

NOTICES

Notice No.	20191120-22	Notice Date	20 Nov 2019
Category	Compliance	Segment	Equity
Subject	Collection and reporting of margins by Trading Member (TM)/Clearing Member (CM) in Cash Segment		
Attachments	Annexure-1.pdf		

Content

SEBI has issued circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/139 dated November 19, 2019, on the captioned subject. The copy of the said SEBI circular is enclosed as Annexure-1 for your reference.

SEBI vide the aforesaid circular has issued specific guidelines in order to align and streamline the risk management framework of both cash and derivatives segments with respect to collection of margins from the clients and reporting of short-collection/non-collection of margins. The circular inter alia mentions as under:

“4.1. Collection of margins from the clients by TM/CM in cash segment:

4.1.1. The ‘margins’ for this purpose shall mean VaR margin, extreme loss margin (ELM), mark to market margin (MTM), delivery margin, special / additional margin or any other margin as prescribed by the Exchange to be collected by TM/CM from their clients.

4.1.2. Henceforth, like in derivatives segment, the TMs/CMs in cash segment are also required to mandatorily collect upfront VaR margins and ELM from their clients. The TMs/CMs will have time till ‘T+2’ working days to collect margins (except VaR margins and ELM) from their clients. (The clients must ensure that the VaR margins and ELM are paid in advance of trade and other margins are paid as soon as margin calls are made by the Stock Exchanges/TMs/CMs. The period of T+2 days has been allowed to TMs/CMs to collect margin from clients taking into account the practical difficulties often faced by them only for the purpose of levy of penalty and it should not be construed that clients have been allowed 2 days to pay margin due from them.)

4.1.3. As prescribed in clause 7 of SEBI circular MRD/DoP/SE/Cir-07/2005 dated February 23, 2005, the TM/CM shall be exempted from collecting upfront margins from the institutional investors carrying out business transactions and in cases where early pay-in of securities is made by the clients.

4.1.4. If the TM/CM had collected adequate initial margins from the client to cover the potential losses over time till pay-in, he need not collect MTM from the client.

4.1.5. As like in derivatives segments, the TMs/CMs shall report to the Stock Exchange on T+5 day the actual short-collection/ non-collection of all margins from clients.

4.2. Penalty structure for short-collection/non-collection of margins and false/incorrect reporting of margin collection from the clients by TMs/CMs:

4.2.1. For short-collection / non-collection of client margins, the Stock Exchanges shall take the disciplinary action as per the framework specified in SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011.

4.2.2. For false/incorrect reporting of margin collection from the clients by TMs/CMs, the Stock Exchanges shall take disciplinary action as per the framework specified in SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/88 dated August 01, 2019.”

It may be noted that the provisions of paragraph 4.1 and 4.2 of the aforesaid SEBI circular dated November 19, 2019 shall come into force with effect from January 01, 2020 and April 01, 2020 respectively.

All Stock Brokers are requested to take note of the contents of the aforesaid SEBI circular dated November 19, 2019 and ensure compliance.

For and On behalf of BSE Ltd.

Gopalkrishnan Iyer
Chief Gen. Manager
(Member Compliance, Investor Services and Broker Supervision)