

DEPARTMENT : CAPITAL MARKET SEGMENT

Download Ref No: NCL/CMPT/42900

Date : December 12, 2019

Circular Ref. No: 369/2019

All Members,

Sub: Collection and reporting of margins by Trading Member (TM) /Clearing Member (CM) in Cash Segment

This is with reference to SEBI Circular no CIR/HO/MIRSD/DOP/CIR/P/2019/139 dated November 19, 2019 and in partial modification of Item 10 pertaining to Margins of our consolidated circular no.003/2019 (Download Ref No: NCL/CMPT/39831) dated January 01, 2019.

1. Collection and Reporting of Margins

- Trading Members (TMs) /Clearing Members (CMs) in Capital Market segment shall be required to mandatorily collect upfront VaR margins and Extreme Loss Margins (ELM) from their clients/TMs.
- The TMs/CMs will have time till 'T+2' working days to collect other margins (except VaR margins and ELM) from their clients/TMs. (The clients/TMs must ensure that the VaR margins and ELM are paid in advance of trade and other margins are paid as soon as margin calls are made by the TMs/CMs.) The period of T+2 days has been allowed to TMs/CMs to collect margin from clients taking into account the practical difficulties often faced by them only for the purpose of levy of penalty and it should not be construed that clients have been allowed 2 days to pay margin due from them.
- If the TMs/CMs has collected adequate initial (upfront) margins from the client to cover the potential losses over time till pay-in, TMs/CMs need not collect Mark To Market losses (MTM) from the client/TMs. Otherwise, TMs/CMs shall be required to collect MTM from their clients/TMs by T+2 day.
- TMs/CMs shall be required to report a single consolidated value comprising of VaR margin, ELM, additional margins and MTM collected
- It shall be mandatory for all TMs /CMs to report details of such margins collected to the Clearing Corporation in accordance with the procedure and formats specified hereunder or as may be specified by the Clearing Corporation from time to time

2. Procedure for Reporting of Margins

2.1. Files to be provide to members

Clearing Corporation shall provide client /TM/CP wise details of end of day margins on a daily basis to TMs/CMs/Custodian namely MG12 for CMs/Custodian and MG 13 for TMs. The format of the files to be downloaded are provided in **Annexure 1**

2.2. Files to be submitted by the member

- TMs/CMs/Custodian shall be required to be upload reporting files through the Nsccl – MASS using the client margin file upload menu. (Nsccl –MASS >Client Margin>File upload).
- TMs/CMs/Custodian shall be able to upload client margin reporting files at any time during the day through Nsccl –MASS.

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- The facility of uploading the files through the extranet server in the directory /CMFTP/C<MEMBERCODE>/COLAT/UPLD shall also be available to TMs/CMs.
- The details of file upload are provided in **Annexure 2**

2.3. Return files to the members

- A return file shall be generated for all files uploaded by the TMs/CMs/Custodian for client margin reporting with the correct naming convention. TMs/CMs/Custodian can download return file through Nsccl –MASS using the client margin file download menu. The return file for member shall also be placed in the extranet directory /CMFTP/C<MEMBER CODE>/COLAT/DNLD for TMs/CMs.
- In case of any errors in the file, TMs/CMs/Custodian would be able to correct the same and upload the same with incremental batch number anytime prior to sign off date.
- The details of return files to be downloaded is provided in **Annexure 3**

1. Custodial Transactions

- TMs/CMs/Custodian shall be exempted from collecting upfront margins in respect of Institutional transactions. Institutional transactions shall mean transactions done on behalf of Institutional investors as specified in point 10.11 of Part B of our consolidated circular no.003/2019 (Download Ref No: NCL/CMPT/39831)
- Margins levied on Institutional transactions on T+1 day shall be required to be collected and reported by the Custodians who have confirmed such Institutional transactions
- In respect of non-institutional custodial transactions, the margin collection and reporting shall be done by the executing TMs for the margins applicable on T day and by the Custodians post confirmation for the margins applicable on T+1 day
- In respect of custodial transactions not allocated/rejected/not accepted by the custodians, such positions shall be considered as own transactions of the TMs who have executed the transactions and the margins shall be levied on such TMs

2. Early Pay-in of Securities and Funds

- TMs/CMs/Custodian shall be exempted from collecting upfront margins in respect of positions for which early pay-in of securities/early pay-in of funds (EPI) is made prior to the settlement. For such cases the margins shall be reduced to the extent of EPI received
- Only in cases where TMs/CMs/Custodian have provided details of client/TMs/CPs for allocation of EPI shall be considered for exemption of margin reporting
- In case where TMs/CMs/Custodian have made EPI but not provided allocation of EPI for client/TMs/CPs, such EPI shall not be considered while generating end of day client margin reporting files for TMs/CMs/Custodian
- TMs/CMs/Custodian may refer to point 10.16 and 10.17 of Part B of our consolidated circular no.003/2019 (Download Ref No: NCL/CMPT/39831) for detailed provision of providing client level EPI allocation

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3. Sign-off date

The cut off day upto which a TMs/CMs/Custodian may report client margin details to the Clearing Corporation is referred to as the sign off date. It shall be 5 working days after the trade date i.e. TMs/CMs/Custodian shall be allowed to upload client margin reporting file up to T+5 working days.

4. Non-reporting/ non submission of client margin:

All instances of non-reporting of client margins by the TMs/CMs/Custodian shall be treated similar to and as 100% short reporting of client margins and accordingly penalties shall be imposed.

5. Penalty for short / non-reporting of client margin:

Penalty shall be levied in case of short/ non-reporting by TMs/CMs/Custodian as per **Annexure 4**. Penalty for short/non reporting of client margins shall be applicable from trade date April 01, 2020

6. No Margin Liability

TMs/CMs/Custodian who have no margin liability i.e. all margins are zero, shall not receive any margin file. If the clients/TMs/CPs of TMs/CMs/Custodian do not have any margin liability i.e where all margins are zero for a client, such clients shall not be reflected in MG 12 and MG 13 files.

The abovementioned changes shall be applicable from trade date January 01, 2020.

Members are requested to take note of above.

**For and on behalf of
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Annexure- 1

Format of File to be downloaded to TMs/CMs/Custodian

1. Detailed margin file for Clearing Member/Custodian (MG12)

Naming convention - C_MG12_<MEMBER CODE>_DDMMYYYY.LIS.gz

File location: For CMs - CMFTP/C<MEMBERCODE>/REPORTS

For Custodians - NMASS -> File Mgmt -> File Download

File details and format:

Trade date

Trading member /Custodial participant code

VAR margin

Extreme Loss margin

Additional margin

MTM Loss

Total margin (VAR margin + Extreme Loss margin+ Additional margin + MTM Loss)

2. Detailed margin file for Trading Member (MG13)

Naming convention - C_MG13_<MEMBER CODE>_DDMMYYYY.LIS.gz

File location: For TMs - CMFTP/C<MEMBERCODE>/REPORTS

File details and format:

Trade date

Client Code

VAR margin

Extreme Loss margin

Additional margin

MTM Loss

Total margin (VAR margin + Extreme Loss margin+ Additional margin + MTM Loss)

Client/Proprietary Flag

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Annexure- 2
Uploading of Files for Client Margin Report

- The name of the file to be uploaded by the TMs shall be C_MRG_TM_<DDMMYYYY>_nn.CSV and that by the CMs/Custodian shall be C_MRG_CM_<DDMMYYYY>_nn.CSV where:
<DDMMYYYY> is the trade date, TM = Trading Member, CM = Clearing Member/Custodian and ‘nn’ is the batch number of the file
- TMs/CMs/Custodian are requested to take note of the following whilst uploading the client margin reporting files:
 - TMs/CMs/Custodian are not required to provide member code in the file name
 - TMs/CMs/Custodian are required to provide batch number in every file they upload starting with 01. Thereafter subsequent files are required to have incremental batch numbers viz 02, 03 etc up to maximum of 99. This would enable TMs/CMs/Custodian to send multiple files for the same trade date with incremental batch numbers. Where multiple files are uploaded by the TMs/CMs/Custodian for a trade day, the information of client margin collected as provided in the file with latest batch number for the trade date would be considered as final by the Clearing Corporation.
 - If a member uploads a file with incorrect name, such files shall not be picked up by the Clearing Corporation. In case of files uploaded through the extranet the same file shall be renamed as “<filename>.failed” in the respective member folder in order to facilitate members to ascertain file upload failure.
 - Zero byte uploaded through the Nsccl –MASS shall not be accepted. In case of zero byte files uploaded through the extranet the same file shall be renamed as “<filename>.failed” in the respective member folder.
 - In case the files are made by customised software at user end, TMs/CMs/Custodian may note that a new line character has to be present in the last record in order to ensure proper processing.
 - TMs/CMs/Custodian are requested to refer to the return file every day for the short reporting of margins and initiate necessary corrective actions to ensure that the margins are collected and reported upfront.
- TMs/CMs/Custodian may note the following procedure for providing client margin details:
 - Each row of the margin file MG12 shall provide the details of VaR margin, ELM, additional margins and MTM losses for a proprietary account of trading member and custodian participants. The files shall contain total margin applicable for each associated Trading Member/Custodial Participant.

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- Each row of the margin file MG13 shall provide the details of VaR margin, ELM, additional margins and MTM losses for reporting purpose for a specific client code, as per the code entered by the members at the time of order entry.
- In case of a mark to market profit for a client/TMs/CPs the value for MTM losses shall be populated as zero.
- TMs/CMs/Custodian are required to add a comma and report a single consolidated value comprising of the actual amount collected from that client/TMs/CPs as the case may be.
- This figure for amount collected, appended by TMs/CMs/Custodian should not be negative.
- TMs/CMs/Custodian are required to ensure that no information provided in the file is modified. Any modification shall result in such record being rejected by the Clearing Corporation.

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**Annexure- 3
Return Files for Client Margin Report**

- Two types of return files are generated for the members
 - a) Rejected Files - where the whole file has been rejected
 - b) Processed File Records - where some or all records in the file have been rejected

a) Rejected Files

- File Naming convention: C_MRG_TMF_MEMBERCODE_<DDMMYYYY>_nn.CSV for TMs and C_MRG_CMF_MEMBERCODE_<DDMMYYYY>_nn.CSV for CMs/Custodians

Some reason for which a file may be rejected are mentioned as under

- File loaded after the sign off date - TMs/CMs/Custodian shall be permitted to upload client margin reporting file up to T+5 working days. Such files would be rejected with the reason “File is not being processed as file upload date is greater than sign off date”.
- File loaded for future date - If the uploaded file is for December 12, 2019 on December 11, 2019, then the return file would indicate the rejection reason as ‘File is not being processed as file date is greater than system current date’.
- Uploads file for an invalid day - If a TMs/CMs/Custodian is not required to report the client margin file for a day (say Saturday, Sunday, holiday etc.) and still uploads the same, then the return file would be rejected with the message ‘File is not being processed as the TMs/CMs/Custodian code is invalid for the file date’.
- TMs/CMs/Custodian uses non-serial batch number in file name - If the batch number provided by the TMs/CMs/Custodian for a trade date is not in sequence, for example if the member has uploaded two files for the trade date December 12, 2019 with file names C_MRG_TM_12092019_01.CSV and C_MRG_TM_12092019_03.CSV, the second file would be rejected with error message ‘File is not being processed as file batch number is not proper. Last successful batch no for the day was 01’.
- File in wrong format - If the TMs/CMs/Custodian has provided a file which cannot be read by the system for example- non csv file, then return file would be rejected with the message ‘File is not being processed as the file is not in format’.

b) Processed File Records –

- File Naming Convention: C_MRG_TMR_MEMBER CODE_<DDMMYYYY>_nn.CSV for TMs and C_MRG_CMR_MEMBER CODE_<DDMMYYYY>_nn.CSV for CMs/Custodian
- After processing of client margin file, each record would have a reason code indicating acceptance/ rejection, as the case may be. The details of reason codes are as follows:

<i>Reason Code</i>	<i>Description</i>
01	Record size does not match for e.g. extra comma in the record

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02	Date in record does not match with file date
03	Record is altered i.e. matching record does not exist in MG-13/MG-12 file. Possible error in date/ client code/ margin amount
04	Record pertains to proprietary position for trading member
05	Record pertains to proprietary position for clearing member
06	Margin amount collected is negative or non numeric.
07	Insufficient Margin
08	Sufficient Margin

- For reason codes 01 to 06, the difference amount, would not be indicated in the return file. However for reason codes 07 and 08, the difference amount would be indicated.
- If the record contains multiple errors for e.g. reason code 01 as well as 06, the reason code which is the lowest in number would appear against the record i.e. reason code 01.

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Annexure 4**Penalty for short reporting of client margin reporting**

The following penalty shall be levied in case of short reporting by TMs/CMs/Custodian per instance.

Short collection for each client/TM/CP	Penalty percentage
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5%
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1.0%

- If short/non-collection of margins for a client/TM/CP continues for more than 3 consecutive days, then penalty of 5% of the shortfall amount shall be levied for each day of continued shortfall beyond the 3rd day of shortfall.
- If short/non-collection of margins for a client/TM/CP takes place for more than 5 days in a month, then penalty of 5% of the shortfall amount shall be levied for each day, during the month, beyond the 5th day of shortfall.
- Notwithstanding the above, if short collection of margin from clients/TM/CP is caused due to movement of 3% or more in the Nifty50 index (close to close) on a given day, (day T), then, the penalty for short collection shall be imposed only if the shortfall continues to T+2 day.
- All instances of non-reporting are treated as 100% short reporting for the purpose of levy of penalty.
- In case of short reporting by TM the details of penalty at client level shall be provided as per the report PNL01. In case of short reporting by CM/Custodian the details of penalty at trading member/CP level shall be provided as per report PNL02.
- The above penalties shall be collected from the CMs/Custodian by debiting the settlement account with designated primary clearing bank in Capital Market Segment on a monthly basis. The details of penalty levied on the affiliated TM shall be provided to CM as per report PNL03. Penalty applicable for the trade dates of the calendar month shall be collected by the tenth working day of the subsequent calendar month