National Stock Exchange of India Limited

Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/53820	**Date: September 23, 2022**
Circular Ref. No: 66/2022	

To All Trading Members,

Sub: FAQ on Settlement of Running Account of Client's Funds lying with Trading Member (TM)

This has reference to the SEBI circular SEBI/HO/MIRSD/DOP/P/CIR/2022/101 dated July 27, 2022, and Exchange circular NSE/INSP/53115 dated July 27, 2022, on "Settlement of Running Account of Client's Funds lying with Trading Member (TM)".

Based on representations received from Members, Exchange is pleased to issue revised guidelines/ clarifications on the subject in the form of frequently asked questions (FAQs). The FAQs are enclosed as **Annexure-A** for your reference.

All Members are advised to take note of the contents of the circular and comply.

For and on behalf of
National Stock Exchange of India Limited

Naresh Sawana
Senior Manager– Inspection

5. **What is the value of funds that a trading member can retain while doing the settlement?**

In case of client having any outstanding trade position on first Friday of the Month / Quarter on which settlement of running account of funds is scheduled, a Trading member may retain funds calculated in the manner specified below:

i. Entire pay-in obligation of funds outstanding at the end of day on date of settlement, across all segments.

ii. Member may retain 50% of end of the day (EOD) margin requirement as cash margin, excluding the margin on consolidated crystallized obligation/ MTM.

iii. Apart from 50% cash margin mentioned in point ii above, member may also retain 225% of EOD margin (which includes additional 125% margin) reduced by 50% cash margin and the value of securities (after applying appropriate haircut) accepted as collateral from the clients by way of 'margin pledge' created in the Depository system for the purpose of margin and value of commodities (after applying appropriate haircut). The margin liability shall include the end of the day margin requirement in all the segments across exchanges excluding the margin on consolidated crystallized obligation/ MTM. The margin liability may also include the margin collected by the Member from their clients as per the risk management policy and informed to the clients.

Computation for arriving at retention of excess client funds based on above points would be as under:

Scenario	*Fund Pay in Obligation for T & T-1 day*	*EOD Margin Requirement*	*Cash margin to be retained (50% of EOD Margin)*	*Computation of 225% of margin to be retained*			*Client Funds Balance*	*Maximum funds that can be retained (i.e. Sum of cash margin to be retained, non-cash 225% EOD margin after securities /commodities adjustment and funds pay in obligation)*	*Client Funds to be returned (i.e. client fund balance if available after adjusting maximum funds that can be retained)*
				225 % of EOD margin minus cash margin as computed in column C	*Securities Pledged / Repledged or commodities*	*225% of EOD margin to be retained from funds if available after adjusting securities pledged/repledged or commodities*			
	A	*B*	*C= 50%* B*	*D = (225% * B)-C*	*E*	*F =MAX((D-E),0)*	*G*	*H=A+C+F*	*I=MAX((G-H),0)*
1	*110000*	*100000*	*50000*	*175000*	*200000^*	*0*	*300000*	*160000*	*140000*
2	*150000*	*150000*	*75000*	*262500*	*300000^*	*0*	*200000*	*225000*	*0*
3	*100000*	*100000*	*50000*	*175000*	*125000*	*50000*	*210000*	*200000*	*10000*
4	*15000*	*200000*	*100000*	*350000*	*200000*	*150000*	*300000*	*265000*	*35000*
5	*0*	*25000*	*12500*	*43750*	*200000^*	*0*	*10000*	*12500*	*0*
6	*5000000*	*12500000*	*6250000*	*21875000*	*30000000^*	*0*	*50000000*	*11250000*	*38750000*

^ Excess securities need not to be unpledged.

An indicative format of retention statement is attached as **Annexure 1**. In case of any other format, members should ensure that the contents specified by the relevant circulars are covered in the retention statement.

Note:

a) Client's running account shall be considered settled if member has given instructions to bank for credit to client's bank account, provided that the member has sufficient balance in its account.

b) While computing the value of securities, the closing rate for the trade date prior to the settlement date (T-1 day) should be considered after appropriate hair-cut viz. VaR margin rate applicable for the security in the Capital Market segment.

c) In case the member applies haircut more than VaR rate on a regular basis and the actual margin is collected and exposure is provided accordingly, then such higher rate may be considered for determining the amount to be retained, provided the member has intimated the requirement of additional margins to the clients through the policy and procedures document and consistently through the daily margin statements issued to clients.

d) No inter client adjustment/ passing of Journal Entries can be done/ considered for the purpose of settling client accounts.

e) Obtaining of authorization from the clients to the effect that no settlement need be done for running accounts is contradictory to the SEBI requirement and hence not permissible.