FAQs

DEPARTMENT: COLLATERAL

Q1. In what forms can CMs place collaterals with NSE Clearing Limited (NCL)?

Ans. CMs can place collaterals with NCL in following forms:

Item / Instrument	Haircut	Remarks
Cash	0%	• No limit. Debit from the CM's Settlement Accounts on instructions submitted by the CM in the CIM system.
Bank Fixed Deposits (FDRs)	0%	• Treated as Cash Equivalent. Drawn on 'Approved Banks' by way of physical or electronic FDR. • FDR issued by clearing members or associates of the clearing member shall not be accepted • Additional criteria if FDR sourced out of client funds - tenure not exceeding one year and one day; pre-terminable on demand; principal amount protected throughout the tenure; interest pay-out on maturity • NCL having explicit precedence on the FDR funds over every other stakeholder, including over the issuing bank.
Bank Guarantees (BGs)	0%	• Treated as Cash Equivalent. • Drawn on 'Approved Banks' sourced from Proprietary Funds only by way of physical or electronic instruments. • BG issued by clearing members or associates of the clearing member shall not be accepted. • Subject to CM level, Bank level and Market level limits prescribed by NCL from time to time.
Securities issued by the Central Government (G-Secs, T-Bills & SGBs)	2 / 5 / 10%	• No limit. Treated as Cash Equivalent. • Through the CSGL and / or Pledge / Re-pledge route.
Units of Liquid Mutual Funds	5 / 10%	• Treated as Cash Equivalent. • Quantity level limits applicable. • Demat form through the Pledge / Re-pledge mechanism.

Units of Overnight Mutual Funds [MFOS]	5 / 10%	• Treated as Cash Equivalent. • Quantity level limits applicable. • Demat form through the Pledge / Re-pledge mechanism.
Units of Government Securities Mutual Funds	5 / 10%	• Treated as Cash Equivalent. • Quantity level limits applicable. • Demat form through the Pledge / Re-pledge mechanism.
ETFs of Liquid Funds	5 / 10%	• Treated as Cash Equivalent. • Quantity level limits applicable. • Demat form through the Pledge / Re-pledge mechanism.
Equity Shares and Equity based ETFs	VaR / Higher of VaR and 20%	• Having impact cost of up to 0.1% for an order value of INR 1 lakh and traded for 99% of trading days over the previous 6 months. • CM level, Segment level and NCL level quantity limits applicable. • Additionally, scrip level, quantity level limits as a %age of the total margin at each CM level also applicable. • Demat form through the Pledge / Re-pledge mechanism.
Units of other Mutual Fund Schemes	Higher of VaR and 9%	• Quantity level limits applicable. • Demat form through the Pledge / Re-pledge mechanism.
Corporate Bonds	15%	• Quantity level limits applicable. • Capped at 10% of the total liquid assets of the CM. • Demat form through the Pledge / Re-pledge mechanism.

Note : (1) Cash and cash equivalents shall be at least 50% of the liquid assets. This would imply that other liquid assets in excess of the total cash and cash equivalents would not be regarded as part of the total liquid assets; (2) The contents / list of scrips / securities / banks thereunder are subject to revision from time to time.

Q2. Where to find the list of Approved Banks for placement of BGs and FDRs as collateral with NCL?

Ans. NCL maintains a Segment wise list of Approved Banks. This is published by way of monthly circulars at [Link] with the subject line of "Revised list of Approved Securities and Approved Banks". This list also provides the bankwise form (i.e. Physical or Electronic) in which the instrument shall be accepted.

Q3. What are the norms prescribed for submission of BGs as collateral?

Ans. BGs proposed to be submitted as collateral with NCL shall be :

- drawn out of proprietary funds
- drawn on Approved Banks
- shall be for a minimum amount of Rs 1 Lakh
- shall be for a minimum tenure of three months
- shall have a minimum claim period of seven calendar days (failing which benefit shall be withdrawn seven calendar days prior to the expiry date)
- shall be as per the format prescribed by NCL
- shall be payable at Mumbai, New Delhi, Chennai, Kolkata, Ahmedabad or Hyderabad
- shall be stamped as per the Stamp Duty Rates applicable in the state of issuance
- acceptance shall be subject to the bank-wise and member-wise limits as stipulated from time to time and Exposure shall be granted only after receipt of SFMS message from the issuing bank.

Q4. What are the norms prescribed for submission of FDRs as collateral?

Ans. FDRs proposed to be submitted as Security Deposit shall be :

- drawn on Approved Banks
- shall be for a minimum amount of Rs 1 Lakh
- shall have a remaining tenure of not less than seven calendar days (in case of E-FDR) and three months (in case of physical FDR) from the date of submission
- shall be as per the nomenclature prescribed by NCL
- shall be payable at Mumbai, New Delhi, Chennai, Kolkata, Ahmedabad or Hyderabad and
- shall not exceed the tenure of one year and one day if sourced from client funds;
- shall be pre-terminable on demand;
- shall have principal amount protected throughout the tenure even after accounting for pre termination cost
- shall be as per the nomenclature prescribed by NCL
- shall be payable at Mumbai, New Delhi, Chennai, Kolkata, Ahmedabad or Hyderabad and

Q5. What are the timelines for upstreaming / submission of collaterals with NCL and downstreaming / withdrawal of collaterals from NCL?

Ans. NCL has prescribed timelines for the submission and withdrawal of various forms of collateral vide its Circular No. NCL/CMPT/57397 dated July 01, 2023 [link]. These timings are relaxed on the Running Account Settlement days by way of separate circulars.

Q6. What is the process for submitting G-Secs & T-Bills in CSGL form as collateral?

Ans. CM wishing to submit G-Secs & T-Bills in CSGL form shall:

- Enter into an agreement with NCL
- Input a submission request in CIM
- Initiate VFT with reason "Posting margin on recognise stock exchange" through eKuber into NCL's SGL-II account bearing nomenclature "National Securities Clearing Corporation Limited", Member Id : BYA00168 and SGL – II A/c No. : SG020168
- Confirm the transaction entered on the NDS, based on the information received from the CM

Once credited into NCL's account, NCL shall pass on net of haircut margin benefit for the same.

Q7. In what form can Securities be accepted as collateral from the clients?

Ans. Securities can be accepted in demat form, through the pledge / re-pledge mechanism and routed through the 'Client Securities Margin Pledge Account' . The client shall pledge the securities in favour of the TM, who shall repledge them onward to the CM and the CM shall re-repledge them further onward to NCL.

Q8. Is there any online system whereby collaterals can be submitted and / or withdrawn?

Ans. NCL has provided the Collateral Interface for Members (CIM) system whereby all requests for placement and withdrawal of collaterals are required to be submitted. The CM needs to submit a request for activation of this system to NCL.

Q9. Where can I find the formats of the documents required to be submitted to NCL prior to collateral submission?

Ans. The format of the BG, Agreements and other documents required to be submitted to NCL have been published on the NCL website.

Q10. What is the process for seeking release of collateral placed with NCL?

Ans. The CM shall input release request in CIM. NCL shall do the necessary checks for adequacy of collaterals visa-vis outstanding margins and obligation post which NCL shall approve / authorize the withdrawal / release request. In case of physical BGs and FDRs, the instruments shall be collected by an authorized representative of the CM on producing an authority letter along with a proof of identity, the next working day, from the branch where it had been submitted.

Q11. How is short allocation of collateral determined?

Ans. Client collateral value in the segment for the purpose of short allocation 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 prudential norms of Clearing Corporation including 50:50 requirement). The value of collateral above the prudential norms shall be updated under the field "Excess Collateral of other segment". Value of securities (before applying prudential norms) shall be only for monitoring of short allocation and not for monitoring of actual margin requirement by NCL.[Link]

Q12. What are the member-wise bank-wise and member-wise limits for submission of BGs with NCL?

Ans. The BG limits prescribed by NCL are published vide NCL Circular with subject heading "Revision in member wise bank wise limits and member wise limits prescribed for acceptance of Bank Guarantee towards collaterals". Members are requested to make note of the latest circular with the given subject.

Q13. Does NCL provide a report bearing details of securities pledged with it?

Ans. NCL, at EOD, provides a detailed report for securities pledged with it. This report has details of securities pledge including valuation as at end of day. Additionally, NCL also provides details of securities pledge including valuation as at start of day on a daily basis.