SEBI TWEAKS MARGINING SYSTEM

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Capital Market & SEBI

The Securities and Exchange Board of India (SEBI) has tweaked the margining framework for stocks in the cash and derivatives segment.

As part of the review, the capital markets regulator has divided stocks in the cash segment into three categories based on liquidity to ascertain the so-called value at risk (VaR) margin.

Further, the extreme loss margin has been fixed at 3.5% for any stock, and 2% for exchange traded funds (ETFs) that track broad-based market indices. In the derivatives segment, the regulator has tweaked the methodology for parameters like volatility calculation, calendar spread charge, extreme loss margin and price scan range, among other things.

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