

Frequently Asked Questions (FAQs) for surveillance measures for Deep Out-of-The Money (OTM) contracts

1) How deep out of the money options shall be identified for the purpose of Exchange circular NSE/SURV/42382?

Deep OTM are those strikes traded by any entity/client in which;

- i. Fresh short positions are created and
- ii. At the time of such trade, the strike price is 30% away from the underlying price

Illustration 1:

Strike Price	Option Type	Order Time	Underlying Price at the time of order	Trade Time	Underlying Price at the time of Trade	Strike price away from underlying	Remarks
135	CE	10:00:00	115	10:10:00	100	35%	Strike to be considered for levy of additional margin
60	PE	10:30:00	90	10:50:00	100	40%	Strike to be considered for levy of additional margin

Strike Price	Option Type	Order Time	Underlying Price at the time of order	Trade Time	Underlying Price at the time of Trade	Strike price away from underlying	Remarks
135	CE	10:00:00	100	10:10:00	115	Below 30%	Strike shall not be considered
65	PE	10:30:00	100	10:50:00	90	Below 30%	Strike shall not be considered

2) What is the methodology for shortlisting entities/clients for levying additional margin?

Only those entities/clients which trades and creates fresh short positions in a strike which is 30% away from the Underlying Price at the time of trade shall be shortlisted.

3) From the shortlisted clients as per (2) above, how clients will be identified on whom additional margin shall be levied?

Clients shall be identified as follows:

1. Top clients subject to a maximum of 10 clients which constitutes 30% of the total fresh short positions in the contract.
2. No clients to be considered if top 10 clients do not account for 30% of the fresh short



position in the contract.

The additional margin shall be levied on such identified clients at the rate of 20% on notional value of the fresh short positions created.

*Notional Value = Close Price of the Underlying * Fresh Short Quantity*

Illustration 1: Scrip: ABC Limited; Option Type: CE.

Strikes: All strikes which during the day were 30% away from the underlying at the time of trade

Client	Fresh Short Open Interest	Percentage to OI	Remarks
A	95	10.02	Shortlisted for additional margin
B	85	8.97	Shortlisted for additional margin
C	78	8.23	Shortlisted for additional margin
D	76	8.02	Shortlisted for additional margin
E	72	7.59	
F	69	7.28	
G	65	6.86	
H	62	6.54	
I	61	6.43	
J	59	6.22	
K	58	6.12	
L	57	6.01	
M	56	5.91	
N	55	5.80	
Total	948		

Illustration 2: Scrip: ABC Limited; Option Type: PE

Strikes: All strikes which during the day were 30% away from the underlying at the time of trade

Client	Fresh Short Open Interest	Percentage to OI	Remarks
F	100	7.30	Shortlisted for additional margin
G	100	7.30	Shortlisted for additional margin
I	99	7.23	Shortlisted for additional margin
A	99	7.23	Shortlisted for additional margin



Client	Fresh Short Open Interest	Percentage to OI	Remarks
E	98	7.15	Shortlisted for additional margin
B	98	7.15	Shortlisted for additional margin
C	97	7.08	
D	97	7.08	
H	97	7.08	
J	97	7.08	
K	97	7.08	
L	97	7.08	
M	97	7.08	
N	97	7.08	
Total	1370		

Additional margin of 20% on the notional value shall be levied and blocked from the collateral deposits of clearing member of the highlighted clients.

4) How will the margin be collected?

The margins levied on clients identified as per (3) above shall be grossed up at the trading member level. The margins grossed up at the trading member level shall be aggregated at the clearing member level and blocked from the collateral deposits of such clearing member.

5) How will the Trading Member be intimated about additional margin?

The following file shall be sent to the Trading Member(s) through extranet on an end of day basis:

TM Code_Addln_Margin_DDMMYYYY.csv containing client wise / scrip wise details of strike which are shortlisted for additional margin as per (3) above.

The above file shall be available for download at the following location:

[Faoftp/Investigation/Dnld](#)

6) How will the Clearing Member be intimated about additional margin?

The following file shall be sent to the Clearing Member(s) through extranet on an end of day basis:

F_Primary Member Code_ASMOTM_DDMMYYYY.csv containing trading member wise / client wise / scrip wise details of strike which are shortlisted for additional margin as per (3) above.



The above file shall be available for download at the following location:

[Faoftp/Letters/Dnld](#)

The Collateral Break up report (CL01) shall also include information on the additional margin blocked from their collateral deposits.

7) When does the Margin get released?

The additional margin shall be retained with Clearing Corporation till expiry of contract or till square-up of positions, whichever is earlier.

In case of any further queries, you may write to us at surveillance@nse.co.in or call on +91-22-26598417 / 8418 / 8129 / 8166.

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