

National Stock Exchange of India Limited

Circular

DEPARTMENT: INSPECTION**Download Ref No: NSE/INSP/50012****Date: October 19, 2021****Circular Ref. No: 49/2021**

To All Trading Members,

Sub: Submission of data towards monitoring of client funds under Enhanced Supervision guidelines

This has reference to SEBI circulars SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, NSE circulars NSE/INSP/35412 dated July 20, 2017, NSE/INSP/37580 dated April 20, 2018 & NSE/INSP/44459 dated May 26, 2020 on Enhanced Supervision of Stock Brokers.

All trading members are required to submit the data towards monitoring of client's funds as on last trading day of week on or before the next three trading days. As per the guidelines issued by Exchange, members are submitting details of Fixed Deposit Receipts (FDR) not placed with clearing corporation/clearing members as a part of client bank account balances. In this regard it has come to the notice of the Exchange, that certain members are submitting details of such FDRs which are lien marked for availing overdrafts and are not unencumbered. Further Exchange has also noticed that certain members are reporting Liquid Mutual Funds, Gilt Funds and Government Securities created from the client funds and lying with the Clearing Corporation and Clearing member towards availability of client funds payable.

In view of the same, Members are hereby directed that any FDRs created out of the client funds received by the members should be only for the purpose of placing with clearing corporation/clearing members. Further Members are also directed not to invest client funds received by the members in the client bank accounts in any Liquid Mutual Funds, Gilt Funds, Government Securities or any other liquid funds. In view of the above and recent changes in the regulatory guidelines, data points numbered as 1,2,3,4,5,6,7,9,10 & 11 required to be submitted towards the weekly monitoring of client funds (Enhanced Supervision of Stock Brokers), as provided in NSE circulars NSE/INSP/35412 dated July 20, 2017, NSE/INSP/37580 dated April 20, 2018 & NSE/INSP/44459 dated May 26, 2020, shall

change. The updated guidelines for each of the data-points is provided as **Annexure-A** for reference.

The above changes shall be applicable with effect from the submissions for the week ended January 07, 2022. All Members are advised to take note of the above and comply.

For and on behalf of

National Stock Exchange of India Limited

Subhankar Chowdhury

Senior Manager-Inspection

Enclosed: Annexure A

In case of any clarifications, Members may contact our below offices:

Regional Office	E MAIL ID
Ahmedabad (ARO)	inspectionahm@nse.co.in
Chennai (CRO)	inspection_cro@nse.co.in
Delhi (DRO)	delhi_inspection@nse.co.in
Kolkata (KRO)	inspection_kolkata@nse.co.in
Mumbai (WRO)	compliance_wro@nse.co.in
Central Help Desk	compliance_assistance@nse.co.in

Annexure A

S. No	Particulars	Remarks
1	Total of day end balance in all Client Bank Accounts (In Rs.)	<ul style="list-style-type: none"> • Provide total EOD fund balance available in all Client Bank Accounts (as per Bank Statement) including the Settlement Accounts across all Exchanges. • Balances in OD/LAS (Loan against shares) accounts shall not be considered. <p>Any FDR that has been created out of the client funds received by member and lying with member shall not be considered towards availability of client funds payable.</p>
2	Collateral deposited with clearing corporations in form of Cash and Cash Equivalents (In Rs.)	<p>Aggregate value of collateral deposited with all clearing corporations in form of Cash & Cash Equivalents as mentioned below (Cash, FD, BG).</p> <ul style="list-style-type: none"> • Cash, FDRs & BGs deposited with Clearing corporation • In case of BG, only funded portion of the BG shall be considered. Value of any immovable assets pledged for getting the BG should not be considered as funded portion. • Early pay in of funds to CC to be considered, if it is debited from settlement bank account and same is not included in any of collateral report of clearing corporations. <p>For NSE Clearing deposits, the amount can be taken from the following files (deducting non-funded portion of BG) downloaded to the members: -</p> <p>For Equity Segment MG-05 For Derivative Segment CL-01</p> <p>For deposits in other clearing corporations, Members need to refer to the daily reports downloaded by the respective clearing corporation.</p>
3	Collateral deposited with clearing member in form of Cash and Cash Equivalents (In Rs.)	<p>Aggregate value of collateral deposited with all clearing member in form of Cash & Cash Equivalents as mentioned below (Cash, FD, BG).</p> <ul style="list-style-type: none"> • Cash, FDRs & BGs deposited with Clearing Member • In case of BG, only funded portion of the BG shall be considered. Value of any immovable assets pledged for getting the BG should not be considered as funded portion.

4	Total Credit Balance of all clients (In Rs.)	Aggregate value of Credit Balances of all clients as obtained from trial balance across stock exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients and uncleared cheques issued to clients and the margin obligations if posted in the client ledger if any). Open bills also contain 'value of credit entry posted in client ledger in lieu of successful EPI of securities to CC. Debit balance of client in MTF will not be adjusted against the credit balance of same client in non-MTF.
5	Total debit balance of all clients (In Rs.)	Aggregate value of debit Balances of all clients as obtained from trial balance across stock exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients and uncleared cheques issued to clients and the margin obligations if posted in the client ledger). Open bills also contain 'value of credit entry posted in client ledger in lieu of successful EPI of securities to CC'
6	Value of own securities deposited as collateral with Clearing corporation (In Rs.)	Value of own collaterals i.e. securities/commodities/cash equivalents other than FDRs/BGs which have been deposited with the clearing corporations across all Exchanges. (Haircut to be applied as stipulated by the respective clearing corporation) The securities/commodities/cash equivalents other than FDRs/BGs shall be valued (after haircut) at closing rate of the last trading day of the week.
7	Value of Own Securities Deposited as Collateral with Clearing Member (In Rs.)	<ul style="list-style-type: none"> • Value of own collaterals i.e. securities/commodities/cash equivalents other than FDRs/BGs which have been deposited with the clearing member across Exchanges. • Valuation of securities/commodities/cash equivalents other than FDRs/BGs to be taken after applying haircut stipulated by the clearing member at closing rate of the last trading day of the week
8	Value of Non funded portion of the Bank Guarantee (In Rs.)	Provide value of non-funded part of the BG across all Clearing corporations
9	Proprietary Margin Obligation	<p>Provide value of proprietary margin obligations across Clearing Corporations. It shall be the sum of Margin obligations in Cash and Derivative segments for proprietary trading positions as on the reporting day.</p> <p>The figures for PRO margin obligation in NSE can be obtained from the following files: -</p> <p>For CM Segment – MG-13 (Initial Margin/VAR + Extreme loss margin + MTM loss + additional/adhoc margin)</p> <p>For Derivative Segment - Total margin (SPAN margin + Extreme Loss margin+ Delivery margin (wherever applicable) + Margin on consolidated crystallized obligation)</p> <p>For PRO margin obligation in other Exchanges/CC, refer daily reports downloaded from the respective Clearing Corporation.</p>
10	Margin utilized for positions of Credit Balance Clients (MC)	<p>Margin utilized (Minimum of Credit Balance of clients & Margin Obligation of such clients after deducting the value of securities/commodities repledged with CC/CM after appropriate haircut for the purpose of margin) for positions of credit balance clients across all Clearing Corporation.</p> <p>The figures for client margin obligation in NSE can be obtained from the following files:-</p>

		<p>For CM Segment – MG-13 (Initial Margin/VAR + Extreme loss margin + MTM loss + additional/adhoc margin)</p> <p>For Derivative Segment - Total margin (SPAN margin + Extreme Loss margin+ Delivery margin (wherever applicable)+ Margin on consolidated crystallized obligation)</p> <p>For margin obligation in other Exchanges/CC, refer daily reports downloaded from the respective Clearing Corporation.</p>
11	Free/unblocked Collateral deposited with Clearing Corporation	<p>Value of unutilized collateral lying with the clearing corporations across Stock Exchanges.</p> <p>For NSE /NSE Clearing balances, the amount can be obtained from the following files downloaded to the member :- For Equity Segment MG01 (Point B14- Balance Deposit Available)</p> <p>For F&O, CD & Commodity Segment MG11 (Excess Effective Deposits required)</p> <p>- The figure if negative has to be taken.</p> <p>Further Early pay in of funds to CC to be considered, if it is debited from settlement bank account and same is not included in any of collateral report of clearing corporations.</p>
12	Free/unblocked Collateral deposited with Clearing Member (In Rs.)	Value of unutilized collateral lying with clearing Members across Stock Exchanges.