected from the clients and reported to the Clearing Corporation by the members.

7.20. Measures in case of repeated shortfall in margin/pay-in

In case of repeated margin/pay-in shortfalls beyond a threshold amount by clearing any member in a month, following risk mitigation measures shall be initiated by Clearing Corporation:

- The member shall be put in square off mode and required to reduce positions.
- The member shall be charged initial margins at a higher rate for the next one month, or the member be subjected to a penal exposure free deposit equal to the cumulative funds/margin shortage over previous one month which could be kept with the Clearing Corporation for the next month.



7.21. Risk Reduction Mode

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

When a member moves in to risk reduction mode -

- a. All unexecuted orders shall be cancelled
- b. Fresh orders placed by members to reduce open positions shall be accepted.
- c. 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.
- d. Fresh orders can be placed for immediate or cancel (IOC) only
- e. 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

7.22. Voluntary Closeout Facility

To enhance the risk management capabilities of the clearing / trading members and to avoid a situation of disablement, in addition to the risk reduction mode, members are being provided an additional risk management facility of Voluntary Close out. This facility enables clearing/trading members to voluntarily define a limit (lower than risk reduction limit set) for margins/ position limits 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. The voluntary limits shall be lower than the limits specified for risk reduction 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- 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.



7.23. Alternate Risk Management Framework

Alternate Risk Management Framework is applicable in case of Near Zero and Negative Prices in Commodity Derivatives Segment. Risk parameters under ARMF shall be applicable as prescribed by SEBI in the SEBI circular reference no. SEBI/HO/CDMRD/CIR/P/2020/176 dated September 21, 2020.



ITEM 8: CLOSING OUT

8.1. 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, realizing 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. Close-out facility

Trading members shall be provided an online facility to close- out open positions 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.

On disablement, trading members shall be allowed to place close-out orders through this facility

- a. Only orders which result in reduction of existing open positions at a client level shall be accepted through the close-out facility
- b. Trading members shall not be allowed to create any fresh position in the close-out mode
- c. Trading members shall not be allowed to place close out orders with custodial participant code
- d. 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.

8.3. 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.

- a. Clearing members shall be required to send a written intimation to the Clearing Corporation containing a list of trading members for which they would like to close-out positions.
- b. 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 (a) above.
- c. 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.
- d. Clearing members shall not be allowed to create any fresh position for their trading member in the close-out mode.
- e. Clearing members shall not be allowed to place close out orders with custodial participant code.



ITEM 9: CORE SETTLEMENT GUARANTEE FUND AND DEFAULT WATERFALL

9.1. Core Settlement Guarantee Fund

Clearing Corporation has established the Core Settlement Guarantee Fund(Core SGF) for Commodity segment based on the norms provided under SEBI circular no. SEBI/HO/CDMRD/DRMP/CIR/P/2018/111 dated July 11, 2018.

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

- a. The MRC shall be fixed for a month.
- b. By 15th of every month, Clearing Corporation shall review and determine the MRC for next month based on the results of daily stress tests of the preceding month. Clearing Corporation shall also review and determine by 15th of every month, the adequacy of contributions made by various contributors and any further contributions to the Core SGF required to be made by various contributors for the next month.
- c. For every day of the preceding month, uncovered loss numbers shall be estimated by the various stress tests for credit risk conducted by the Clearing Corporation for the segment and highest of such numbers shall be taken as worst case loss number for the day.
- d. Average of all the daily worst case loss numbers determined in (c) shall be calculated.
- e. The MRC for next month shall be higher of the average arrived in at step (d) and the segment MRC as per previous review.
- f. The Minimum threshold value of MRC for commodity derivatives segment shall be INR 10 Crores

9.2. Contribution to Core SGF

The contribution to Core SGF from various contributors shall be as follows;

- a. Clearing Corporation contribution to core SGF will be minimum 50% of MRC of segment. Clearing Corporation shall make this contribution from its own funds. Clearing Corporation contribution to core SGFs will be considered as part of its net worth.
- b. Exchange contribution to Core SGF will be minimum 25% of MRC



- c. The total contribution from clearing 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 members on their contribution to Core SGF. The clearing member may bring this contribution in the form of cash, bank fixed deposits or central government securities. The required contributions of each clearing member shall be assessed pro-rata based on the risk they bring to the system.

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

9.3. Penalties levied by Clearing Corporation

Any penalties levied by Clearing Corporation shall be credited to Core SGF.

9.4. Interest on Core SGF cash contribution

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

9.5. Default Waterfall

The default waterfall for Commodity segment shall follow the following order:

- Defaulting member's monies (including contribution to CSGF)
- Insurance, if any
- Clearing Corporation resources equal to 5% of MRC
- CSGF resources in the following order:
 - Penalties and investment income on CSGF
 - Clearing Corporation contribution to CSGF to the extent of at least 25% of the segment MRC
 - Remaining CSGF (Clearing Corporation, non-defaulting member's primary contribution and Exchange) on pro-rata basis.
- Proportion of remaining Clearing Corporation resources (excluding clearing corporation contribution to core SGFs of other segments and INR 100 Crores) equal to ratio of segment MRC to sum of MRCs of all segments.
- Clearing corporation/NSEIL contribution to Core SGFs of other segments (after meeting obligations of those segments) and remaining NSE Clearing resources to that extent as approved by SEBI.



- Any remaining loss to be covered by way of pro-rata haircut to pay-outs. In case loss allocation is effected through haircut to pay-outs, any subsequent usage of funds shall be with prior SEBI approval.



ITEM 10: CLIENT MARGIN/SHORT ALLOCATION REPORTING

10.1. Client Margin Reporting

Members are required to compulsorily collect margins from their client/constituents. 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:

The “Margins” for this purpose shall mean initial margin, extreme loss margin (ELM), mark to market margin, special / additional margin, delivery margin or any other margin as prescribed by the Clearing Corporation to be collected by member from their clients.

The members are required to collect upfront margins i.e. initial margins and ELM from their clients. The members will have time till ‘T+2’ working days** to collect margins (except initial margins & ELM) from their clients.

*** (The clients must ensure that the upfront margins are paid in advance of trade and other margins are paid as soon as margin calls are made by Clearing Corporation/Members. The period of T+2 days has been allowed to members to collect margin from clients taking into account the practical difficulties often faced by them only for the purpose of levy of penalty and it should not be construed that clients have been allowed 2 days to pay margin due from them.)*

The members shall report to the Clearing Corporation on T + 5 day the actual short -collection/non-collection of all margins from clients.

The cut off day up to which a member may report client margin details to the Clearing Corporation is referred to as the sign off date. It shall be 5 working days after the trade date i.e. members are allowed to upload client margin reporting file up to T+5 working days.

Intra-day margin reporting

- Clearing Corporation shall send minimum 7 snapshots of client wise margin requirement to clearing /trading members for them to know the intraday margin requirement per trading member/custodial participant/client. The snapshots would be randomly taken in pre-defined time windows. The formats of the file containing the intra-day margins are provided in Part E
- The margin requirements to be considered for the intra-day snapshots, shall be calculated based on the fixed Beginning of Day (BOD) margin parameters. The BOD margin parameters would include all SPAN margin parameters as well as ELM requirements
- The client wise margin file (MG-12/13) provided by Clearing Corporation to clearing /trading members shall contain the end of day margin requirements of the trading member/custodial



participant/client as well as the peak margin requirement of the trading member/custodial participant/client, across each of the intra-day snapshots

- The clearing /trading members shall have to report the margin collected from each trading member/custodial participant/client, as at EOD and peak margin collected during the day

Files to be submitted by the member

The files are required to be uploaded through the N_{SCCL} –MASS using the client margin file upload menu. (N_{SCCL} –MASS >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 /COMFTP/O<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 O_MRG_TM_<DDMMYYYY>_nn.CSV and that by the clearing member is O_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 CIM using the client margin file upload menu.

The files can alternatively be uploaded in the following directory on the extranet server:

/COMFTP/O<MEMBERCODE>/COLAT/UPLD where MEMBER CODE is the 5 digit trading member code of the member. (eg. 09999)

Members shall have to report the margin collected from each client, as at EOD and peak margin collected during the day.

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

- a. Members are not required to provide member code in the file name
- b. 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 up to 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.

- c. 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.
- d. Zero byte uploaded through the NSCCL MASS 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.
- e. 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.
- f. 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 shall provide the details of EOD and Peak margins for reporting purpose for a proprietary account of trading member and custodian participants. The files shall contain end of day total margin to be collected and peak of intra-day margin for each associated Trading Member/Custodial Participant. Clearing Corporation shall provide additional files for clearing members (MG18) as a part of End of Day reports. The files shall contain total margin applicable for each associated Trading Member/Custodial Participant.
- 2. Each row of the margin file MG13 shall provide the details of EOD and Peak margins for reporting purpose for a specific client code, as per the code entered by the members at the time of order entry. The files shall contain end of day total margin to be collected and peak of intra-day margin for each client
- 3. The end of day margin files for reporting of client margin reporting namely MG12, MG13 and MG18 downloaded by NSE Clearing Limited shall have initial margins based on the end of day (EOD) positions and span parameters as at 5:00 PM (i.e. 5th intra-day span file). Further, the Extreme Loss Margins shall be computed on the EOD Client portfolio which shall be valued at the half an hour weighted average trade price arrived at 5PM
- 4. In case of a mark to market profit for a client/TMs/CPs the value for MTM losses shall be populated as zero.
- 5. TMs/CMs are required to add a comma and report a single consolidated of the actual amount collected from that client/TMs/CPs as the case may be towards the EOD margins.



6. TMs/CMS are required to add another comma after the amount of EOD margins reported and report the peak margin amount collected from that client/TMs/CPs as the case may be
7. This figure for amount collected (EOD and Peak), appended by TMs/CMS should not be negative.
8. TMs/CMS are required to ensure that no information provided in the file by NSE Clearing is modified. Any modification shall result in such record being rejected by NSE Clearing.

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 N_{SCCL} MASS using the client margin file download menu. The return file for member shall also be placed in the extranet directory /COMFTP/O<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 any time 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: O_MRG_TMF_MEMBERCODE_<DDMMYYYY>_nn.CSV for trading members and O_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, 2018 on September 11, 2018, 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 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, 2018 with file names O_MRG_TM_12092018_01.CSV and O_MRG_TM_12092018_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: O_MRG_TMR_MEMBER CODE_<DDMMYYYY>_nn.CSV for trading members and O_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.

10.2. Deemed allocation and Short Allocation monitoring

- CMs shall ensure that sufficient collateral is allocated to TM Prop/CP/clients to cover their margin requirements. However, if the margin applicable at Clearing Corporation for a TM Prop/CP/client in a segment exceeds the collateral allocated to the TM Prop/CP/client plus the securities collateral re-pledged to Clearing Corporation (from that TM Prop/CP/client's account) in the respective segment, then the proprietary collateral of the TM/CM shall be blocked (including re-pledged/pledged securities and allocated collateral). Such margin



blocked from the proprietary collateral towards a TM Prop/CP/client's margin shall be deemed to have been the collateral allocated to that TM Prop/CP/client. This provision shall include deemed allocation of TM's proprietary collateral towards client margins and deemed allocation of CM's proprietary collateral towards TM Prop/CP/client margins.

- CMs shall ensure that allocated collateral plus value of securities collateral re-pledged to Clearing Corporation for a TM Prop/CP/client is at all times greater than or equal to the minimum margin collection requirement for the respective TM Prop/CP/client in the respective segment.
- In case where the allocated collateral plus the securities collateral re-pledged to Clearing Corporation in respect of a TM Prop/CP/client, is falling short of minimum margin collection requirement in the respective segment same shall be considered as short allocation and shall be subject to penalty.

Monitoring of short allocation

- Minimum client margin collection requirement less Client collateral value in the segment (only where client margins are greater than client collateral value) shall be considered short allocation. For this purpose, minimum client margin collection will mean margins required to be collected on upfront basis, excluding margins which can be collected by T+1/T+2.
- Client collateral value in the segment for this purpose shall be collateral value allocated by the CM to the client in the segment + value of securities repledged at Clearing Corporation for that client in the segment (value shall be after applying all prudential norms of Clearing Corporation other than 50:50 requirement).
- Such monitoring of short allocation shall happen intraday at the time of peak margin snapshot and at end of day.
 - Client level short allocation shall be computed intra-day based on the peak margin snapshot in the segment and client collateral value in the segment at the time of the respective peak margin snapshot.
 - Client level short allocation shall be computed at end of day based on the EOD minimum upfront margins required to be collected and client collateral value at EOD.
 - The maximum amount of short allocation across all snapshots and EOD shall be considered as short allocation
- In case of instances of Intraday/ EOD short allocation; members shall have an opportunity to report amount of client collateral available with permitted reasons. In case of such reporting, penalty will not be applicable.
- While assessing the intraday/EOD short allocation, Clearing Corporation will check for availability of excess collateral (allocation and value of pledged securities over and above minimum margin) in other segments for the same TM-UCC (whether with same clearing member or otherwise) or CP. Clearing Corporation shall reduce such excess collateral available in other segments from the intraday short allocation before calculation of applicable penalty. For this purpose, the snapshots across segments for the same time window shall be considered.



- Members shall be provided details of segment wise, client wise, maximum intra-day short allocation as computed by Clearing Corporation after considering excess collateral in other segments, if any.
- Members shall have an opportunity to report amount of client collateral available against such segment wise short allocation due to below mentioned reasons, along with reason codes:
 1. Excess collateral (allocation and value of pledged securities over and above minimum margin) available in another Clearing Corporation.
 2. Trades executed in wrong client code codes
 3. Allocation request submitted to Clearing Corporation however allocation request accepted later.
- Such reporting shall be done by TMs for clients and by CMs for TM proprietary and CP clients.
- In case false reporting, penalty as applicable on false margin reporting will be applicable
- Clearing Corporation shall compute revised short allocation amount after adjusting for the aforementioned reporting.

Reporting of short allocation

Files to be provide to members

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

Files to be submitted by the member

- TMs/CMs shall be required to be upload reporting files through the NSCCL – MASS using the client margin/SA file upload menu. (NSCCL –MASS >Client Margin/SA Reporting>File upload).
- TMs/CMs shall be able to upload client margin reporting files at any time during the day through NSCCL –MASS
- The name of the file to be uploaded by the TMs shall be O_SA_TM_<DDMMYYYY>_nn.CSV and that by the CMs/Custodian shall be O_SA_CM_<DDMMYYYY>_nn.CSV where: is the trade date, TM = Trading Member, CM = Clearing Member/Custodian and 'nn' is the batch number of the file
- TMs/CMs are requested to take note of the following whilst uploading the short allocation reporting files:
 - TMs/CMs are not required to provide member code in the file name

- TMs/CMs are required to provide batch number in every file they upload starting with 01. Thereafter subsequent files are required to have incremental batch numbers viz 02, 03 etc up to maximum of 99. This would enable TMs/CMs to send multiple files for the same trade date with incremental batch numbers. Where multiple files are uploaded by the TMs/CMs for a trade day, the information of client margin collected as provided in the file with latest batch number for the trade date would be considered as final by the Clearing Corporation.
- If a member uploads a file with incorrect name, such files shall not be picked up by the Clearing Corporation.
- Zero byte uploaded through the NSCCL –MASS shall not be accepted.
- In case the files are made by customised software at user end, TMs/CMs may note that a new line character has to be present in the last record in order to ensure proper processing.
- TMs/CMs are requested to refer to the return file and initiate necessary corrective actions.
- TMs/CMs may note the following procedure for providing short allocation details:
 - TMs/CMs are required to add a comma and report the collateral available amount.
 - TMs/CMs are required to add another comma after the amount of collateral available amount and specify the reason code. Permitted Reason codes shall be

Reason Code	Particulars
01	Excess collateral available in another CC
 - For Reason Code 01, CC code needs to be specified by adding additional comma after reason code in following manner: -
 - For ICCL – IC
 - For NCCL – NC
 - For MCXCCL – MX
 - For other reason code a comma needs to be added after reason code
 - This figure for collateral available appended by TMs/CMs should not be negative.
 - TMs/CMs are required to ensure that no information provided in the file is modified. Any modification shall result in such record being rejected by the Clearing Corporation.

Return files to the members

- A return file shall be generated for all files uploaded by the TMs/CMs for client margin reporting with the correct naming convention. TMs/CMs can download return file through NSCCL –MASS using the client margin/SA reporting file download menu.
- In case of any errors in the file, TMs/CMs would be able to correct the same and upload the same with incremental batch number anytime prior to sign off date



- Two types of return files are generated for the members
 - a) Rejected Files - where the whole file has been rejected
 - b) Processed File Records - where some or all records in the file have been rejected

a) Rejected Files

- File Naming convention: O_SA_TMF_MEMBERCODE__nn.CSV for TMs and O_SA_CMF_MEMBERCODE__nn.CSV for CMs Some reason for which a file may be rejected are mentioned as under
- File loaded after the sign off date – TMs/CMs shall be permitted to upload short allocation reporting file up to T+5 working days. Such files would be rejected with the reason “File is not being processed as file upload date is greater than sign off date”.
- File loaded for future date - If the uploaded file is for December 12, 2019 on December 11, 2019, then the return file would indicate the rejection reason as ‘File is not being processed as file date is greater than system current date’.
- Uploads file for an invalid day - If a TMs/CMs is not required to report the client margin file for a day (say Saturday, Sunday, holiday etc.) and still uploads the same, then the return file would be rejected with the message ‘File is not being processed as the TMs/CMs code is invalid for the file date’.
- TMs/CMs uses non-serial batch number in file name - If the batch number provided by the TMs/CMs for a trade date is not in sequence, for example if the member has uploaded two files for the trade date December 12, 2019 with file names O_SA_TM_12092019_01.CSV and O_SA_TM_12092019_03.CSV, the second file would be rejected with error message ‘File is not being processed as file batch number is not proper. Last successful batch no for the day was 01’.
- File in wrong format - If the TMs/CMs has provided a file which cannot be read by the system for example- non csv file, then return file would be rejected with the message ‘File is not being processed as the file is not in format’.

b) Processed File Records –

- File Naming Convention: O_SA _TMR_MEMBER CODE__nn.CSV for TMs and O_SA _CMR_MEMBER CODE__nn.CSV for CMs
- After processing of client margin file, each record would have a reason code indicating acceptance/ rejection, as the case may be. The details of reason codes are as follows:

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

- If the record contains multiple errors for e.g. reason code 01 as well as 06, the reason code which is the lowest in number would appear against the record i.e. reason code 01.

10.3. Sign-off date

The cut off day up to which a member may report client margin/short allocation 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/short allocation reporting file up to T+5 working days.

10.4. Shortage computation

The member shall have to report the margin collected from each client/TM/Custodial Participant, as at EOD and peak margin collected during the day. The margins reported/short allocation shall be compared in the following manner:

(a) EOD margin obligation of the client/TM/Custodial Participant shall be compared with the respective client/TM/Custodial Participant margin available with the TM/CM at EOD. AND



(b) Peak margin obligation of the client/TM/Custodial Participant, across the snapshots, shall be compared with respective client/TM/Custodial Participant peak margin available with the TM/CM during the day

AND

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

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

10.6. .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.

10.7. Penalty for short / non-reporting of client margin/short allocation

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

ITEM 11: VIOLATIONS AND PENALTY

11.1. Short/non-reporting of client margin /short allocation

The following penalty shall be levied on the members for short / non-collection of margins/short allocation from their clients beyond T + 2 working days in case of short reporting by trading/clearing member as per the details given below per instance.

For each Member	
'a'	Per day penalty as % of 'a'
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5%
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1.0%

Where a = short-collection / non-collection/short allocation of margins per client per day

1. In case of short-collection /non collection//short allocation of initial margins, the above penalty structure would be applicable from T day.
2. The members are supposed to report the collection of all margins from their clients at the end of each trading day and to report short collection/non-collection of all margins on the T+5 day.
3. All instances of non-reporting shall amount to 100% non-collection of margin and the penalty as prescribed above shall be charged on these instances in respect of non-collection. The penalty shall be collected by the Exchanges not later than five days of the last working day of the trading month.
4. With respect to repeated defaulters, who default 3 times or more during a month, the penalty would be 5% of the shortfall in such instances. (Every short/non collection of margin is to be considered as one instance of default. In case margin shortage is reported for a client 3 times or more during a month, i.e., either in consecutive instances or in 3 different instances, the penalty would be 5% of the shortfall from 4th instance of shortfall. E.g. shortage is reported for a client on 1st and 2nd day of month consecutively; thereafter again on 10th day shortage is reported. So the number of instances is 3 and in case shortage is reported on any day later in the month, the penalty shall be 5% of the shortfall amount for all such instances beyond 3rd instance.)



5. All the penalties collected as prescribed above shall be credited to the Core Settlement Guarantee Fund of the Clearing Corporation.

11.2. Position Limit Violation

The following penal provisions are made to discourage/ prevent open interest violations at Commodity level / near month contract level. Monetary penalty on the concerned member for violations in the open interest (either on own account or on account of clients) are linked to the quantum/ value of violation committed and to be charged from the concerned member for each such violation as under:

1. Where the violation is more than 2% of the prescribed limit(s) – Limit exceeded x Closing price x number of days such violation continued x 2% (0.02) or Rs. 10,000/- whichever is higher.
2. Where the violation is up to 2% of the prescribed limit(s) – Limit exceeded x Closing price x number of days such violation continued x 2% (0.02) or Rs. 10,000/- whichever is lower.
3. The member has to ensure reduction in position and to bring it within the prescribed limit(s) by the next trading day after the day of violation. In case such violation continues, the Exchange would square-off the excess position without any further notice to the member by putting the orders on behalf of the member in that client code and will not be responsible for the consequences of such action
4. In case, the instance at (1) above is observed for more than 3 times in a month across the market, the Exchange would suspend the concerned member for a period of one week. For instances at (2) above, the Exchange may devise its norms to deal with habitual defaulters.
5. Further, in case repeated violations of such nature are observed by SEBI, SEBI may consider action against the concerned Exchange.
6. The monetary penalty as stated above, will be credited to the Core Settlement Guarantee Fund of the Exchange.

11.3. Funds Shortage

Non-fulfilment of settlement obligation towards settlement of Commodity Derivatives 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.

11.4. Penalty for Shortages:

11.4.1. Penalty on Buyer

- Penalty on buyer incase of default by buyer in the obligations arising out of compulsory delivery contract for non-agriculture commodity shall be as follows :
- 3% of Settlement Price
- Replacement Cost (difference between settlement price and lower of the last spot prices on the commodity pay-out date and the following day, if the spot price so arrived is lower than Settlement Price, else this component will be zero.

Norms for apportionment of penalty: -

- At least 1.75% of Settlement Price shall be deposited in the CSGF of the Clearing Corporation.
- Up to 0.25% of Settlement Price will be retained by the Clearing Corporation towards administration expenses.
- 1% of Settlement Price + replacement cost shall go to seller.

11.4.2. Penalty on Seller:



- Penalty on seller in case of delivery default (default in delivery against open position at expiry in case of compulsory delivery contracts, default in delivery after giving intention for delivery) shall be as follows:
 - 3% of Settlement Price + replacement cost (difference between settlement price and higher of the last spot prices on the commodity pay-out date and the following day, if the spot price so arrived is higher than Settlement Price, else this component will be zero.)
 - Exchanges shall have the flexibility to increase/decrease penalty for specific commodities depending on situation, in consultation with SEBI.
 - Exchange shall have appropriate deterrent mechanism (including penal/disciplinary action) in place against intentional/wilful delivery default.

Norms for apportionment of penalty:-

- At least 1.75% of Settlement Price shall be deposited in the CSGF of the Clearing Corporation.
- Up to 0.25% of Settlement Price will be retained by the Clearing Corporation towards administration expenses.
- 1% of Settlement Price + replacement cost shall go to buyer who was entitled to receive delivery.

11.4.3. Penalty for Repeated Default:

For each instance of repeated default, an additional penalty shall be imposed on the buyer or seller which shall be as follows:

- 3% of the value of the delivery default. (value of delivery default shall be computed as short quantity multiplied by the settlement price. 3% shall be levied on the value of default.
- Repeated default shall be defined as an event, wherein a default on delivery obligations takes place 3 times or more during a six-month period on a rolling basis. For this purpose, period of 6 months shall be 6 calendar months including the current month in which the default has taken place. Default in each expiry shall be counted as an instance.

11.1. 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 **Liquid Assets**, 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.

11.2. Non fulfillment of margin obligations (Initial ,Extreme loss or any other Margin)

When the margin liability of a clearing member exceeds his liquid assets less minimum liquid net worth or the margin liability of a trading member exceeds the 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 section “**Violations and Penalty**” shall be levied for Non fulfillment of initial margin obligations.

11.3. Penalty and penal charges for margin/limit violation

In respect of margin violations, penalty shall be levied on a monthly basis based on slabs as mentioned below or such other amount as specified by the Clearing Corporation from time to time

Instances of Disablement	Penalty to be levied
1st instance	0.07% per day
2nd to 5th instance of disablement	0.07% per day + Rs.5,000/- per instance from 2nd to 5th instance
6th to 10th instance of disablement	0.07% per day + Rs.20,000/- (for 2nd to 5th instance) + Rs.10000/- per instance from 6th to 10th instance
11th instance onwards	0.07% per day + Rs.70, 000/- (for 2nd to 10th instance) + Rs.10, 000/- per instance from 11th instance onwards. Additionally, the member will be referred to the Disciplinary Action Committee for suitable action.



Instances as mentioned above shall refer to all disablements during market hours in a calendar month.

The penalties shall be collected from the clearing member of the respective trading member. The concerned clearing member may in turn recover such amount of penalty from the concerned trading member.



ITEM 12: STAMP DUTY

Collection of Stamp Duty in Commodity Derivatives Segment

As per the Indian Stamp Act, 1899, the applicable stamp duty on securities in the Commodity Derivatives Segment is as under:

Type of Security	Applicable Stamp Duty Rate	Applicable on
Commodity Futures	0.002%	Buyer
Commodity Options	0.003%	Buyer

The following procedure is adopted by the NSE Clearing Ltd. in respect of the calculation and collection of stamp duty.

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



- For each client code, all the buy transactions for a trading day shall be aggregated at contract level

Information to members:

1. A Report named „CO_SD01_<MEMBER CODE>_DDMMYYYY.CSV“ shall be provided to trading members at the end of each trading day mentioning “Stamp Duty file for Trading member”.
2. Similarly a report named „CO_SD02_<MEMBER CODE>_DDMMYYYY.CSV“ shall be provided to clearing members at the end of each trading day mentioning “Stamp Duty file for Clearing member”.
3. These reports shall contain information such as stamp duty liability, client wise stamp duty liability, trading member wise stamp duty liability, clearing member wise stamp duty liability and also the detailed computations for determining the client wise stamp duty liability.

File format is available in **Part E**.

Pay-in of funds:

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

Failure to pay funds:

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

Computation of stamp duty:

At contract client level:

3.1. Computation of stamp duty on commodities futures:

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



3.2. Computation of stamp duty on commodities options:

- c) Each options buy trade is valued at the premium:
 - II. Total Buy Value (BVAL) - This is the sum of the trade value (Trade quantity * Traded Premium for each trade) of all buy trades for the client.
- d) Stamp Duty is calculated by applying the prescribed rate:
 - II. Stamp Duty (BVALSTD) = $BVAL * \text{stamp duty rate on commodities options}$. The value so computed is rounded off to two decimals.

At client level:

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

At trading member level:

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

At clearing member level:

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