NSE Clearing

NSE Clearing Limited
(Formerly known as National Securities Clearing Corporation Ltd.)

Circular

Department: FUTURES & OPTIONS	
Download Ref No: NCL/CMPT/61714	**Date: April 24, 2024**
Circular Ref. No: 047/2024	

All Members,

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

We draw your attention to SEBI circular ref. no: SEBI/HO/MRD/TPD-1/P/CIR/2024/24 dated April 23, 2024 regarding Cross Margin benefits for offsetting positions having different expiry dates. The copy of the circular issued by SEBI is enclosed as Annexure.

Members are requested to take note of the above.

For and on behalf of
NSE Clearing Limited

Huzefa Mahuvawala
Chief Risk Officer

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भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/MRD/TPD-1/P/CIR/2024/24 April 23, 2024

To

All Stock Exchanges

All Clearing Corporations

(Except Commodity Derivatives Exchanges/Clearing Corporations)

Sir/Madam,

Cross Margin benefits for offsetting positions having different expiry dates

1. Chapter 5 of SEBI Master Circular dated October 16, 2023 for Stock Exchanges and Clearing Corporations inter-alia provides stipulations for cross margin between index futures position and constituent stock futures position in derivatives segment (Clause 1.2.9) as well as cross margin in respect of offsetting positions in correlated equity indices (Clause 1.2.10). At present, the aforesaid cross margin benefits are provided if both the correlated indices or an index and its constituents, as the case may be, have same expiry day.

2. In discussion with stock exchanges, Clearing Corporations and Risk Management Review Committee of SEBI, it has been decided to extend the cross margin benefit on offsetting positions having different expiry dates subject to the following :

   a. A spread margin of 40% would be levied in case of offsetting positions in correlated indices having different expiry dates. Spread margin of 30% would continue to get levied in case of same expiry date (i.e. existing requirement).
   b. A spread margin of 35% would be levied in case of offsetting positions in index and its constituents having expiry date different from index. While the expiry date of index futures can be different from that of its

constituents, the expiry date of futures contracts of all constituents should be same in order to obtain the aforesaid cross margin benefit. Further, spread margin of 25% would continue to get levied in case of same expiry date of index and constituents (i.e. existing requirement).

c. The aforesaid spread margin benefit would be revoked at the beginning of the expiry day of the position which expires first (i.e. first of the expiring indices or constituents) in case the expiry dates of both legs of the position are different.

d. Exchanges / Clearing Corporations to put in place suitable monitoring mechanism to keep track of cross margin activities of participants.

e. All other requirements pertaining to cross margin remain unchanged and applicable.

3. The circular would be effective three months from its date of issuance. The 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,

Ansuman Dev Pradhan
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