

## Collateral FAQ's

### 1. What is the minimum security deposit does a member have to keep with the Exchange?

Sr. No	Particulars	Trading cum Clearing Member (TCM) (In Rs.)	Strategic Trading cum Clearing Member (STCM) (In Rs)	Professional Clearing Member (PCM) (In Rs.)	Trading Member (TM) (In Rs.)
1.	<b>Base Capital</b>				
	i) Interest Free Cash Security Deposit	25.00 Lakh	20.00 Lakh upfront and Additional 0.50 Lakh per TM/TCM affiliated with it	25.00 Lakh upfront and Additional 0.50 Lakh per TM/TCM affiliated with it	Rs.7.50 Lakh
	ii) Collateral Security Deposit (FDR / BG)	25.00 Lakh	50.00 Lakh	25.00 Lakh	NIL
2.	<b>Base Minimum Capital</b>				
	i) Interest Free Cash Deposit	2.50 Lakh	2.50 Lakh	12.50 Lakh	2.50 Lakh
	ii) Collateral Security Deposit (FDR / BG)	7.50 Lakh	7.50 Lakh	37.50 Lakh	7.50 Lakh

#### Notes:

1. If TCM is clearing through STCM/PCM, the member will have to maintain a base capital of Rs. 50 Lakh with the Exchange in the form of cash only.
2. The BMC Requirement for Members doing Algo trading is Rs. 50 lacs only. (out of which Rs. 12.50 lacs shall be in Cash and remaining amount of Rs. 37.50 lacs can be in Cash or cash equivalent i.e. (Fixed Deposit Receipt /Bank Guarantee).

### 2. Can Exposure be permitted against Base Capital to Members?

Yes, exposure is permitted against Base Capital to Members.

### 3. Can Exposure be permitted against Base Minimum Capital to Members?

No, exposure is not permitted against Base Minimum Capital to Members.

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#### **4. What are the various forms of collaterals accepted by the Exchange towards Additional Base capital?**

Member can submit Additional base capital to the Exchange in the following forms:

1. Cash
2. Cash Equivalent:
  - (a) Bank Guarantee (BG)
  - (b) Fixed Deposit Receipt (FDR)
3. Approved securities in Demat form deposited with approved Custodians
4. Approved Agricultural Commodities in Demat form deposited with approved Custodians
5. Bullion (Gold and Silver) in in Demat form deposited with approved Custodians
6. Approved Gold Exchange Traded Fund (ETF) in Demat form deposited with approved custodians.
7. Approved Steel Long as Collateral in Demat form deposited with approved custodians.

#### **5. To which address should the collateral related documents be sent?**

All collateral related documents are required to be sent to the below mentioned address:

NCCL - NCDEX Commodities Clearing & Settlement

1st Floor, Akruti Corporate Park

Near G.E. Garden, LBS Road

Kanjurmarg West

Mumbai - 400 078

#### **6. Which are the approved banks that can issue Bank Guarantee & Fixed Deposits?**

The updated list of Approved Banks for issuance of Bank Guarantee and Fixed Deposits Receipts is available NCDEX Website at <http://www.ncdex.com/ClearingServices/AppBankGuarantee.aspx>

**7. Where are the formats of Bank Guarantee & Fixed Deposits available?**

The Formats of Bank Guarantee & Fixed Deposits are available on NCDEX Website at <http://www.ncdex.com/ClearingServices/CollateralFormats.aspx>

**8. What is the minimum period for which a FDR/BG against various deposits should be submitted to the Exchange?**

- Base capital (Security deposit) - minimum period of 12 (twelve) months.
- Additional base capital (Margin Deposit) - minimum period of 3 (three) Months.
- Base Minimum Capital: - Minimum period of 12 (twelve) months.

**9. In whose name the FDR/BG should be issued?**

The FDR should be issued in the name of "NCDEX A/c (Member Name)" or "National Commodity & Derivatives Exchange Ltd. A/c (Member Name)".

The BG should be issued in favor of "National Commodity & Derivatives Exchange Ltd".

**10. When should the issuing bank confirm the submission of collaterals?**

Confirmation of the Bank Guarantee/Fixed Deposit Receipt by the issuing banks should be submitted to NCCL within 21 days of receipt of the same. Reminder letters are also sent to the bank on 07<sup>th</sup> & 14<sup>th</sup> day. In case of non-receipt of confirmation within the stipulated time period, the FDR/BG so submitted will be treated as invalid till the confirmation is received and the member's collateral shall be duly reduced.

**11. What should be the value of stamp paper on which BG is executed?**

The Bank Guarantee should be executed on a non-judicial stamp paper of value Rs.100 or the value prevailing in the State where it is executed, whichever is higher.

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**12. Is it necessary to provide a claim period on the Bank Guarantee?**

It is not necessary to provide a claim period on the Bank Guarantee, however if the claim period is not provided, member is required to submit the renewed BG at least 15 days prior to the expiry of BG failing which the benefit will stand to be withdrawn 15 days prior to its expiry. Refer to Circular No. NCDEX/CSG-002/2008/114.

**13. What should be the minimum claim period to be given, if a claim period is provided on the Bank Guarantee?**

If a Claim period is provided on the Bank Guarantee, it should be for a minimum period of 15 days.

**14. What are the necessary Check points for Bank Guarantee?**

- The BG should be issued in favor of "National Commodity & Derivatives Exchange Ltd".
- The issuing bank should be approved & empanelled by NCDEX.
- Bank Guarantee should be strictly executed as per the prescribed format of the Exchange.
- The Bank guarantee should have the minimum validity period as stipulated by the Exchange.
- Bank Guarantee Number & Issue date should be uniformly mentioned on every pages of the BG.
- Every page of the BG should be authenticated by bank stamp and signature of two authorized signatories.
- The non-judicial stamp paper should not be more than six months old.
- Spelling Mistakes in Member Name / Bank name is not permitted.
- Any Handwritten / Corrections on the BG should be strictly avoided
- The amount of BG in Figures & Words should tally with each other.
- No additional clauses other than the prescribed format should be mentioned on the BG or on the covering letter of the BG if provided.
- The Master Agreement date should be correctly mentioned on the BG, if BG is executed as per master agreement Format.
- In case of Renewal of BG, the Bank Guarantee Number should be kept constant.
- In case of Renewal of BG, the original issue date & validity date should be correctly mentioned.
- The Date & Place of Execution should be clearly mentioned on the Bank Guarantee.

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**15. What are the necessary Check points for Fixed Deposit Receipts?**

- The issuing bank should be approved & empanelled by NCDEX.
- The Beneficiary Name on the FDR Receipt should be printed as "NCDEX A/C Member Name".
- The Beneficiary Name on the bank letter should be "NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED - A/c Member Name".
- The FDR should have the minimum validity period as stipulated by the Exchange.
- The FDR Number mentioned on the FDR Receipt, Bank letter & Member letter should be uniform.
- The amount in Figures & Words should tally with each other.
- The Amount mentioned on the FDR Receipt and Bank letter should be uniform.
- In case of Renewal of FDR, the original Issue Date, Maturity Date, and Renewal Date & New Maturity Date should be correctly mentioned.
- If FDR Number is changed on renewal, New FDR Receipt and Member letter should be submitted along with the bank letter.
- The FDR Receipt & Bank letter should be authenticated with bank round stamp & signature of authorized signatory.
- The Bank letter & Member letter should be strictly in the Exchange prescribed format.
- The Deposit type (BC/BMC/ABC) should be clearly mentioned on the Member letter.

**16. Can a Member Replace a BG/FDR/Cash submitted towards Base or Minimum Base Capital?**

YES

**17. What is the process to be followed in case of Replacement?**

- If Member wants to replace a Bank Guarantee with Fixed Deposit Receipt or Vice versa, a letter for release of existing BG / FDR in the prescribed format should be submitted to the exchange along with the Fresh Collateral.
- If Member wants to replace Cash with BG /FDR, a letter for release of Cash deposit in the prescribed format should be submitted to CSG Department after submission of fresh collateral.
- The format for Release letter of BG/FDR/Cash are available on NCDEX Website at <http://www.ncdex.com/ClearingServices/CollateralFormats.aspx>

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**18. What are the indications given to members for renewal of their collaterals?**

Members are duly alerted about the details of collaterals, due for renewal, vide a reminder letter in a file named NCDEX\_BGMTR (BC/ABC) \_TMID\_DDMMYYYY.LIS available on the member specific folder on extranet. These files are uploaded 30 days, 15 days and 8 days prior to maturity of the Bank Guarantee/Fixed deposit Receipt. Members are also informed via a letter issued 30 days prior to the maturity of collaterals.

**19. Which are the approved custodians for pledge of equity shares or Commodities?**

- HDFC Bank Ltd  
Custody Services – Settlements  
Lodha- I Think Techno Campus,  
Building - Alpha, 8th Floor,  
Kanjurmarg (E)  
Mumbai - 400 042  
Contact Details: Mr. Jagdish Bhatia / Ms. Aparna Shisatkar  
Contact Number: 022-30752877 / 30752848  
Email ID: [jagdish.bhatia@hdfcbank.com](mailto:jagdish.bhatia@hdfcbank.com) / [aparna.shisatkar@hdfcbank.com](mailto:aparna.shisatkar@hdfcbank.com)
- Stock Holding Corporation of India Limited (SHCIL)  
Plot No P/51 TTC Industrial Area,  
MIDC – Mahape,  
Navi Mumbai – 400 710  
Contact Details: Mr. Ganesh Zogde / Mr. Mubeen Patel  
Contact Number: 022-27785532 / 6177852  
Email ID: [ganeshz@stockholding.com](mailto:ganeshz@stockholding.com) / [Mubeen.Patel@stockholding.com](mailto:Mubeen.Patel@stockholding.com)

**20. Which are the equity shares / agricultural commodities that can be pledged towards margin exposure?**

Members can pledged approved securities / agricultural commodities, as notified by the Exchange from time to time through its circulars, in demat form with the approved custodian(s) of the Exchange towards margin deposit.

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**21. What is the maximum eligible limit for pledge of agricultural Commodities?**

The approved agricultural commodities and Steel Long as collateral shall be permitted to a maximum of **Rs. 7.50 Crore** (after haircut) as part of Additional Base Capital for a member.

**22. What is the procedure of valuation adopted by the Exchange for pledged Securities/Commodities?**

- The securities shall be subject to a minimum margin / VAR based hair cut as specified by the Exchange from time to time. The updated Haircut file would be available on NCDEX Website at <http://www.ncdex.com/ClearingServices/CollateralFormats.aspx>
- The respective hair Cut on approved agricultural commodities is as notified by the Exchange from time to time through its circulars.
- The cash component (Cash, BG and FDR) should be minimum 50% of the total Effective deposits. In case, the non-cash Component exceeds the cash component, then the benefit of non-cash component will be given equivalent to cash component.
- The total commodities collateral (ABC) in the non-cash component should not exceed the 15% of the total liquid assets (Cash, BG, FDR & Securities) of the clearing member. In case the commodity collateral exceeds 15% the benefit of the excess part is not be provided to the member.

**23. What happens in case the security/commodity pledged is discontinued from the Approved list of the Exchange?**

In case of discontinuation of a security / commodity from the approved list, the same shall not be considered for the purpose of collateral valuation and the benefit granted against the same shall be withdrawn. Members may request for the release of such securities / commodities.

**24. How can a member release collaterals submitted towards Additional Base Capital?**

In case the member wants to release collateral kept as Additional Base Capital in the form of Cash / FDR / BG / Securities / Commodities, he has to put a release request via NCFE web portal in Collaterals Module on Member Interface.

Kindly refer to Circular No. NCDEX/CLEARING-015/2016/188 dated August 12, 2016 and user manual available in NCFE under 'Download' menu on ABC Release module.

**25. What are the timings to put release request for collaterals submitted towards Additional Base Capital and when it will be released?**

The Exchange has provided 24-hour facility to put release request for collaterals submitted towards additional margin. All requests for release of ABC received up to 9.00 am would be released on the same day. Requests for the release of ABC received after 9.00 am would be released on the next working day. Release request will not be processed on Bank holiday. The release request is processed after considering the margins and the exposure taken by the member against the available collateral.

**26. Can a Member place release request for matured collateral on Web interface?**

Member would be able to put release request on Web portal only for valid collaterals. For release of matured collaterals (BG/FDR), member should submit a Release letter in the exchange prescribed format.

**27. On which Address the Released Collaterals are couriered to the Member?**

The Released Collaterals are couriered to the Member on his Correspondence Address as maintained with Membership department. If member wants Hand delivery an Authority letter needs to be submitted.

**28. Can a Member resubmit a FDR / BG to the Exchange, which has been earlier released by the Member?**

- 'YES' in case of FDR

Member can resubmit valid FDR which had been earlier released by the member on condition that the FDR further continuous to possess the minimum validity period as stipulated by the exchange from its resubmission date. If Valid FDR is resubmitted, it is mandatory to submit fresh Bank letter & Member letter as of Current date along with the FDR Receipt.

- 'No' in case of BG

It is not recommended to member to resubmit the BG once the original copy of BG is released & dispatched to the member & release intimation via release letter is dispatched to the issuing bank.



**29. When are the members trading terminal disabled for requirements in collateral deposits?**

- Members are required to maintain a Minimum Base capital and Base capital requirement as stipulated by the exchange at any point of time.  
If the collateral submitted for Base capital / Minimum Base capital expires and no new/renewed collateral is placed to fulfill the requirement, the member trading terminal is disabled.
- In case if the Margin utilization exceeds the effective deposit of the member, member is automatically put under square off mode on an online basis till the utilization is regularized.
- Disablement charge of 0.09% of the value of shortfall or Rs. 500 (whichever is higher) per day shall be levied on the member.

**30. What are the reports given to members for information on collaterals?**

On daily basis, following collateral related reports are uploaded onto the member's extranet folder.

<b>File Naming Convention</b>	<b>File Name</b>	<b>Report Name</b>
NCDEX_CL01_<Member code>_DDMMYYYY.LIS)	CL01	Collateral Details- Statement of Capital and Collateral Breakup
NCDEX_CL02_<Member_Code>_DDMMYYYY.LIS	CL02	Report providing details of Collateral kept towards BMC