

FAQs

DEPARTMENT: RISK MANAGEMENT

Margins

Q1. Which are the applicable margins payable upfront by Clearing members?

Ans. The applicable margins are as follows:

(i) Cash Segment: VaR Margin (VaR), Extreme Loss Margin (ELM), Intraday Crystallised Mark To Market Losses (ICMTM), Mark to Market Margin (MTM), additional margin (generally levied on highly volatile securities) and other margin as prescribed by the Clearing Corporation ("CC") from time to time.

(ii) F&O Segment: Initial Margin and Extreme Loss Margins are required to be maintained upfront by Clearing members. Initial Margin shall include SPAN margins, margins on consolidated obligation, delivery margins and such other additional margins, that may be specified by the CC from time to time.

(iii) Currency Derivatives Segment: Initial Margin and Extreme Loss Margins are required to be maintained upfront by Clearing members. Initial Margin shall include SPAN margins, margins on consolidated obligation, and such other additional margins, that may be specified by the CC from time to time.

(iv) Commodity Derivatives Segment: Initial Margin and Extreme Loss Margin are required to be collected on an upfront basis. Initial Margin shall include SPAN margin, Premium Margin, Intra-day crystallised losses, and such other additional margins that may be specified by the CC from time to time.

(v) SLB Segment: Fixed percentage of Lending fee on the first leg and VaR Margin (VaR), Extreme Loss Margin (ELM), Mark to Market Margin (MTM) and Fixed Percentage of Lending Price (FPLP) on the reverse leg are applicable on borrower. Fixed percentage of Lending Price and Mark to Market margin on the first leg are applicable on the lender; no margins are levied to the lender of securities for the reverse leg transaction.

(vii) Debt Segment: The margins applicable on the Debt Segment are Initial Margin (IM) and the Extreme Loss Margin (ELM).

(viii) NSE Bond Futures Segment: Initial Margin and Extreme Loss Margin are applicable on the NSE Bond Futures Segment.

Q2. How often is the SPAN Parameter File run in the Equity Derivatives Segment?

Ans. SPAN files, with updated parameters, shall be based on the prices at 11:00 hrs, 12:30 hrs, 14:00 hrs, 15:30 hrs, EOD and BOD and shall be run shortly thereafter.

Q3. How often is the SPAN Parameter File processed on the Currency Derivatives Segment?

Ans. SPAN files, with updated parameters, shall be processed nine (9) times a day and shall be based on the prices at 11:00 hrs, 12:30 hrs, 14:00 hrs, 15:30 hrs, 17:00 hrs, 18:30 hrs, EOD and BOD and shall be run shortly thereafter. Additionally, a provisional end of day parameter file, based on daily settlement prices of currency contracts based on FCY-INR pairs and Interest Rate Future contracts shall be provided.

Q4. How often is the SPAN Parameter File processed on the Commodity Derivatives Segment?

Ans. SPAN files, with updated parameters, shall be processed at intervals not exceeding two hours during the trading hours, EOD and BOD.

Q5. How often is the SPAN Parameter File run on the Debt Segment?

Ans. SPAN files shall be generated based on the prices at 11:00 hrs, 12:30 hrs, 14:00 hrs and 15:30 hrs every day.

Q6. How often is the SPAN Parameter File run on the NSE Bond Futures Segment?

Ans. The risk parameters are updated 6 times in the day, based on the prices/yield at 11:00 hrs, 12:30 hrs, 14:00 hrs, 15:30 hrs, 17.00 hrs, end of the day and begin of the day.

Q7. What is the rate of VaR Margin?

Ans. The VaR Margin rate is

- (i) 6 sigma, subject to minimum of 9.00% for Group I stocks;
- (ii) 6 sigma, subject to minimum of 21.50% for Group II stocks;
- (iii) 50.00% for Group III stocks if traded atleast once per week on any stock exchange, else 75.00%;
- (iv) 6 sigma, subject to minimum of 6.00% for ETFs that track broad based market indices. G-Secs and Bonds with credit rating of AAA, AA or A shall bear a fixed margin of 10.00%.

Q8. What comprises the Initial Margin in Derivatives segment?

Ans. Initial Margin includes

- (i) SPAN Margin (which takes into consideration, *inter-alia*, the Margin Period of Risk, Price Scan Range, Volatility Scan Range, Calendar Spread Charge, Net Options Value and Short Option Minimum Charge in Commodity Derivatives segment),
- (ii) Margins on consolidated obligation in Equity Derivatives & Currency Derivatives segments
- (iii) Premium Margin in Commodity Derivatives
- (iv) Intraday Crystallised Losses in Commodity Derivatives segment
- (v) Delivery margins in Equity Derivatives and Commodity Derivatives segments
- (vi) Other additional margins as prescribed by SEBI and NCL from time to time.

The Margin Period of Risk (MPOR) shall differ from segment to segment and the margin requirement scaled up accordingly.

Q9. What is the methodology for the calculation of Initial Margin in Derivatives segment?

Ans. SPAN margin is a portfolio based risk management system considering multiple parameters for determining the margin percentage on a real time basis. Margin Period of Risk (MPOR), Volatility Scan Range (VSR), Spread Margin, Short Option Minimum Charge (SOMC) and Net Option Value are some of the parameters considered while deriving SPAN Margin. Initial Margin is netted at the individual client and proprietary level and grossed at TM and CM levels, without set-offs between clients. For proprietary positions, it is netted at trading/ clearing member level without any set-offs between client and proprietary positions. The margins so computed are aggregated first at the trading member level and then aggregated at the clearing member level.

Q10. What is the applicable Initial Margin on the Debt Segment?

Ans. The minimum initial margin for bonds shall be

- (i) 2% for residual maturity up to three years,
- (ii) 2.5% for residual maturity above three years and up to five years;
- (iii) 3% for maturity above five years
- (iv) Initial Margin applicable on Central Government Securities in Retail Platform shall be 5%.

Q11. What is the rate of ELM for Cash Segment?

Ans. ELM is 3.50% for any stock and 2.00% for ETFs that track broad based market indices and is levied on a gross basis (gross of all net positions across all the clients of a member, including its proprietary position; no netting off of positions across different settlements).

Q12. What is the rate of ELM for Equity Derivatives Segment?

Ans. ELM shall be

- (i) 2% of the notional value of gross open positions in futures contracts;
- (ii) 2% on short index options contracts, other than deep-out-of-the-money option contracts where it shall be 3% and for long dated index option contracts where it shall be 5%;
- (iii) 3.50% on futures contracts of individual securities;
- (iv) 3.50% on short stock options contracts, other than deep-out-of-the-money stock option contracts where it shall be 5.25%.

ELM shall be netted at client and prop levels but grossed at TM & CM levels. On the day of options contracts expiry, to increase the tail risk coverage, an additional Extreme Loss Margin (ELM) of 2% shall be levied on all short index options contracts at the start of the day as well on short index options contracts initiated during the day that are due for expiry on that day.

Q13. What is the rate of ELM for CDX Segment?

Ans. ELM for Futures positions shall be 0.50% for USDINR, 0.15% for EURINR, 0.25% for GBPINR, 0.35% for JPYINR, 0.50% for EURUSD, 0.50% for GBPUSD, 0.50% for USDJPY, 0.015% for 91 Day GOI T-Bills, 0.25% for Cash Settled Interest Rate Derivatives on G-Secs and 0.50% for Overnight Call Rate (MIBOR). ELM for short options shall be 0.75% for USDINR, 0.75% for EURINR, 0.75% for GBPINR, 0.75% for JPYINR, 0.50% for EURUSD, 0.50% for GBPUSD, 0.50% for USDJPY and 0.25% for Cash Settled Interest

Rate Derivatives. The applicable extreme loss margin for futures shall be calculated on the mark to market value of the gross open positions or as may be specified by the relevant authority from time to time. In case of options extreme loss margin shall be calculated on the Notional Value of the open short option position.

Q14. What is the rate of ELM for Commodity Derivatives Segment?

Ans. ELM of 1% on gross open positions for futures & short open positions for options shall be levied and shall be deducted from the liquid assets of the clearing member on an online, real time basis.

Q15. What is the rate of ELM for SLB Segment?

Ans. ELM on the SLB Segment shall be the same as applicable on the Cash Segment.

Q16. What is the rate of ELM for Debt Segment?

Ans. The ELM for any bond shall be 2% of the last traded price expressed in terms of clean price. It would be deducted upfront from the total liquid assets of the member. There shall be no ELM applicable on Central Government Securities in Retail Platform.

Q17. What is the rate of ELM for NSE Bond Futures Segment?

Ans. NSE Bond Futures Segment: ELM is 0.25% of the mark to market value of the gross open Cash settled G-Sec Futures positions; ELM for cash settled interest rate options contract is 0.25% of the notional value of the open short option position, where the notional value is Rs 2 Lakhs; ELM for 91 Day T-Bill Futures contract shall be 0.015% of the notional value (Rs 200000) of the contract for all gross open positions of the futures contract; ELM shall be 0.05% of the value of the contract for all gross open positions for MIBOR Futures.

Q18. What is the rate of margin for securities in Trade for Trade – Surveillance Market on the Capital Market Segment?

Ans. The VaR + ELM for securities in TFTS is 100.00%, to be collected upfront.

Q19. Is there a difference in the margin rates for T+0 vis-à-vis T+1 on the Capital Market Segment?

Ans. No.

Q20. Is there a maximum cap for the margins in the Capital Market Segment?

Ans. For a buy transaction, VaR + ELM + MTM shall not exceed the purchase value of the transaction. For a sale transaction, VaR + ELM shall not exceed the purchase value of the transaction, MTM shall be additional.

Q21. What is the quantum of margins applicable on the SLB Segment?

Ans. Margins applicable to a Borrower, on the Transaction Day ('T' Day), shall be 100% of the Lending Fee on 'T' day. On a Lender, the applicable margins on 'T' day shall be the Mark to Market Margin and 25% of the Lending Price. The Lender shall be exempted from margins if early pay-in of securities has been received prior to the lend transaction, else, they shall be released on completion of the pay-in of the lent securities.. No margins shall be levied to the lender of securities for the reverse leg transaction. Value at Risk Margins + Extreme Loss Margins + Mark to Market Margins + 100% of the Lending Price

shall be applicable to the Borrower on the Reverse Leg transactions. These shall be recalculated on a daily basis and shall be released on EPI of the borrowed Securities.

Q22. Which margins are applicable on Early Recall, Early Repay and Rollover transactions?

Ans. No margin shall be levied on the successful execution of an Early Repay transaction. The Lending Fee shall be levied on an upfront basis on an Early Recall transaction. In case of Rollover transactions,

- (i) Nil margin on lend rollover transactions by clients other than CPs;
- (ii) VaR on an upfront basis on lend rollover transactions by CPs on the executing participant till confirmation by the Custodian;
- (iii) Lending fee on an upfront basis on the executing participant till its settlement on T+1 on borrow rollover transactions by clients other than CPs;
- (iv) Lending fee on an upfront basis on the executing participant till transaction confirmation by Custodian and then on Custodian till its settlement on T+1 on borrow rollover transactions by CPs.

Q23. How shall Margins on Consolidated Crystallised positions be derived in the Currency Derivatives Segment?

Ans. On intraday basis, the net payable/receivable amount at client level shall be calculated using : (i) Premium payable/receivable and (ii) Futures crystallized profit or loss (calculated based on weighted average prices of trades executed). If the overall amount at client level is payable, such amount shall be the intraday consolidated crystallized obligation margin for the client.

At the end of day, the payable/receivable amount at client level shall be calculated using: (i) Futures mark to market profit/loss to be settled; (ii) Options premium payable/receivable; (iii) Options exercise/assignment for expired contracts and (iv) Futures final settlement for expired contracts. If the overall amount at client level is payable, such amount shall be the end-of-day consolidated crystallized obligation margin for the client. The margin on consolidated crystallized obligations shall be released on completion of settlement.

Q24. How much is the Delivery Margin in the Equity Derivatives Segment?

Ans. Delivery Margin shall be levied at Client level, on lower of potential deliverable positions or in-the-money long options positions four (4) days prior to the expiry of the derivatives contract. Such positions shall be determined on a daily basis. The margin shall be equivalent to the margins applicable on the Capital Market Segment. 10% of the so computed margin shall be levied at EOD of E-4 ('E' being the Expiry Day), 25% on EOD of E-3, 45% on EOD of E-2 and 70% on EOD of E-1. Post expiry, positions which are converted to settlement by delivery, margins as applicable in Capital Market segment (i.e. VAR, Extreme Loss Margins, Mark to Market margins) shall be applicable and levied as delivery margins.

Q25. When does Concentration Margin become applicable in the Equity Derivatives Segment?

Ans. Concentration Margin shall be applicable on a CM having open positions of $\geq 20\%$ on the short side across all contracts in an expiry month of long dated (expiry > 9 months) option contracts, subject to minimum notional value of Rs. 500 Cr. It shall be 1.50% of the notional value of the short open

positions in long dated option contracts on index if $\geq 20\% < 35\%$; 2.25% if $\geq 35\% < 50\%$ and 3.00% if $\geq 50\%$. The amount so computed shall be blocked from the cash component of the CM.

Q26. Are there any additional margins applicable on the Equity Derivatives Segment?

Ans. Yes, (i) additional margins are applicable on highly volatile stocks, i.e. stocks with intra-day price movement (maximum of [High-Low], [High-Previous Close], [Low-Previous Close]) of more than 10% in the underlying market for 3 or more days in last one month and stocks with intra-day price movement (maximum of [High-Low], [High-Previous Close], [Low-Previous Close]) of more than 10% in the underlying market for 10 or more days in last six months; (ii) additional margins shall be applicable on (a) client positions in extreme scenario of 20% market fall and 17.74% market rise and (b) clients having net loss of Rs.25 crores and more; (iii) cash collection of option value shall be applicable on (a) all index and stock contracts whose Strike Price is $\geq 40\%$ (+/-) away from the closing value of the Index / Stock, (b) Index contracts with Expiry > 9 months ≤ 2 years whose Strike Price is $\geq 30\%$ (+/-) away from the closing value of the Index, (c) Index contracts with Expiry ≤ 9 months whose Strike Price is $\geq 20\%$ (+/-) away from the closing value of the Index.

Q27. What is the quantum of Tender Period / Pre-Expiry Margin in the Commodity Derivatives Segment?

Ans. The Tender Period margins shall be 5% incremental during the pre-expiry period, which shall start three working days before the expiry of the contract and shall be applicable on both buy and sell side for future contracts. In case of options, margins will be applicable on all long and short call and put positions that are ITM and CTM.

Pre-expiry margins shall be imposed on cash settled contracts during the last five trading days prior to expiry date, increasing by 5% every day, wherein the underlying commodity is deemed susceptible to possibility of near zero and/or negative prices.

In case of options on futures, a pre-expiry margin of 25% shall be levied on E-1, which shall increase to 50% on E on assumed devolvement of ITM option contracts.

Q28. What is the extent of Delivery Period Margin in the Commodity Derivatives Segment?

Ans. Delivery period margin shall be levied on the long and short positions marked for delivery till the pay-in is completed by the CM. Once delivery period margin is levied, all other applicable margins shall be released. Delivery period margins shall be higher of 3% + 5 day 99% VaR of spot price volatility or 20%.

Q29. What are the parameters considered for levy of Concentration Margin in the Commodity Derivatives Segment?

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

Q30. What is the spread margin for ELM in Equity Derivatives Segment?

Ans. In case of calendar spread positions in futures contracts, extreme loss margin shall be levied on one third of the value of the open position of the far month futures contract. For stock derivatives, calendar spread position shall be granted calendar spread treatment till the expiry of the near month contract. For index derivatives, calendar spread position shall be granted calendar spread treatment till one day prior to expiry of the near month contract.

Q31. What is the spread margin for ELM in Currency Derivatives Segment?

Ans. In case of calendar spread positions in currency futures contracts, extreme loss margin shall be levied on one third of the mark to market value of the open position of the far month contract.

Q32. What is the spread margin for ELM in the NSE Bond Futures Segment?

Ans. In case of calendar spread positions, extreme loss margin will be 0.01% of the value of the far month contract.

Q33. When is the benefit of the Calendar Spread Margin withdrawn in the Equity Derivatives Segment?

Ans. For stock derivatives, calendar spread position shall be granted calendar spread treatment till the expiry of the near month contract for both SPAN margin and ELM. With effect from February 10, 2025, the calendar spread benefit in case of index derivative contracts shall not be available on the day of expiry for contracts expiring on that day.

For index derivatives, the benefit on offsetting positions across different expiries ('calendar spread') is not available on the day of expiry for contracts expiring on that day. ELM for calendar spread positions on Futures are computed without considering Futures positions as an offsetting calendar spread position if one of the legs is expiring on the same day.

Q34. Is calendar spread benefit available in the Commodity Derivatives Segment?

Ans. Margin benefit of 75.00% on Initial Margin is provided for eligible offsetting positions in Different expiry date contracts of the same underlying as well as for eligible offsetting positions in two contracts variants having the same underlying commodity provided each individual contract in the spread is from amongst the first six expiring contracts. No benefit in ELM shall be provided for such spread positions.

Q35. Which positions are considered for providing spread margin benefit in the Commodity Derivatives Segment?

Ans. Different expiry date contracts of the same underlying and two contracts variants having the same underlying commodity within the same UCC shall be considered for provision of spread margin benefit. A minimum 25% of the initial margin on each of the individual legs of the spread shall be levied and the maximum benefit in initial margin on spread positions shall be restricted to 75%. Initial margin benefit shall be provided only when each individual contract in the spread is from amongst the first six expiring contracts. Margin benefit on spread positions shall be entirely withdrawn latest by the start of tender period or Expiry day, whichever is earlier. Futures contracts in a commodity complex,

provided certain conditions prescribed in the relevant circular are met, shall also accrue spread margin benefit.

Q36. Are any pre-expiry margins applicable on cash settled contracts on the Commodity Derivatives Segment?

Ans. Pre-expiry margins are imposed on cash settled contracts wherein the underlying commodity is deemed susceptible to possibility of near zero and/or negative prices as identified by EX/CC. It is levied on the last five trading days prior to expiry date, increasing by 5% every day.

Q37. When do margins get released on the Capital Market Segment?

Ans. All margins collected for a settlement are released on the completion of full obligations of funds and securities by the respective member/custodians after crystallization of the final obligations. 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.

Q38. Is there any margin benefit on offsetting positions due for delivery in the Equity Derivatives Segment?

Ans. Positions in stocks derivative contracts that are converted to settlement by delivery on expiry in the Equity Derivatives Segment and obligations in the underlying Capital Market Segment are allowed margin benefit to the extent of offsetting positions, subject to the UCC > TM > CM > CC combination being the same across both the Segments. Benefit is restricted to total margins in the Capital Market Segment and on delivery margins in the Equity Derivatives Segment. Residual positions (post netting) continue to attract applicable in the respective segments.

Q39. In which segment shall benefit of Early Pay-In (EPI) of Securities be provided in case of offsetting positions in the Capital Market Segment and the Equity Derivatives Segment, due for delivery settlement?

Ans. In case of offsetting positions within the Capital Market and Equity Derivatives Segments, benefit of early pay-in of securities shall be first provided in the Capital Market Segment and the residual benefit, if any, shall then be considered towards net sell obligations in Equity Derivatives Segment under the same UCC > TM > CM > CC combination at such security level.

Q40. At what level will benefit of EPI of Funds be passed on?

Ans. Where the member/custodian has provided client - symbol allocation, benefit for early pay-in of funds shall be allocated against the net buy position of the specified client – symbol combination. Residual amount after such allocation will not be utilized for other positions. Client wise allocations provided will be allocated in the descending order of the security wise net buy value under the client and any residual amount after such allocation will not be utilized for other clients. Benefit for EPI of funds shall be provided subject to confirmation of the funds from the respective clearing bank of the member/custodian.

Q41. How can the benefit of EPI of funds be allocated by members?

Ans. Allocation of EPI of funds is optional. Member/Custodian can provide allocation details through the file upload mechanism. The allocation can be done at a client level or at a client security level if the EPI of funds are to be allocated against a specific client-security combination. In case where the member wishes to avail the EPI of funds benefit before execution of trade (on the T day), the member shall be compulsorily required to provide client-security level allocation in such a case.

Members/Custodians have also been provided with a facility to add, delete or modify the allocation details. The details provided in the latest file upload shall overwrite the existing allocation details stored that could have got created either through an earlier file or through the screen based request. Members desirous to continue all existing allocation details should include those details again in the latest file upload.

Q42. At what level will benefit of EPI of Securities be passed on?

Ans. In addition to EPI from pool account members can mark EPI of securities from the client account as per the facility provided by Depositories. Margin benefit shall be provided at client-security level considering the client details provided by the respective depositories. EPI of securities received in excess of obligation through the client account shall be reversed in the source client account on T day.

Q43. How will benefit of EPI of Securities be passed on in case of block deals?

Ans. In case EPI of securities from client account is made towards getting margin benefit for Block Deals, members will be required to provide instruction for allocation to series "BL". The details of allocation viz. client code, settlement number, security symbol, quantity should be provided on the email risk_ops@nsccl.co.in with subject line as: EPI Allocation for Block Deal.

Q44. What are the steps for blocking of margins?

Ans. 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. It is advised that the relevant circulars in this regard and the Consolidated Circulars issued by NCL from time to time be referred to for a detailed understanding of the flow / order of collateral utilization against margin requirements.

Q45. Whose margins shall be blocked for Custodial Participant (CP) transactions in the SLB Segment?

Ans. The applicable margin shall be blocked from the collaterals placed by the CP with the executing participant and if short, from the proprietary collateral of the executing participant. Upon confirmation of the transaction by the Custodian, the margins shall be blocked from the collaterals placed by the CP with the Custodian and if short, from the proprietary collateral of the Custodian. MTM on borrowed securities shall be blocked in the same manner after confirmation of the borrow transaction.

Q46. What is the procedure for monitoring of the Risk Reduction Mode ('RRM' – 90% utilization) of a CM?

Ans. Sum of client margin in excess of 90% of the client collateral for each client under a TM plus the proprietary TM margin, in excess of 90% of TM proprietary collateral shall be calculated as TM margin in excess of 90% of TM collateral. Sum of such margin for each TM clearing through a CM, plus sum of client margin/CP margin in excess of 90% of the client/CP collateral for each client/CP clearing through such CM, plus the proprietary CM margin shall be assessed against the proprietary CM collateral for monitoring of CM level risk reduction mode.

Q47. What will be the impact of a shortfall in margins?

Ans. In case of any shortfall in margin, (i) the trading/clearing facility of the member shall be withdrawn with immediate effect and (ii) prescribed penalties for violation on account of margin violation be levied on a monthly basis. Please refer to the Consolidated Circulars issued by NCL from time to time for additional and detailed repercussions of margin shortfall.

Cross Margin

Q48. What are the features of the Cross Margin Benefit facility?

Ans. Cross margin benefit shall be available across the Capital Market and Equity Derivatives Segments. It is available to all categories of market participants. For client/entities clearing through same clearing member in the Capital Market and Equity Derivatives Segments, the CM shall only be required to intimate client details through a file upload through NSCCL-NMASS. For client/entities clearing through different CMs in the Capital Market and Equity Derivatives Segments shall be required to enter into necessary agreements for availing cross margin benefit.

Q49. Which positions are eligible for Cross Margin Benefit?

Ans. Client positions to the extent they offset each other shall be considered for the purpose of cross margin benefit as per the following priority;

- (i) Index futures and constituent stock futures in F&O segment;
- (ii) Index futures and constituent stock positions in Capital Market segment;
- (iii) ETF and constituent stock futures in F&O segment;
- (iv) ETF and constituent stock positions in Capital market segment;
- (v) Index futures and ETF in Capital market segment
- (vi) Stock futures in F&O segment and stock positions in Capital Market segment.
- (vii) Index Futures contract in F&O Segment on eligible equity indices

Additional criteria are detailed in the Consolidated Circular published from time to time.

Q50. What positions are not eligible for cross margin benefit?

Ans. Positions in option contracts shall not be considered for cross margining benefit. The positions in ETFs and constituent stocks having different settlement numbers shall not be eligible for cross margining benefit. Positions in constituent stocks in T+0 settlement shall not be eligible for cross margining benefit

Q51. What is the basis of Cross Margin Benefit computation in Cash Segment?

Ans. The benefit is computed at client level, on an online real time basis, and provided to the TM / CM, who in turn, shall pass on to the client. Institutional investors shall accrue the benefit only after trade confirmation by the respective CM on the F&O Segment and the respective Custodian on T+1 on the Cash Segment. Margin benefit shall not accrue of Cash Segment positions for which EPI of funds or securities has been successfully completed. Positions eligible for Cross Margin Benefit shall attract Spread Margin, which shall be 25% of the applicable upfront margins.

Q52. What is the criteria for applicability of cross margin benefit in the Equity Derivatives Segment?

Ans. The criteria for extending cross margin benefit on offsetting positions having different expiry dates are :

- (i) Spread margin of 40% is levied in case of offsetting positions in correlated indices having different expiry dates and a spread margin of 30% is levied in case of same expiry date;
- (ii) Spread margin of 35% is levied in case of offsetting positions in index and its constituents having expiry date different from the index. While expiry date of index futures can be different from that of its constituents, the expiry date of futures contracts of all constituents should be the same in order to obtain cross margin benefit. Spread margin of 25% shall continue to be levied in case of same expiry date of index and constituents;
- (iii) Spread margin benefit is revoked at the beginning of the expiry day of the position which expires first (i.e. first of the expiring indices or constituents) in case expiry dates of both legs of the position are different.

Q53. What is arbitrage account and a non-arbitrage account for the purpose of availing cross margin benefit?

Ans. A client may maintain two accounts with their respective members to avail cross margin benefit only. The two accounts namely arbitrage account and a non-arbitrage account may be used for converting partially replicated portfolio into a fully replicated portfolio by taking opposite positions in two accounts. However, for the purpose of compliance and reporting requirements, the positions across both accounts shall be taken together and client shall continue to have unique client code.

Q54. When is the benefit of the Cross Margin withdrawn?

Ans. In the event of a suspension on creation / redemption of the ETF units, the cross-margining benefit shall be withdrawn. The cross-margining benefit in case of offsetting positions in index and its constituents having expiry date different from index or in case of offsetting positions in correlated indices having different expiry dates shall be revoked at the beginning of the expiry day of the position which expires first (i.e. first of the expiring indices or constituents).

Collection and Reporting of Margins

Q55. What are the margin collection and reporting norms?

Ans. Capital Market Segment: CMs shall be required to mandatorily collect a minimum of 20% as upfront margin in lieu of VaR and Extreme Loss Margins from their clients/TMs. They shall have upto 'T+2' working days to collect the other margins, including MTM losses, from their clients/TMs. If pay-

in of funds and securities has been completed by 'T+2' working days, the other margins would be deemed to have been collected.

Equity Derivatives Segment: CMs shall mandatorily collect Initial Margin (excluding Delivery Margin) and Extreme Loss Margin from their clients / constituents on an upfront basis. Delivery Margins and Consolidated Obligation shall be collected by T+1 day. With effect from February 10, 2025, upfront margin collection requirement shall also include net options premium payable at client level.

Q56. What is the cut-off for reporting client margin / short allocation details to NCL?

Ans. CMs shall be required to report a single consolidated value comprising of minimum margin, additional margins and MTM collected. CM/Custodian shall have to report the margin collected from each client/TM/Custodial Participant, as at EOD and peak margin collected during the day. The cut-off day for the reporting of margin collection is 5 working days after the Trade Date (T+5).

Q57. How is short allocation at client level derived?

Ans. Minimum client margin collection requirement (upfront margins, excluding other margins required to be collected by T+1/T+2) less Client collateral value (which shall include post haircut value of securities re-pledged to NCL) in the particular segment, intra-day and end-of-day, shall be considered as short allocation. Excess margin available in other segments at the same TM > UCC or same CM>CP combination shall be considered and reduced for the purpose of penalty computation.

Q58. By when has the short collection and / or non-collection of margins to be reported?

Ans. CMs are required to report the actual short-collection / non-collection of all margins from Clients by T+5 day.

Q59. What are the repercussions for non-reporting of short-collection / non-collection of margins from Clients?

Ans. In addition to the levy of penalties for non-reporting of short-collection / non-collection of margins from Clients, such instances may also attract disciplinary action.

Q60. What is the procedure for reporting collection of margins from clients to NCL?

Ans. Please refer to the relevant circulars and the Consolidated Circulars issued by NCL from time to time for the procedure for reporting of client margin.

Q61. What is intra-day / peak margin reporting?

Ans. SEBI mandates that the CC shall send a minimum of four (4) intraday snapshots taken randomly within pre-determined time windows for the Cash, Equity Derivatives and Currency Derivatives Segments, wherein the margin requirement at each end client shall be provided. The number of snapshots shall be a minimum of seven (7) for commodities traded till 21:00 hrs and a minimum of eight (8) snapshots for commodities traded till 23:30 / 23:55 hrs. Members shall have to report the margin collected from each client as at End of Day (EOD) and peak margin collected during the day, whereby EOD margin obligation of the client shall be compared with the respective margin available with the member at EOD and peak margin obligation of the client, across these snapshots, shall be compared with the peak margin available with the member during the day. The higher of the shortfall between the two shall be considered for levy of penalty. The computation of the margin requirement

of SPAN+ELM (both, intra-day and EOD) for the Equity Derivatives, Currency Derivatives and Commodity Derivatives Segments shall be based on the fixed Beginning of Day (BOD) margin parameters and would include all SPAN margin parameters as well as ELM requirements.

Q62. How is the penalty computed on short-collection / non-collection of margins from Clients on the Equity Derivatives Segment and Currency Derivatives Segment?

Ans. The applicable penalty shall be 0.50% if the shortage is (< Rs 1 lakh) And (< 10% of applicable margin) & 1.00% if the shortage is (≥ Rs 1 lakh) Or (≥ 10% of applicable margin), per client per segment per day. Non-reporting shall be considered as non-collection and penalized accordingly. You may refer to SEBI Circular No. CIR/DNPD/7/2011 dated August 10, 2011 for additional applicable criteria.

Position Limits

Q63. What are the applicable Position Limits across Segments?

Ans. Equity Derivatives Segment:

	Stock Futures & Options (combined)
TM	30% of the applicable Market Wide Position Limit (MWPL)
TM PROP	20% of the applicable Market Wide Position Limit (MWPL)
FPI (Category I) and Mutual Funds	30% of the applicable Market Wide Position Limit (MWPL)
FPI Category II (other than individuals, family offices and corporates)	20% of the applicable Market Wide Position Limit (MWPL)
FPI Category II (individuals, family offices and corporates)	10% of the applicable Market Wide Position Limit (MWPL)
Clients/NRI/Schemes of Mutual Funds	10% of the applicable Market Wide Position Limit (MWPL)

Currency Derivatives Segment: Please refer to separate table attached as Schedule 1

Commodity Derivatives Segment: Member level position limit, for Non-Agricultural Commodity Derivatives, shall be the higher of 10 times of the numerical value of client level position limits & 20% of the market-wide open interest. The numerical value for client level/member level limits shall be twice of the corresponding numbers applicable for futures contracts. FPIs, other than individuals, family offices and corporates, will be allowed position limit norms as may be applicable to clients. FPIs belonging to categories viz. individuals, family offices and corporates will be allowed position limit of 20 per cent of the client level position limit in a particular commodity derivative contract. Client Level Numerical Position Limit for Aluminium shall be 25000 MT, Copper 7000 MT, Crude Oil 480000 BBL,

Gold 5000 KGs, Natural Gas 6000000 mmBtu, Silver 100 MT, Lead 3500 MT, Nickel 1000 MT and Zinc 7000 MT.

Q64. What are the prescribed Position Limits on the SLB Segment?

Ans. Market Wide Position Limits for SLBS transactions shall be 10% of the free-float capital of the company in terms of number of shares i.e. 10% of the number of shares held by non-promoters in the relevant security. The Participant position limits in a security shall be 10% of the market-wide position limits (in terms of number of shares). The position limit applicable for Institutional Investor in a security is same as of a Participant i.e. 10% of the market-wide position limits. The client level position limits for a security for each specific client shall not be more than 1% of the market-wide position limits. Client level positions limits shall be monitored on the combined positions for the same clients transacting through different participants.

Q65. What are the prescribed Position Limits on the NSE Bond Futures Segment?

Ans. The gross open positions of a TM across all Futures on 91 DAY GOI T-BILL contracts shall not exceed higher of 15% of the total open interest and Rs.1000 crores. Trading member and institutional client (including primary dealers) level position limit for Futures on overnight call rate (MIBOR) shall be higher of 15% of open interest or Rs.1000 Crores (200 contracts). The Position Limit for Cash Settled Interest Rate Derivatives on G-SEC within the 8-11 year maturity bucket shall be the higher of 10% of Open Interest and INR 1,200 crores for Banks and Primary Dealers, Mutual Funds (at AMC level), Insurance Companies, Pension Funds and Housing Finance companies; higher of 3% of Open Interest or INR 400 crores for Mutual Fund (Scheme level) and other clients; higher of 10% of Open Interest and INR1,200 crores for FPI Category I and FPI Category II (other than individuals, family offices and corporates) and higher of 3% of Open Interest and INR 400 crores for FPI Category II (individuals, family offices and corporates). The Position Limit for Cash Settled Interest Rate Derivatives on G-SEC within other maturity bucket shall be the higher of 10% of Open Interest and INR 600 crores for Banks and Primary Dealers, Mutual Funds (at AMC level), Insurance Companies, Pension Funds and Housing Finance companies; higher of 3% of Open Interest and INR 200 crores for Mutual Fund (Scheme level) and other clients; higher of 10% of Open Interest and INR 600 crores for FPI Category I and FPI Category II (other than individuals, family offices and corporates) and higher of 3% of Open Interest and INR 200 crores for FPI Category II (individuals, family offices and corporates). However, the total gross short (sold) position of each FPI in Interest Rate Derivatives contracts shall not exceed its long position in the government securities and in Interest Rate Futures, at any point of time.

Q66. What is 'Ban Period' in the Equity Derivatives Segment?

Ans. If the aggregate open interest of the security across Exchanges exceeds 95 per cent of the MWPL, no fresh positions shall be permitted for the said security from the subsequent trading day. The normal trading in the security shall be resumed only after the aggregate open outstanding position across Exchanges comes down to 80% or below of the MWPL. Violation of the no fresh position diktat shall attract penal action.

Close-out Facility

Q67. How does the Voluntary Close-out Facility work?

Ans. This facility enables CMs 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 i.e. Upper limit to move into Risk Reduction Mode (RRM) and Lower limit to move out of RRM. The limits can be modified intra-day provided the CM is not in RRM. CM shall be allowed to modify the lower limit in RRM.

Q68. Can TMs close-out positions on entering RRM?

Ans. On entering RRM, TMs shall be allowed to place close-out orders, which result in a reduction of existing open positions at client level. Trade modification shall not be permitted in RRM.

Q69. Can CMs close-out positions of TMs?

Ans. CMs can apply for a facility to close-out positions of TMs whose trading facility has been withdrawn for any reason. On activation of the same by NCL, the CM shall be able to place orders resulting in a reduction of existing open positions at that particular TM's client level.

	USD-INR	EUR-INR	GBP-INR	JPY-INR	EUR-USD	GBP-USD	USD-JPY	G-Sec (8-11 Year Maturity)	G-Sec (Other Maturities)	91 DTB	MIBOR
Bank Brokers	Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher For Bank trading member as authorized by RBI: Gross open position across	Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 50 million, whichever is higher.	Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 50 million, whichever is higher.	Gross open position across all contracts shall not exceed 15% of the total open interest or JPY 2000 million, whichever is higher.	Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 100 million, whichever is higher.	Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 100 million, whichever is higher.	Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher.				

	all contracts shall not exceed 15% of the total open interest or USD 1 billion, whichever is higher.										
Proprietary Bank Brokers	Gross open position across all contracts shall not exceed 15% of Open Interest of all FCYINR contracts or USD 200 million whichever is higher	Gross open position across all contracts shall not exceed 15% of Open Interest of all FCYINR contracts or USD 200 million whichever is higher	Gross open position across all contracts shall not exceed 15% of Open Interest of all FCYINR contracts or USD 200 million whichever is higher	Gross open position across all contracts shall not exceed 15% of Open Interest of all FCYINR contracts or USD 200 million whichever is higher	Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 100 million, whichever is higher.	Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 100 million, whichever is higher.	Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher.				

Non-Bank TM	Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher	Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 50 million, whichever is higher.	Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 50 million, whichever is higher.	Gross open position across all contracts shall not exceed 15% of the total open interest or JPY 2000 million, whichever is higher.	Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 100 million, whichever is higher.	Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 100 million, whichever is higher.	Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher.			The gross open positions of the Trading member across all contracts should not exceed 15% of the total open interest or Rs.1000 crores whichever is higher.	Trading member and institutional client (including primary dealers) level position limit shall be higher of 15% of open interest or Rs.1000 Crores (200 contracts)
Bank (As client, Not a TM)	Gross open position across all contracts shall not exceed 15% of the total open interest or										

	USD 100 million, whichever is higher										
Domestic Institutional investors (DIIs)					Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 100 million, whichever is higher.	Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 100 million, whichever is higher.	Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher.				Trading member and institutional client (including primary dealers) level position limit shall be higher of 15% of open interest or Rs.1000 Crores (200 contracts)
AD Category-I banks					Gross open position across all contracts shall not exceed	Gross open position across all contracts shall not exceed	Gross open position across all contracts shall not exceed				

					15% of the total open interest or EUR 100 million, whichever is higher.	15% of the total open interest or GBP 100 million, whichever is higher.	15% of the total open interest or USD 100 million, whichever is higher.				
Primary Dealers								10% of Open Interest or INR1,200 crore whichever is higher	10% of Open Interest or INR 600 crore whichever is higher	15% of Open Interest or INR 1000 crore whichever is higher	15% of Open Interest or INR 1000 crore (200 contracts) whichever is higher / Trading member and institutional client (including primary dealers) level position limit

											shall be higher of 15% of open interest or Rs.1000 Crores (200 contracts)
Mutual Funds (at AMC level)								10% of Open Interest or INR1,200 crore whichever is higher	10% of Open Interest or INR 600 crore whichever is higher	15% of Open Interest or INR 1000 crore whichever is higher	15% of Open Interest or INR 1000 crore (200 contracts) whichever is higher
Insurance Companies								10% of Open Interest or INR1,200 crore whichever is higher	10% of Open Interest or INR 600 crore whichever is higher	15% of Open Interest or INR 1000 crore whichever is higher	15% of Open Interest or INR 1000 crore (200 contracts) whichever is higher
Pension Funds								10% of Open Interest or	10% of Open Interest or INR	15% of Open Interest or INR	15% of Open Interest or INR

								INR1,200 crore whichever is higher	600 crore whichever is higher	1000 crore whichever is higher	1000 crore (200 contracts) whichever is higher
Housing Finance companies								10% of Open Interest or INR1,200 crore whichever is higher	10% of Open Interest or INR 600 crore whichever is higher	15% of Open Interest or INR 1000 crore whichever is higher	15% of Open Interest or INR 1000 crore (200 contracts) whichever is higher
Mutual Fund (Scheme level)								3% of Open Interest or INR 400 crore whichever is higher	3% of Open Interest or INR 200 crore whichever is higher	6% of Open Interest or INR 300 crore whichever is higher	6% of Open Interest or INR 300 crore whichever is higher
Other Clients	6% of Open Interest or USD 20 million whichever is higher	6% of Open Interest or EUR 10 million whichever is higher	6% of Open Interest or GBP 10 million whichever is higher	6% of Open Interest or JPY 400 million whichever is higher	6% of Open Interest or EUR 10 million whichever is higher	6% of Open Interest or GBP 10 million whichever is higher	6% of Open Interest or USD 10 million whichever is higher	3% of Open Interest or INR 400 crore whichever is higher	3% of Open Interest or INR 200 crore whichever is higher	6% of Open Interest or INR 300 crore whichever is higher	6% of Open Interest or INR 300 crore whichever is higher

Proprietary Non – Bank Brokers	15% of Open Interest or USD 50 million whichever is higher / 15% of Open Interest of all FCYINR contracts or USD 100 million whichever is higher	15% of Open Interest or EUR 25 million whichever is higher / 15% of Open Interest of all FCYINR contracts or USD 100 million whichever is higher	15% of Open Interest or GBP 25 million whichever is higher / 15% of Open Interest of all FCYINR contracts or USD 100 million whichever is higher	15% of Open Interest or JPY 1000 million whichever is higher / 15% of Open Interest of all FCYINR contracts or USD 100 million whichever is higher	15% of Open Interest or EUR 50 million whichever is higher	15% of Open Interest or GBP 50 million whichever is higher	15% of Open Interest or USD 50 million whichever is higher				
FPI Category I	Gross open position across all contracts shall not exceed 15% of the total open	Gross open position across all contracts shall not exceed 15% of the total open	Gross open position across all contracts shall not exceed 15% of the total open	Gross open position across all contracts shall not exceed 15% of the total open	Gross open position across all contracts shall not exceed 15% of the total open	Gross open position across all contracts shall not exceed 15% of the total open	Gross open position across all contracts shall not exceed 15% of the total open	10% of Open Interest or INR1,200 crore whichever is higher	10% of Open Interest or INR 600 crore whichever is higher		

	interest or USD 100 million, whichever is higher	interest or EUR 50 million, whichever is higher	interest or GBP 50 million, whichever is higher	interest or JPY 2000 million, whichever is higher	interest or EUR 100 million, whichever is higher	interest or GBP 100 million, whichever is higher	interest or USD 100 million, whichever is higher.				
FPI Category II (other than individuals, family offices and corporates)	Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher	Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 50 million, whichever is higher	Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 50 million, whichever is higher	Gross open position across all contracts shall not exceed 15% of the total open interest or JPY 2000 million, whichever is higher	Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 100 million, whichever is higher	Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 100 million, whichever is higher	Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher.	10% of Open Interest or INR1,200 crore whichever is higher	10% of Open Interest or INR 600 crore whichever is higher		
FPI Category II (individuals ,	Gross open position across all contracts shall not	Gross open position across all contracts shall not	Gross open position across all contracts shall not	Gross open position across all contracts shall not	Gross open position across all contracts shall not	Gross open position across all contracts shall not	Gross open position across all contracts shall not	3% of Open Interest or INR 400	3% of Open Interest or INR 200		

family offices and corporates)	exceed 6% of the total open interest or USD 20 million, whichever is higher	exceed 6% of the total open interest or EUR 10 million, whichever is higher	exceed 6% of the total open interest or GBP 10 million, whichever is higher	exceed 6% of the total open interest or JPY 400 million, whichever is higher	exceed 6% of the total open interest or EUR 10 million, whichever is higher	exceed 6% of the total open interest or GBP 10 million, whichever is higher	exceed 6% of the total open interest or USD 10 million, whichever is higher.	crore whichever is higher	crore whichever is higher		
--------------------------------------	---	--	---	--	---	---	--	---------------------------------	---------------------------------	--	--