
National Stock Exchange of India Limited

GUIDELINES/CLARIFICATION ON MARGIN COLLECTION AND REPORTING

1. What margins are required to be collected by Trading Members from clients in Capital & Derivative Segments?

A. Capital Market Segment

In capital market segment, Trading Members (TM) are required to mandatorily collect minimum 20% upfront margin in lieu of VaR and ELM from the client on an upfront basis. Other margins such as Mark-to-market margin (MTM), delivery margin, special/additional Margin or such other margins as may be prescribed from time to time, shall be collected within 'T+2' working days from their clients. It must be ensured that minimum 20% upfront margin is collected in advance of trade and other margins are collected/paid as soon as margin calls are made by the clearing corporations.

B. F&O segment

In the F&O segment, it is mandatory for Trading Members to collect SPAN margin & Extreme loss margin from respective clients on a upfront basis. It must be ensured that all upfront margins are collected in advance of trade. Delivery Margin and margin on consolidated crystallized obligation shall be collected from clients by T+1 day.

C. Currency Derivative segment

In case of Currency Derivatives segment also, it is mandatory for Trading Members to collect initial margin and extreme loss margins from their client on an upfront basis. It must be ensured that all upfront margins are collected in advance of trade. Margin on consolidated crystallized obligation shall be collected from clients by T+1 day. However, in case of currency future contracts, final settlement amount shall be collected by T+2 day.

D. Commodity Derivative Segment

Initial Margin and extreme loss margins shall be collected from client on an upfront basis. It must be ensured that all upfront margins are collected in advance of trade. Other margins such as Mark- to-market margin (MTM), delivery margin, special/additional Margin or such other margins as may be prescribed form time to time, shall be collected within 'T+2' working days from their clients.

2. In what form should a Trading Member collect the margins from its clients?

Trading Members shall collect the margins from its respective client, in any of the following forms, provided they are free & unencumbered, after taking into account their risk management policy and liquidity aspects:

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- Consolidated funds balance across all segments and Exchanges (including Commodities) (read with point no. 3).
- Bank guarantee received towards margin in Commodity Segment which is in accordance with upstreaming guidelines, issued by any approved bank and discharged in favor of the Member.
- Securities (including mutual fund, Government securities and Treasury bills) in dematerialized form actively traded on the National Exchanges, not declared as illiquid securities by any of such Exchanges, with appropriate haircut. (List of illiquid securities are declared on a regular basis by the Exchanges).
- Any other such collaterals, as may be specified by clearing corporation from time to time

3. Whether securities available in Trading Member's account can be considered for margin collection and reporting?

Trading Member shall accept collateral from clients in the form of securities, only by way of 'margin pledge', created in the Depository system.

In view of the same, following clarifications have been given for margin collection and reporting purpose after August 31, 2020:

- Securities which are sold in cash market and available in Trading Member's account i.e. POOL/EPI will not be considered as margin collected for any other trade/position. However, in respect of sale of shares by a client for which early pay-in (EPI) request via Block mechanism has been accepted by depositories, the same may be considered as margin collected towards peak margin for the said sale transaction. Further, in respect of sale of shares by a client for which early pay-in (EPI) request via Block mechanism has been accepted by depositories and credit entry is posted of the sale value of the shares in the ledger account of the client, EPI value may be considered as margin collected towards subsequent margin requirement of the client. The sale value up to 100% of such securities (EPI value) shall be available as Margin for other positions across all the segments.¹
- Unpaid securities pledged in favor of CUSPA account of the Trading Member (reduced by the appropriate haircut subject to minimum 20%) may be considered for collection and reporting of margin by Member to the extent of debit balances in client ledger arising out of buying obligation of such securities.²

¹ In light of revision in guidelines of consideration of EPI vide circular NSE/INSP/64391 dated October 04, 2024, point is amended

² In light of revision in guidelines of consideration of CUSPA securities vide circular NSE/INSP/61507 dated April 05, 2024, point is amended

National Stock Exchange of India Limited**4. Is upfront margin collection required to be done in respect of clients who have done early pay-in of securities to Trading Member/s?**

No. Trading Member shall not be required to collect upfront margins, in respect of positions for which early pay-in of securities/funds is made by the clients to the trading Member on the date of execution of the transaction.

5. Whether early pay-in (EPI) of securities accepted by depository during the day can be considered as upfront/peak margin for the said sale transaction?

Yes, in respect of sale of shares by a client for which early pay-in (EPI) request via Block mechanism has been accepted by depositories, the same may be considered as margin collected towards peak margin for the said sale transaction.

Further, in respect of sale of shares by a client for which early pay-in (EPI) request via Block mechanism has been accepted by depositories and credit entry is posted of the sale value of the shares in the ledger account of the client, EPI value may be considered as margin collected towards subsequent margin requirement of the client. The sale value up to 100% of such securities (EPI value) shall be available as Margin for other positions across all the segments. Illustration is mentioned below:

Day	Transaction	Scrip	Value	Upfront Margin
T day	Sell	ABC Ltd.	100	20

Note: In this case, Trading Member can utilize, maximum, 100 as margin towards subsequent margin requirement.³

6. Is upfront/peak margin collection required to be done in respect of clients who have done early pay-in of securities to pool account of Trading Member/s?

No. Trading Member shall not be required to collect upfront/peak margins, in respect of positions for which early pay-in of securities is made by the clients in pool account of the trading Member on the date of execution of the transaction.

7. Whether client can square off the position in one segment during the day and use the same margin, released due to square off the position, in different segments on same day?

Yes. Based on the margin availability, Trading Member can give exposure in different segments at different time. However, Trading Member needs to have proper risk management to ensure that at any point of time maximum exposure given to clients across segments are not exceeding the margins available with the Member for such clients. Trading Member shall keep trail of all the square off position and exposures during the day.

³In light of revision in guidelines of consideration of EPI vide circular NSE/INSP/64391 dated October 04, 2024, point is amended

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8. How to collect and report the peak margin on settlement day (T+2day) as peak margin is captured in the snapshots taken before respective pay-in on T+2 day?

In case Member has collected sufficient upfront margin on T day and the same is available till pay- in day the same may be considered as peak margin collected towards peak margin obligation of the said transaction on settlement day.

9. After fulfilling the peak margin obligation on T day, whether Member can release the margin on T day?

Applicable upfront margins are required to be collected from the clients in advance of the trade. In view of the same, free and unencumbered collaterals can be released in case peak margin obligation across all segments is fulfilled. Illustration is mentioned below:

Day	Time	Particulars
T day	09.00 AM	Margin available Rs. 1,00,000
T day	10.00 AM	Client took position (ABC LTD.) of margin Rs. 1,00,000 (transaction value Rs. 5,00,000) in CM segment
T day	03.00 PM	Client squared up the same position (ABC LTD.) in the CM segment (means no EOD margin)
T day	04.00 PM	Member can release the free and unencumbered collaterals (Rs. 1,00,000)

10. What balances can be considered for collection and reporting of Margin executed under Margin trading facility?

For transactions undertaken under Margin Trading facility (MTF), upfront margin collected in the form of funds & securities for such MTF transactions and recorded in the MTF books can be considered.

Trading Members availing MTF must also refer to FAQ on Margin Trading Facility.⁴

11. Can excess margin/collateral available in MTF ledgers be considered towards Margins of non- MTF transactions?

Excess margin/collateral available in MTF ledgers cannot be considered towards Margins of non-MTF transactions.

12. Can securities other than those in the approved list of securities be considered while reporting margin collection to the Exchange?

⁴ Reference of MTF FAQ is inserted in light of updated MTF FAQ issued vide circular NSE/COMP/64519 dated October 11, 2024

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Liquid securities, in dematerialized form, actively traded on the National Exchanges, which are specifically not declared as illiquid securities by any Exchanges, accepted by the Member by way of 'margin pledge' created in the Depository System, can be considered while reporting margins to the Exchange.

13. What is the procedure for valuation of Securities?

For the purpose of client Margin collection and reporting, the Trading Member shall compute the value of such securities as per the closing rate on T-1 day as reduced by the appropriate haircut at a rate not less than the VAR margin rate of the security on that day i.e. T-1 day. Effective from June 30,2025⁵, the Member shall compute the value of securities as per the closing rate on T-1 day as reduced by the appropriate haircut at a rate not less than the VAR margin rate of the security at the beginning of T day.

14. What methodology should be adopted while reporting margin received in the form of liquid mutual funds?

Dematerialized units of liquid mutual funds, accepted by the Trading Member by way of margin pledge, whose NAVs are available and which could be liquidated readily may be considered while reporting margins collected from constituents. The value of listed liquid mutual funds should be computed based on the NAV on T-1 day, reduced by a haircut equivalent to the VAR. In case of others (mutual funds not listed) the haircut should be equivalent to 10% of the NAV. Further, effective from June 30,2025⁶, haircut equivalent to the VAR of T day should be considered for valuation of the listed liquid mutual funds.

15. What methodology should be adopted while reporting margin received in the form of Government securities and Treasury bills?

- G-Sec/T-Bills available in electronic form and pledge marked in favour of the Trading Member may also be considered while reporting margin collection to the Exchange.
- The valuation of G-Sec/T-Bill shall be based on closing price of G- Sec/T-Bills on NDS on T- 1 day reduced by haircut as specified by clearing corporation from time to time. In case where clearing corporations have not specified the haircut for G-Sec/T-bills then valuation shall be based on closing price on NDS on T-1 day reduced by a haircut of 10%.

16. What precautions are to be kept in mind in case of cheques received from Clients towards margin/margin on consolidated crystallized obligation /MTM losses?

- **Towards collection/reporting of upfront margins** : Cheques received / recorded in the books of Member on or before T day and deposited by Member by T+1 day

⁵ & ⁶ Requirement of Var of T day is inserted in accordance with Circular NSE/INSP/66840 dated February 24, 2025 and NSE/INSP/67798 dated April 30,2025

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(excluding bank holiday, if any), can be considered, provided the same is cleared within T+5 working days.

- **Towards collection/reporting of margin on consolidated crystallized obligation (in Derivatives Segment) :** Cheques received / recorded in the books of the Trading Member on or before T+1 day and deposited by Member by T+2 day (excluding bank holiday, if any), can be considered, provided the same is cleared within T+5 working days.
- **Towards collection/reporting of MTM losses (in Cash and Commodity Segment):** Cheques received / recorded in the books of the Trading Member on or before T+2 day and deposited by the Trading Member by T+3 day (excluding bank holiday, if any), can be considered, provided the same is cleared within T+5 working days.
- Only cheques which are cleared should be considered and cheques dishonored or not cleared up to T+5 working days should not be reported as margin/ margin on consolidated crystallized obligation/ MTM collected.
- If subsequent to the margin/margin on consolidated crystallized obligation/ MTM reporting by the Member, the cheque deposited by the Trading Member is dishonored or not cleared within T+5 working days, then revised margin file shall be uploaded after factoring into the effect of such dishonored or non-cleared cheques, with incremental batch number within the above mentioned five days.

17. Whether balances/securities of related entities of the client can be considered for collection and reporting margin?

Margin available with related entities of the client cannot be considered as margin of the respective client.

18. What does short reporting of upfront margins/ MTM/ margin on consolidated crystallized obligation mean?

In case a Trading Member fails to collect requisite margin from the respective client on an upfront basis, margin on consolidated crystallized obligation by T+1(in case of F&O and CD segments) and MTM losses by T+2 (in case of cash and commodity segments) and reports to the clearing corporation that margin/ margin on consolidated crystallized obligation/MTM losses collected from client is less than the actual amount of margins/ margin on consolidated crystallized obligation/MTM losses required to be collected, it is termed as short reporting of margin collection and shall attract applicable penalty as mandated by clearing corporation from time to time.

19. What does false reporting of margin/margin on consolidated crystallized obligation/ MTM (Non-Compliance) mean?

Where the margins including upfront margins/ margin on consolidated crystallized obligation/MTM Losses have not been collected/short collected by the Trading Member in any

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of the applicable modes prescribed above, however the same has been reported by the Member as collected, it would be construed as false reporting to the clearing corporation.

20. In case of short reporting of margin/margin on consolidated crystallized obligation/MTM, Can Member pass on the penalty to the clients?

Penalty levied by clearing corporations of short/non-collection of upfront margins may be passed on to client if short/non collection of upfront margin is on account of following reasons attributable to client:

- I. Cheque issued by client to Member is dishonoured
- II. Increase in margins on account of change in hedge position by client/ expiry of some leg(s) of the hedge positions of the clients.

However with respect to point number II mentioned above, Members are requested to note that penalty can be passed only if Member in its Risk Management Policy, has informed their clients of potential situations resulting in a hedge break / loss of cross margin benefits like square off by the clients / expiry of some leg(s) of the hedge positions of the clients, leading to higher margin obligations on the open position(s).

The provisions mentioned above were applicable for aforesaid penalty levied by clearing corporations on or after November 01, 2024, and accordingly, Members were required to inform their clients of aforesaid change in their risk management policy at least 7 days in advance from the aforesaid applicability date or date of aforesaid penalty levied by clearing corporation whichever is later. In case of failure (requirement not met by the client) on part of the client resulting which penalty is levied by the Clearing Corporation on the Trading Member for short reporting of margins other than “upfront margins” such as consolidated crystallized obligation, Delivery margins, other margins (Mark-to-market & additional margins), Member may pass on the actual penalty to the client, provided he has evidence to demonstrate the failure on part of the client.

Wherever penalty for short reporting of margins is being passed on to the client, relevant supporting documents for the same should be provided to the client and audit trail should be maintained.⁷

21. Are Trading Members required to provide the Margin related information to clients?

Trading Members should send margin related information to their clients. Exchange vide circular NSE/INSP/45191 prescribed an indicative format of daily margin statement stipulating the minimum information to be provided to clients.

⁷ In light of revision in guidelines of penalty on short/non-collection of upfront margins issued vide circular Download Ref No: NSE/INSP/64315 dated October 01,2024, point is amended.

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Such margin related information (Daily margin statement) should be issued by Trading Members to clients on a daily basis at the end of the trade day (T-Day) itself or by such timelines as may be specified from time to time.

Additionally, every Member shall maintain proper records of collaterals of clients.

Trading Members should have adequate systems and procedures in place to ensure that client collateral is not used for any purposes other than meeting the respective client's margin requirements / pay-ins. Trading Members should also maintain records to ensure proper audit trail of use of client collateral.

22. How will upfront margin collection and reporting be undertaken in case of NRI clients under the portfolio investment scheme (PIS)?

In case of NRI clients undertaking buy transactions under PIS, funds received from the NRI's PIS bank account before the respective pay-in, will be considered as collection of upfront margin.

In case of NRI clients undertaking sell transactions under PIS, securities received before the respective pay-in, shall be considered as collection of upfront margin.

23. How will margin be collected in case of intra-day transactions (buy & sell) in same scrip?

As per SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/139 dated November 19, 2019, upfront margins viz. VaR margins and ELM are required to be collected in advance of trade. In case of any intra-day transactions in the same scrip on the same day, Margins shall be collected as per the below illustration:

Transaction	Scrip	Qty	Margin @ 10%
Buy	ABC Ltd.	100	10
Sell	ABC Ltd.	100	Nil (Since the net quantity of the scrip is nil)

24. Can Trading Member open segment wise 'Client Securities Margin Pledge Account'?

Yes, Trading Member can open segment wise margin pledge account (one account per segment per depository) or Trading Member can open single margin pledge account (per depository).

25. Whether margin pledge collaterals are required to be mentioned in daily margin statement?

Yes, margin pledge collaterals have to be mentioned in the daily margin statement. Please refer revised daily margin statement format attached as annexure B.

National Stock Exchange of India Limited**26. Can Trading Member accept security deposit from Authorised Person (AP) in the form of demat securities?**

Yes, Trading Member can accept such securities in the form of pledge in its 'Client Securities Margin Pledge Account'.

27. Can Trading Member debit Margin pledge, unpledge and invocation charges to the client?

Trading Member may pass on the actual charges for margin pledge/unpledged/invocation to respective client as per the agreed terms in writing and the same shall form part of tariff sheet.

28. As per SEBI circular, Pledge instructions shall have details of client UCC, Trading Member/CM and Default Segment. So whether free securities pledged in one segment can be used for margin in other segment?

Yes, free securities of one segment can be considered for another segment for the purpose of margin collection and reporting.

29. As per the circular Trading Members shall be required to close all existing demat accounts tagged as 'Client Margin/ Collateral' by August 31, 2020.

What is to be done in case the Trading Member is unable to transfer the securities to the client by August 31, 2020 due to any legitimate reasons?

All securities lying in the existing Client Margin/Collateral Accounts shall be either returned to the clients upon fulfillment of obligation or disposed-off after giving notice of 5 days to the client, on or before August 31, 2020.

In case any security lying in such demat account cannot be sold or transferred, for any reason including litigation or court orders or other enforcement orders, such accounts can be frozen/suspended for credits except on account of any corporate actions.

- In CDSL such account can be marked for closure allowing only debits and prohibiting fresh credits except on account of corporate actions. Said account by default will be closed during the EOD of the day when balance becomes NIL.
- In case of NSDL, the standing instructions for credit in such account can be disabled which will restrict credits (except on account of corporate action) in such accounts.

In case the Trading Member is unable to transfer the funds due to client's bank account becoming dormant & client is not contactable, the Trading Member shall set aside such funds and upstreamed⁸ to Clearing Corporations all time till the client is contactable and correct bank

⁸ Requirement of upstreaming is inserted in accordance with SEBI circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/187 dated December 12, 2023

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account details are obtained. The Trading Member shall keep adequate trail to sufficiently prove that the clients were untraceable and sufficient follow ups have been made.

30. rescinded.⁹

31. Whether Trading Members are required to open a separate demat account for funded stock under the margin trading facility?

Yes. The Trading Members are required to open a separate demat account for MTF funded stock which should be tagged as 'Client Securities under Margin Funding Account'.

Further, all demat account of MTF funded stock, which were not tagged as specified above, were required to be closed by August 31, 2020.

32. Whether Trading Members can keep funded stock under the margin trading facility in 'Client Securities under Margin Funding Account'?

With effect from September 01, 2020, funded stocks held by the Member under the margin trading facility shall be held only by way of pledge in **Client Securities under Margin Funding Account**.

Please note that pledging of funded stocks under margin trading facility cannot be accepted in 'Client Securities Margin Pledge Account'. Further, such funded stock cannot be re-pledge to CM/CC.

33. Whether pledge collaterals are required to be reported in daily¹⁰ reporting of holding statement?

No.

34. Whether pledge collaterals are required to be recorded in Register of Securities (ROS)?

No. However, Trading Member needs to maintain all records of pledge/Re-pledge stocks (including client wise records) in the back-office records.

Note:

- In case Pledge/Re-pledge securities are invoked by Member, (as specified in the SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020), such transactions are required to be recorded in ROS appropriately.

⁹ In light of implementation of DDPI, Question numbered as 30 on POA is rescinded

¹⁰ As holding statement is submitted on daily basis in accordance with circular NSE/INSP/55039 dated December 28, 2022, word weekly is replaced with daily

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- In case securities are lying in the Trading Member's account (i.e. POOL/EPI/CUSA/OWN), such securities also need to be recorded in ROS appropriately.
- Invoked securities and securities lying in EPI/CUSA/POOL/OWN to be reported in daily¹¹ Holding submission.
- Securities whose pledge is being invoked due to default of client are required to be reported in daily¹² Holding submission. Trading Members shall adhere to the following while reporting:

Account where Securities are available Values to be reported under	Values to be reported under
	"Member account type"
Client Securities Margin Pledge Account MRGN PLEDGE	MRGN PLEDGE
Client Securities under Margin Funding	MTF PLEDGE

35. Can Trading Members change the type of existing demat Account to 'Client Securities Margin Pledge Account' / 'Client Securities under Margin Funding Account' instead of opening a separate account?

No, Trading Member will not be permitted to change the type of the existing demat accounts to "Client Securities Margin pledge Account"/ 'Client Securities under Margin Funding Account'.

¹¹ As holding statement is submitted on daily basis in accordance with circular NSE/INSP/55039 dated December 28, 2022, word weekly is replaced with daily

¹² As holding statement is submitted on daily basis in accordance with circular NSE/INSP/55039 dated December 28, 2022, word weekly is replaced with daily