



**CIRCULAR**

SEBI/HO/MRD/DRMNP/CIR/P/2018/75

May 02, 2018

All recognized Stock Exchanges (except Commodity Derivatives Exchanges) and recognized Clearing Corporations, including those in IFSC

Dear Sir/Madam

**Additional Risk management measures for derivatives segment**

Based on the feedback received from the Clearing Corporations and the recommendations of the Risk Management Review Committee (RMRC) of SEBI, the following additional risk management measures are required to be complied with and implemented by the stock exchanges/clearing corporations for derivatives segment.

**Margin Collection Requirement**

2. For the Equity Derivatives segment, the client margins which are required to be compulsorily collected and reported to the Exchange/Clearing Corporation, as the case may be, by the Clearing members / Trading members shall include initial margin, exposure margin/extreme loss margin, calendar spread margin and mark to market settlements.

**Margin Enforcement Requirement**

3. With reference to SEBI circular CIR/DNPD/7/2011 dated August 10, 2011 captioned "Short-collection/Non-collection of client margins (Derivatives segments)", it is clarified that the 'margins', for both Equity Derivatives Segment and Currency Derivatives Segment, shall include margins as specified in Para 2 of this circular, mark to market settlements or any other margin as prescribed by the Exchange/Clearing Corporation to be collected by Clearing Members from their clients (i.e. Custodial Participants and Trading Members - for their proprietary positions) and by Trading Members from their clients.

## **Computation of Liquid Net worth**

4. Further to SEBI circular IES/DC/Cir-4-99 dated 28<sup>th</sup> July, 1999, it is clarified that for the equity derivatives segment, the liquid net worth shall be arrived at by deducting initial margin and the exposure margin/extreme loss margin from the liquid assets of the clearing member.
  
5. The provisions of this circular shall come into effect from June 01, 2018.
  
6. Stock Exchanges and Clearing corporations are directed to:
  - a) take necessary steps to put in place systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations;
  - b) bring the provisions of this circular to the notice of their members and also disseminate the same on their websites; and
  - c) communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly Report.
  
7. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully

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