

NSE Clearing Limited

(Formerly known as National Securities Clearing Corporation Limited)

Department: FUTURES AND OPTIONS

Download Ref No: NCL/CMPT/43024

Date: December 26, 2019

Circular Ref. No: 178/2019

All Members,

Sub: Introduction of Cross-Margining facility in respect of offsetting positions in co-related equity Indices

This is further to our circular reference no. 163/2019 (Download reference no. NCL/CMPT/42629) regarding introduction of Cross-Margining facility in respect of offsetting positions in co-related equity Indices and in partial modification to Part 10.11 on Cross Margining of Part B of our consolidated circular reference no. 001/2019 (Download reference no. NCL/CMPT/39833) dated January 01, 2019.

Eligible Indices

SEBI in para 3(a) of its circular ref no.: SEBI/HO/MRD/DOP1/CIR/P/2019/128 dated November 08, 2019 mentions that cross margin benefit shall be provided on off-setting positions in futures on equity indices pairs which satisfy the below mentioned conditions:

- i. A positive correlation of more than 0.90 for a period of six months between the values of the equity Indices and
- ii. At least 80% of constituents of one of the index is present in the other index and
- iii. 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

Based on the above criteria and as per approval received from SEBI, NSE Clearing Limited shall provide cross margin benefit to the extent of off-setting positions in Futures and Option segment (F&O segment) in the following indices;

Sr. No.	Eligible co-related equity indices
1	NIFTY 50 and S&P BSE SENSEX
2	NIFTY 50 and SX40
3	NIFTY 50 and S&P BSE SENSEX 50
4	S&P BSE SENSEX and SX40
5	S&P BSE SENSEX 50 and SX40
6	S&P BSE SENSEX and S&P BSE SENSEX 50
7	NIFTY BANK and S&P BSE BANKEX

Eligibility Criteria

As specified in para 3(b) of the aforementioned SEBI Circular, NSE Clearing Limited shall check the eligibility criteria as under;

- i. on a monthly basis on the 15th of every month
- ii. 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.

Positions eligible for cross margining benefit

Cross margining benefit shall be available in F&O segment. Cross margining benefit shall be available to all categories of market participants. Clearing members shall be required to intimate the client details to avail cross margining benefit. The procedure for specifying client details by clearing members is as mentioned in Part 10.11.2 “Entities/clients eligible for cross margining” of Part B of our consolidated circular reference no. 001/2019 (Download reference no. NCL/CMPT/39833) dated January 01, 2019.

- i. In order to extend the cross-margin benefit, NSE Clearing Limited shall specify the ratio applicable for off-setting positions in futures on equity indices pairs on the website from time to time.
- ii. The positions in index futures shall be in the same expiry month to be eligible for cross margining benefit.
- iii. The position in an index shall be considered only once for providing cross margining benefit. E.g. 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 Futures and Options segment.
- iv. Positions in option contracts shall not be considered for cross margining benefit.

Computation of cross margin

- i. 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, as the case may be, who, in turn, shall pass on the benefit to the respective client.
- ii. The positions in the F&O segment shall be considered for cross margining only till time the margins are levied on such positions.
- iii. The positions which are eligible for offset, shall be subject to spread margins.
- iv. The spread margins shall be 30% of the applicable upfront margins on the offsetting positions in futures on equity indices pairs.
- v. 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.

All other provisions relating to cross margining shall continue to remain applicable. The effective date of implementation of provisions of this circular shall be informed subsequently.

Members are requested to take note of the above.

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

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