Department : FUTURES AND OPTIONS SEGMENT	
Download Ref No: NCL/CMPT/51658	Date : March 17, 2022
Circular Ref. No: 030/2022	

All Members,

Sub: Segregation and Monitoring of Collateral at Client Level

This is with reference to SEBI circular no SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021. The following framework for segregation and monitoring of collateral at client level shall be implemented

A. Addition of Collaterals

- There shall be no change in the procedures pertaining to placing of securities as collateral through the margin pledge/re-pledge mechanism in the Depository system.

- There shall be no change in the procedures for depositing Cash, Fixed Deposits (FDs), Bank Guarantees (BGs) or Government Securities provided through the SGL/CSGL route (Hereinafter referred to as "Other forms of collateral").

- While depositing other forms of collateral, the Clearing Members (CMs) shall allocate these collaterals into proprietary account of CM, and/or proprietary account of any Trading Member (TM) clearing through the CM, and/or account of any of the clients (including Custodial Participants (CPs)) clearing through the CM, and/or of any of the clients trading through the TM who in turn is clearing through the CM, segment-wise.

- The benefit for the other forms of collateral deposited shall be provided by NSE Clearing only after receiving the allocation of the same from the CM.

- The amount of collateral allocated shall not exceed the amount of collateral received by the TM/CM from the client and reported as such under the client collateral reporting mechanism. Also, the allocation of collateral shall not be lower than the amount of collateral (except securities collateral re-pledged) reported under the client collateral reporting mechanism as having been passed on by the CM to NSE Clearing.

- CMs shall also perform the aforementioned checks in respect of the allocation received by them from the TMs clearing through them.

- The total allocation by CM cannot exceed the total other form of collateral deposited by the CM with NSE Clearing.

- The allocation provided by the CM to NSE Clearing shall be considered as final by NSE Clearing for the purpose of granting exposure and utilization during default.

- The detailed procedure for addition and allocation of various forms of collateral (other than securities placed through margin pledge mechanism) is specified in **Annexure 1.**

B. Collateral Valuation

- CMs are required to maintain at least 50% of the total collateral in the form of cash or cash equivalents. For the purpose of monitoring of at least 50% cash-equivalent collateral at the level of CM, the excess cash-equivalent collateral of a client shall not be considered for other client or for proprietary account of TM/CM. However, the excess cash-equivalent collateral of proprietary account of TM/CM shall be considered for clients trading/clearing through them, for the purpose of monitoring minimum 50% cash-equivalent requirement. An example for the same is provided in **Annexure 2.**

C. Blocking of Margins and Monitoring

- The procedure for blocking of margins only specifies the order of blocking of collateral available with NSE Clearing. There shall be no change in the requirement of collection of upfront margins by the TM/CM. The TM/CM shall be required to ensure that sufficient collateral is allocated to clients to cover their margin collection requirements.

- The terms "Client Collateral", "TM Collateral", "CP Collateral" and "CM Collateral" shall mean the total of the allocated collateral value plus the value of securities collateral provided through margin pledge/re-pledge by any individual client, TM, CP and CM respectively to NSE Clearing. The TM/CM collateral shall mean the proprietary collateral of the TM/CM only and shall not include the collateral of any of their clients.

- 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.

- Margins based on trades from proprietary account of the CM shall be blocked from the proprietary collateral of the CM only.

- Example of blocking of margins is provided at **Annexure 3**.

For monitoring of the risk reduction mode (90% utilization) and margin violation, the following procedure shall be adopted:

- TM level risk reduction mode: Client margin in excess of 90% of the client collateral shall be identified for each client under a TM. The total of such client margin in excess of 90% of the client collateral, plus the proprietary TM margin shall be assessed against the TM proprietary collateral for monitoring of TM level risk reduction mode.

- CM level risk reduction mode: 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.

- Example for monitoring of risk reduction mode is provided at **Annexure 4.**

D. Handling of CP Trades

- In case of CP trades executed by TMs, the margin shall be blocked in the following order-
    - i.   CP collateral through the executing TM, if any,
    - ii. Residual margin from the proprietary collateral of the executing TM (if TM is different than CM), and
    - iii. Residual margin from the proprietary collateral of the CM of the executing TM.
- Upon confirmation of trades by CM of the CP, the margin so blocked prior to the confirmation shall be released, and shall be blocked in the following order-
    - i. CP collateral through the confirming CM, and
    - ii. Residual margin from the proprietary collateral of the confirming CM.
- In case of CP trades, the requirement to ensure that sufficient collateral is allocated to CP clients to cover their margin requirements shall be on the confirming CM.
- However, if the trade is confirmed under the auto approval facility, then margin shall be directly blocked in the following order- (i) CP collateral through the confirming CM, and (ii) residual margin from the proprietary collateral of the confirming CM
- CMs can enable auto approval facility for a CP in the Limit and Enablement module available in N-Mass

E. Change of allocation

- CMs shall be permitted to change the allocation of other forms of collateral deposited with NSE Clearing (including change to another segment where the member is CM). CMs to ensure that the value allocated to any TM/CP/client does not exceed the value of actual collateral received from that TM/CP/client (excluding the securities collateral through margin pledge mechanism and repledge to NSE Clearing). However, such change of allocation shall be permitted subject to adequacy of available collateral with NSE Clearing after the change vis-à-vis the margin obligation of CM/TM/CP/Client. Example for change in allocation is provided at **Annexure 5.**

F. Client Margin Reporting
There shall be no change in the client margin reporting process.

G. Settlement
There shall be no change in the settlement process.

H. Withdrawal of collateral

- There shall be no change in process for requesting and release of securities placed as collateral through the margin pledge/re-pledge mechanism in the Depository system.
- There shall be no change in process for requesting for release of other form of collateral. However, such collateral shall be released only if sufficient amount is available as un-

allocated collateral. Accordingly, CMs shall ensure that sufficient amount is un-allocated prior to placing release request for other forms of collateral.

- CMs can un-allocate collateral using the process specified in **Annexure 5.**
- In case of collateral provided in the form of BGs and FDRs; the value of the matured BG/FDR shall be reduced from CM's collateral as per the existing process. Due to this, the CMs may go into risk reduction mode because of reduction in the collateral limits.

I. Deemed allocation and Short Allocation monitoring

- CMs shall ensure that sufficient collateral is allocated to TM Prop/CP/clients to cover their margin requirements. However, if the margin applicable at NSE Clearing for a TM Prop/CP/client in a segment exceeds the collateral allocated to the TM Prop/CP/client plus the securities collateral re-pledged to NSE Clearing (from that TM Prop/CP/client's account) in the respective segment, then the proprietary collateral of the TM/CM shall be blocked (including re-pledged/pledged securities and allocated collateral). Such margin blocked from the proprietary collateral towards a TM Prop/CP/client's margin shall be deemed to have been the collateral allocated to that TM Prop/CP/client. This provision shall include deemed allocation of TM's proprietary collateral towards client margins and deemed allocation of CM's proprietary collateral towards TM Prop/CP/client margins. Examples for deemed allocation has been provided in **Annexure 3.**
- CMs shall ensure that allocated collateral plus value of securities collateral re-pledged to NSE Clearing for a TM Prop/CP/client is at all times greater than or equal to the minimum margin collection requirement for the respective TM Prop/CP/client in the respective segment.
- In case where the allocated collateral plus the securities collateral re-pledged to NSE Clearing in respect of a TM Prop/CP/client, is falling short of minimum margin collection requirement in the respective segment same shall be considered as short allocation and shall be subject to penalty.
- The detailed procedure for monitoring and levy of penalty for short allocation has been provided in **Annexure 6**

J. Changes in Reports
List of new reports and reports undergoing format change (along-with revised formats) are listed in **Annexure 7**

Members are requested to take note of the above.

For and on behalf of
NSE Clearing Limited
(Formerly known as National Securities Clearing Corporation Limited)

Huzefa Mahuvawala
Vice President

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Annexure 1
Addition and Allocation of Collateral

- CMs shall follow the existing process for addition of Cash, FDR and BG as collateral
- All Cash, FDR and fungible BGs placed towards margin deposit shall be available as common pool for allocation to CM Prop/TM Prop/CP/Clients.
- CMs can use the file upload mechanism as per the format specified in circular no NCL/CMPT/50217 dated November 03, 2021 or API mechanism as per the format specified in circular no NCL/CMPT/51180 dated January 31, 2022 for allocation of collateral from common pool to CM Prop/TM Prop/CP/Clients in any segment where the member is a CM.
- The amount mentioned in the file would be the final allocation requested amount for the mentioned combination. Accordingly, the value provided in the file shall replace the previous values for the mentioned combination.
- Any amount added as collateral and not allocated shall remain as un-allocated collateral in the common pool. No exposure for the same shall be provided to any entity for such un-allocated collateral.
- CMs shall provide records for allocation only where there is change in the value of allocation. In order to avoid rejections of file/API CMs shall ensure that records where there is no change in value of allocation are not included.
- CMs shall upload the file allocation in NMASS in Collateral Management module under File allocation menu. CMs can use intra-day/immediate options for intra-day change allocation. Any allocation which is expected to be modified at EOD shall be uploaded by selecting EOD option. All allocations uploaded under EOD options shall be processed at the time of EOD collateral release
- Cash, FDR and BG provided towards Exchange membership deposit shall be allocated to respective CM/TM Prop collateral in the respective segment
- In case of non-fungible BGs the same shall be permitted to be allocated by the CMs to CM Prop/TM Prop/CP/Clients in the same segment where the BG has been added

Procedure for allocating G-Sec placed through E-Kuber system

- CM at time of placing request for addition of G-Sec in Collateral Interface for Members (CIM) shall also be required to allocate the face-value of such G-Sec to CM Prop/TM Prop/CP/Client in respective segment.
- The net-value based on the valuation price and post haircut of such face-value of G-Sec allocated to CM Prop/TM Prop/CP/Client shall be added to the allocated collateral of the respective CM Prop/TM Prop/CP/Client in the respective segment.

1. Examples for allocation of fresh collateral

CM adds following collateral

> Cash – Rs 1,00,00,000
> FDR - Rs.5,00,00,000
> BG – Rs 3,00,00,000
> Total – Rs 9,00,00,000

Current and Proposed Allocation

Entity	Amount already Allocated	Amount Proposed to be allocated
CM 1 Prop	10,00,00,000	11,00,00,000
CP 1	3,00,00,000	3,50,00,000
TM XYZ Prop	4,00,00,000	5,00,00,000
TM XYZ Cli ABC	0	1,00,00,000
TM XYZ Cli DEF	50,00,000	1,00,00,000
TM 123 Prop	5,00,00,000	7,00,00,000
TM 123 Cli 456	50,00,000	3,50,00,000
Total	**23,00,00,000**	**32,00,00,000**

The file to be uploaded by the CM shall have following records

Current Date	Seg	CM Code	TM Code	CP Code	Cli Code	Acc Type	Amount	Filler1	Filler2	Filler3	Filler4	Filler5	Filler6	Action
01-Mar-22	FO	CM1				P	11,00,00,000							U
01-Mar-22	FO	CM1		CP1		C	3,50,00,000							U
01-Mar-22	FO	CM1	XYZ			P	5,00,00,000							U
01-Mar-22	FO	CM1	XYZ		ABC	C	1,00,00,000							U
01-Mar-22	FO	CM1	XYZ		DEF	C	1,00,00,000							U
01-Mar-22	FO	CM1	123			P	7,00,00,000							U
01-Mar-22	FO	CM1	123		456	C	3,50,00,000							U

Validations

- Response code shall be populated in the field "**Error Code**" in the return file. It shall be of below format
- First four characters (Field Identifier): refers to specific field or the entire message
- Next characters (Validation code): refers to specific validation failure or success. Success code shall be populated only on successful acceptance of the record.

Field Identifier

Sr. No.	Field Name	Field Code
1	Entire Record	0105
2	Current Date	0107
3	Segment	0108
4	CM Code	0109
5	TM Code	0110
6	CP Code	0111
7	Client Code	0112

Sr. No.	Field Name	Field Code
8	Account Type	0113
9	Amount	0114
10	Action	0115
11	Filler1	0116
12	Filler2	0117
13	Filler3	0118
14	Filler4	0119
15	Filler5	0120
16	Filler6	0121

Validation Codes:

Sr. No.	Validation	Validation Type	Validation Code	Validation performed on Field
1	Submitted to server successfully.	Message Level	NA	NA
2	Status Request Rejected due to higher margin utilization - 0103 Request partially accepted due to higher margin utilization – 0104 Request accepted successfully - 0100 Processing - 0102	Request level	0103 0104 0100 0102	Entire request
3	Minimum Required Length	Generic	0201	All Fields
4	Maximum Required Length	Generic	0202	All Fields
5	Range validation	Generic	0203	All Fields
6	Mandatory Field	Generic	0204	All Fields
7	Special Characters not allowed	Generic	0205	All Fields
8	Data Format like Msg Id or File Name/ Date Format	Generic	0206	All Fields
9	Minimum allowed value	Generic	0207	All Fields
10	Maximum allowed value	Generic	0208	All Fields
11	Invalid Value	Generic	0209	All Fields
12	Duplicate MsgID /File Name	Generic	0210	All Fields
13	Service Unavailable	Generic	0212	NA

Sr. No.	Validation	Validation Type	Validation Code	Validation performed on Field
14	System Error	Generic	0213	NA
15	Number of records	Generic	0214	Number of records submitted is greater than configured allowed records per request
16	Current Date	Field	0217	Current Date
17	Segment Valid segment CM FO CD DT SLB	Field	0218	Segment
18	Primary Member Code	Field	0219	CM Code
19	Trading Member Code Should be the part of valid CM-TM link of specified segment	Field	0220	TM Code
20	CP code Should be the part of valid CM-TM link of specified segment	Field	0221	CP Code
21	Account Type P – Prop C - Cli	Field	0222	Account Type
22	Upward or downward	Field	0224	Action
23	No Margin Found	Field	0122	
24	Insufficient allocation amount	Field	0123	Amount

Annexure 2
Monitoring of the minimum 50% cash-equivalent collateral requirement

Consider the following example of collateral provided by various entities under a CM. Suppose the securities are pledged in the same sequence as the rows in the following table.

Entity	Cash-equivalent (A)	Non-cash (B)	Excess cash-eq. If(A>B,A-B,0)	Excess noncash If(B>A,B-A,0)
CM Prop	100	40	60	0
TM-1 Prop	0	0	0	0
TM-1 Cli-1	200	250	0	50
TM-1 Cli-2	70	10	60	0
TM-1 Cli-3	70	100	0	30
TM-2 Prop	300	200	100	0
TM-2 Cli-4	70	90	0	20
TM-2 Cli-5	50	100	0	50

Considering TM-1, the excess cash-equivalent collateral of TM-1 Cli-2 cannot be used to offset the excess non-cash collateral of TM-1 Cli-1 and TM-1 Cli-3. Therefore, there will be excess non-cash collateral to the extent of 80 (50 for Cli-1 and 30 for Cli-3) under TM-1.

Considering TM-2, the excess proprietary cash-equivalent collateral of TM-2 can be used to offset the excess non-cash collateral of TM-2 Cli-4 and TM-2 Cli-5. Therefore, there will be no excess noncash collateral under TM-2.

Summary of excess cash-equivalent and excess non-cash collateral under CM prop, TM-1 and TM-2 would be as under:

Entity	Excess Cash-eq	Excess noncash
CM Prop	60	-
TM-1	-	80
TM-2	30	-

The excess cash-equivalent collateral of TM-2 cannot be used to offset the excess non-cash collateral of TM-1. However, the excess cash-equivalent collateral of CM Prop can be used to offset excess non-cash collateral of TM-1. Therefore, the overall excess non-cash collateral will be 20, for TM-1.

Entity	Excess noncash
TM-1	20

The benefit of this excess non-cash collateral (20) will not be available under TM-1. The entities who will get benefit would be identified on FIFO basis of margin utilisation.

Accordingly, considering the clients trade in order as Cli 3 first and Cli 1 second then collateral considered as per margin utilisation shall be as under

Entity	Cash-equivalent (A)	Non-cash (B)	Margins	Collateral considered	Collateral Not considered
TM-1 Cli-3	70	100	170	170	0
TM-1 Cli-1	200	250	450	430	20

Annexure 3
Blocking of margins

Suppose the total collateral (allocated collateral plus securities collateral placed through margin pledge/ repledge to CC) available against various entities are as given below.

Entity	Collateral (Rs)
CMTM Prop	1000
TM-1 Prop	500
TM-1 Cli-1	300
TM-1 Cli-2	300

- Trade-1: TM-1 Cli-2 trades with margin requirement of Rs 100. Blocking of margin shall be as follows:

Entity	Collateral (Rs)	Blocking (Rs)
CMTM Prop	1000	0
TM-1 Prop	500	0
TM-1 Cli-1	300	0
TM-1 Cli-2	300	100

- Trade-2: TM-1 Cli-1 trades with margin requirement of Rs 600. Blocking shall be as follows:

Entity	Collateral (Rs)	Blocking (Rs)
CMTM Prop	1000	0
TM-1 Prop	500	300
TM-1 Cli-1	300	300
TM-1 Cli-2	300	100

- Trade-3: TM-1 Cli-2 trades with revised margin requirement for Cli-2 of Rs 600. Blocking shall be as follows:

Entity	Collateral (Rs)	Blocking (Rs)
CMTM Prop	1000	100
TM-1 Prop	500	500
TM-1 Cli-1	300	300
TM-1 Cli-2	300	300

- Trade-4: TM-1 Cli-2 trades with revised margin requirement for Cli-2 of Rs 900. Blocking shall be as follows:

Entity	Collateral (Rs)	Blocking (Rs)
CMTM Prop	1000	400
TM-1 Prop	500	500
TM-1 Cli-1	300	300
TM-1 Cli-2	300	300

In the above examples, the collateral of Rs 500 blocked from the TM1-Prop, and the collateral of Rs 400 blocked from CMTM Prop, shall be deemed to be allocated to TM-1 Cli-1 and TM-1 Cli-2. The deemed allocation would be as follows:

Client	Margin (Rs)	Blocked from client collateral (Rs)	Deemed allocation from TM-1 Prop (Rs)	Deemed allocation from CMTM Prop to TM-1 Prop (Rs)
TM-1 Cli-1	600	300	300	400
TM-1 Cli-2	900	300	600	

To clarify, the deemed allocation from CMTM Prop to TM-1 Prop is Rs 400, therefore the total TM-1 Prop collateral (including deemed allocated) would be Rs 900 (Rs 500 + Rs 400). Out of this, the excess client margin would be considered to be deemed allocated to the respective client

Annexure-4
Monitoring of risk reduction mode

Suppose the total collateral (allocated collateral plus securities collateral placed through margin pledge/ repledge to CC) available against various entities, along with their margin obligations, are as given below.

CM	TM	Client	Collateral (Rs)	Margin (Rs)	CliMrgn>90% (Rs)
CM-1	-	Prop	1200	800	-
CM-1	TM-1	Prop	500	400	-
CM-1	TM-1	Client-1	800	780	60
CM-1	TM-1	Client-2	500	450	0
CM-1	TM-1	Client-3	400	380	20
CM-1	TM-2	Prop	500	200	-
CM-1	TM-2	Client-4	1000	920	20
CM-1	TM-2	Client-5	1000	880	0

TM level monitoring

In the above table, "CliMrgn>90%", or client margin in excess of 90%, has been calculated as margin for the client less 90% of the client collateral. Risk reduction mode monitoring for TM shall be based on assessment of [TM Prop Margin + CliMrgn>90%] against the [TM Prop collateral]. Accordingly, margin utilization percentage of TM1 and TM2 would be as under:

- Margin utilization percentage of TM1 = [400 + (60 + 0 + 20)] /500 = 96%

- Margin utilization percentage of TM2 = [200 + (20 + 0)] /500 = 44%

In other words, for TM1 margin of Rs 30 is in excess of 90% of its prop collateral, while there is no excess margin for TM2 against its prop collateral. The same have been tabulated below:

TM	Total CliMrgn>90% (Rs)	Prop Margin (Rs)	90% of TM prop collateral (Rs)	TMMrgn>90% (Rs)
TM-1	80	400	450	30
TM-2	20	200	450	0

CM level monitoring

In the above table, "TMMrgn>90%", or TM Margin in excess of 90%, has been calculated as [CliMrgn>90% + TM Prop margin] in excess of 90% of TM prop collateral. Risk reduction mode monitoring for CM shall be based on assessment of [CM Prop Margin + TMMrgn>90%] against the [CM Prop Collateral]. Accordingly, margin utilization percentage of CM1 would be as under:

- Margin utilization percentage of CM1 = [800 + (30 + 0)]/1200 = 69.1%

Annexure 5
Change of allocation

1. Examples for checking for change in allocation

Suppose a SCM has following collateral:

Entity	Cash (Rs)
SCM Prop	200
Cli-1	200
Cli-2	200

Out of the total available cash of Rs 600, suppose the SCM has provided an FDR of Rs 400 to the CC (with Rs 200 cash remaining with the member). Suppose the FDR provided to the CC is allocated by the SCM as follows. Here, the SCM has chosen not to allocate any collateral to Cli-2 in the total collateral placed with the CC:

Entity	Collateral allocated (Rs)
SCM Prop	200
Cli-1	200

Suppose the margin requirement is as follows:

Entity	Collateral (Rs)	Margin blocked (Rs)
CM Prop	200	160
Cli-1	200	150

Change in allocation: Example 1

The member shall be permitted to change the allocation as follows (i.e. the member chooses to consider the cash retained with it to be as Rs 50 belonging to Cli-1 and Rs 150 belonging to Cli-2):

Entity	Collateral (Rs)
CM Prop	200
Cli-1	150
Cli-2	50

Change in allocation: Example 2

The member shall not be permitted to change the allocation as follows (i.e. the member chooses to consider the cash retained with it to be as Rs 100 belonging to each client):

Entity	Collateral (Rs)
CM Prop	200
Cli-1	100
Cli-2	100

This allocation shall not be permitted since Cli-1 has a margin requirement of Rs 150.

2. Examples for change in allocation to other segments and for release

Current			Proposed		
Entity	Seg	Amount	Entity	Seg	Amount
CM 1 Prop	CM	10,00,00,000	CM 1 Prop	CM	5,00,00,000
CM 1 Prop	FO	3,00,00,000	CM 1 Prop	FO	6,00,00,000
TM XYZ Prop	CM	4,00,00,000	TM XYZ Prop	CM	2,00,00,000
TM XYZ Cli ABC	CM	0	TM XYZ Cli ABC	FO	2,00,00,000
TM XYZ Cli DEF	CM	50,00,000	TM XYZ Cli DEF	FO	50,00,000
TM 123 Prop	CM	5,00,00,000	TM 123 Prop	CM	2,50,00,000
TM 123 Cli 456	CM	50,00,000	TM 123 Cli 456	CM	0
Unallocated	-	0	Unallocated (For release)	-	5,00,00,000
Total		23,00,00,000			23,00,00,000

Records to be uploaded in file/API shall be

Current Date	Seg	CM Code	TM Code	CP Code	Cli Code	Acc Type	Amount	Filler1	Filler2	Filler3	Filler4	Filler5	Filler6	Action
01-Mar-22	CM	CM1				P	5,00,00,000							D
01-Mar-22	CM	CM1	XYZ			P	2,00,00,000							D
01-Mar-22	CM	CM1	XYZ		DEF	C	0							D
01-Mar-22	CM	CM1	123			P	2,50,00,000							D
01-Mar-22	CM	CM1	123		456	C	0							D
01-Mar-22	FO	CM1				P	6,00,00,000							U
01-Mar-22	FO	CM1	XYZ		ABC	C	2,00,00,000							U
01-Mar-22	FO	CM1	XYZ		DEF	C	50,00,000							U

All downward allocation records to be sent/kept before the upward allocation records

3. Change in allocation and release for G-sec place thru E-Kuber

- CMs shall be permitted change allocation of G-sec placed thru E-Kuber. CMs shall upload a file in NMASS – Collateral Management – Gsec Reallocation module.
- Change in G-Sec allocation shall be done subject to margin check as mentioned above.
- The format of the file to be uploaded shall be as under:
1. *Request File Format:*

    - Nomenclature

    <MEMCODE>_GSEALLOC_<DDMMYYYY>.T<batchno>

    Where   Member code – Primary Member Code

    DDMMYYYY - Current business date

    Batch No – Unique four digit no. This batch no will be sequential

    (incremental) for the day across segments.

    - *File structure:*

Sr. No.	Field Details	Length	Description
1	Current Date	11	DD-MON-YYYY
2	Source Segment	3	CM, FO, CD, DT, CO, SLB
3	Source TM Code	5	TM Code
4	Source CP Code	12	CP Code
5	Source Cli Code	10	Cli Code
6	Source CM Code	5	Primary Member Code
7	ISIN	12	
8	Face Value	(13)	Amount
9	Target Segment	3	CM, FO, CD, DT, CO, SLB
10	Target TM Code	5	
11	Target CP code	12	
12	Target Cli Code	10	
13	Target CM Code	5	Primary Member Code

Response Return File format:

Sr. No.	Field Details	Length	Description
1	Current Date	11	DD-MON-YYYY
2	Source Segment	3	CM, FO, CD, DT, CO, SLB
3	Source TM Code	5	TM Code
4	Source CP Code	12	CP Code
5	Source Cli Code	10	Cli Code
6	Source CM Code	5	Primary Member Code
7	ISIN	12	
8	Face Value	(13)	Amount
9	Target Segment	3	CM, FO, CD, DT, CO, SLB
10	Target TM Code	5	
11	Target CP code	12	
12	Target Cli Code	10	
13	Target CM Code	5	Primary Member Code
14	Error Code	8	

Validations:

- Response code shall be populated in the field "**Error Code**" in the response return file.

- It shall be of below format

- First four characters (Field Identifier): refers to specific field or the entire message

- Next characters (Validation code): refers to specific validation failure or success. Success code shall be populated only on successful acceptance of the message.

1. Field Identifier

Sr. No.	Field Name	Field Identifier
1	Entire Record	0105
2	Current Date	0107
3	Face Value	0314
4	Target Segment	0315
5	Target TM Code	0316
6	Target CP code	0317
7	Target Cli Code	0318
9	Target CM Code	0319

2. Validation Codes

Sr. No.	Validation	Validation Code	Validation performed on Field
1	Submitted to server successfully.	NA	NA
2	Status Request Rejected due to higher margin utilization - 0103 Request partially accepted due to higher margin utilization – 0104 Request accepted successfully - 0100 Processing – 0102	0103 0104 0100 0102	Entire request
3	Minimum Required Length	0201	All Fields
4	Maximum Required Length	0202	All Fields
5	Range validation	0203	All Fields
6	Mandatory Field	0204	All Fields
7	Special Characters not allowed	0205	All Fields
8	Data Format like Msg Id or File Name/ Date Format	0206	All Fields
9	Minimum allowed value	0207	All Fields
10	Maximum allowed value	0208	All Fields

11	Invalid Value	0209	All Fields
12	Duplicate MsgID /File Name	0210	All Fields
13	Service Unavailable	0212	NA
14	System Error	0213	NA
15	Number of records	0214	Number of records submitted is greater than configured allowed records per request.
16	Current Date	0217	Current Date
17	Face Value Should be multiple of hundreds.	0423	Face Value
18	Segment Valid segment CM FO CD DT SLB	0424	Target Segment
19	Primary Member Code	0425	Target CM Code
20	Trading Member Code Should be the part of valid CM-TM link of specified segment	0426	Target TM Code
21	CP code Should be the part of valid CM-TM link of specified segment	0427	Target CP Code
22	Invalid/wrong source information.	0428	Source Segment Source TM code Source CP code Source Cli code Source CM code Source ISIN

Note: The segment to be selected while uploading the file shall be the segment where the G-sec is currently allocated

For release of G-sec placed thru E-Kuber CMs shall select the records in CIM and the same shall be released subject to margin checks.

Annexure 6
Monitoring and Penalty mechanism for Short Allocation

Monitoring of short allocation
- 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 NSE Clearing for that client in the segment (value shall be after applying all prudential norms of NSE Clearing 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.
    - Client level short allocation shall be computed at end of day based on the EOD minimum upfront margins required to be collected and client collateral value at EOD.
    - The maximum amount of short allocation across all snapshots and EOD shall be considered as short allocation.

Implementation of penalty for short allocation
- Till July 31, 2022 -There shall be no penalty applicable for short allocation
- From August 01,2022 to January 31, 2023 - Penalty as specified below shall be applicable only in respect of short allocation based on EOD minimum upfront margins and client collateral value at EOD.
- From February 01, 2023- Penalty as specified below shall be applicable on maximum amount of short allocation based on EOD well as intraday basis.

Intraday short allocation
- In in case of instances of intraday 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. For removal of doubt, it is clarified that this provision applies only to intraday short allocation and not for EOD short allocation.
- While assessing the intraday short allocation, NSE Clearing 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. NSE Clearing shall reduce such excess collateral available in other segments from the intraday short allocation before calculation of applicable penalty. For this purpose, the snapshots across segments for the same time window shall be considered.
- Members shall be provided details of segment wise, client wise, maximum intra-day short allocation as computed by NSE Clearing after considering excess collateral in other segments, if any.

- 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:
    1. Excess collateral (allocation and value of pledged securities over and above minimum margin) available in another Clearing Corporation.
    2. Trades executed in wrong client code codes
    3. Allocation request submitted to NSE Clearing however allocation request accepted later.
- Such reporting shall be done by TMs for clients and by CMs for TM proprietary and CP clients (in line with MG reporting), by T+5.
- In case false reporting, penalty as applicable on false margin reporting will be applicable
- NSE Clearing shall compute revised intraday short allocation amount after adjusting for the aforementioned reporting.
- The higher of EOD short allocation and revised maximum intraday short allocation shall be considered as short allocation and penalty as specified below shall be applicable

Penalties for short allocation and short margin reporting

In order to avoid duplicity of penalty levied for the same violation (i.e., non-collection and consequent non-allocation of client collateral), the penalty for short allocation and short margin reporting shall be combined (the provisions regarding higher penalty for multiple days shortfall etc. shall be considered across the violations and not separately.).

A single penalty as per the existing penalty structure (applicable for client margin short reporting, including exceptions such as non-levy of penalty in case of extreme market movements etc.) shall be applicable. The amount to be considered for levy of penalty shall be the highest of:
    1. Highest intraday peak margin short-reported amount
    2. End-of-day margin short-reported amount
    3. Highest intraday short allocation amount (after considering excess collateral across segments and the reporting for valid reason codes if any)
    4. End-of-day short allocation amount

The detail modalities of reporting intra-day short allocation, file formats shall be informed separately

Annexure 7
File Format Changes

Report	File Name	Change
Collateral Break up Report	CL01	Shall be discontinued
Margin and Collateral Report	MG11	Format Change
Client Collateral report	CC01 and CC02	Format Change
Collateral Break up Report	COLLDTLS	New Report

1. Margin and Collateral Report (MG11)
   Clearing member File Name- F_MG11_<mem_cd>_DDMMYYYY.lis
A. *CAPITAL*
   1. Total Cash Capital <<Allocated to CM Prop>>
   2. Total Non-Cash Capital <<CM PROP>>
   3. Total Capital (A1 + A2)
   4. Cash Component Required (%)
   5. Effective Deposits [Min (A1/A4, A3)]
   6. Non-usable Non-cash Capital (A3 - A5)
B. *MARGIN INFORMATION*
   7. Minimum Liquid Net Worth
   8. Crystallised Obligation Margins <<will be populated as zero>>
   9. Delivery Margin <<will be populated as zero>>
   10. Initial Margin Amount <<will be populated as zero>>
   11. Extreme Loss Margin<<will be populated as zero>>
   12. CM Prop Margin
   13. TM Margins > 90%
   14. Total Margin (B12+B13)
   15. Effective Deposits Required For Clearing Member (B7+B14)
C. *TRANSACTION AMOUNT*
   16. Excess Effective Deposits Required (B15 –A5)
   17. Minimum Free Deposit for Pay-in Transaction
   18. Minimum Free Deposit for Pay-out Transaction
   19. Additional Deposit Required
   20. Daily Cash Margin Already Paid By the Member
   21. Non-usable Non-cash Allocation
   22. Cash Margin Payable(+)/Receivable(-)

2. A. Client Collateral Report for Trading Member (CC01)
   Naming convention - F_CC01_<MEMBER CODE>_<DDMMYYYY>.csv.gz
   File Location- FAOFTP/F<MEMBERCODE>/REPORTS
   File details and format:
   Client/UCC Code
   Cash Component-Allocated
   Cash Component- Value of Gsec/GMF/CMF repledged
   Non- Cash Component - Value of Non-Cash repledged
   Total Value

Margins

B. Client Collateral Report for Clearing Member (CC02)
Naming convention - F_CC02_<MEMBER CODE>_<DDMMYYYY>.csv.gz
File Location- FAOFTP/F<MEMBERCODE>/REPORTS
File details and format:
TM Code
Client Code
Cash Component-Allocated
Cash Component- Value of Gsec/GMF/CMF repledged
Non- Cash Component - Value of Non-Cash repledged
Total Value
Margins

3. Collateral Break up Report (COLLDTLS)
   Naming convention - F_COLLDTLS_<MEMBER CODE>_<DDMMYYYY>.csv.gz
   File Location- FAOFTP/C<MEMBERCODE>/REPORTS
   File details and format:
   Level 1 - Instrument type details
   Segment Indicator, Instrument Type, Security Deposit, Margin Deposit, Total
   Level 2 - Cash Instrument Details (Cash/BG/FD)
   Instrument Type, Bank, Instrument No, Issue Date, Maturity Date, Gross Amount,
   Segment Indicator
   Level 3.1 - G-Sec
   Instrument Type, Deposit Type, Custodian, ISIN, Symbol, Qty, Face Value, Net Value,
   Maturity Date, Segment Indicator
   Level 3.2 - Securities
   Instrument Type, Deposit Type, Custodian, ISIN, Symbol, Qty, Gross Value, Net
   Value, Maturity Date, Segment Indicator
   Level 4 - Allocation Summary
   Cash Allocated, Cash Unallocated
   Level 6 – Blocking
   Description, Prop/TM Prop/CP, Client Code, Amount Blocked, Block Reason
   Level 7 - TM wise deposit details
   Segment Indicator, TM Code, TM Name, Deposit Amount