

**NSE Clearing Limited**

(Formerly known as National Securities Clearing Corporation Limited)

**Department : FUTURES AND OPTIONS SEGMENT**

Download Ref No: NCL/CMPT/38807

Date : September 04, 2018

Circular Ref. No: 109/2018

All Members/Custodians/PCM

**Sub: Delivery margins for Physical Settlement in Equity Derivatives**

This is in partial modification to our circular no 67/2018 (Download Ref no NSCCL/CMPT/38039) dated June 15, 2018 on Physical Settlement in Equity Derivatives.

Following additional risk management measures are being implemented in respect of derivative contracts which shall be settled through delivery

- Current margining framework of F&O segment shall continue to be applicable till expiry of derivative contracts.
- In addition to margins applicable for F&O segment, delivery margins shall be levied on potential in-the-money long option positions four (4) trading days prior to expiry of derivative contract which has to be settled through delivery. Example- If expiry of derivative contract is on Thursday, the delivery margins on potential in-the-money long option position shall be applicable from previous Friday EOD
- From Expiry - 4 day EOD client level potential in-the-money long option positions shall be computed on daily basis. In-the-Money options shall be identified based on the closing price of the security in the underlying Capital Market segment on the respective day
- In-the-money long option positions shall be valued at strike price
- Delivery margins at the client level shall be computed as per the margin rate applicable in Capital Market segment (i.e VAR, Extreme Loss Margins) of the respective security.
- Delivery margins on potential in-the-money long option positions shall be levied at client level and collected from clearing member in a staggered manner as under
  - 20% of Delivery margins computed on Expiry - 4 EOD
  - 40% of Delivery margins computed on Expiry - 3 EOD
  - 60% of Delivery margins computed on Expiry - 2 EOD
  - 80% of Delivery margins computed on Expiry - 1 EOD
- The delivery margins on potential in-the-money long option positions shall be recomputed only at EOD basis considering the revised position, underlying prices and margin rates
- Members shall be required to collect the delivery margins on potential in-the-money long option positions and shall be included in the client margin reporting for clearing and trading members.
- Post expiry, positions which are converted to delivery settlement, margins as applicable in Capital Market segment (i.e VAR, Extreme Loss Margins, Mark to Market margins) shall be applicable and levied as delivery margins.

An illustrative example of levy of above mentioned margins is enclosed as Annexure

The above changes shall be applicable for September 2018 expiry contracts and accordingly, the abovementioned margins shall be levied from September 21, 2018

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

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Date	Symbol	Option Type	Strike Price	Long Position	Underlying Closing Price	Probable Deliverable Quantity	Probable Deliverable Value
Expiry - 4	XYZ	Call	45	100	50	100	4500
	XYZ	Call	55	100	50	0	0
	XYZ	Put	45	100	50	0	0
	XYZ	Put	55	100	50	100	5500
Expiry - 3	XYZ	Call	45	100	53	100	4500
	XYZ	Call	55	100	53	0	0
	XYZ	Put	45	100	53	0	0
	XYZ	Put	55	100	53	100	5500
Expiry - 2	XYZ	Call	45	100	56	100	4500
	XYZ	Call	55	100	56	100	5500
	XYZ	Put	45	100	56	0	0
	XYZ	Put	55	100	56	0	0
Expiry - 1	XYZ	Call	45	100	58	100	4500
	XYZ	Call	55	100	58	100	5500
	XYZ	Put	45	100	58	0	0
	XYZ	Put	55	100	58	0	0

<b>Margin Rate (VAR + ELM) in Capital Market</b>	<b>Probable Delivery Margins</b>	<b>% of Delivery Margins to be levied</b>	<b>Applicable Delivery Margins</b>
12.50%	562.50	20%	112.50
12.50%	0	20%	0
12.50%	0	20%	0
12.50%	687.50	20%	137.50
12.50%	562.50	40%	225.00
12.50%	0	40%	0
12.50%	0	40%	0
12.50%	687.50	40%	275.00
12.50%	562.50	60%	337.50
12.50%	687.50	60%	412.50
12.50%	0	60%	0
12.50%	0	60%	0
12.50%	562.50	80%	450.00
12.50%	687.50	80%	550.00
12.50%	0	80%	0
12.50%	0	80%	0