

## **Collateral Management (Liquid Assets): Commodity Derivatives Segment**

### **1. Composition of Liquid Assets**

Clearing Members of the Commodity Derivatives Segment may deposit liquid assets in various forms viz. cash and cash equivalents i.e. Bank Guarantees and Fixed Deposit Receipts of scheduled commercial banks, eligible Government Securities, Liquid Mutual Fund (MF) Units and non-cash equivalent i.e. eligible securities, Non cash MF units, Corporate bonds, Bullion collateral etc. and in any other form as may be prescribed by ICCL from time to time. [List of Eligible securities, MF units and Government Securities is available on the web-site of \(BSE\)/ICCL.](#)

The types of liquid assets acceptable by ICCL from the clearing members and the applicable haircuts and concentration limits are listed below:

Cash & Cash Equivalent		
Eligible Collateral	Haircut	Remarks
Cash	No haircut	No limit
Bank Fixed Deposit Receipts (“FDRs”)	No haircut	No limit
Bank Guarantees (“BGs”)	No haircut	Limit on exchange’s exposure to a single bank as per the sebi stipulated norms.
Central Government Securities	10%	No limit
Units of liquid Mutual Fund (or) Govt. Sec. Mutual Fund (by whatever name called which invests in government securities)	10%	No limit
Non- Cash Equivalent*		
Eligible Collateral	Haircut	Remarks
Liquid (Group-I) Equity Shares (as per the prescribed criteria for classification of scrips on the basis of liquidity).	VaR margin for the respective scrips	Limit on exchange’s exposure to a single issuer as per SEBI stipulated norms.
Mutual Funds (other than those listed under cash equivalent)	VaR Margin	
AA (or higher) rated Corporate Bonds	10%	Not more than 10% of total liquid assets of the clearing member.
Gold ETF	20%	Total commodities collateral for any clearing member shall not exceed 30% of the total liquid assets of the clearing member, out of which non-bullion (Presently, not accepted) collateral shall not exceed 15% of the total liquid assets of the clearing member.
<b>Commodity Collateral:</b>  Bullion	20%	

- The cash/cash equivalent component should be at least 50% of the total liquid assets. Further, the Liquid Assets deposited in form of cash equivalent and non-cash equivalent are subject to the norms in respect of applicable haircuts, single bank and single issuer exposure limits, etc. as per the guidelines issued by Securities and Exchange Board of India (SEBI) and ICCL as well as any other circulars/guidelines that may be issued in respect of the same from time to time.
- ICCL will not accept FDRs & BGs from clearing members as collateral, which are issued by the trading/clearing members themselves or banks who are associate of trading/clearing members.
- The commodity collateral which is owned by the clearing member only can be deposited towards collateral deposits by the clearing member with ICCL.

## **2. Minimum Liquid Asset/Networth**

The Clearing Member's liquid net worth after adjusting all types of margins must be at least INR 50 Lakhs at all points in time.

Accordingly, every Clearing Member would be required to maintain Minimum Liquid Networth (MLN) of INR 50 lakhs with ICCL, out of which MLN worth atleast INR 25 lakhs should be in the form of cash & cash equivalents. The balance amount can be in the form of Cash/Cash equivalent/non-cash equivalent.

## **3. Additional Liquid Assets**

Clearing Members may deposit additional liquid assets at any point of time based on the composition of Liquid Assets as detailed above.

## **4. Procedure for submission of deposits towards Liquid Assets**

### **➤ Cash Deposits**

- ✓ ICCL has provided an on-line facility in its Collateral Management System to members for sending instructions to Clearing Banks for enhancement of cash collateral.
- ✓ Through the said facility, Members can place their on-line requests to their designated Clearing Bank during the specified timings for enhancement of cash collateral for the relevant segment of the Exchange.
- ✓ The concerned Clearing Banks have also been provided the on-line web-based facility for confirmation of such cash collateral enhancement requests.
- ✓ Based on the request forwarded by the Member, the respective Clearing Banks may confirm or reject the enhancement of cash collateral request received by them.

### **➤ Fixed Deposit Receipts (FDRs)**

Clearing Members can deposit FDR(s) of scheduled commercial banks towards liquid assets.

- ✓ The FDRs deposited by the Clearing Members should be issued in favour of "Indian Clearing Corporation Ltd. a/c Trade Name of the Clearing Member" and should be duly discharged by the Clearing Member himself or an authorised signatory of the member on the reverse of the FDRs.
- ✓ The FDRs need to be deposited along with a covering letter of the Clearing Member and with a letter from the concerned bank addressed to ICCL as per the formats stipulated by ICCL.  
(Refer annexure 1.4.10.1.1) <https://www.bseindia.com/members/downloads.aspx?expandable=9>

### Renewal of FDRs

- ✓ Clearing Members may renew the FDRs deposited towards Liquid Assets by submitting a renewal letter from the concerned bank and along with a covering letter by the Clearing Member in the prescribed format.  
(Refer annexure 1.4.10.1.2) <https://www.bseindia.com/members/downloads.aspx?expandable=9>

**The Clearing Members can also deposit new/renew the Fixed Deposit Receipts in electronic form (EFDRs) in favour of ICCL towards their Liquid Assets. The process for issuance/renewal of EFDR is as follows:**

- ✓ Members who wish to avail of the facility can approach any of the empaneled banks
- ✓ Submit required documents and information such as member code, segment for which FDR is to be deposited towards Liquid Assets (Collateral) requirements, Amount, Tenure etc.
- ✓ Request the bank to create/renew the FDR and mark lien in favour of ICCL.
- ✓ Accordingly banks can issue/renew the FDR, with a lien marked in favour of ICCL and confirm the FDR information electronically to ICCL through the system provided by ICCL.

### ➤ **Bank Guarantee (BGs)**

Clearing Members can deposit Bank Guarantees (BGs) issued by Scheduled Commercial Banks towards Liquid Assets requirements in the prescribed format stipulated by ICCL. The BG may be deposited along with a covering letter of the Clearing Member as per the specified format.

(Refer annexure 1.4.10.2.1) <https://www.bseindia.com/members/downloads.aspx?expandable=9>

Clearing Members can deposit bank guarantee(s) with/without the claim period. In cases where bank guarantee(s) are submitted without a claim period, the amount of the bank guarantee(s) would be removed from the liquid assets of the member at least seven days before the expiry date of the bank guarantee(s) or such other period as may be decided by ICCL from time to time. In cases where bank guarantee(s) are submitted with a claim period, the amount of the bank guarantee(s) would be removed on the expiry date of the bank guarantee(s) or such other date as may be decided by ICCL from time to time.

Clearing Members are required to ensure the following at the time of depositing the bank guarantees:

- ✓ The bank guarantee should be strictly as per the formats prescribed by ICCL.
- ✓ No relevant portion of the bank guarantee should be left blank.
- ✓ All irrelevant portions struck off on the printed format should be authenticated by the bank by affixing the bank seal / stamp duly authorised.

- ✓ All handwritten corrections and blanks should be attested by the bank by affixing the bank seal / stamp duly authorized.
- ✓ Each page of the bank guarantee should bear the bank guarantee number, issue date and should be signed by at least two authorised signatories of the bank.
- ✓ That the bank guarantee should be free from any discrepancy before the same is submitted to ICCL.

### **Renewal of BGs**

- ✓ Clearing Members may renew the BGs deposited towards Liquid Assets by submitting a renewal letter from the concerned bank along with the covering letter by the Clearing Member in the prescribed format.  
(Refer annexure 1.4.10.2.2) <https://www.bseindia.com/members/downloads.aspx?expandable=9>

### **Bank Guarantee in electronic form**

The Clearing Members can also deposit/Renew the Bank Guarantees in electronic form in favour of ICCL towards their Liquid Assets. [For details Members may refer Circular No 20150903-26, dated 03, September 2015.](#)

### ➤ **Eligible securities and MF units by way of pledge towards Liquid Assets**

Clearing Members can deposit eligible securities and MF units in dematerialised form towards liquid assets by way of pledge. The list of eligible securities and units is available on BSE/ICCL website. These securities and units shall be pledged in favour of ICCL in the designated depository accounts.

The valuation of the securities and units deposited towards Liquid Assets shall be in accordance with the norms and limits as prescribed by ICCL from time to time. The value of the securities shall be subject to such haircut as may be prescribed by ICCL from time to time. The valuation of securities and units will be done on a periodic interval by ICCL and benefit to the extent of net value of the securities/units after haircut shall be considered. ICCL may revise the list of approved securities/units and the norms in respect of same from time to time. Clearing Members shall regularly monitor their valuation of securities/units lying towards Liquid Assets and replace/replenish the same based on the revised list of approved securities/units and change in norms.

Clearing Members shall also ensure that only eligible securities are pledged and lying towards their Liquid Assets with ICCL and that the said securities are not subject to any lock in period, any charge or lien, encumbrance of any kind, or such other limitations or title is questioned before the court or any regulatory body.

### **Procedure for pledging of demat securities/units towards Liquid Assets**

Clearing Members need to follow the following procedure for availing the facility to pledge demat securities /units towards Liquid Assets:

- ✓ Clearing Members need to execute a deed of pledge in favour of ICCL, for deposit of approved securities towards liquid assets with ICCL for the concerned segment in the prescribed format stipulated by ICCL.
- ✓ The said deed of pledge should be stamped and signed by (i) Clearing Member in case of individual membership, (ii) all partners in case of a Partnership Firm (iii) In case of a company by any two of the following persons (Managing Director, Whole-time Director and other Directors on the board of the member company).
- ✓ The pledge needs to be submitted to ICCL along with the covering letter and certified true copy of the board resolution pertaining to the authorised signatories of the pledge deed.

➤ **Government Securities towards Liquid Assets**

Clearing Members can deposit eligible securities of Central Government (GSec) and Treasury Bills (T-bills) through RBI E-Kuber System or through demat mode. The list of such eligible securities is available on <https://www.bseindia.com/members/downloads.aspx?expandable=9>  
**(Refer Annexure 1.4.10.3.2)**

**The procedure for submitting G-sec's as collateral shall be as under:**

- ✓ Members desirous of providing G-sec's will inform ICCL about the details of such G-Sec's as per the stipulated format. A copy of such letter should be emailed at [bse.csd@bseindia.com](mailto:bse.csd@bseindia.com)  
**(Refer annexure 1.4.10.3.1 for Gsec procedure & formats)**  
<https://www.bseindia.com/members/downloads.aspx?expandable=9>

- ✓ The details filled in said format by the Member brokers need to be entered into in the Ekuber System under Margin Transfer Module before 5.00 pm for transfer of securities to the following CSGL account of ICCL.

Account Name : Indian Clearing Corporation Ltd. -CSGL Account.  
 CSGL Account No. : 53111600001

- ✓ The process of transfer will get completed on confirmation of the transfer instructions received by ICCL through EKUBER for acceptance of the said Govt. Securities.
- ✓ Members may note that the valuation of G-Sec's shall be based on the latest available closing price (subject to a minimum hair-cut of 10%) of G-Sec's.
- ✓ Member brokers may note that the periodic coupon/redemption payments received on such G-Sec's will be distributed/passed by ICCL to concerned Clearing Members by crediting the same to their settlement Accounts with the designated Clearing banks upon receipt of amount from RBI.

➤ **Procedure for deposit of Commodities towards Liquid Assets**

- ✓ Clearing Members can avail the facility to deposit the approved commodities towards collateral deposits.
- ✓ Clearing Members need to execute a deed of pledge in favour of ICCL, for deposit of approved commodities towards liquid assets with ICCL as per the prescribed format.

- ✓ To begin with, Clearing Members can deposit Bullion towards collateral. Members will be informed about the addition of commodities in the approved list of commodity towards collateral.
- ✓ Clearing member shall mark the Bullion deposited with the vaults as collateral (Kindly refer Annexure 3-Settlement Process for process of deposit Bullion) in the Collateral Management System post confirmation of the receipt of commodity in the collateral module.
- ✓ Commodities will be valued on the basis of previous day's closing price for the near month futures contract of the respective commodity.
- ✓ Once the near month contract enters the tender period, rates of the immediate far month contract shall be considered for the purpose of valuation.
- ✓ The valuation of the commodities will be done on daily basis and the valuation arrived at, will be subject to the commodity wise haircut to arrive at the eligible value of the collateral.

## 5. Process for withdrawal of Collateral (Liquid Assets)

- ✓ Clearing Members can place their on-line requests as per the timelines for release of Liquid Assets deposited by them with ICCL to the extent of collateral which is not utilised/blocked towards margins and/or other obligations of the member through the collateral module provided to them.
- ✓ In Collateral Module, clearing members are required to update their release requests by selecting 'commodity segment' and the respective collateral type of release ie. Cash, FDR, BG, Security, Commodity etc.
- ✓ Such requests may be considered by ICCL, inter alia, subject to availability of un-utilised collateral of the member after due adjustments for the fulfilment of all obligations and liabilities of the member towards ICCL/BSE as per the Bye Laws, Rules and Regulations of ICCL/BSE or anything done in pursuance thereof.
- ✓ For withdrawal of G-Secs (deposited towards Liquid Assets with ICCL), members will also be required to send the release request through E-kuber system on a working day to ICCL. (**Refer annexure 1.4.10.3.1 for Gsec release format**)  
<https://www.bseindia.com/members/downloads.aspx?expandable=9>

## 6. Transfer of collateral from one trading segment to another trading segment

- ✓ Clearing Members, who intend to transfer collateral across segments need to send their on-line instruction in respect of same through the Collateral Module.
- ✓ Members can log-in through specific user-ids and passwords into the Collateral Module.
- ✓ Clearing Members can avail facility of on-line transfer of collateral except commodity collateral across segments to the extent of the available amount of unutilised collateral (collateral which is not utilised/blocked towards margins and/or other obligations of the member).
- ✓ The transfer requests received from Clearing Members through the Collateral Module shall be treated as request from the member and no separate letter would be required to be submitted.
- ✓ In case of Bank Guarantee, only Fungible BGs will be allowed for transfer across segments.
- ✓ Certain types of collateral cannot be transferred to other segments where such collateral is not eligible.
- ✓ The evaluation of collateral transfer across the segments will be subject to hair-cut and other criteria/norms in respect of the concerned segments as specified by SEBI/BSE/ICCL in this behalf from time to time.
- ✓ Clearing Members may verify the details of their request for transfer and its status in the Class Collateral Module.