

NSE Clearing Limited

Circular

Department: FUTURES & OPTIONS	
Download Ref No: NCL/CMPT/62978	Date: July 18, 2024
Circular Ref. No: 089/2024	

To All Members,

Sub: Cross Margin benefits for offsetting positions having different expiry dates

This is in reference to SEBI circular ref. no: SEBI/HO/MRD/TPD-1/P/CIR/2024/24 dated April 23, 2024 on “Cross Margin benefits for offsetting positions having different expiry dates”, NCL circular ref. no: 047/2024 (Download ref. no.: NCL/CMPT/61714) dated April 24, 2024 and in partial modification to Item 10.13 “Cross Margining”, Part B of NCL circular ref. no: 053/2024 (Download ref. no.: NCL/CMPT/61801) dated April 29, 2024.

1 Positions eligible for cross-margin benefit:

Cross-margining shall be available across Capital market and F&O segment and to all categories of market participants. The positions of clients in both the Capital market and F&O segments to the extent they offset each other shall be considered for the purpose of cross-margining as per the following priority:

- a. Index futures and constituent stock futures in F&O segment having expiry date same as index futures contract
- b. Index futures and constituent stock futures in F&O segment having expiry date different from index futures contract
- c. Index futures and constituent stock positions in Capital market segment
- d. ETF and constituent stock futures in F&O segment
- e. ETF and constituent stock positions in Capital market segment
- f. Index futures and ETF in Capital market segment
- g. Stock futures in F&O segment and stock positions in Capital market segment
- h. Index Futures contract in F&O Segment on eligible equity indices having same expiry date
- i. Index Futures contract in F&O Segment on eligible equity indices having different expiry dates

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- 1.1 In order to extend the cross-margin benefit as per (a), (b) and (c) above, the basket of constituent stock futures/stock positions shall be a complete replica of the index futures. Clearing Corporation shall specify the number of units of the constituent stocks/stock futures required in the basket to be considered as a complete replica of the index on the website of the Exchange from time to time.
- 1.2 In order to extend the cross-margin benefit as per (b) and (d) above, the expiry date of offsetting constituent stock futures required in the basket to be considered as a complete replica of the index futures/ETF should be same.
- 1.3 In order to avail the cross-margin benefit as per (d) and (e) above, the constituents and the number of units of the constituent stocks/stock futures required in the basket to be considered as a complete replica of the ETF shall be the same as that of the respective underlying Index specified by the Clearing Corporation on the website of the Exchange from time to time.
- 1.4 The number of units shall be changed only in case of change in share capital of the constituent stock due to corporate action or issue of additional share capital or change in the constituents of the index.
- 1.5 The position in a security/index shall be considered only once for providing cross-margining benefit. E.g. Positions in stock futures of security A used to set-off against index futures positions shall not be considered again if there is an off-setting position in index futures in another expiry or if there is an off-setting positions in the security A in Capital market segment. Similarly Positions in Index A used to set-off against Index B shall not be considered again if there is an off-setting positions in Index C or constituent stocks/ETFs in Capital market segment or constituent stock futures in F&O segment.
- 1.6 Positions in option contracts shall not be considered for cross-margining benefit.
- 1.7 The positions in ETFs and constituent stocks shall be in the same settlement number to be eligible for cross-margining benefit.
- 1.8 Positions in constituent stocks in T+0 settlement shall not be eligible for cross-margining benefit.
- 1.9 In the event of a suspension on creation / redemption of the ETF units, the cross-margining benefit shall be withdrawn.
- 1.10 Clearing corporation may revise the list of eligible ETFs and minimum quantity required from time to time.
- 1.11 In order to extend the cross-margin benefit as per (h) and (i) above, the equity indices pairs shall satisfy the below mentioned conditions:
 - A positive correlation of more than 0.90 for a period of six months between the values of the equity Indices and
 - At least 80% of constituents of one of the index is present in the other index and
 - The constituents of smaller index based on free float market capitalization shall have at least 80% weightage in the larger index based on free float market capitalization.

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- The eligibility criteria shall be checked on a monthly basis on the 15th of every month or on the day of change in the constituents of the equity indices.
- If the equity indices pairs fail to fulfil any of the abovementioned eligibility criteria, cross-margining benefit shall not be given after the upcoming monthly expiry.

2 Computation of cross-margining benefit:

- 2.1 The computation of cross-margining benefit shall be done at client level on an online real time basis and provided to the trading member / clearing member / custodian, as the case may be, who, in turn, shall pass on the benefit to the respective client.
- 2.2 For institutional investors the positions in Capital market segment shall be considered only after confirmation by the custodian on T+1 basis and on confirmation by the clearing member in F&O segment.
- 2.3 The positions in the Capital market and F&O segment shall be considered for cross-margining only till time the margins are levied on such positions.
- 2.4 While reckoning the offsetting positions in the Capital market segment, positions in respect of which margin benefit has been given on account of early pay-in of securities or funds shall not be considered.
- 2.5 The positions which are eligible for offset, shall be subject to spread margins.
 - i. The spread margins shall be 25% of the applicable upfront margins on the offsetting positions in same expiry, 35% of the applicable upfront margins on the offsetting positions in different expiry or such other amount as specified by the Clearing Corporation from time to time.
 - ii. In respect of positions which are eligible for offset in Index Futures contract on eligible equity indices pairs, the spread margins shall be 30% of the applicable upfront margins on the offsetting positions in same expiry, 40% of the applicable upfront margins on the offsetting positions in different expiry or such other amount as specified by the Clearing Corporation from time to time.
- 2.6 The difference in the margins on the total portfolio and on the portfolio excluding off- setting positions considered for cross-margining, less the spread margins shall be considered as cross-margining benefit.
- 2.7 The cross-margining benefit in case of offsetting positions in index and its constituents having expiry date different from index or in case of offsetting positions in correlated indices having different expiry dates shall be revoked at the beginning of the expiry day of the position which expires first (i.e. first of the expiring indices or constituents).

There shall be no change in any other provision related to cross margining as specified in the consolidated circular.

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The provisions of this circular shall be effective from July 29, 2024.

Members are requested to take note of the above.

**For and on behalf of
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