
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No : NCDEX/COMPLIANCE-037/2022

Date : June 14, 2022

Subject : Clarifications on Margin collection & reporting

This has reference to Exchange Circular no. NCDEX/COMPLIANCE-046/2021 dated October 14, 2021 with respect to "Clarification on Margin Collection and Reporting" wherein it was clarified that:

"It is reiterated that members are not permitted to pass on the penalty levied by clearing corporations on account of "short/non-collection of upfront margins" to clients under any circumstances. Further, clarification to Question no. 28 of FAQs on Client Margin Reporting Mechanism issued by National Commodity Clearing Limited (NCCL), has been partially modified as below:

"28. In case of short-collection of margin can member pass on the penalty to the clients?

Member shall not pass on the penalty w.r.t short collection of upfront margins to clients under any circumstances. In case of failure (requirement not met by the client) on part of the client resulting which penalty is levied by the Clearing Corporation on the member for short reporting of margins other than "upfront margins" such as consolidated crystallized obligation, Delivery margins, other margins (Mark-to-market & additional margins), member may pass on the actual penalty to the client, provided he has evidence to demonstrate the failure on part of the client. Wherever penalty for short reporting of margins other than "upfront margins" is being passed on to the client relevant supporting documents for the same should be provided to the client."

It has been brought to the notice of the Exchange that few members are passing on the penalty w.r.t short collection of upfront margins to clients. In view of the above it is hereby once again reiterated that members are not permitted to pass on the penalty levied by clearing corporation on account of "short/non-collection of upfront margins" to clients under any circumstances.

Further, members are advised that if such penalty has been passed on to the clients after October 14, 2021 (*i.e. the date of clarification circular*), the same shall be refunded to the clients on an immediate basis.

Members are requested to take note of the contents of the circular and are further required to ensure strict compliance in order to avoid any disciplinary actions.

For and on behalf of

National Commodity & Derivatives Exchange Limited

Pranesh Shetty

Vice President – Audit & Inspection

For further information/clarifications, please contact

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