

NSE Clearing Limited

Department : FUTURES AND OPTIONS SEGMENT

Download Ref No: NCL/CMPT/56496

Date : April 26, 2023

Circular Ref. No: 060/2023

All Members,

Sub: Short Allocation of Collaterals

This is with reference to SEBI circular no SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021, and consolidated circular no NCL/CMPT/55098 dated January 02, 2023 circular no NCL/CMPT/51658 dated March 17, 2022 and circular no NCL/CMPT/55689 dated February 20, 2023

Members may note that monitoring of short allocation shall be undertaken as under

- Minimum client margin collection requirement less client collateral value in the segment (only where client margins are greater than client collateral value) shall be considered short allocation. For this purpose, minimum client margin collection will mean margins required to be collected on upfront basis, excluding margins which can be collected by T+1/T+2.
- Client collateral value in the segment for this purpose shall be collateral value allocated by the CM to the client in the segment + value of securities repledged at Clearing Corporation for that client in the segment (value shall be after applying all prudential norms of Clearing Corporation other than 50:50 requirement).
- Such monitoring of short allocation shall happen intraday at the time of peak margin snapshot and at end of day.
 - Client level short allocation shall be computed intra-day based on the peak margin snapshot in the segment and client collateral value in the segment at the time of the respective peak margin snapshot. Details shall be provided in F_SA01/02_P_<member code>_DDMMYYYY Y_i01/02/i03/i04
 - Client level short allocation shall be computed at end of day based on the EOD minimum upfront margins required to be collected based on bod parameters and client collateral value at EOD. Details shall be provided in C_SA01/02_<member code>_DDMMYYYYYY.
- While assessing the intraday/EOD short allocation, Clearing Corporation will check for availability of excess collateral (allocation and value of pledged securities over and above minimum margin) in other segments for the same TM-UCC (whether with same clearing member or otherwise) or CP. Clearing Corporation shall reduce such excess collateral available in other segments from the intraday/EOD short allocation before calculation of applicable penalty. For this purpose, the snapshots across segments for the same time

window shall be considered e.g. shortfall for snapshot 1 will be checked against excess deposit in other segment in snapshot 1 only and will not be offset against excess deposit in any other snapshot or at EOD.

- The maximum amount of short allocation across all snapshots and EOD shall be considered as short allocation and the same shall be provided after considering excess collateral in other segments, if any in F_SA04/05/_<member code>_DDMMYYYY. The information on the snapshot number/EOD which has been considered as maximum amount shall be provided in the snapshot field.
- In case of instances of Intraday/ EOD short allocation; members shall have an opportunity to report amount of client collateral available with permitted reasons. In case of such reporting, penalty will not be applicable.
- Members shall have an opportunity to report amount of client collateral available against such segment wise short allocation due to below mentioned reasons, along with reason codes:

Reason Code	Particulars
01	Excess collateral available in another CC
02*	Value of securities EPI has been done by end of day to CC in CM Segment (Applicable only for intra-day shortfall where snapshot field is other than E)
03	Trades executed in wrong client code codes (Applicable only for intra-day shortfall where snapshot field is other than E)
05	Allocation request submitted to CC however allocation request accepted later (Applicable only for intra-day shortfall where snapshot field is other than E)
06	Securities are repledged by CM to CC in the depository but not yet processed by CC. (Applicable only for intra-day shortfall where snapshot field is other than E)

*** Members can only report margins for securities sold for which EPI has been done subsequent to sale in CM segment and the collateral blocked towards such sale transactions was used towards margin requirement in FO segment. Please note that value of credit entry posted in client ledger in lieu of successful EPI to CC should not be reported.**

- Such reporting shall be done by TMs for clients and by CMs for TM proprietary and CP clients on NMASS. There shall be no change in format for reporting the short allocation.
- In case false reporting, penalty as applicable on false margin reporting will be applicable.
- Clearing Corporation shall compute revised short allocation amount after adjusting for the aforementioned reporting and shall be considered for levying the penalty.
- Members may refer to circular no NCL/CMPT/53919 dated September 30, 2022 for reporting procedures.

The above changes including penalty for intra-day short allocation shall be applicable from trade date May 02, 2023.

Members are requested to take note of the above.

**For and on behalf of
NSE Clearing Limited**

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Senior Vice President

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