



## ISS Enterprise Limited

(Erstwhile : ISE Securities & Services Ltd.)

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**CIN :** U67100MH2000PLC123707



Ref.: 19-20/ISS/CNS/ 7371 /JK

January 04, 2020

To:

**All Registered Intermediaries of ISS**

Dear Sirs/Madam,

**Sub.: Circular with regard to Collection of margins in Cash Segment**

This Circular is pursuant to Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/139 dated November 19, 2019, issued by Securities & Exchange Board of India (SEBI) and subsequent Notice and Circular issued by BSE & NSE with regard to collection and reporting of Margin by the Trading member in Cash Segment All registered Intermediaries and Clients should take note of below mentioned point for collection of Margin while doing trade in cash segment. We also request you to refer the FAQ issued by NSE & BSE on 31.12.2019(copy enclosed as Annexure-A)

Collection of Margins in Cash segment:

1. Client has to give upfront margin [VAR margin and Extreme Loss margins (ELM)], in advance before execution of trade.
2. POA clients having Securities in their Demat account with the trading member (ISS Enterprise) and whoever is giving Early Payin of fund & securities (on Trading day are exempted from payment of VAR & ELM margins. If client has adequate initial margins they are exempted from MTM margins.
3. If client does not have shares or fund initially with us he has to give by T day 20% (approx.) by NEFT/ share transfer (Rate not prescribed in the Circular issued by SEBI or Stock Exchanges) initial margin plus MTM by T+2
4. Client has to give MTM margin on T+2. If client is giving cheque then he has to deposit before 11am on T+2 in our HDFC A/c: and for NEFT/RTGS on or before 4pm on T+4. Client has to deposit the cash margin amount in the same account where F&O margin is deposited. Do not transfer to any other account as there will be a delay in credit.
5. Shares lying in CUSA will not be considered as margin. As per stock exchange requirement we cannot transfer CUSA shares to early Payin. We can only transfer shares from CUSA to Pool account or client demat a/c.
6. Client wise margin has to be kept and not A.P (Authorized Person) wise. However, the existing system followed by ISS for giving exposure based on A.P deposit will continue.
7. For implementing the above, we need to Combine ledger across segments and across exchanges i.e. combine (NSE Cash + NSEFO +NSECD +BSE Cash). Based on this, in case margin shortage is due to debit in cash segment than in that case, shortage is to be calculated after considering credit& debit in other segment as well as Credit& debit in other Exchange e.g.: If client has BSE cash balance of Rs. 1,000 Dr ,NSE cash balance of Rs. 10,000 Dr and NSE F&O ledger balance of Rs. 25,000CR and if his margin requirement was say Rs. 18,000 then if you consider only F&O ledger he has adequate funds but when you merger the BSE cash ,NSE Cash and

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**SEBI Registration No. INZ000157633**

**Registered Office :** International Infotech Park, Tower No. 7, 5th Floor, Sector - 30, Vashi, Navi Mumbai - 400 703. Tel. : (022) 2781 2056



# ISS Enterprise Limited

- F&O ledgers his balance will be  $-1,000 -10,000 + 25,000 = \text{Rs.}14,000$  thereby resulting in Rs.4,000 margin shortage(18,000- 14,000).
8. We will be therefore be combining ledgers across segments and across exchanges w.e.f 10-Jan-2020(Actual date will be subject to the implementation by our back office vendor). Our A.P's are kindly requested to note the same, collect and provide adequate margin from client accordingly

For any further query / clarification you may contact the undersigned on 61829531 TO 535 or email [surveillance@iseindia.com](mailto:surveillance@iseindia.com).

Thanking you,

Yours faithfully,

**For ISS Enterprise Ltd.**



**Jayashree Kulthe**  
Risk & Surveillance, ISS.



## National Stock Exchange Of India Limited

**Department : Inspection**

Download Ref No: NSE/INSP/43069

Date : December 31, 2019

Circular Ref. No: 50/2019

To All Trading Members,

**Sub: Guidelines/clarifications on Margin collection & reporting**

In view of the SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/139 dated November 19, 2019 on "Collection and reporting of margins by Trading Member (TM) /Clearing Member (CM) in Cash Segment", Exchange is pleased to issue revised guidelines/clarification on Margin collection & reporting.

All Trading Members are requested to take note of the below and comply while collecting margin from their clients and reporting:

- i. Revised guidelines/clarification on margin collection & reporting is enclosed as **Annexure A**.
- ii. A format of daily margin statement which stipulates minimum information to be provided to clients is enclosed as **Annexure B**.

**For and on behalf of****National Stock Exchange of India Limited****Manish Sharma****Senior Manager-Inspection****Encl: Annexure A & Annexure B**

In case of any clarifications, Members may contact our below offices:

Regional Office	CONTACT NO.	E MAIL ID
Ahmedabad (ARO)	079-49008632	inspectionahm@nse.co.in
Chennai (CRO)	044- 66309915/17	inspection_cro@nse.co.in
Delhi (DRO)	011-23459127 / 38 / 46	delhi_inspection@nse.co.in
Kolkata (KRO)	033-40400411 / 06	inspection_kolkata@nse.co.in
Mumbai(WRO)	022-25045264/259/224	compliance_wro@nse.co.in
Central Help Desk	compliance_assistance@nse.co.in	

## **GUIDELINES/CLARIFICATION ON MARGIN COLLECTION AND REPORTING**

### **1. What margins are required to be collected by Trading Members from clients in Capital & Derivatives Segment?**

#### **A. Capital Market Segment**


In capital segment, Trading Members (TM) are required to mandatorily collect VaR margins and Extreme loss Margin (ELM) from their clients on an upfront basis. Other margins such as Mark-to-market margin (MTM), delivery margin, special/additional Margin or such other margins as may be prescribed from time to time, shall be collected within 'T+2' working days from their clients. It must be ensured that VaR margins and ELM are collected in advance of trade and other margins are collected/paid as soon as margin calls are made by the Stock Exchanges.

#### **B. F&O segment**

In the F&O segment, it is mandatory for Trading Members to collect initial margin, net buy premium, delivery margin & exposure margin from respective clients on an upfront basis. It must be ensured that all upfront margins are collected in advance of trade. Mark-to-market losses (MTM) shall be collected from clients by T+1 day.

#### **C. Currency Derivative segment**

In case of Currency Derivatives segment also, it is mandatory for Trading Members to collect initial margin, net buy premium and extreme loss margins from their client on an upfront basis. It must be ensured that all upfront margins are collected in advance of trade. The Mark-to-market losses shall be collected from clients by T+1 day. However, in case of currency future contracts, final settlement amount shall be collected by T+2 day.



**D. Commodity Derivative Segment**

Initial Margin and extreme loss margins shall be collected from client on an upfront basis. It must be ensured that all upfront margins are collected in advance of trade. Other margins such as Mark-to-market margin (MTM), delivery margin, special/additional Margin or such other margins as may be prescribed from time to time, shall be collected within 'T+2' working days from their clients.

**2. In what form should a Trading Member collect the margins, including upfront margins & Mark-to-Market (MTM) losses from its clients?**

Trading Members may collect the margins & Mark-to-Market (MTM) losses from its respective client, in any of the following forms, provided they are free & unencumbered, after taking into account their risk management policy and liquidity aspects.

- Consolidated funds balance across all segments and Exchanges (including Commodities)\*.
- Bank guarantee received towards margin, issued by any approved bank and discharged in favor of the Member/Clearing Corporation.
- Fixed deposit receipts (FDRs) received towards margin issued by any approved bank and lien marked in favor of the Member/Clearing Corporation.
- Securities in dematerialized form actively traded on the National Exchanges, not declared as illiquid securities by any of such Exchanges, with appropriate haircut. (List of illiquid securities are declared on a regular basis by the Exchanges)\*.
- Units of mutual funds in dematerialized form, whose NAVs are available and which could be liquidated readily with appropriate haircut.
- Government securities and Treasury bills in electronic form with appropriate haircut.
- Securities, which are provided as margin, but are sold in the cash market can be considered up-to T+1 day from the date of sale without any haircut. (For EPI cases, please refer point no. 5 below)
- Any other such collaterals, as may be specified by clearing corporation from time to time

**\*Free and Unencumbered funds / securities in the account of the client for which the client has given POA in favor of the member client allowing the member to transfer the same for the purpose of margin, may also be considered provided:-**

- a) **Trading Member or its associate company is a Depository Participant and POA for considering securities towards margins is in favor of Trading Member,**
- b) **Funds available in the bank account of client and actually moved to client bank account maintained by the member by T+1 day, using POA issued by the client in favor of the member.**

**3. Can MTM loss of T-day be considered collected against MTM profit of T+1?**

No. T-day MTM loss has to be collected by T+1 day in the approved forms as stated in point 2 above and cannot be set off against MTM profit of T+1 day.

**4. Is upfront margin collection required to be done in respect of clients who have done early pay-in of securities to Trading member/s?**

No. Trading Member shall not be required to collect upfront margins, in respect of positions for which early pay-in of securities/funds is made by the clients to the trading member on the date of execution of the transaction.

**5. Can the securities sold and given as early Pay-in (EPI) to clearing corporation (CC) be considered as margin for other positions across all the segments?**

In case of EPI to CC, the sale value of such securities, as reduced by value of the upfront Margin (i.e. VAR + ELM component), exempted in CM segment due to such EPI, shall be available as Margin, for other positions across all the segments up-to T+1 end of the day. Illustration is mentioned below:



Day	Transaction	Scrip	Value	VAR and ELM(Value)	Upfront margin
T day	Sell	ABC Ltd.	100	20	Nil (Since EPI is made to CC on T day)
Note: In this case, member can report 80 (100-20) as margin for other positions across all the segments up-to T+1 day.					

**6. What balances can be considered for collection and reporting of Margin executed under Margin trading facility**

For transactions undertaken under Margin Trading facility (MTF), upfront margin collected in the form of funds & securities for such MTF transactions and recorded in the MTF books can be considered. Balances in non- MTF ledgers shall not be considered towards collection of margin under MTF.

**7. Can excess margin/collateral available in MTF ledgers be considered towards Margins of non-MTF transactions?**

Excess margin/collateral available in MTF ledgers cannot be considered towards Margins of non-MTF transactions. Any transfers between Non MTF & MTF ledgers & vice versa should happen only in exceptional scenarios, where they belong to the same clients and there is sufficient & free balances available.

**8. Can securities other than those in the approved list of securities be considered while reporting margin collection to the Exchange?**

Liquid securities, in dematerialized form, actively traded on the National Exchanges, which are specifically not declared as illiquid securities by any Exchanges and are received from the respective client, may be considered by the member while reporting margins to the Exchange.

**9. What is the procedure for valuation of Securities?**

For the purpose of client Margin collection and reporting, the member shall compute the value of such securities as per the closing rate on T-1 day as reduced by the appropriate haircut at a rate not less than the VAR margin rate of the security on that day i.e. T-1 day.


**10. What methodology should be adopted while reporting margin received in the form of liquid mutual funds?**

Dematerialized units of liquid mutual funds whose NAVs are available and which could be liquidated readily may be considered while reporting margins collected from constituents. Such units should be available with the member or should be lien marked in favour of the member. The value of listed liquid mutual funds should be computed based on the NAV on T-1 day, reduced by a haircut equivalent to the VAR. In case of others (mutual funds not listed) the haircut should be equivalent to 10% of the NAV.

**11. What methodology should be adopted while reporting margin received in the form of Government securities and Treasury bills?**

- G-Sec/T-Bills available in electronic form or lien marked in favour of the trading member may also be considered while reporting margin collection to the Exchange.
- The valuation of G-Sec/T-Bill shall be based on closing price of G-Sec/T-Bills on NDS on T-1 day reduced by a haircut of 10%.

**12. What precautions are to be kept in mind in case of cheques received from Clients towards margin/MTM losses?**

- **Towards collection/reporting of upfront margins** : Cheques received / recorded in the books of Member on or before T day and deposited by Member by T+1 day (excluding bank holiday, if any), can be considered, provided the same is cleared within T+5 working days.
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- **Towards collection /reporting of MTM losses (in Derivatives Segment)** : Cheques received / recorded in the books of Member on or before T+1 day and deposited by member by T+2 day (excluding bank holiday, if any), can be considered, provided the same is cleared within T+5 working days.
- **Towards collection /reporting of MTM losses (in Cash and Commodity Segment)** : Cheques received / recorded in the books of Member on or before T+2 day and deposited by member by T+3 day (excluding bank holiday, if any), can be considered, provided the same is cleared within T+5 working days.
- Only cheques which are cleared should be considered and cheques dishonored or not cleared up to T+5 working days should not be reported as margin/MTM collected.
- If subsequent to the margin/MTM reporting by the Member, the cheque deposited by the Member is dishonored or not cleared within T+5 working days, then revised margin file shall be uploaded after factoring into the effect of such dishonored or non-cleared cheques ,with incremental batch number within the above mentioned five days.

**13. What precautions are to be kept in mind in case of securities expected to be received in pay-out?**

Only free and unencumbered balances of securities available with the Member for respective client in different segments of the Exchange shall be considered for margin collection and reporting. Accordingly, only securities received in pay out shall be considered only after it is actually received from the clearing corporation. However, funds pay- in received from clients for such securities may be considered while calculating the ledger balance for the purpose of reporting of margins till T+1.

**14. What are the related entities for a client, whose balances/securities can be considered for collection and reporting margin?**

Margin collected/available with the member in approved form, from entities related to the client as mentioned below and certified by an independent Chartered Accountant with specific authorization/consent:



- In case of individuals having relationship with clients as spouse, dependent children and parents
- In case of HUF, any of the Co-parceners
- In case of a Trust, any of the trustees or beneficiaries
- In case of Partnership firm, the partners, their spouse, dependent children and parents
- In case of Corporates, the promoters having controlling shareholdings, their spouse, dependent children and parents

**15. What does short reporting of upfront margins/MTM mean?**


In case a Trading Member fails to collect requisite margin from the respective client on an upfront basis or MTM losses by T+1 (in case derivative segment) and T+2 (in case of cash and commodity segment) and reports to the clearing corporation that margin/MTM losses collected from client is less than the actual amount of margins/MTM losses required to be collected, it is termed as short reporting of margin collection and shall attract applicable penalty as mandated by clearing corporation from time to time.

**16. What does false reporting of margin/MTM (Non Compliance) mean?**

Where the margins including upfront margins /MTM Losses has not been collected/short collected by the Member in any of the applicable modes prescribed above, however the same has been reported by the member as collected, it would be construed as false reporting to the clearing corporation.

**17. In case of short reporting of margin/MTM can member pass on the penalty to the clients?**

Where ever the penalty levied by the Clearing Corporation on the member for short reporting of client upfront margins/MTM losses is attributable to failure on the part of the client to pay upfront margins/MTM losses as required, member may pass on the actual penalty to the client, provided he has evidences to demonstrate the failure on part of the client .Wherever penalty for short reporting of upfront



margin/MTM losses is being passed on to the client relevant supporting documents for the same should be provided to the client.

**18. Are Members required to provide the Margin related information to clients?**

Members should send margin related information to their clients, which shall, inter-alia, include:

- Client code and name, Trade day (T)
- Margin deposit available for the client on day T (with break-up in terms of cash, FDRs, BGs and securities)
- Margin adjustments (including MTM losses) for day T after adjusting MTM profit if any.
- Margin status (balance with the member / due from the client) at the end of T day.

Such margin related information (Daily margin statement) should be issued by Members to clients on a daily basis at the end of the trade day (T-Day) itself or by such timelines as may be specified from time to time.

Additionally, every member shall maintain proper records of collateral received from clients as under:

- Receipt of collateral from client and acknowledgement issued to client on receipt of collateral
- Record of return of collateral to client
- Credit of corporate action benefits to clients

Members should have adequate systems and procedures in place to ensure that client collateral is not used for any purposes other than meeting the respective client's margin requirements / pay-ins. Members should also maintain records to ensure proper audit trail of use of client collateral.

An indicative format of daily margin statement stipulating the minimum information to be provided to clients is enclosed as **Annexure B**.

**19. How will upfront margin collection and reporting be undertaken in case of NRI clients under the portfolio investment scheme (PIS) on repatriation basis?**

In case of NRI clients undertaking buy transactions under PIS on



repatriation basis, funds received from the NRI's PIS bank account (NRE) before the respective pay-in, will be considered as collection of upfront margin.

In case of NRI clients undertaking sell transactions under PIS on repatriation basis, securities received before the respective pay-in, shall be considered as collection of upfront margin.

## **20. How will margin be collected in case of intra-day transactions (buy & sell) in same scrip?**

As per SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/139 dated November 19, 2019, upfront margins viz. VaR margins and ELM are required to be collected in advance of trade. In case of any intra-day transactions in the same scrip on the same day, Margins shall be collected as per the below illustration:

Transaction	Scrip	Qty	Margin @ 10%
Buy	ABC Ltd.	100	10
Sell	ABC Ltd.	100	Nil (Since the net quantity of the scrip is nil)
<b>Total Upfront Margin collected</b>			<b>10</b>



## Annexure-B

### Format – Daily Margin Statement to be issued to clients

Client Code:

Client Name:

Exchange:

Seg	Trade day	Margins available till T day					Margin/MTM required by Exchange/CC end of T & T+1 day respectively			Excess / Shortfall w.r.t. Requirement by Exchange / CC	Additional Margin required by member as per RMS	Margin Status (Balance with Member / Due from client)
		Funds	Value of Securities (after haircut)	Bank Guarantees / FDR	Any other approved form of Margins*	Total Margins Available (E)	Total upfront Margin	MTM	Total Requirement			
		A	B	C	D	$E = (A+B+C+D)$	F	G	$H=(F+G)$	$I=E-H$	J	$K=(I-J)$

\*approved form as may be specified by the Exchange/CC from time to time

#### Notes:

1. Daily Margin Statement to be issued on T day itself
2. Daily Margin statement to mention the name, email id, telephone number and address of compliance officer
3. Detailed exhibits for the margin collected to be provided to the clients. In case of securities (scrip name, qty, value ) Bank Guarantee (BG no, amount, expiry date) and FDR's (FDR No., Amount and Maturity date)