

PART B
DETAILED CONSOLIDATED CIRCULAR

- ITEM 1: CLEARED DEALS
- ITEM 2: BASIS FOR CLEARING AND SETTLEMENT OF DEALS AND SETTLEMENT OBLIGATIONS
- ITEM 3: CLEARING DAYS AND SCHEDULED TIME
- ITEM 4: MAINTENANCE OF DEPOSITORY ACCOUNT
- ITEM 5: PROCEDURE FOR PAY-IN /PAY-OUT OF FUNDS
- ITEM 6: PROCEDURE FOR PAY-IN AND PAY-OUT OF SECURITIES
- ITEM 7: VALUATION PRICE
- ITEM 8: CLOSING OUT
- ITEM 9: LIQUID ASSETS
- ITEM 10: MARGINS
- ITEM 11: CLIENT MARGIN/SHORT ALLOCATION REPORTING
- ITEM 12: CHARGES AND PENALTIES
- ITEM 13: CORE SETTLEMENT GUARANTEE FUND
- ITEM 14: DELIVERY UNITS
- ITEM 15: ASSAYER
- ITEM 16: ELECTRONIC REPORTING
- ITEM 17: PRIVACY OF CONTRACT
- ITEM 18: STAMP DUTY



ITEM 1: CLEARED DEALS

In pursuance of Regulation 3.3 of the NSE Clearing Capital Market Regulations

1.1 Cleared Deals

a. Cleared Deals means deals executed on the EGR Segment of National Stock Exchange of India (NSE)



ITEM 2: BASIS FOR CLEARING AND SETTLEMENT OF DEALS AND SETTLEMENT OBLIGATIONS

In pursuance of Regulations 4.3 and 4.4 of the NSE Clearing Capital Market Regulations the basis for clearing and settlement of deals and settlement obligations is specified as under:

Settlement calendar periods shall be specified by the relevant authority from time to time.

2.1 Normal Market deals

Deals executed in the Normal and Auction market of EGR Segment of NSE

2.1.1 Regular normal market deals

Normal market deals of EGR segment shall be cleared and settled in following manner:

- Transactions shall be settled in settlement type '6'
- Netting shall be done at client level.
- Transactions shall be settled on gross basis at the clearing member level.
- Settlement can be only in dematerialised mode.
- Settlement Guarantee shall be provided
- Settlement cycle shall be T+1

2.2 Auction market deals

Auction market deals of EGR segment shall be cleared and settled in following manner:

- Transactions shall be settled in settlement type '7'
- Market deals shall be settled on a gross obligation basis
- Settlement can be only in dematerialised mode.
- Settlement Guarantee shall be provided
- Settlement cycle shall be T+1

In accordance with SEBI circular ref no SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/87 dated June 24, 2024, the obligation shall be downloaded to members by 2:00 AM on trade day. Refer part C (1) for example for obligation computation of normal market deals.



ITEM 3: CLEARING DAYS AND SCHEDULED TIME

In pursuance of Regulation 6.2 of the NSE Clearing Capital Market Regulations it is hereby notified that the time schedule to be observed with regards to Depository Clearing System and Clearing Bank is specified as under:

3.1 Settlement in Depository System

The delivering clearing member/ delivering clients shall complete delivery instructions for pay-in of securities to CM Clearing Pool Account on settlement day. The depositories shall facilitate transfer of such securities to 'Clearing Corporation Settlement Pool account' in accordance with SEBI circular ref no SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/87 dated June 24, 2024 by 2.00 pm for T+1 settlement. Clearing Members shall take note of the pay-in cut-off specified by respective depositories from time to time. The settlement timelines for settlement shall be applicable on regular settlement days as well as multiple settlement days and there shall be no netting.

The delivery for securities for pay-in shall be done in applicable market lot only wherever lot size is applicable.

The depositories shall credit the receiving clearing/trading members' pool account/ clients beneficiary account in accordance with the pay-out instructions received electronically from Clearing Corporation on the settlement day.

3.2 Clearing Bank

The paying clearing member shall have clear funds in his settlement account on settlement day for T+1 settlement, in accordance with SEBI circular ref no SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/87 dated June 24, 2024. The clearing bank shall debit the paying clearing members' account by 2.00 p.m. in accordance with electronic instructions received from Clearing Corporation. The settlement timelines for settlement shall be applicable on regular settlement days as well as multiple settlement days and there shall be no netting.

The clearing bank shall credit the receiving clearing members' settlement account in accordance with the pay-out instructions received electronically from the Clearing Corporation on the settlement day.



ITEM 4: MAINTENANCE OF DEPOSITORY ACCOUNT

In pursuance of Regulation 14 of the Capital Market Regulations, the provision relating to CM clearing member's clearing account with a Depository Participant of the specified depository is hereby specified as under:

4.1 Depository Account

The clearing members shall operate a clearing member pool account with both Depository Participant of the depositories, National Securities Depository Ltd (NSDL) and Central Depository Services Ltd (CDSL) for the purpose of settlement of depository deals or for any other purpose as the relevant authority may specify from time to time.

Clearing members may note that the maintenance of active pool accounts in both depositories is mandatory even if they have opted for the facility of receiving their payout in their preferred depository. Clearing members are required to ensure compliance to this in the absence of which, the release of payout of securities will be impacted.

Clearing Members shall ensure the accounts are active in both depositories at all times and inform the Clearing Corporation in case of any changes in the account. Trading members who are clearing their trades with other clearing members shall be required to maintain trading member pool accounts with both the depositories. Clearing members shall ensure that their trading members have opened pool accounts in both depositories.

Clearing members who are also registered with Clearing Corporation as clearing member in Capital Market segment can use the existing CM Clearing Pool account for purpose of settlement of EGR obligations.

Trading members who are also trading member in Capital Market segment can use the existing TM pool account for processing of settlement of EGR obligations.



ITEM 5: PROCEDURE FOR PAY-IN /PAY-OUT OF FUNDS

In pursuance of Regulation 13 of the Capital Market Regulations, the provision relating to clearing bank appointed by the Clearing Corporation, are hereby specified as under:

5.1 Funds pay-in and pay-out

Funds pay-in and pay-out shall be through banks designated as Clearing Banks by the Clearing Corporation. The list of banks currently available for settlement is provided in **Part C (2)** - 'Designated Clearing Banks'.

5.2 Maintenance and operation of clearing account

5.2.1 Primary Clearing Account

Every clearing member shall maintain and operate a separate and distinct primary clearing account for the EGR segment with any one of the designated clearing banks at the designated branch of the bank. The primary clearing account shall be used for clearing and settlement operations i.e., for settling funds obligation, payment of margins, release and enhancement of collateral, early pay-in of funds, penal charges, etc as may be specified by the Clearing Corporation from time to time.

5.2.2 Additional Clearing Account

- Further, every clearing member shall be able to additionally maintain and operate additional clearing account(s) with the designated clearing bank(s) other than in which primary account is maintained, for the purpose of enhancement of collaterals in the form of cash and for providing early pay-in of funds.
- Release of cash collateral, collateral enhancement and early pay-in of funds, shall be routed through the secondary clearing account of the clearing member if specified by the clearing member.

5.3 Operation of clearing accounts

- Clearing members shall irrevocably authorize, the clearing banks to access their clearing accounts for debiting and crediting their clearing accounts as per the instructions of the Clearing Corporation, reporting of balances and other information as may be required by the Clearing Corporation from time to time. Please refer to formats specified in **Part C (3)** – 'Format of Authorisation letters to be submitted by the member for operation of Clearing Bank Account'
- Clearing members can deposit funds into these accounts in any form and can withdraw funds from these account 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 the 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 Clearing Corporation.
- All bank confirmations received from clearing banks on behalf of the clearing members towards margins, funds pay-in, early pay-in of funds, collateral enhancements etc. shall be given effect only after receiving a written/electronic confirmation from their respective clearing banks.

5.4 Procedure for change in primary clearing banks

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

- The clearing member shall request the primary clearing bank in writing for issuing a No Objection Certificate (NOC) for shifting of the primary clearing account.
- The clearing member shall request the Clearing Corporation in writing seeking its permission for shifting of the primary clearing account and enclose the NOC received from the existing primary clearing bank in this regard or where the NOC is not received, furnish an acknowledged copy of the NOC request along with a declaration to the effect that no response has been received from the existing primary clearing bank in respect of the NOC request even after a minimum waiting period of a fortnight.
- 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 banks as mentioned in **Part C (3)** Format of authorisation letters to be submitted by the clearing member for operation of clearing bank account.
- The clearing member communicates the date from which the new primary clearing account shall be operational with the Clearing Corporation, post confirmation from the Clearing Corporation the primary account shifting is done. The existing clearing bank account is discontinued, and new account is added.
- Clearing Corporation shall thereon communicate the date from which the new primary clearing account shall be operational.



ITEM 6: PROCEDURE FOR PAY-IN AND PAY-OUT OF SECURITIES

6.1 Pay-in of securities

Pay-in shall be conducted on the scheduled pay-in day, in accordance with the settlement calendar periodically issued by the Clearing Corporation in this regard. Pay-in timings for Normal T+1 shall be 02:00 pm as declared by SEBI (refer SEBI master Circular Ref No SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/87 dated June 24, 2024) for EGR. Clearing members shall maintain settlement accounts at both depositories viz NSDL and CDSL and provide specific pay-in instructions to depositories for effecting pay-in.

6.1.1 Early pay-in of securities

Clearing Corporation provides a facility to clearing members to make early pay-in of securities through NSDL and CDSL. Clearing members shall refer to early pay-in cut-off specified by depositories on settlement day. Details for making early pay-in are provided in **Item 10**.

6.2 Pay-out of Securities

Pay-out shall be conducted on the scheduled payout day, in accordance with the settlement calendar issued periodically by the Clearing Corporation in this regard. Pay-out shall be effected by 4:30 p.m. in accordance with SEBI circular ref.no: SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/87 dated June 24, 2024. In accordance with SEBI circular SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2024/75 dated June 05, 2024, pay-out shall be made directly to client demat account for EGR Normal T+1 and auction market. The standard operating guidelines for pay-out of securities directly to client demat accounts shall be as specified for Capital Market segment.

It shall be mandatory for trading members to update primary demat account in UCC database of NSE of all such clients that clear and settle trades with their clearing member. Clearing Corporation shall credit pay-out of securities that is identified as primary account in UCC and is verified by depositories.

In case of rejection of pay-out by depositories the pay-out shall be credited to clearing member pool. The details of rejection code shall be provided in DeliveryDpo report to member. The details of depository rejection code is provided in **Part C (4)** 'List of Depository Direct pay-out Rejection code'

6.2.1 Reporting Of Unpaid Securities and Funded Stocks

A facility shall be provided to Self-Clearing member (SCM), Trading cum Clearing member (TM-CM) and Professional Clearing member (PCM) of EGR segment to provide request to release payout under pledge for unpaid/ margin trading facility clients. The applicable procedure and file format is provided in **Part C (5)** "Procedure for reporting of unpaid securities and funded stocks. Clearing member shall be able to report details of unpaid /MTF securities till 1:00 pm on T+1 or as specified by Clearing Corporation from time to time.

Trading/ Clearing members need to maintain Client Unpaid Security Pledge Account (CUSPA) in depository where their client has demat account.

6.2.2 Securities Payout to Clearing Members Preferred Depository

Where pay-out is credited to clearing member pool, clearing members also have a facility to receive their payout in their preferred depository.

Clearing members have a facility of preferred depository wherein payout receivable by clearing members can be credited to the specified pool account in either of the depositories viz. NSDL or CDSL.

1. Clearing members shall ensure that they get their account details updated in case of shifting /change of account etc to ensure that the payout happens to the preferred depository pool account.
2. Clearing members may avail the said facility by providing details in the form of a letter along with the client master report of the respective depository pool account. Also, the same letter has to be provided in case of closure of the said preferred depository pool account along with the client master report of the respective depository pool account.

Please refer format specified **Part C (6)** - 'Format for availing the facility of directing the pay-out to preferred depository'.

3. Clearing members shall continue to maintain pool accounts in both the depositories viz NSDL and CDSL

6.3 Failure to deliver

Failure of the seller to deliver securities shall result in buy-in auction for the shares by Clearing Corporation as per auction schedule declared periodically. Auction shall be conducted on T+1 day as per timeline specified by NSE.

In case of multiple settlements conducted on the same day, the auction session for the first settlement shall be conducted on the same day and settled on the next day. The auction for the second settlement shall be conducted on the next day along with the shortages/auction of that day. The settlement of the same shall happen on the subsequent day.

The auction amount based on auction rate and shall be charged to the short delivering member. Auction amount shall be based on the auction rate which is computed based on the auction offer price for auctioned quantity and the close out price for the unsuccessful auction. Failure to procure shares in auction shall be closed out. Details for close out are provided in **Item 8**.

Auction difference is collected from the short delivering member in case of successful auction where the settlement price is greater than the auction rate.

Clearing members are being requested to voluntarily bring to the notice of Clearing Corporation, where an auction profit is being identified by the members at the client level.

The pay-in time for auction securities settlement will be 09:30 a.m. on auction settlement date (Auction + 1 Day). The auction funds paying clearing members are required to have clear balance of funds in their clearing account towards obligation by 8:00 am on settlement day.



ITEM 7: VALUATION PRICE

In pursuance of Regulations 7.15 and 9.3 of the Capital Market Regulations, valuation price for failure to give or take delivery are hereby specified as under:

7.1 Valuation Price for failure to deliver

The valuation price for securities which were not delivered by clearing member vis-a-vis delivery obligation of the member in the security on the settlement day, shall be 103% of the settlement price of such securities, on the immediate trading day preceding the pay-in day for the securities unless prescribed otherwise from time to time by the relevant authority. For the purpose of this clause, the settlement price shall be close price of the security on the trade day on NSE.

ITEM 8: CLOSING OUT

In pursuance of Regulation 10 of the NSE Clearing Capital Market Regulations, deemed closing out prices ('squaring off') is hereby specified as under:

8.1 Closing out where securities cannot be bought-in

When securities cannot be bought in auction, obligation in such security shall be deemed to be closed out at following procedure, or as declared from time to time.

8.2 Closing out in the case of failure to give delivery

8.2.1 Closing out in the case of failure to give delivery for Normal Market

Any shortages in Normal Market that cannot be bought in the Auction Market shall be closed out as specified in SEBI master Circular Ref No SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/87 dated June 24, 2024) for EGR. Close out shall be at the highest price prevailing at NSE from the day of trading till the date of auction/ close-out or 3% above the latest available close price, whichever is higher.

8.2.2 Closing out in case of failure to give delivery for block market deals

Any shortages in the Block market deal window shall be directly closed-out on the settlement at the highest price prevailing across the Exchanges on the T day (till settlement -1 day) or 3% above the latest available close price on the T day (or settlement -1 day), whichever is higher, or as declared from time to time.

ITEM 9: 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 from time to time.

These liquid assets are segregated as cash component and non-cash component. Cash component shall mean cash, bank guarantees, fixed deposit receipts, units of money market mutual fund, Gilt funds, Government of India Securities, Sovereign Gold Bonds and any other form of collateral as may be prescribed from time to time. Non-cash component shall mean all other forms of collateral deposits like deposit of approved list of equity securities, units of the other mutual funds, corporate bonds, EGR, Bullion 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. As per SEBI circular no SEBI/HO/MRD/MRD PoD-1/P/Cir/2024/87 dated June 24, 2024 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.

9.1 Membership Deposit (Security Deposit):

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

Clearing Member is required to meet with the deposit requirements prescribed by the Clearing Corporation at all points of time.

9.1.1 Cash Deposit requirement for Self Clearing Members

As a part of the membership requirement every self clearing member is required to maintain cash deposit of Rs. 15.00 lakhs

9.1.2 Security Deposit requirement for Self Clearing Members

As a part of the membership requirement every self clearing member is required to maintain security deposit of Rs. 85.00 lakhs

9.1.3 Cash Deposit requirement for Trading Cum Clearing Members/Professional Clearing Member

As a part of the membership requirement every trading cum clearing member/Professional clearing member is required to maintain cash deposit of Rs. 25.00

9.1.4 Security Deposit requirement for Trading Cum Clearing Members/Professional Clearing Member



As a part of the membership requirement every trading cum clearing member/Professional clearing member is required to maintain a security deposit of Rs. 75.00 lakhs

The security deposit has to be maintained in any one or combination of the following forms:

- i. Cash
- ii. Fixed Deposit Receipts (FDRs) issued by Approved Banks as per **Part C (7)- 'List of Approved Banks for issuance of Fixed Deposits Receipts & Bank Guarantees'**, deposited with the Clearing Corporation.
- iii. Bank Guarantee in favour of NSE Clearing Ltd. from Approved Banks.

9.1.5 Non-fulfilment of Deposit Requirements

Any failure on the part of a clearing member to meet with the deposit requirements as given in 9.1.1, 9.1.2, 9.1.3 and 9.1.4 at any point of time, will be treated as a violation of the Rules, Bye-Laws and Regulations of the Clearing Corporation and 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 such clearing member including withdrawal of trading facilities of all trading members, without any notice.

If the security deposit falls below the minimum required level at any point of time, the Clearing Corporation may initiate suitable action as given below or as prescribed by the relevant authority from time to time.

- If the security deposit shortage is equal to or greater than Rs. 5.00 lakhs, the trading facility would be withdrawn with immediate effect.
- If the security deposit shortage is less than Rs. 5.00 lakhs, the clearing member would be given one calendar week's time to replenish the shortage and if the same is not done within this timeframe the trading facility would be withdrawn.
- Penalty as specified in **Item 12** shall be levied.

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.

9.2 Margin Deposits by the member

In pursuance of Byelaw 2 of Chapter VIII of the Byelaws and Regulation 3.10 of Chapter 3 of Regulations, the following requirements are prescribed in respect of margin deposits to be provided by the members:

Clearing members who wish to provide any deposits at any point of time, over and above their minimum deposit requirement as given in 9.1 above towards margin and/ or other obligations, may do so in any one or combination of the following forms:

- 1) Cash
- 2) Fixed Deposit Receipts (FDRs) issued by Approved Banks.
- 3) Bank Guarantee in favour of NSE Clearing Ltd. from Approved Banks.
- 4) Equity shares of companies, units of Exchange traded funds and Electronic Gold Receipts (EGR) in demat form pledged in favour of Clearing Corporation from any any Depository Participant of NSDL or CDSL.
- 5) Government of India Securities/T-Bills/Sovereign Gold Bonds, as per list provided by Clearing Corporation
- 6) Open ended Mutual Funds Units in demat form pledged in favour of Clearing Corporation from any any Depository Participant of NSDL or CDSL.
- 7) Corporate Bonds in demat form pledged in favour of Clearing Corporation from any any Depository Participant of NSDL or CDSL
- 8) Commodities such as gold and silver (herein after referred as Bullions) shall be accepted as collateral towards margin deposit

The Clearing Corporation may at its discretion accept fixed deposit receipts, bank guarantees, or approved securities or such other mode as may be approved and subject to such terms and conditions as may be imposed from Clearing Corporation from time to time.

9.3 Guidelines for Submission of Deposits

9.3.1 Cash

Clearing members may submit deposit in the form of cash by making the required amount available in their respective clearing bank account and sending an authorization to the Clearing Corporation for debiting the said amount from their clearing account. Clearing members shall use the facility in NMASS to initiate the cash deposit request.

The benefit of such cash deposit requests shall be subject to bank confirmation from the respective clearing bank. A clearing member who has authorised the Clearing Corporation to debit his clearing account as above shall ensure due performance of the commitment. Non-

fulfillment 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.

Clearing members shall be permitted to place cash deposit request till 7:30 pm on all settlement days.

9.3.2 Fixed Deposit Receipt

9.3.2.1 Submission of Fixed Deposit Receipt

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 in favour of "NCL A/c CLEARING MEMBER NAME".
- ii. Clearing members are required to issue a letter to the Clearing Corporation agreeing that the 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 member, for recovery/adjustment of Clearing Corporation/Exchange dues. The formats of the letter are given in **Part C (8)** - 'Format of letter by clearing member for submission of FDR to Clearing Corporation'.
- iii. Clearing members are required to submit a letter from the bank issuing the FDR to the Clearing Corporation in the formats given in **Part C (9)** - 'Format of letter to be provided by Bank issuing FDR to the Clearing Corporation'
- iv. The minimum value of FDR that may be accepted shall be Rs.1 lakh.
- v. The FDR issued in physical form should have validity for a minimum period of 3 months in case of margin deposit and for a minimum period of 12 months in case of security deposit.
- vi. The FDR issued in electronic form should have validity for a minimum period of 7 days in case of margin deposit and for a minimum period of 12 months in case of security deposit.
- vii. The FDR should be issued by any of the branches of approved banks and should be payable in the cities of: Mumbai, New Delhi, Chennai, Kolkata, Ahmedabad, Bangalore and Hyderabad of the Approved Banks.
- viii. Clearing Corporation shall not accept FDRs from clearing members as collateral, which are issued by the clearing member themselves or banks who are associate of clearing member. For this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012
- ix. Clearing member can additionally provide FDR's in electronic formats. The procedure is as below:
 - a. Clearing member approaches and requests the bank to create FDR and mark lien in favour of 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 marks lien in favour of Clearing Corporation
- d. Bank shall send the FDR information in electronic form to Clearing Corporation
- e. Clearing Corporation validates 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 NMASS module and subscribe for “Add/Renew Electronic FDR”.

Additionally, clearing members shall ensure the following for placing FDR as collateral with Clearing Corporation

- Clearing Member shall ensure that for all FDR lien marked to Clearing Corporation, Clearing Corporation shall have explicit precedence on the FDR funds over every other stakeholder, including over the bank providing the FDR.
- The tenure of FDRs created out of client funds shall not be more than one year and one day, and the FDR should be pre-terminable on demand.
- The principal amount of the FDR shall remain protected throughout the tenure, even after accounting for all possible pre-termination costs.
- Clearing Member shall not avail any funded or non-funded banking facilities based on FDRs created out of clients’ funds.

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

9.3.2.2 Renewal of Fixed Deposit Receipt

In case of renewal of FDRs placed with Clearing Corporation, clearing member shall furnish Clearing Corporation renewal letter, as per the following format(s) provided in Part C, from the respective bank.

- **Part C (10)** Format of letter to be provided by bank for auto renewal of FDR to the Clearing Corporation - when there is change in FDR number.
- **Part C (11)** Format of letter to be provided by Bank for auto renewal of FDR to the Clearing Corporation- when there is no change in FDR number

- i. The procedure of renewal of E-FDR is as below
 - a) Clearing member shall request the bank to renew the FDR
 - b) Clearing members can also request banks to renew existing physical FDRs in electronic form.
 - c) 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 member to the bank is given below.
 - Primary Member Code of the Segment
 - Segment for which the FDR is required
 - Security Deposit (SD) or Margin Deposit (MD)
 - d) Bank shall renew the FDR.
 - e) Bank shall send the renewed FDR information in electronic form to Clearing Corporation
 - f) Clearing Corporation shall validate and if found correct renews the FDR
 - g) Clearing Corporation shall send a system generated e-mail and sms to clearing member if subscribed for.

In case the renewed FDR/ fresh FDR is not submitted and whereby the clearing member does not fulfill the security deposit requirements, action as provided in 9.1.5 above shall be applicable.

9.3.3 Bank Guarantees

9.3.3.1 Limits

The acceptance of the bank guarantees by the Clearing Corporation shall be subject to the bank-wise and member-wise limits as are stipulated from time to time. 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) / Trading Cum Clearing Members (TM-CM) with net worth =>Rs.500 crores	3500	2800

Professional Clearing Member (PCM) / Trading Cum Clearing Members (TM-CM) with net worth <Rs.500 crores	1750	1400
Other categories (Other)	350	280

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) / Trading Cum Clearing Members (TM-CM) with net worth =>Rs.500 crores	14000
Professional Clearing Member (PCM) / Trading Cum Clearing Members (TM-CM) with net worth <Rs.500 crores	7000
Other categories (Other)	1700

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

9.3.3.2 Submission of Bank guarantee

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

- The bank guarantee is strictly as per the formats given in **Part C (12)**- 'Format of Bank Guarantee for Margin Deposit (Fungible) **Part C(13)** 'Format of Bank Guarantee for Margin Deposit and Security Deposit (Non Fungible)', prescribed by the Clearing Corporation,.
- 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 members shall submit a bank guarantee for a minimum period of 15 months. The maturity period of such bank guarantee shall be reduced by 3 months, which would be considered as the claim period of the bank guarantee.

- iii. **Electronic Bank Guarantee:** A bank guarantee for margin deposits should have validity for a minimum period of 7 days with minimum 7 days of claim period. If there is no separate claim period, then the minimum period shall be 14 days. Further in case the issuing bank does not provide for a specific claim period beyond the expiry date in the bank guarantee, the maturity period of such bank guarantee shall be reduced by 7 days, which would be considered as the claim period of the bank guarantee
- iv. **Physical Bank Guarantee:** A bank guarantee for margin deposits should have validity for a minimum period of 3 months for physical bank guarantees. In case the issuing bank does not provide for a specific claim period beyond the expiry date in the bank guarantee, the maturity period of such bank guarantee shall be reduced by 7 days, which would be considered as the claim period of the bank guarantee
- v. Clearing Corporation shall not accept bank guarantees from 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, clearing members shall ensure that:
 - a) No relevant portion is left blank
 - b) All handwritten corrections and blanks are attested by the bank by affixing the bank seal / stamp duly authorised
 - c) All irrelevant portions struck off on the printed format should also be authenticated by the bank by affixing the bank seal / stamp duly authorised.
 - d) Each page of the bank guarantee should bear the bank guarantee number, issue date, stamp of the bank and should be signed by at least two authorised signatories.
 - 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.
 - f) The stamp paper should be issued in the name of the clearing member or the bank, no third party stamp papers are permissible
 - g) The stamp paper should not be older than 6 months from the executed date of the bank guarantee/ renewal.
- vii. Clearing member can additionally provide bank guarantee in electronic formats (E-BG). The procedure is as below:
 - a. Clearing members can approach banks empanelled by Clearing Corporation for issuance of E-BG.
 - b. The bank guarantee shall be strictly in the format prescribed by Clearing Corporation.
 - c. Clearing members shall ensure that SFMS message is sent by the issuing bank before the new/renewal BG is submitted to Clearing Corporation.
 - d. On successful acceptance of E-BG the same shall be added towards collaterals of clearing members and the amount of bank guarantee shall be available for allocation.
 - Fungible Bank Guarantee shall be available in the collateral pool available for allocation across segments.



- Non-Fungible Bank Guarantee shall be available in the collateral pool available for allocation for the mentioned segment only.

The list of banks approved for issuance of E-BG is provided in **Part C (7)** ‘List of Approved Banks’.

In case the bank guarantee does not strictly conform to the above-mentioned conditions, the same shall not be accepted by the Clearing Corporation and benefit for the same shall be made available only upon the bank guarantee being strictly in conformity with the prescribed requirements.

9.3.3.3 Renewal of Bank guarantee

In case of renewal of bank guarantees, the clearing members shall furnish the renewal document strictly in the prescribed format before the date of expiry / maturity date of the bank guarantee. The format is given in **Part C (14)** - ‘Format of renewal of bank guarantee towards Margin deposit and Security deposit’. The clearing members may also opt to give a fresh bank guarantee in favour of NSE Clearing Limited instead of renewing the expired bank guarantees.

Members can request the banks for renewal of E-BG. Members can also request the bank for renewal of existing BG in Physical form in E-BG using the facility of Hybrid E-BG mechanism.

In case the renewed bank guarantees/ fresh bank guarantees are not submitted within the abovementioned periods whereby the clearing member does not fulfil the security deposit requirements, action as provided in **9.1.5** above shall be applicable.

Electronic SFMS Message

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

Option 1

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

7036	Beneficiary Branch Name and Address	NSE CLEARING LIMITED
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Option 2

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

9.3.3.4 Reminder Letters through extranet

Reminder letters are downloaded on a monthly basis through the extranet in respect of the FDRs and bank guarantees those are due for renewal in the following month.

The file naming convention for the same is:

Path: FTP/<TM CODE>/REPORTS.

BG<BG ID>_ABC/BC_<TM CODE>_DDMMYYYY.DAT

FD<FD ID>_ABC/BC_<TM CODE>_DDMMYYYY.DAT

This is being provided as an additional facility only and clearing members are advised to submit the renewals of the bank guarantees and fixed deposit receipts within the stipulated period to avoid any action as provided in 9.1.5 above. The clearing members shall be responsible for the renewal of FDRs/ bank guarantees expiring in the month and any penalties, applicable in case of a security deposit FDR/ bank guarantee not getting renewed/ substitution being provided.

9.3.4 Securities

9.3.4.1 Eligible securities

Clearing members are permitted to pledge equity shares of companies, ETFs and EGR as communicated to the clearing members from time to time, in electronic form ('demat securities') in the designated depository accounts maintained through any depository participants of NSDL or CDSL. These securities shall be pledged in favour of NSE Clearing Limited.

Equity securities/ETF fulfilling following criteria shall be accepted as approved securities as collaterals

- Equity shares/ETF with impact cost of up to 0.1% for an order value of Rupees 1 lakh and
- Traded for at least 99% of days over the period of previous 6 months



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 security. Only the value net of applicable haircuts shall be considered as the value of the securities pledged. Valuation of securities shall be done 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 member on FTP and on the website. The report nomenclature will be “APPSEC_COLLVAL_ddmmyyy.csv”.

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

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

Clearing Corporation may revise the list of approved securities and, the haircuts from time to time. Clearing members who have provided securities which have been discontinued from the list of approved securities, shall be required to take due care to replace such securities.

9.3.4.2 Securities not approved for acceptance

The following securities shall not be accepted as liquid assets:

- a) Partly paid securities
- b) Securities subject to any lock in period, buy back scheme any charge or lien, encumbrance of any kind, or such other limitations or title is questioned before the court or any regulatory body.
- c) Equity shares of clearing member
- d) Corporate bonds issued by clearing member
- e) Equity Shares of associate of clearing member
- f) 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.

9.3.4.3 Ownership of Securities

9.3.4.3.1 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 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
- Procedure for providing securities through Margin Pledge facility provided by NSDL and CDSL is detailed in **9.3.4.6**
- The prudential norms (Market wide limits, member wise limits and value based limits) shall be applied on all securities (OWN and Client/TM Proprietary securities) together
 - For Market wide limits, member wise limits, Client/TM Proprietary/CM Proprietary securities pledged/re-pledged, the priority will be on first-in-first-out (FIFO) basis, in other words securities pledged/re-pledged earlier will have a higher priority

9.3.4.4 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
 - Pledge deed as per the format specified in **Part C (15)** ‘Format of deed of pledge
 - Covering letter as per format provided in **Part C (16)** – ‘Format covering letter for margin pledge/repledge
 - Client master of the designated account
 - Board Resolution with list of authorized signatories authorized to sign the pledge deed
- On submission of necessary documents as specified above Clearing Corporation shall enable the designated account for acceptance of pledge/re-pledge.



- Clearing Members shall refer to provisions provided by Depositories with respect to opening the account and creating margin pledge/re-pledge in favour of Clearing Corporation.
- Pledge instructions in respect of approved securities only shall be accepted
- Details of Clearing Corporation accounts in whose favour the re-pledge have to be created are as under

Depository	DP ID	Account number
NSDL	IN001002	10009132
CDSL	1100001100020926	

- UCC Details, TM Code and segment as received in the pledge/re-pledge instructions from depositories shall be considered for allocating such securities towards margin requirement.

9.3.5 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 as per the format provided in **Part C (17)** - 'Format of agreement for providing G-sec/T-bill as collaterals'.
- ii. Clearing Corporation shall prescribe list of G-Sec/T-Bills/SGB that shall be eligible for acceptance as collateral from time to time.
- iii. G-sec/T-bill/SGB shall be accepted as collateral only in electronic form. Clearing members desirous of providing G-Sec/T-Bills/SGB as collateral shall be required to enter the transaction through its custodian/bank on E-Kuber under Margin Transfer Module. Clearing member shall further be required to put request for addition of GSEC in NMASS. Clearing member is required to submit a fax/mail request for addition as per prescribed format in **Part C (18)** 'Format of letter to be given by the member for request of G-Sec / T-bills addition'. Clearing Corporation shall confirm the transaction entered on the E-KUBER, based on the information received from clearing members in N-MASS.
- 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 clearing members on G-Sec/T-Bills/SGB being transferred to the SGL-II account of the Clearing Corporation.
- vi. The G-sec/T-bills/SGB released by the Clearing Corporation shall be entered on E-KUBER under Margin Transfer Module. Clearing member is required to submit a fax/mail request for release as per prescribed format in **Part C (19)** - 'Format of letter to be given by clearing member for request of G-Sec / T-bills release'. Clearing members shall ensure that such transactions are approved on E-KUBER by their custodian/Banks.
- vii. G-Sec/ T-Bills/SGB can be alternatively provided to the Clearing Corporation in dematerialized form, through creation of pledge in demat account, on lines of securities. In this case the process for acceptance of G-Sec/ T-Bills/SGB as collaterals is similar to acceptance of securities as collateral as mentioned in point 9.3.4
- viii. G-Sec/T-Bills shall be valued daily based on previous day's MTM prices as specified by CCIL. SGBs shall be valued based on the closing price of the same on the Exchange
- ix. A hair cut shall be applied on the value of G-Sec/T-bills/SGB provided as collateral by clearing member. The value after applying the hair cut shall be added to the cash component of the liquid assets of the clearing member. The hair cut shall be as under

Type and Tenor of Securities	Haircut
Treasury Bills and Liquid Government of India Dated Securities having residual maturity of less than 3 years	2%
Liquid Government of India Dated Securities having residual maturity of more than 3 years	5%
For all other Semi-liquid and Illiquid Government of India Dated Securities	Minimum 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 clearing members by the Clearing Corporation immediately/next working day, upon receipt of relative interest from Reserve Bank of India.

9.3.6 Open ended mutual fund units

Units of mutual funds shall be accepted as in dematerialized form as collaterals. The list of eligible open ended mutual fund schemes alongwith the marketwide acceptable quantity and other prudential limits shall be disseminated by the Clearing Corporation on monthly basis alongwith the approved list of securities. The valuation of units of the mutual funds shall be done on daily basis based on the NAV of the mutual fund scheme. The value of the units of the



mutual fund shall be reduced by below haircut or haircut as may be prescribed by the Clearing Corporation from time to time.

- Haircut in respect of units of growth plans of overnight mutual fund schemes shall be 5%
- Haircut in respect of units of mutual fund schemes other than units of overnight mutual fund schemes or liquid mutual fund schemes or government securities mutual fund schemes (by whatever name called which invest in government securities) shall be VaR Margin based on 6σ , subject to minimum of 9%.

The process for acceptance of mutual fund units as collaterals is similar to acceptance of securities as collateral as mentioned in point **9.3.4**

Further the quantum of each security acceptable shall be restricted to certain percentage of the total margins of the clearing member, and the same shall be specified in list of approved securities. A report containing mutual fund schemes wise utilization of market wide permissible limit shall also be downloaded to common folder of clearing member on FTP. The report nomenclature will be "MF_OL_ddmmmyyyy.csv".

9.3.7 Corporate Bonds

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 process for acceptance of corporate bond as collaterals is similar to acceptance of securities as collateral as mentioned in point **9.3.4**

The corporate bonds shall be valued on daily basis on closing price of the bond listed under cash 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 clearing member.

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

A report containing corporate bond utilization of market wide permissible limit shall also be downloaded to common folder of clearing member on FTP. The report nomenclature will be "CB_OL_ddmmmyyyy.csv"



9.3.8 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 C (20)** 'Format of Deed of Pledge for Clearing Members for deposit of Commodities for margin deposit in Electronic Gold Receipt Segment'.

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 Clearing Corporation 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

Clearing Member shall deposit the bullions with NCL empanelled VSP.

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.

The bullion deposit in terms of quality shall be as applicable for delivery of the respective bullion derivatives contract.

On receipt of the deposit made by clearing member the VSP shall update the same in the Inventory Management System of NSE Clearing (IMS).

On updation of deposit by the VSP , the same shall be visible to the clearing member in the IMS as deposit available.

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.

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 C (21)**

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 and Gold ETF as collateral for any clearing member shall not exceed 30% of the total liquid assets of the clearing member as per SEBI requirement</i>		

9.4 Releases of Liquid Assets

Clearing member may request the Clearing Corporation to release deposits held by the Clearing Corporation. Such requests may be considered by the Clearing Corporation if the Clearing Corporation chooses not to exercise its lien pursuant to the Rules, Byelaws and Regulations and subject to availability after due adjustments for the due fulfilment of all obligations and liabilities arising out of or incidental to any contracts entered into by 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 NMASS is provided for submission of release requests of collaterals. Clearing members may select the desired available collaterals for release. Release requests though NMASS can also be placed using a file upload facility. The format of file is prescribed in **Part C (22)** - 'File Format for Requesting Collateral Releases'.

9.4.1 Release of collateral

The timeline for release of various forms of collaterals shall be as under

Collateral Type	Request Type	Cut-off time for requesting release
Cash/FDR/Bank Guarantee	Immediate	8:00 pm
Cash/FDR/Bank Guarantee	EOD/Value date	8:00 pm
Pledged Securities (Batch 1) *	Immediate	9:00 am
Pledged Securities (Batch 2)	Immediate	9:30 am
Pledged Securities (Batch 3)	Immediate	10:00 am
Pledged Securities (Batch 4)	Immediate	12:00 pm
Pledged Securities (Batch 5)	Immediate	2:00 pm
Pledged Securities (Batch 6)	Immediate	3:00 pm

Pledged Securities (Batch 7)	Immediate	4:00 pm
Pledged Securities (Batch 8)	Immediate	5:00 pm
Pledged Securities (Batch 9)	Immediate	6:00 pm
Pledged Securities (Batch 10)	Immediate	7:00 pm
Pledged Securities	Immediate/EOD	8:00 pm

In case of request for release of repledge securities towards pay-in requirement clearing members should ensure that such request is made one-day prior to pay-in and not on the pay-in date.

9.4.2 Release of cash collateral in designated secondary account

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

- Clearing member who wish to release cash collateral in designated secondary account shall select the designated secondary bank while raising the release request in NMASS
- 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.

9.4.3 Collection of released collaterals

The representative of the clearing members coming to collect released physical 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.

For release of E-BG, members shall be handed over the release letter only. For release of E-BG where the original bank guarantee is in physical form, the members can collect the release letter along with original bank guarantee in physical form.

9.4.4 Value date release of cash collateral towards pay-in

- Clearing members may request for unutilized collateral (i.e. collateral in excess of margin blocked) lying with Clearing Corporation in cash form, towards fund pay-in requirements within the segment or other segment by requesting cash release using Value Data release option in NMASS.

- Such value date release shall be credited in the settlement account of the requested segment and can be used to meet the funds pay-in requirement in the requested segment.
- The cash released on account of value date release and cash released towards pay-in shall be populated in Level 7 -Value Date Release in the collateral break up report (COLL_DTLS)

9.5 Transfer of Collaterals

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 NMASS- Release - File Upload. The format for transfer file upload is provided in **Part C (23)** - 'File format for transfer of fungible securities'
- The request to transfer shall be processed at pre-defined intervals in batches during the day
- The request to transfer shall be checked for margin sufficiency in the source segment. In case the margin is insufficient then the transfer request shall be partially accepted or get rejected
- The request shall be considered valid only if the CM/CM-TM/ CM- CP in the source segment is also valid in the target segment.
- Transfers requests with Pledge Sequence Number /BP Instruction ID specified by clearing member shall be processed for that particular Pledge Sequence Number /BP Instruction ID only for releasing from source segment

9.6 Allocation of Collaterals

9.6.1 Procedure for collateral allocation

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

- CMs shall also perform the aforementioned checks in respect of the allocation received by them from the TMs clearing through them.
- The total allocation by CM cannot exceed the total other form of collateral deposited by the CM with Clearing Corporation.
- The allocation provided by the CM to Clearing Corporation shall be considered as final by Clearing Corporation for the purpose of granting exposure and utilization during default.
- The detailed procedure for addition and allocation of various forms of collateral (other than securities placed through margin pledge mechanism) is specified in **Part C (24)** - 'Format for allocation of collateral'

9.6.2 Collateral Valuation

CMs are required to maintain at least 50% of the total collateral in the form of cash or cash equivalents. For the purpose of monitoring of at least 50% cash-equivalent collateral at the level of CM, the excess cash-equivalent collateral of a client shall not be considered for other client or for proprietary account of TM/CM. However, the excess cash-equivalent collateral of proprietary account of TM/CM shall be considered for clients trading/clearing through them, for the purpose of monitoring minimum 50% cash-equivalent requirement. An example for the same is provided in **Part C (25)** – 'Example for collateral valuation'

9.6.3 Change of allocation

CMs shall be permitted to change the allocation of other forms of collateral deposited with Clearing Corporation (including change to another segment where the member is CM). CMs to ensure that the value allocated to any TM/CM/client does not exceed the value of actual collateral received from that TM/CP/client (excluding the securities collateral through margin pledge mechanism and repledge to Clearing Corporation). However, such change of allocation shall be permitted subject to adequacy of available collateral with Clearing Corporation after the change vis-à-vis the margin obligation of CM/TM/CP/Client. An example for change in allocation is provided in **Part C (26)** – 'Example for change in collateral allocation'.

9.6.4 Withdrawal/ Maturity of collateral

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

ITEM 10: MARGINS

10.1 Overview:

SEBI vide their circular SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/87 dated June 24, 2024, stipulated the framework of risk management for Electronic Gold Receipts (EGR).

The core of the risk management system is the liquid assets deposited by members with the Exchange/Clearing Corporation. These liquid assets shall cover the following margin requirements:

- a. MTM (Mark to Market) Losses including Intraday Crystallised Mark to Market Losses (ICMTM)
- b. VaR Margins
- c. Extreme Loss Margins

The liquid assets of the member at all points of time shall be adequate to cover all the above requirements.

Clearing members shall also maintain at all points of time Membership deposit/ Liquid Network with the Clearing Corporation at such amounts applicable to a member at the time of admission/ transfer/ up-gradation as continued admission condition. However, the said amounts will be reckoned for the purpose of 'a to c' above to the extent available.

10.2 Liquid Assets:

The total liquid assets comprise of the cash equivalents and non-cash equivalents. Details as regard the type of collaterals, mode of acceptance and release and the relevant formats are discussed in detail in **Item-9** pertaining to Liquid Assets.

10.3 Mark to Market Losses:

Mark to market losses shall be collected in the following manner:

- a. Mark to market loss shall be calculated by marking each transaction in EGR to the closing price of the EGR at the end of trading. In case the EGR has not been traded on a particular day, the latest available closing price at Exchange shall be considered as the closing price. In case the net outstanding position in any EGR is nil, the difference between the buy and sell values shall be considered for the purpose of calculating the mark to market margin payable.
- b. The mark to market margin (MTM) shall be collected from the member before the start of the trading of the next day.
- c. The MTM shall be collected/adjusted from/against the cash/cash equivalent component of the liquid assets of the member.
- d. The MTM shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including its proprietary position. For this purpose, the position of a client would

be netted for each of its various securities and the positions of all the clients of a broker would be grossed.

- e. There would be no netting off of the positions and setoff against mark to market profits across two rolling settlements i.e. T Day and T-1 day. However, for computation of mark to market profits/losses for the day, netting or setoff against mark to market profits would be permitted.
- f. The methodology for computation of MTM is also illustrated by way of an example which is placed in **Part C (27)** - 'Methodology for computation of MTM Margin'.
- g. The MTM so collected shall be released on completion of pay-in of the settlement including early pay-in.
- h. The details of all margins (VaR, Extreme loss margin and MTM) as at end of each day will be downloaded to members in their respective Extranet directory..

10.4 Intraday Crystallised Mark to Market Losses

Clearing Corporation shall calculate and levy the Intraday Crystallised Mark to Market Losses (ICMTM) in the following manner:

- a. ICMTM shall be computed for all trades subject to upfront margining which are executed and closed out on the same trading day.
- b. ICMTM shall be calculated based on weighted average prices of trades
- c. ICMTM shall be adjusted against the liquid assets of the member on a real time basis.
- d. The methodology of computation of ICMTM is illustrated by way of an example which is placed in **Part C (28)** - 'Methodology for computation of MTM Margin'
- e. Crystallised losses at a EGR level for a client shall be adjusted against the crystallised profit, if any, from another EGR for the same client to arrive at client level profit or loss. However, there will be no setoff against crystallised profits across two rolling settlements.
- f. All client level losses including losses in proprietary positions if any shall be grossed up to arrive at member level ICMTM.
- g. ICMTM shall be included in the end of day MTM computation.
- h. ICMTM so blocked/ collected shall be released on completion of pay-in of the settlement or early pay-in.

10.5 VaR Margin:

10.5.1 Computation of VaR Margin

VaR Margin is a margin intended to cover the largest loss that can be encountered on 99% of the days (99% Value at Risk). The VaR Margin would be based on 6σ , subject to minimum margin of 9%.

10.5.2 Collection of VaR Margin:

- a. The VaR margin shall be collected on an upfront basis by adjusting against the total liquid assets of the member at the time of trade.

- b. The VaR margin shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including its proprietary position. Example for computation of gross positions of a member is provided **Part C (28)** - 'Example for computation of Gross positions of a member'.
- c. For this purpose, there would be no netting of positions across different settlements.
- d. Intra-day VaR files shall be generated based on the prices at 10:30 a.m., 12:30 p.m., 01:30 p.m., 03:00 p.m., 05:00 p.m., 07:00 p.m., 08:30 p.m. and 10:30 p.m. every day. Such intra-day VAR files shall be used for margining of intra-day member positions. In addition to the above a VaR file at end of day and begin of day shall be provided.
- e. The VaR margin rates shall be made available in the extranet server and to the public at large through the website
- f. File format for VaR based margin rates is given in **Part D**.
- g. The VaR margin so collected shall be released on completion of pay-in of the settlement including early pay-in.
- h. The details of all margins (VaR, Extreme loss margin and MTM) will be downloaded to members in their respective extranet directory..

10.6 Extreme Loss Margin:

It covers the expected loss in situations that go beyond those envisaged in the 99% value at risk estimates used in the VaR margin.

- a. The Extreme Loss Margin shall be minimum of 1%.
- b. The Extreme Loss Margin shall be collected/ adjusted against the total liquid assets of the member on a real time basis.
- c. The Extreme Loss Margin shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including its proprietary position. Example for computation of gross positions of a member is provided in **Part C (28)** - 'Example for computation of Gross positions of a member'.
- d. For this purpose, there would be no netting of positions across different settlements.
- e. The Extreme Loss Margin collected shall be released on completion of pay-in of the settlement including early pay-in.
- f. The details of all margins (VaR, Extreme loss margin and MTM) as at end of each day will be downloaded to members in their respective extranet directory.

10.7 Additional Margins

Clearing Corporations shall have the right to impose additional risk containment measures over and above the risk containment system mandated by SEBI.

10.8 Capping of margins

In case of a buy transaction, the VaR margins, Extreme loss margins and mark to market losses together shall not exceed the purchase value of the transaction. In case of a sale transaction, the VaR margins and Extreme loss margins together shall not exceed the sale value of the transaction and mark to market losses shall also be levied.

10.9 Exemption from Margins

- a. In cases where early pay-in of securities is made prior to the securities pay-in, such positions for which early pay-in (EPI) of securities is made shall be exempt from margins. The detailed provision of providing client level EPI of securities has been mentioned in point no. **10.12**.
- b. In cases where EPI of funds is made such positions for which EPI of funds is made shall be exempt from margins. The procedure for providing EPI of funds has been detailed in point no. **10.13**.

10.10 Risk management for Call auction in Pre-open session:

All orders received in pre-open session shall be validated at the applicable margins for sufficiency of available capital prior to acceptance of the orders. If the available capital of the member is insufficient to cover the margin requirement of the order placed, the same shall not be accepted for the pre-open session.

10.11 Release of margins:

All margins collected for a settlement for a member shall be released on their individual completion of full obligations of funds and securities by the respective member after crystallization of the final obligations on T+1 day. Further, members are provided a facility to provide confirmation from their clearing banks towards their funds pay-in obligations on settlement day before prescribed pay-in time. The procedure for the same is detailed in point **10.14**.

10.12 Early Pay-in of Securities for Margin Exemption

As stated in point **10.9** above, in cases where EPI of securities is made, such positions shall be exempt from margins.

10.12.1 Procedure for making EPI of shares

10.12.1.1 EPI through Pool account

Clearing members can make the EPI of EGR through either of the depositories viz NSDL and CDSL.

In NSDL, clearing members shall deliver the EGRs to their CM Pool Account and execute irreversible delivery out instructions through their Depository Participant (DP), for the particular settlement.

In CDSL, clearing members shall deliver the securities to their CM Pool Account and provide the Early pay-in instruction as per procedure defined by CDSL.

Clearing members are requested to contact their respective DP's for details on procedure to be followed for doing early pay-in at the depository.

In addition, the following facility is being provided to all clearing members making EPI of EGRs.

- i. Clearing members shall receive a report on the extranet server at regular intervals throughout the day, detailing the EPIs made by the clearing members and received by the Clearing Corporation. Such details shall be provided intra-day on an incremental basis.
- ii. Further clearing members may make EPI of EGRs even before execution of the trade and provide details of clients to whom such EPI shall be allocated. This shall ensure that on execution of trade the benefit of EPI is available to the respective clients. However, it will be subject to receipt of EGRs from depositories.
- iii. Clearing members shall make EPI only in respect of settlement type '6'.
- iv. Clearing members shall provide the details of the clients to whom EPI benefit is to be provided through a file upload. Clearing members can upload of client details file during the day through NMASS. Clearing members shall receive return file providing details of successful and rejected records on the extranet server. Clearing members can modify the client and quantity details by uploading an incremental file. The procedure of providing client details for EPI of securities to the Clearing Corporation including the file formats has been provided in **Part C (29) - 'Format for Client level early pay-in files for securities'**.

10.12.1.2 EPI through Client account using block mechanism

In addition to EPI from pool account clearing members can mark EPI of securities from the client account as per the facility provided by Depositories

Modalities for EPI from client account is as under:

- i. Clearing Corporation shall receive client details like UCC, Trading Member, Clearing Member Code, market type, settlement number from the respective source depositories where EPI of securities is marked.
- ii. Margin benefit shall be provided considering the client details provided by the respective depositories. Accordingly, clearing members should not provide client allocation details to Clearing Corporation in CLNTEPI file for EPI marked in the client account using block mechanism.
- iii. In case EPI of securities from client account is made towards getting margin benefit for Block market deals, members will be required to provide instruction for allocation to series "EB". The details of allocation viz. client code, settlement number, security symbol, quantity should be provided on the email risk_ops@nscl.co.in with subject line as: EPI Allocation for Block Deal.
- iv. EPI of securities received in excess of obligation through the client account shall be reversed in the source client account on T+1 Day before market hours.
- v. As required by depositories, Clearing Corporation shall share delivery obligation at client level (including UCC, PAN, TM and CM Code) for the specified market types on the T Day to depositories.

SEBI vide its circular SEBI/HO/MIRSD/DoP/P/CIR/2022/109 dated August 18, 2022, and has made the facility of block mechanism mandatory for all Early Pay-In transactions.

10.12.2 Facility to download EPI Exception report in NMASS

- A facility shall be provided in N-MASS to view and download details of exception epi i.e. EPI instructions containing invalid details.
- An EPI instruction shall be considered as exception if it has incorrect information such as Invalid ISIN, invalid TM code, invalid CM code, invalid settlement type etc.
- If an EPI is received after the pay-in deadline such EPI shall be shown in EPI exception report as 'inactive settlement'.
- The report can be downloaded from EPI EXCEPTION tab under EPI menu in N-MASS.
- Clearing members can download the file from 8:00 am onward on Trade Day till T+1 and the details of exception EPI shall be available for 2 working days.
- Super admin will have to give access of 'EPI EXCEPTION' service to its users.

10.13 Early Pay-in of Funds for Margin Exemption

As stated in point **10.9** above, in cases where EPI of funds is made such positions shall be exempt from margins.

10.13.1 Procedure for making EPI of funds shall be as under:

- i. Clearing members shall make EPI of funds through a screen-based request in the NMASS. The benefit for the same shall be provided on confirmation of funds from the respective Clearing Bank.
- ii. Clearing members may provide EPI of funds from any of their clearing accounts.
- iii. EPI of funds shall be allocated at client level or at client-security level. The allocation can be revised through a screen-based request or through the file upload facility.
- iv. Clearing members can make EPI of funds along with details of client-security allocation before execution of a trade and shall be able to avail the benefit of EPI of funds on execution of the trade.

The detailed procedure for making early pay-in of funds is given below

10.13.1.1 Request for early pay-in of funds

- a. Clearing members shall provide requests for EPI of funds in NMASS under the Funds EPI menu
- b. Clearing members shall select the settlement type, settlement number and Bank and enter the amount of EPI.
- c. Clearing members shall have the option to select the bank account from any of the settlement bank accounts of the clearing members.
- d. On submission of the request the same shall be forwarded to respective banks for confirmation
- e. Clearing members shall be able to view the status of the early pay in requests made on the same screen. On confirmation by the Bank the status of the request shall be changes as 'Accepted' and the benefit of EPI of funds shall be provided.

10.13.1.2 Allocation of early pay-in of funds at client and security level

- a. Clearing members can add, delete or modify the allocation details.
- b. The allocation can be made at a client level or at a client-EGR level if the EPI of funds is to be allocated against a specific client-EGR combination.
- c. In case where the clearing member wishes to avail the EPI of funds benefit before execution of trade (on the T Day), the clearing member shall be compulsorily required to provide client-EGR level allocation in such a case.
- d. The request for allocation received from clearing members on NMASS for further providing benefit of early pay-in of funds (EPIF) at a client level or at a client-EGR level shall be considered and allocated in the priority of First-in, First Out (FIFO) basis.
- e. The allocation once assigned by Clearing Corporation at a client level or client-EGR level will not change until a request for modification to the existing allocation details has been received from the clearing member.
- f. Further with respect to file upload facility available to clearing members for providing request for allocation at a client level or at a client-EGR level:
 1. Incremental details for allocation (either request for first-time allocation or request for modification to existing allocation details) can be provided in the latest file upload instead of providing all existing allocation details already assigned by Clearing Corporation that the clearing member desires to continue.
 1. *Request for first-time allocation at client level or client-EGR level:*
The request for fresh allocation shall be assigned by Clearing Corporation based on the details in such file without any change in existing allocation details already assigned by the Clearing Corporation.
 2. *Request for modification to existing allocation assigned by Clearing Corporation at client level or client-EGR level:*
The request for modification to existing allocation details by a clearing member shall be considered as a fresh allocation request.
- g. The file upload facility shall also be available with added features as follows:
 - Clearing member can provide allocation details through the file upload mechanism. The file structure is explained in **Part C (30)** - 'Format for client level early pay-in files for funds'.
 - It is to be noted that a file upload is a request for allocation only and a separate EPI request must be put for bank confirmation for margin benefit.
 - Return file will be displayed on the upload screen itself along with the reason for rejection, if any

A report with details of allocation requested for early pay-in of funds at client level or at client-EGR level shall be made available to the clearing members at end of the day. The file structure is explained in **Part C (30)** - 'Format for client level early pay-in files for funds'.

10.13.1.3 Margin exemption for EPI of funds

- a. Where the clearing member have provided client-EGR allocation, benefit for early pay-in of funds shall be allocated against the net buy position of the specified client-EGR combination and any residual amount after such allocation will not be utilized for other positions.
- b. Only client-wise allocations provided will be allocated in the descending order of the EGR wise net buy value under the client and any residual amount after such allocation will not be utilized for other clients.
- c. Benefit for EPI of funds shall be provided subject to confirmation of the funds from the respective clearing bank of the member.

10.14 Procedure for making full pay-in of funds on Settlement Day

As stated in point 10.11 above clearing members are provided a facility to provide confirmation from their clearing banks towards their funds pay-in obligations on settlement day for T+1 settlement before prescribed pay-in time. The procedure for the same is as given below:

- i. Clearing members can request funds pay-in confirmations from the clearing bank on settlement day using the menu “Full pay-in” provided in NMASS
- ii. Clearing members shall request confirmation of full funds pay-in obligations from the clearing bank for the settlement due on the current day. If the clearing members have already provided any early pay-in of funds prior to settlement day then they shall request confirmation of balance funds pay-in obligation. The funds pay-in amount (after considering early pay-in, if any) would be automatically populated on selection of settlement number & settlement type.
- iii. The clearing bank of the members shall be required to confirm the full pay-in amount. On confirmation by the clearing bank it shall be considered as fulfillment of funds pay-in obligation for the purpose of margin release.
- iv. The clearing bank shall be required to provide the amount confirmed to Clearing Corporation for funds pay-in at the stipulated time of funds pay-in for the settlement.

10.15 Shortfall of Margins

In case of any shortfall in margin:

- The trading facility of the members shall be withdrawn with immediate effect.
- Penalty for violation on account of margin violation be levied on a monthly basis as specified in **Item 12**.

10.16 Effect of failure to pay margins

Non-fulfilment of either the whole or part of the margin obligations shall be treated as a violation of the Rules, Bye-Laws and Regulations of the Clearing Corporation. The violation shall attract actions as specified under **Item 12**. In addition and without prejudice to the



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

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

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

10.17 Margins from the Client

Trading Members (TMs) /Clearing Members (CMs)/ shall be required to mandatorily collect minimum 10% upfront margin in lieu of VaR and Extreme Loss Margins from the client upfront. It shall be mandatory for all TMs /CMs to report details of such margins collected to the Clearing Corporation. The procedure for reporting of client margin is detailed in **Item 11**.

10.18 Blocking of Margins and Monitoring

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

- Margins based on trades from proprietary account of the CM shall be blocked from the proprietary collateral of the CM only.
- Example of blocking of margins is provided at **Part C (31)** - '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 margin in excess of 90% of the client collateral for each client clearing through such CM, plus the proprietary CM margin shall be assessed against the proprietary CM collateral for monitoring of CM level risk reduction mode.
- Example for monitoring of risk reduction mode is provided at **Part C (32)** - 'Example for monitoring of risk reduction mode.'

10.19 Close out of Positions

An online facility to close – out open positions of members, whose trading facility is withdrawn for any reason, is provided. On disablement, trading members may be allowed to place close-out orders through this facility. Only orders which result in reduction of existing open positions at the client level shall be accepted through the close-out facility in the normal market.

Apart from the above, members shall not be allowed to:

- Create any fresh position when in the close-out mode.
- Close out open positions of securities in trade for trade segment.

This facility does not dilute the powers of the Clearing Corporation to close-out under its Bye-Laws, Regulations and Circulars. Further the relevant authority may require the members to reduce/close-out open positions to such levels and for such securities as decided by the relevant authority from time to time.

10.20 Risk Reduction mode at 90%

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

- All unexecuted orders shall be cancelled
- Fresh orders placed by members to reduce open positions shall be accepted.
- Fresh orders placed by members that increase open positions shall be checked for sufficiency of margins and orders that do not satisfy sufficiency of margins will be rejected.
- Fresh orders can be placed for immediate or cancel (IOC) only



- Members will be able to trade in normal mode as and when the utilisation goes below 85%.

Additionally, when the member is in risk reduction mode

- Client code modification shall not be permitted

10.21 Voluntary Close out Facility

Members are provided an additional risk management facility – the Voluntary Close out facility to enhance the risk management capabilities. This facility enables members to voluntarily define a limit beyond which all the orders would get risk managed.

Members desirous of availing the facility shall define a margin utilization limit within set band in NMASS i.e. Upper limit to move into Risk Reduction mode and Lower limit to move out of Risk Reduction mode. The limits can be modified intra-day provided the member is not in the Risk reduction mode. Member shall be allowed to modify the lower limit in the risk reduction mode.

10.22 Pay-in of funds/securities prior to scheduled pay-in day

The relevant authority may require clearing members to pay-in funds and securities prior to the scheduled pay-in day for funds and securities. The relevant authority shall determine from time to time, the clearing members who shall be required to pay-in funds and securities prior to the pay-in day. The relevant authority shall also determine securities and funds which shall be required to be paid in and the date by which such pay-in shall be made by the respective clearing member.

The clearing member would be required to make early pay-in of funds and securities within the time specified by the relevant authority.

10.23 Imposition of additional margins

The relevant authority may require clearing members to make payment of additional margins at any time on such securities and at such rates as decided from time to time. This will be in addition to the daily margins which are or may be imposed from time to time.

ITEM 11: CLIENT MARGIN/SHORT ALLOCATION REPORTING

11.1 Collection and Reporting of Margins

- Trading Members (TMs) /Clearing Members (CMs) shall be required to mandatorily collect minimum 10% upfront margin in lieu of VaR and Extreme Loss Margins from their clients/TMs.
- The TMs/CMs will have time till 'T+1' working days to collect other margins (except minimum margins) from their clients/TMs. (The clients/TMs must ensure that the VaR margins and ELM are paid in advance of trade and other margins are paid as soon as margin calls are made by the TMs/CMs.) The period of T+1 day has been allowed to TMs/CMs to collect margin from clients considering 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 1 day to pay margin due from them.
- If the TMs/CMs has collected adequate upfront margins from the client to cover the potential losses over time till pay-in, TMs/CMs need not collect Mark to Market losses (MTM) from the client/TMs. Otherwise, TMs/CMs shall be required to collect MTM from their clients/TMs by T+1 day.
- If pay-in (both funds and securities) is made by T+1 working day, the other margins would deemed to have been collected.
- TMs/CMs shall be required to report a single consolidated value comprising of minimum margin, additional margins and MTM collected.

11.1.1 Intra-day margin reporting

- Clearing Corporation shall send minimum 8 snapshots of client wise margin requirement to TM/CM for them to know the intraday margin requirement per client/TM. The snapshots would be randomly taken in pre-defined time windows.
- The client wise margin file (MG-12/13) provided by Clearing Corporation to TMs/CMs shall contain the end of day margin requirements of the client/TM as well as the peak margin requirement of the client/TM across each of the intra-day snapshots.
- The TM/CM shall have to report the margin collected from each client/TM as at EOD and peak margin collected during the day.

11.1.2 Procedure for Reporting of Margins

11.1.3 Files to be provide to members

- Clearing Corporation shall provide client/TM wise details of end of day margins as well as the peak margin requirement daily to TMs/CMs namely MG12 for CMs and MG 13 for TMs.
- The format of the files to be downloaded are provided in Part D.

11.1.4 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 file upload menu. (NMASS >Client Margin>File upload).
- TMs/CMs shall be able to upload client margin reporting files at any time during the day through NMASS
- The facility of uploading the files through the extranet server in the directory /EGFTP/E/COLAT/UPLD shall also be available to TMs/CMs.
- The name of the file to be uploaded by the TMs shall be E_MRG_TM_<DDMMYYYY>_nn.CSV and that by the CMs shall be E_MRG_CM_<DDMMYYYY>_nn.CSV where: is the trade date, TM = Trading Member, CM = Clearing Member and ‘nn’ is the batch number of the file
- TMs/CMs are requested to take note of the following whilst uploading the client margin reporting files:
 - TMs/CMs are not required to provide member code in the file name
 - TMs/CMs are required to provide the 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. In case of files uploaded through the extranet the same file shall be renamed as “.failed” in the respective member folder to facilitate members to ascertain file upload failure.
 - Zero byte uploaded through the NMASS shall not be accepted. In case of zero-byte files uploaded through the extranet the same file shall be renamed as “.failed” in the respective member folder.
 - In case the files are made by customised software at user end, TMs/CMs may note that a new line character must be present in the last record to ensure proper processing.
 - TMs/CMs 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.
- TMs/CMs may note the following procedure for providing client margin details:
 - Each row of the margin file MG12 shall provide the details of VaR +ELM margin, minimum margin, additional margins and MTM losses for a proprietary account of trading member. The files contain end-of-day total actual margin, end-of-day total margin to be collected and peak of intra-day margin for each associated Trading Member.

- Each row of the margin file MG13 shall provide the details of VaR +ELM margin, minimum margin, additional margins, MTM losses, end-of-day total actual margin, end-of-day total margin to be collected and peak of intra-day margin for reporting purpose for a specific client code, as per the code entered by the members at the time of order entry.
- In case of a mark to market profit for a client/TMs the value for MTM losses shall be populated as zero.
- TMs/CMs are required to add a comma and report a single consolidated value comprising of the actual amount collected from that client/TMs, as the case may be, for end-of-day margins.
- TMs/CMs are required to add another comma after the amount of end-of-day margins reported and report the peak margin amount collected from that client/TMs as the case may be
- This figure for amount collected (end-of-day and peak), 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.

11.1.5 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 NMASS using the client margin file download menu. The return file for members shall also be placed in the extranet directory /EGFTP/E/COLAT/DNLD for TMs/CMs.
- 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 any time 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: E_MRG_TMF_MEMBERCODE_DDMMYYYY_nn.CSV for TMs and E_MRG_CMF_MEMBERCODE_DDMMYYYY_nn.CSV for CMs. Some reasons 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 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 uploaded file is for December 12, 2025, on December 11, 2025, 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, 2025 with file names E_MRG_TM_12092025_01.CSV and E_MRG_TM_12092025_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: E_MRG_TMR_MEMBER CODE_DDMMYYYY_nn.CSV for TMs and E_MRG_CMR_MEMBER CODE_DDMMYYYY_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:

<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.

11.1.6 Early Pay-in of Securities and Funds

- TMs/CMs shall be exempted from collecting upfront margins in respect of positions for which early pay-in of securities/early pay-in of funds (EPI) is made prior to the settlement. For such cases the margins shall be reduced to the extent of EPI received.
- Only in cases where TMs/CMs have provided details of client/TMs for allocation of EPI shall be considered for exemption of margin reporting.
- In case where TMs/CMs have made EPI but not provided allocation of EPI for client/TMs, such EPI shall not be considered while generating end of day client margin reporting files for TMs/CMs.
- TMs/CMs may refer to point 10.12 and 10.13 for detailed provision of providing client level EPI allocation.

11.2 Deemed allocation and Short Allocation monitoring

- CMs should ensure that sufficient collateral is allocated to TM Prop/clients to cover their margin requirements. However, if the margin applicable at Clearing Corporation for a TM Prop/client in a segment exceeds the collateral allocated to the TM Prop/client plus the securities collateral re-pledged to Clearing Corporation (from that TM Prop/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/client's margin shall be deemed to have been the collateral allocated to that TM Prop/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/client margins.
- CMs shall ensure that allocated collateral plus value of securities collateral re-pledged to Clearing Corporation for a TM Prop/client is at all times greater than or equal to the minimum margin collection requirement for the respective TM Prop/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/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.

11.2.1 Monitoring of short allocation

- Minimum client margin collection requirement less Client collateral value in the segment (only where client margins are greater than client collateral value) shall be considered short allocation. For this purpose, minimum client margin collection will mean margins required to be collected on upfront basis, excluding margins which can be collected by T+1.
- 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 before 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. Details shall be provided in E_SA01/02_P_DDMMYYYY Y_i01/02/i03/i04/i05/i06/i07/i08
 - 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. Details shall be provided in E_SA01/02_DDMMYYYYYY
- Margins on positions due to be settled on the day shall be excluded from the snapshot taken for the purpose of peak margins and for monitoring intraday short allocation.
- 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/EOD short allocation before calculation of applicable penalty. For this purpose, the snapshots across segments for the same time window shall be considered e.g. shortfall for snapshot 1 will be checked against excess deposit in other segment in snapshot 1 only and will not be offset against excess deposit in any other snapshot or at EOD.
- The maximum amount of short allocation across all snapshots and EOD shall be considered as short allocation and the same shall be provided after considering excess collateral in other segments, if any in E_SA04/05/_<member code>_DDMMYYYY. The information on the snapshot number/EOD which has been considered as maximum amount shall be provided in the snapshot field.
- The value of collateral above the prudential norms shall be updated under the field "Total Non-Cash Collateral" in SA04/SA05/SA06 report
- 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
- 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:

Reason Code	Particulars
01	Excess collateral available in another CC
02*	Value of securities EPI has been done by end of day to CC in EGR Segment

03	Trades executed in wrong client code codes (Applicable only for intra-day shortfall where snapshot field is other than E)
04	Trades done on behalf of NRI clients
05	Allocation request submitted to CC however allocation request accepted later (Applicable only for intra-day shortfall where snapshot field is other than E)
06	Securities are repledged by CM to CC in the depository but not yet processed by CC. (Applicable only for intraday shortfall where snapshot field is other than E)
07	EPI of funds done by custodian by end of day to CC in respect of marginable CP Code (Applicable only for intra-day shortfall where snapshot field is other than E)

* Members can only report margins for securities sold for which EPI has been done subsequent to sale by on the T Day. Please note that value of credit entry posted in client ledger in lieu of successful EPI to CC should not be reported.

- Such reporting shall be done by TMs for clients and by CMs for TM proprietary.
- In case of 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.

11.2.2 Reporting of short allocation

11.2.2.1 Files to be provide to members

- Clearing Corporation shall provide client/TM 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.

11.2.2.2 Files to be submitted by the member

- TMs/CMs shall be required to be upload reporting files through the NSCCL – MASS using the client margin/SA file upload menu. (NMASS >Client Margin/SA Reporting>File upload).
- TMs/CMs shall be able to upload client margin reporting files at any time during the day through NMASS
- The name of the file to be uploaded by the TMs shall be E_SA_TM_<DDMMYYYY>_nn.CSV and that by the CMs shall be E_SA_CM_<DDMMYYYY>_nn.CSV where: is the trade date, TM = Trading Member, CM = Clearing Member 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 the 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 NMASS 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 must be present in the last record 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 as specified above. 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.
 - For each reason code, collateral available amount needs to be mandatorily mentioned, failing which shortfall shall be calculated considering collateral available as '0'.
 - If there is more than one reason code applicable for a record as per SA04/ SA05, then for each reason code, separate row should be uploaded.

11.2.2.3 Return files to the members

- A return file shall be generated for all files uploaded by the TMs/CMs for client margin reporting with the correct naming convention. TMs/CMs can download return file through NMASS 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 any time 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: E_SA_TMF_MEMBERCODE_DDMMYYYY_nn.CSV for TMs and E_SA_CMF_MEMBERCODE_DDMMYYYY_nn.CSV for CMs. Some reasons for which a file may be rejected are mentioned as below.
- 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, 2025, on December 11, 2025, 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 use 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, 2025, with file names E_MRG_TM_12092025_01.CSV and E_MRG_TM_12092025_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: E_SA_TMR_MEMBER CODE_DDMMYYYY_nn.CSV for TMs and E_SA_CMR_MEMBER CODE_DDMMYYYY_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:

<i>Reason Code</i>	<i>Description</i>	<i>Success/ Rejected Flag (S/R)</i>
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.

11.3 Sign-off date

The cut off day up to which TMs/CMs 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. TMs/CMs shall be allowed to upload the client margin/short allocation reporting file up to T+5 working days.

11.4 Shortage computation

The margins reported/short allocation shall be compared in the following manner:

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

AND

(b) Peak margin obligation of the client/TM, across the snapshots, shall be compared with respective client/TM 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.



11.5 Non-reporting/ non submission of client margin

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

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

Penalty shall be levied in case of short/ non-reporting/short allocation by TMs/CMs as specified by the Clearing Corporation from time to time.

11.7 No Margin Liability

TMs/CMs who have no margin liability i.e. all margins are zero, shall not receive any margin file. If clients/TMs of TMs/CMs do not have any margin liability i.e. where all margins are zero for a client, such clients shall not be reflected in MG 12 / MG 13 files and SA04/SA05 files.

ITEM 12: CHARGES AND PENALTIES

In pursuance of Regulations 7.15, 7.16, 9.3, 9.5, 9.8, 9.9A, 12.14 and 15 of the NSE Clearing Capital Market Regulations the applicable penalties are hereby specified as under:

12.1 Funds Shortages

Clearing members failing to fulfil their funds obligations (including Stamp duty obligation and Capital Cushion requirement) by the scheduled date and time (all markets including the valuation debit raised on account of securities shortages) to Clearing Corporation shall be subjected to the following penalty structure: -

S. No	Type of Non-fulfilment	Penalty Charge % per day	Action
a)	Value Rs. 5 lakhs or more	0.07	The trading facility of the member shall be withdrawn immediately and securities pay out shall be withheld.
b)	Value less than Rs. 5 lakhs	0.07	If in the last three months, the member is short over Rs. 2 lakhs on six or more than six occasions, the trading facility of the member shall be withdrawn and securities pay out shall be withheld*

*In case, the member is disabled on account of (b) above, on making good the shortage amount, the member shall be permitted to trade subject to its providing a deposit equivalent to its cumulative funds shortage as the 'funds shortage collateral'. Such deposit shall be kept with the Clearing Corporation for a period of ten settlements and shall be released only if no further funds shortages are reported for the member in next ten consecutive settlements. Clearing members may further note that there shall not be any margin benefit or any interest payment on the amount so deposited as 'funds shortage collateral'. The amount may be provided by way of cash, fixed deposit receipts, or bank guarantee, equivalent to the cumulative funds shortage.

Recovery of funds due through liquidation of securities withheld:

The funds defaulting clearing 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 funds are not brought at any time by the defaulting clearing member, the Clearing Corporation at its discretion will proceed to close out securities in the normal / auction market. If the clearing 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.

12.2 Securities Shortages:

Clearing members failing to fulfil their securities deliverable obligations to Clearing Corporation shall be subjected to the following penalty structure:-

S. No	Type of Non-Fulfilment	Penalty Charge % per day	Action
(a)	Security Shortage	0.05	The valuation amount of the shortage will be considered as funds shortages where shortage confirmation is not received from the bank and penal action as prescribed for “Funds Shortage” point “12.1” above shall be applicable

12.3 Margin Shortages

Following penalty shall be levied on a monthly basis in respect of margin violations

Instances of Disablement	Penalty to be levied
1 st instance	0.07% per day
2 nd to 5 th instance of disablement	0.07% per day +Rs.5000/- per instance from 2 nd to 5 th instance
6 th to 10 th instance of disablement	0.07% per day+ Rs. 20,000 (for 2 nd to 5 th instance) +Rs.10,000/- per instance from 6 th to 10 th instance
11 th instance onwards	0.07% per day +Rs. 70,000/- (for 2 nd to 10 th instance) + Rs.50,000/- per instance from 11 th instance onwards. Additionally, the member will be referred to the Member 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 the amount of penalty from the concerned trading member.

12.4 Security Deposit Shortages

Clearing members not fulfilling the security deposit requirement for continued membership shall be subjected to the following penalty structure:-

S. No	Type of Non-Fulfilment	Penalty Charge % per day	Action
(a)	Value Rs. 5 lakhs or more	0.07	The trading facility of the member shall be withdrawn

(b)	Value less than Rs. 5 lakhs	0.07	The clearing member shall be given a week's time to replenish the shortfall in security deposit failing which the trading facility of the member shall be withdrawn.
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12.5 Short / non-reporting of client margin/short allocation

The following penalty shall be levied in case of short reporting/allocation by trading/clearing member per instance.

Short collection for each client	Penalty percentage
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5%
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1.0%

If short/non-collection/short allocation of margins for a client continues for more than 3 consecutive days, then penalty of 5% of the shortfall amount shall be levied for each day of continued shortfall beyond the 3rd day of shortfall.

If short/non-collection/short allocation of margins for a client takes place for more than 5 days in a month, then penalty of 5% of the shortfall amount shall be levied for each day, during the month, beyond the 5th day of shortfall.

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

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

The above penalties shall be collected from the clearing member by debiting the settlement account with designated primary clearing bank on a monthly basis. Penalty applicable for the trade dates of the calendar month shall be collected by the tenth working day of the subsequent calendar month.



ITEM 13: CORE SETTLEMENT GUARANTEE FUND

13.1 Core Settlement Guarantee Fund

Clearing Corporation has established the Core Settlement Guarantee Fund (Core SGF) for Electronic Gold Receipt segment based on the norms provided under SEBI circular no. SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/87 dated June 24, 2024.

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 for EGR segment 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 (3) 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 corpus of Core SGF shall be INR 10 Crores.

13.2 Contribution to Core SGF

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

- a. Clearing Corporation contribution to core SGF will be minimum 50% of MRC of each segment. Clearing Corporation shall make this contribution from its own funds. Clearing Corporation contribution to core SGFs will be considered as part of its net worth.
- b. Exchange contribution to Core SGF will be minimum 25% of MRC (can be against transfer of profits by Exchange as per Regulation 33 of SECC Regulations).
- c. The total contribution from members to Core SGF for each segment will not be more than 25% of MRC of the respective segment. No exposure shall be available to members on their contribution to Core SGF. The member may bring this contribution in the form of cash, bank fixed deposits or central government securities. The required contributions of each member shall be assessed pro-rata based on the risk they bring to the system.

Clearing Corporation may collect clearing member contributions 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 the 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.

13.3 Penalties levied by Clearing Corporation



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

13.4 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.

13.5 Penal Charges for Utilisation of Core SGF

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

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

13.6 Default Waterfall

The default waterfall for the 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.
- Capped additional contribution by non-defaulting members of the segment limited to lower of 2 times of their primary contribution to Core SGF or 10% of the Core SGF at the time of default.
- 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 14: DELIVERY UNITS

In pursuance of Regulation 7.6.1, 7.6.2 and 8.1 of the Capital Market Regulations, delivery units are prescribed as under:

14.1 Delivery unit for Normal Market Deals in EGR segment

14.1.1 Delivery unit for Normal/ Auction Market Deals in Depository Mode

Delivery unit for Regular Market in depository mode shall be lot size one (1) for each security of EGR Segment.

14.1.2 Delivery unit for Block Market Deals in Depository Mode

Delivery unit for Block Market Deals in depository mode shall be lot size one (1) for each security of EGR Segment.



ITEM 15: ASSAYER

In pursuance of Regulations 23.1 and 23.2 of the NSE Clearing Capital Market Regulations the process with respect assaying agencies shall be as under

If there are any disputes related to quality of physical gold, at the time of withdrawal, the same would be dealt with by obtaining quality report from empaneled assayer.

The complaints pertaining to the quality/purity of gold shall be taken up by the investor with the accredited assayer, empaneled with the Clearing Corporation.

The charges towards assaying and transportation and any other incidental charges, shall be borne by such beneficial owner.

Once the physical gold is outside the vaulting infrastructure, no dispute related to quality of gold shall be entertained / resolved under this framework.

The details of empaneled Assayer of NSE Clearing is provided in **Part C (33)**.

ITEM 16: ELECTRONIC REPORTING

16.1 NMASS

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

- Single Sign on (SSO) enabling access to multiple applications with one set of login credentials.
- Dashboard Widgets allowing members to view segment wise information with respect to margin, collaterals, etc
- For activation of NMASS, members are requested to submit the application to Clearing Corporation in format as per **Part C (34)** – Format for activation of NMASS
- User IDs with special characters (Example- '@', '-', '.', etc) except '_' will not be able to login.
- The 'Remember Me' feature shall not be available, and users shall not get an option from the browser to save the password.
- Right click on login form is disable



ITEM 17: PRIVACY OF CONTRACT

In pursuance of Bye Law 11(2) of Chapter VI of the Bye Laws pertaining to Clearing and Settlement of Deals, the cases to which the said section shall apply are specified herein:

Settlement Obligations of EGR segment clearing members for giving and receiving delivery and paying and receiving funds arising out of Normal Market Deals as specified in Item 2 of this circular unless specifically excluded by the relevant authority from time to time.

Pursuant to the above the following settlement obligations are specifically excluded:

Settlement obligations arising out of any deal where in the opinion of the Clearing Corporation or the specified Stock Exchange there are prima facie suspicion of fraud, willful misrepresentations, malpractice or are subject to any investigation by the relevant authority of either the Clearing Corporation or the Specified Stock Exchange or by any statutory authority or are deals which are not properly executed in accordance with the respective Bye Laws, Rules and Regulations of the Specified Stock Exchange.

ITEM 18: STAMP DUTY

18.1 Collection of Stamp Duty in Electronic Gold Receipt Segment

This is with reference to the Indian Stamp (Collection of Stamp Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules, 2019 notified by the Ministry of Finance (Department of Revenue) on December 10, 2019 (copy enclosed for reference), Indian Stamp Act, 1899 amended vide Finance Act, 2019 (No. 7 of 2019).

Pursuant to the above and as per the authorization received from National Stock Exchange, NSE Clearing Ltd. shall compute and collect stamp duty at such rates and in such manner as specified in the Indian Stamp Act, 1899 and Indian Stamp Rules 2019.

As per the Indian Stamp Act, 1899, the applicable stamp duty on securities in the Electronic Gold Receipt Segment is as under:

Type of Security	Applicable Stamp Duty Rate	Applicable on
Transfer of Security other than debenture on delivery basis	0.015%	Buyer
Transfer of Security other than debenture on non-delivery basis	0.003%	Buyer

18.2 Stamp Duty collection

- Stamp duty shall be collected on transactions executed on stock exchanges and received for clearing and as specified in circulars issued from time to time.
- Stamp duty shall be determined at the end of each trading day
- All the transactions shall be identified based on the client code placed by the members at the time of order entry on the trading system of the Exchanges and as may be modified by the member using the client code modification facility provided by the Exchanges within the prescribed time viz. during trading hours and 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 transactions and the applicable State/Union Territory (UT) shall be determined with respect to the trade executed under a particular client code. Therefore, the Clearing Corporation shall only reckon the client code entered by the member while placing the order or as may be modified within the prescribed time. It is therefore imperative that members exercise extreme caution and diligence while entering the client code at the time of entering an order. If the state/UT of the client is not available then the state of the trading member through whom the transaction was executed will be considered.
- Clearing Corporation shall not be collecting stamp duty in respect of clients from State of Sikkim

18.3 Stamp Duty computation

18.3.1 Computation of stamp duty on EGR settled in Normal market:

- a. For securities settled on net obligation basis stamp duty will be applicable on delivery basis and non-delivery basis:
 - I. Total Buy quantity (BQTY): This is the sum of the quantity of all buy trades for the client for a security.
 - II. Total Sell quantity (SQTY): This is the sum of the quantity of all sell trades for the client for a security
 - III. Total Buy Deliverable Quantity (BDQTY): This is the sum of the quantity of all buy trades for the client determined using FIFO method where $BDQTY = BQTY - SQTY$ if $BQTY > SQTY$
 - IV. Total Buy Non-Deliverable Quantity (BNDQTY): This is the quantity which is lower of the two quantities namely total buy quantity and total sell quantity for the client for a particular day. For the purpose of arriving at buy quantity as well as value thereof FIFO method (First in First Out) will be applied.
 - V. Total Buy Deliverable Value (BDVAL): This is the sum of the trade value (BDQTY (as per III above) * Trade price for each trade) of all buy trades for the client
 - VI. Total Buy Non-Deliverable Value (BNDVAL): This is the sum of the each trade in BNDQTY (as per IV above) * Trade price for that trade of all buy trades for the client
- b. Stamp Duty shall be calculated by applying the prescribed rate:
 - I. Stamp Duty on Buy Non-Deliverable Value (SDBNDVAL) = $BNDVAL * \text{Stamp Duty Rate}$ for securities other than debentures on non-delivery basis. The value so computed shall be rounded off to two decimals.
 - II. Stamp Duty on Buy Deliverable Value (SDBDVAL) = $BDVAL * \text{Stamp Duty Rate}$ for securities other than debentures on delivery basis. The value so computed shall be rounded off to two decimals.

18.3.2 Computation of stamp duty on transactions in Auction Market:

- a. Stamp duty will be applicable on the short delivering member (buyer in auction) on whose behalf auction is conducted
- b. Aggregate of all the trades executed for the day for each security for a client code shall be taken to arrive at the following values:
 - Total Buy quantity (BQTY): This is the sum of the quantity of all buy trades for the client.
 - Total Buy Value (BVAL): This is the sum of the trade value (Trade quantity * Weighted Average price for Auction) of all buy trades for the client, being the auction consideration.
 - Since securities are bought by Clearing Corporation on behalf of the members, the Clearing Member Code will be the client code.

18.4 Computation of stamp duty at client level:

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

18.5 Computation of stamp duty at trading member level:

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

18.6 Computation of stamp duty at clearing member level:

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

18.7 Information to members:

- Reports shall be provided to trading and clearing members at the end of trading day.
- 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**.

18.8 Pay-in of funds:

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

18.9 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.