



NATIONAL SECURITIES CLEARING CORPORATION LIMITED

DEPARTMENT : FUTURES & OPTIONS SEGMENT

Download Ref No : 19893

Date : January 27, 2012

Circular Ref. No : 1369/2012

To

All Members,

Sub: Voluntary Close out Facility in F&O Segment

Further to circular download ref No NSE/FAOP/19873 dated January 25, 2012 regarding mock trading on January 28, 2012 members are requested to note the details of the new 'Voluntary Close out' facility.

Currently on capital utilization going beyond 100% clearing/trading members are disabled. In the existing close-out facility trading members are permitted to only close-out open positions and not allowed to take fresh positions. Also currently, trading facility of the Trading Member is withdrawn when the open position of any trading member, exceeds the trading member position limits.

To enhance the risk management capabilities of the clearing/trading members and to avoid a situation of disablement, members are now being provided an additional risk management facility - the Voluntary Close out. This facility enables clearing/trading members to voluntarily define a limit for margins/ positions beyond which all the orders would get risk managed.

Clearing members desirous of availing the facility shall define limit for margins (upper limit) beyond which they shall move into Voluntary Close out mode and a limit (lower limit) below which they shall move out of Voluntary Close out mode. Similarly trading members desirous of availing the facility shall define separate limits for margins and positions (upper limit) beyond which they shall move into Voluntary Close out mode and a limit (lower limit) below which they shall move out of Voluntary Close out mode.

These limits shall be defined in NCMS-FO and shall be within a set band. The limits can be modified intra-day provided the member is not in the Voluntary Close out mode.

When the margin utilization exceeds the upper limit the clearing/trading member shall move in Voluntary Close out mode and following shall apply:

- In case of Clearing Member all Trading Members under such Clearing Member shall also move in the Voluntary Close out Mode
- All outstanding orders shall get cancelled
- Members shall be permitted to create fresh positions and also close out the existing positions
- Incoming orders shall be risk managed for sufficiency of margins
- Members shall not be allowed to place orders with custodial participant code
- Clearing members will not be allowed to Approve/Reject trades

- Trade modification shall not be permitted
- Member shall be allowed to modify the lower limit

When the position limit utilization exceeds the upper limit the trading member shall move in Voluntary Close out mode and following shall apply:

- Trading Member shall move in voluntary close out mode only in respect of security/index in which limit has exceeded
- Outstanding orders only for such security shall get cancelled
- Incoming orders shall be risk managed for sufficiency of position limit for such security/index
- Members shall not be allowed to place orders with custodial participant code for such security/index
- Trade modification shall not be permitted
- Member shall be allowed to modify the lower limit

Members are requested to note that during the mock trading on Saturday, January 28, 2012 NSCCL shall set the limits on behalf of the members.

The effective date for the facility shall be subsequently intimated.

All the other conditions and risk management requirements currently applicable shall continue. Further, this facility does not dilute the powers of the Clearing Corporation to close-out under its Bye-Laws, Regulations and Circulars.

Members are advised to take note of the above.

For any further clarifications please contact the following officials of the Clearing Corporation:

Mr Pradip Naiknavare, Mr Bhuvnesh Sharma, Mr Abhijeet Sontakke

Yours Sincerely,

For National Securities Clearing Corporation Ltd.

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