

February 23, 2022

MCCIL/MEM/2161/2022

Format for allocation of collateral

This is with reference to SEBI circular no SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021 on Segregation and Monitoring of Collateral at Client Level. The circular inter-alia stipulates that for collateral (other than securities placed through margin pledge mechanism) placed with the Clearing Corporation (CC), the CCs shall provide a facility to Clearing Members (CMs) for upfront segment-wise allocation of collateral to Trading Member (TM) / client or CM's own account. The CCs shall use such collateral allocation information to ensure that the collateral allocated to a client is used towards the margin obligation of that client only.

Accordingly, Metropolitan Clearing Corporation of India Limited (MCCIL) will provide a facility through member portal (<https://mycc.mclear.in/>) to CMs for uploading cash component collateral allocation file (other than cash component placed through margin pledge mechanism). The details of file formats are provided in **Annexure**.

Members are advised to take note of the same.

For clarifications, members may contact Member Compliance team on 022-68316600/601/602 or send an email to membercompliance@mclear.in

For and on behalf of
Metropolitan Clearing Corporation of India Limited

Ganesh Kanauiya
Senior Manager

Encl:
Annexure



Annexure

Treatment of collaterals in the form of securities pledged through depositories

The break-up of collaterals in the form of securities pledged through depositories which are already available with the CC will be used for client limit computation. If the pledged value includes any cash equivalent such as cash mutual funds or G-Secs, such value (after daily valuation and applicable haircut) shall be considered as cash equivalent collaterals provided by the respective entity (CM/TM/Client). Pledged value excluding cash equivalent shall be considered as non-cash collaterals (after daily valuation and applicable haircut) provided by the respective entity (CM/TM/Client).

Treatment of G-Secs Value received through e-Kuber (SGL)

As per the current procedure, a CM may provide G-Secs as collateral to the CC. The eligible value (after daily valuation and applicable haircut) of G-Secs provided by CM will be considered towards the cash-equivalent collaterals for CM Proprietary level limit computation.

Treatment of Bank Guarantees (BG) / Fixed Deposits (FD) and Cash Collaterals provided by CM

The BG/FD/Cash placed by the CM with CC could have been created using the collateral placed by the TM/Clients or the own collateral or credit lines of the CM. Accordingly CM will be able to allocate the aggregate value of BG/FD/Cash to CM Prop/TM Prop/Clients. A facility will be provided to the CM to download a file containing allocated value of BG/FD/Cash at CM Prop/TM Prop/Client level.

CM will be able to download the allocation file from MyCC interface.

- The amount mentioned in the file would be the final allocation requested amount for the mentioned combination. When the CM downloads this file for the first time, the amount will be zero as no allocation is available in the system. In the subsequent instances, the previously allotted value will be shown.
- After upload of the first full allocation file, all subsequent files uploaded by CMs would be for changing the allocated collateral amounts of existing TM/Client/CP or for adding collateral allocation for any new TM/Client/CP.
- CM can view the aggregate value of Cash + Cash equivalent and Non Cash on real time basis on MyCC interface.

CM is required to upload cash component allocation in the following format.

File Format – Comma separated
 File nomenclature -
 <MEMCODE>_ALLOC_<DDMMYYYY>.T<batchno>
 MEMCODE – Primary member code
 DDMMYYYY – Current business date
 Batch No – Batch no will be unique four-digit no

File Structure:

Sr. No.	Field Details	Data Type	Length	Description	Sample Value
1	Current Date	String	11	DD-MON-YYYY	01-Jan-2022
2	Segment	String	3	ECM – Cash Market EDS – Future & Options CDS– Currency derivatives DMS– Debt COM– Commodity	CM
3	CM Code	String	6	Primary Member Code of Clearing Member	22222
4	TM Code	String	5	Trading Member Code	
5	CP Code	String	12	Custodial Participant Code	
6	Cli Code	String	10	Client Code	
7	Account Type	String	1	Prop – P, Client – C	P
8	Amount	Number	15.2	Amount	10000
9	Filler1	String	20	Filler. Reserved for future.	
10	Filler2	String	20	Filler. Reserved for future.	
11	Filler3	String	20	Filler. Reserved for future.	
12	Filler4	String	20	Filler. Reserved for future.	
13	Filler5	String	20	Filler. Reserved for future.	
14	Filler6	String	20	Filler. Reserved for future.	
15	Action	String	1	U- Upward, D-Downward	U

Note:

- The amount mentioned in the file would be the final allocation requested amount for the mentioned combination. Accordingly, the value provided in the file shall replace the previous values for the mentioned combination.
- In case of allocation to CM Prop, values in TM Code, CP Code, Client Code will be blank
- In case of allocation to TM Prop, values in CP Code, Client Code will be blank
- In case of allocation to CP, values in TM Code, Client Code will be blank

Examples of various records are as under:

Sr.no	Particulars	Record Format
1	CM Prop allocation record	01-JAN-2022,CM,22222,,,P,1000,,,,,U
2	TM Prop allocation record	01-JAN-2022,CM,22222,11111,,,P,1000,,,,,U
3	CP allocation record	01-JAN-2022,CM,22222,,ABCD,,C,1000,,,,,U
4	Client allocation record	01-JAN-2022,CM,22222,11111,,XYZ,C,1000,,,,,U
5	Increasing client allocation to 2000 from existing lower value	01-JAN-2022,CM,22222,11111,,XYZ,C,2000,,,,,U
6	Reducing client allocation to 1000 from exiting higher value	01-JAN-2022,CM,22222,11111,,XYZ,C,1000,,,,,D
7	Reducing client allocation to 0 from exiting higher value	01-JAN-2022,CM,22222,11111,,XYZ,C,0,,,,,D

Upon upload of file in appropriate format and batch number, the system will provide an option to download a response file in the following format with status of every record.

File

File Format – Comma separated
 File nomenclature -
 <MEMCODE>_ALLOC_<DDMMYYYY>.<File Status><batchno>
 MEMCODE – Primary member code
 DDMMYYYY – Current business date
 Batch No – Batch no will be unique four-digit no
 File Status – ‘S’ for successful file; value will be updated for all successful records.
 ‘F’ for failed file; value will not be updated for any records.

File Structure:

Sr. No.	Field Details	Data Type	Length	Description	Sample Value
1	Current Date	String	11	DD-MON-YYYY	01-Jan-2022
2	Segment	String	3	ECM – Cash Market EDS – Future & Options CDS– Currency derivatives DMS– Debt COM– Commodity	CM
3	CM Code	String	6	Primary Member Code of Clearing Member	22222
4	TM Code	String	5	Trading Member Code	
5	CP Code	String	12	Custodial Participant Code	
6	Cli Code	String	10	Client Code	
7	Account Type	String	1	Prop – P, Client – C	P

8	Amount	Number	15.2	Amount	10000
9	Filler1	String	20	Filler. Reserved for future.	
10	Filler2	String	20	Filler. Reserved for future.	
11	Filler3	String	20	Filler. Reserved for future.	
12	Filler4	String	20	Filler. Reserved for future.	
13	Filler5	String	20	Filler. Reserved for future.	
14	Filler6	String	20	Filler. Reserved for future.	
15	Action	String	1	U- Upward, D-Downward	U
16	Error Code	Number	8	Error code	

Validations and Error Codes:

The system will compute the aggregate value allocated across the entities of the CM to ensure that the aggregate allocated value does not exceed the available collateral value placed by the CM in the form of BG/FD/Cash. In case the aggregate value exceeds the available collateral value placed by the CM in the form of BG/FD/Cash, all records in the file will be rejected with error code '1100'

List of Error Codes

Error Code	Error Description
0000	File Level Rejection. Duplicate file ID or incorrect file name.
1100	File Level Rejection. For failed files due to excess allocation
1111	Successful Record
2222	Invalid Record Format (which means that the number of fields in the record is different from the specified number of fields)
3333	Duplicate Record (which means another successful record exists in the same file with same combination of first 7 fields)
00<Field No>	Invalid value in the field
01<Field No>	Missing Mandatory Fields

*Kindly note that there may be addition/removal of error codes or change in error description in above list.

For every successful record, system will update the cash component value of the respective entity by overwriting the existing value. Revised limit will be computed for all entities under the CM.

CMs have facility to download response file based on filter field's criteria.

Facility to allocate excess cash component at CM Prop level and TM Prop level to entities under CM/TM so that such entities' excess non-cash will be considered for limit computation

As per extant regulatory requirements, 50% of the liquid assets at the CM level should be in the form of cash & cash equivalents. As per the proposed changes, limits will be computed at client level and therefore an appropriate mechanism must be provided to ensure that the non-cash component at client level is effectively utilised for margin limit computation, while ensuring collateral of one client is not used for another client and aforesaid SEBI requirement regarding cash & cash equivalent is maintained at CM level.

For this purpose, the following methodology will be adopted:

1. Excess Cash Component and Excess Non-Cash will be computed for each entity (CM Prop/TM Prop/End Client/CP Code) based on the Cash Component allocation by the CM, value of securities pledged in dematerialised form through depositories and G-Secs received through eKuber system.
2. Excess Cash Component of one Client /CP Code will not be considered for providing benefit of Excess Non-Cash for another Client /CP Code.
3. Excess Cash Component at TM Prop Level will be considered for providing benefit of Excess Non-Cash of Clients under the said TM (and not for CM Prop, another TM Prop, CP Code or Clients under another TM)
4. Excess Cash Component at CM Prop Level will be considered for providing benefit of Excess Non-Cash of Prop position and Clients of TMs under the CM and CP Code under the CM.
5. System will follow a proportional allocation of available Excess Cash Component for allocation based on Excess Non-Cash of entities.
6. Entity level limits will be computed based on the aforesaid allocation of Excess Cash Component against Excess Non-Cash.
7. CC will provide a facility to the CM to download a detailed report containing information of limits computed at entity level, for verification of limits. The format of the same is available on (<https://mycc.mclear.in/>).
8. Entity level limits as mentioned above would be computed by system automatically at the begin of the day. CM has facility to change the allocation and upload the revised file.

Handling of Expiry of Collaterals

In case of expiry of any collaterals resulting in reduction of available collaterals (BG+FD) at CM level and if the remaining available collaterals (BG+FD+Cash) falls below the aggregate allocated value at CM level, then remaining available collaterals will be allocated proportionately in the ratio of latest available allocation details (i.e., Ratio of Cash Component Value allotted by the CM as per the detailed report containing information of limits).

Please see example below:

Instrument Type	Available Value	Expired Value	Remaining Available Value
BG	40	20	20
FD	50		50
CASH	10		10
Total	100		80

Entity	Allocated Value	Ratio of Allocation	Allocated Value post Expiry
CM	20	0.222222	17.78
TM1	20	0.222222	17.78
TM1CL1	10	0.111111	8.89

TM1CL2	10	0.111111	8.89
TM2	20	0.222222	17.78
TM2CL1	10	0.111111	8.89
Total	90	1	80.00

Kindly note that the proportionate reduction of collateral value as stated above may also impact limit of clients who have not made any contribution towards expiry instrument. Therefore, it is suggested to CMs to either renew the expired collateral on time or request withdrawal of instrument along with updated allocation file.

Web interface to download details of client limits:

CMs, TMs and clients will be able to download details of client limits from the MyCC Portal. CMs and TMs may use the existing user access credentials for the same

MyCC portal registration for clients

Clients (including CP Codes) need to register at MyCC portal to get user credentials. Clients will be required to select/enter the following in the registration page:

Select Client Type	Normal Client	CP Client
Select TM/CM	TM from LoV	CM from LoV
Enter Client Code	UCC	CP Code
Mode for Receipt of OTP	Email/SMS/Both	
Enter Email id or Mobile Number	Client will be required to enter email/mobile number/both for validation with UCC/CP Code database.	
Enter OTP	If email/mobile number/both are correct, the client will receive an OTP in the email/mobile number/both. If the details are not correct, client will be asked to choose appropriate Mode for Receipt of OTP or contact the member for updating email/mobile number/both.	
Create Password & Confirm Password	Upon successful validation of OTP, client will be required to enter a strong password as per password policy and re-enter password for conformation.	
Confirmation of client user creation	Upon completion of user creation, email/SMS/both will be sent to the client with User id	