

National Stock Exchange Of India Limited**Department : Inspection**

Download Ref No: NSE/INSP/44459

Date : May 26, 2020

Circular Ref. No: 32/2020

To All Members,

Sub: Clarification on the revised Margin framework

This has reference to the NCL circulars NCL/CMPT/44391 & NCL/CDS/44392 dated May 15, 2020 wherein certain changes in the margin framework for Futures & Options & Currency Derivatives Segments have been prescribed.

In view of the same, Members are hereby advised to take note of the below mentioned changes:

A. Collection and reporting of Margin by Trading Members

- i. Point no. 1 (B) & (C) of the Annexure-A of the circular NSE/INSP/43069 dated December 31, 2019 stands modified as follows:**

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 an 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.

Currency Derivatives 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.

- ii. Annexure B of the circular NSE/INSP/43069 dated December 31, 2019, w.r.t the format of daily margin statement, stands modified as follows:**

MTM (column G) and the column heading i.e. 'Margin/MTM required by Exchange/CC end of T & T+1 day respectively' shall be replaced with

‘Consolidated Crystallized Obligation’ and ‘Margin/ Consolidated Crystallized Obligation required by Exchange/CC end of T & T+1 day respectively’.

With respect to futures & options & currency derivatives segments, the term "Mark to Market (MTM)" specified in NSE circular NSE/INSP/43069 dated December 31, 2019 shall be read as "Margin on consolidated crystallized obligation".

B. Submission of data towards monitoring of client funds

In view of the revised Margin framework, certain data points required to be submitted towards the weekly monitoring of client funds (Enhanced Supervision of Stock Brokers), as provided in NSE circulars NSE/INSP/37580 dated April 20, 2018 & NSE/INSP/35412 dated July 20, 2017, shall also change. The updated guidelines for each of the data-points is provided as **Annexure-A** for your reference.

The above changes shall be applicable with effect from June 01, 2020. All Members are advised to take note of the above and comply.

C. Clarifications on Running Account settlement of funds

In partial modification of NSE circular NSE/INSP/43250 dated January 16, 2020, Members are hereby, advised to note that the following funds / securities may be retained at the time of settlement:-

- i. Entire pay-in obligation of funds & securities outstanding at the end of day on date of settlement, across all segments.
- ii. Apart from margin liability as on the date of settlement, in all segments, additional margins (maximum up-to 125% of margin requirement on the day of settlement), i.e. 225% of the total Margin requirement after excluding the margin on consolidated crystallized obligation, where applicable.
- iii. An amount of up to Rs 10,000/- (net amount across segment and across stock exchanges) after taking a one-time written consent of the client and in the manner prescribed in Exchange Circular NSE/INSP/36889 dated February 02, 2018.

**For and on behalf of
National Stock Exchange of India Limited**

**Srijith Menon
Associate Vice President-Inspection
Encl: Annexure A**

In case of any clarifications, Members may contact our below offices:

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Annexure A

S. No	Particulars	Remarks
1	Total of day end balance in all Client Bank Accounts (In Rs.)	<ul style="list-style-type: none"> Provide total EOD fund balance available in all Client Bank Accounts (as per Bank Statement) including the Settlement Accounts across all Exchanges. Balances in OD/LAS (Loan against shares) accounts shall not be considered. Any FDR that has been created out of the client bank account without any corresponding entry in the client ledgers and not placed with CC, the same has to be added in the client bank account balance
2	Collateral deposited with clearing corporations in form of Cash and Cash Equivalents (In Rs.)	<ul style="list-style-type: none"> Aggregate value of collateral deposited with all clearing corporations/Exchange in form of Cash & Cash Equivalents (FD, BG, etc.). In case of BG, only funded portion of the BG shall be considered. Value of any immovable assets pledged for getting the BG should not be considered as funded portion. For NSE /NCL balances, the amount can be taken from the following files (after deducting non-funded portion of BG) downloaded to the member :- For CM Segment MG-05 (Point no. 32-Total Cash Equivalent) For Derivative Segment CL-01 (Point no. 4.3-Total Cash Component) <p>For deposits in other Exchanges Members to refer to the daily reports downloaded the respective Exchange/Clearing corporation.</p>
3	Collateral deposited with clearing member in form of Cash and Cash Equivalents (In Rs.)	<p>Aggregate value of collateral deposited with your clearing member in form of Cash & Cash Equivalents (FD, BG, etc.), after adjusting the financial ledger balance if any.</p> <p>In case of BG, only funded portion of the BG shall be considered</p>
4	Total Credit Balance of all clients (In Rs.)	Aggregate value of Credit Balances of all clients as obtained from trial balance across stock exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients and uncleared cheques issued to clients and the margin obligations if posted in the client ledger)
5	Total debit balance of all clients (In Rs.)	Aggregate value of debit Balances of all clients as obtained from trial balance across stock exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients and uncleared cheques issued to clients and the margin obligations if posted in the client ledger)
6	Value of own securities deposited as collateral with Clearing corporation (In Rs.)	<p>Value of own non-cash collaterals i.e. securities which have been deposited with the clearing corporations across all Exchanges. (Haircut to be applied as stipulated by the respective clearing corporation)</p> <p>The securities shall be valued (after haircut) at closing rate of the last trading day of the week.</p>

7	Value of Own Securities Deposited as Collateral with Clearing Member (In Rs.)	<ul style="list-style-type: none"> Value of own non-cash collaterals i.e. securities which have been deposited with the clearing corporations across Exchanges. Valuation of securities to be taken after applying haircut stipulated by the respective clearing corporations applied by the clearing member
8	Value of Non funded portion of the Bank Guarantee (In Rs.)	Provide value of non-funded part of the BG across all Exchanges
9	Proprietary Margin Obligation	<ul style="list-style-type: none"> Provide value of proprietary margin obligations across Clearing Corporations. It shall be the sum of Margin obligations in Cash and Derivative segments for proprietary trading positions as on the reporting day. The figures for PRO margin obligation in NSE can be obtained from the following files:- For CM Segment – MG-13 (Total Margin) For Derivative Segment - Total margin (SPAN margin + Extreme Loss margin+ Delivery margin (where applicable) + Margin on consolidated crystallized obligation) <p>For PRO margin obligation in other Exchanges/CC, refer daily reports downloaded from the respective Clearing Corporation.</p>
10	Margin utilized for positions of Credit Balance Clients (MC)	<ul style="list-style-type: none"> Margin utilized (Minimum of Cr. Bal & Margin Obligation) for positions of credit balance clients across all Clearing Corporation. The figures for client margin obligation in NSE can be obtained from the following files:- For CM Segment –MG-13 (Total Margin) For Derivative Segment - Total margin (SPAN margin + Extreme Loss margin+ Delivery margin (where applicable) + Margin on consolidated crystallized obligation) <p>For margin obligation in other Exchanges/CC, refer daily reports downloaded from the respective Clearing Corporation.</p>
11	Free/unblocked Collateral deposited with Clearing Corporation	<p>Value of unutilized collateral lying with the clearing corporations across Stock Exchanges.</p> <ul style="list-style-type: none"> For NSE /NCL balances, the amount can be obtained from the following files downloaded to the member :- <ul style="list-style-type: none"> For CM Segment MG01 (Point B14- Balance Deposit Available) For Derivative Segment MG11 (Excess Effective Deposits required) <p>The figure if negative has to be taken.</p>
12	Free/unblocked Collateral deposited with Clearing Member (In Rs.)	Value of unutilized collateral lying with your clearing Members across Stock Exchanges.

Changes are highlighted in bold